

December 21, 2020

## President Signs Holding Foreign Companies Accountable Act

The Holding Foreign Companies Accountable Act (the “Act”) was signed into law on December 18, 2020. The Act requires rulemaking by the Securities and Exchange Commission (“SEC”) to implement its mandates (see our alert, available [here](#)), which could have the effect of forced delisting of shares/American Depositary Shares of China-based issuers from U.S. stock exchanges if the issue of access to audit work papers by the Public Company Accounting Oversight Board (“PCAOB”) and inspection of China-based accounting firms is not resolved. SEC Chairman Clayton issued a statement shortly after the Act was signed into law (available [here](#)). In his statement, Chairman Clayton indicated that he has directed the SEC staff to consider a single consolidated proposal relating to the issue of PCAOB access, exchange listing standards and trading prohibitions. He has also asked the staff to consider additional issues relating to the Act’s implementation, including disclosure standards. These latter efforts will likely be far broader than the disclosure guidance issued in November by the SEC’s Division of Corporation Finance (see our alert, available [here](#)) and by the SEC’s Division of Investment Management (see ADI 2020-11, available [here](#)).

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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