

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To require disclosures and prohibit trading of securities on a national securities exchange in certain circumstances when an issuer retains a foreign public accounting firm that the Public Company Accounting Oversight Board may not inspect pursuant to the Sarbanes Oxley Act of 2002, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SHERMAN introduced the following bill; which was referred to the Committee on _____

A BILL

To require disclosures and prohibit trading of securities on a national securities exchange in certain circumstances when an issuer retains a foreign public accounting firm that the Public Company Accounting Oversight Board may not inspect pursuant to the Sarbanes Oxley Act of 2002, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited to as the “Holding Foreign
5 Companies accountable Act of 2019”.

1 **SEC. 2. FOREIGN JURISDICTIONS THAT PREVENT INSPEC-**
2 **TION.**

3 (a) IN GENERAL.—Section 104 of the Sarbanes-
4 Oxley Act of 2002 (15 U.S.C. 7214) is amended by adding
5 at the end the following:

6 “(i) FOREIGN JURISDICTIONS THAT PREVENT IN-
7 SPECTION.—

8 “(1) DISCLOSURE.—

9 “(A) NOTIFICATION.—If the Board is un-
10 able to inspect a foreign public accounting firm
11 pursuant to this section that is retained by an
12 issuer to preform an audit of the financial
13 statements of such issuer, the Board shall, to
14 the degree possible, notify such issuer that the
15 Board is unable to inspect such firm pursuant
16 to this section.

17 “(B) DISCLOSURE IN ANNUAL REPORT.—
18 If an issuer required to file a report under sec-
19 tion 13 or 15(d) of the Securities Exchange Act
20 of 1934 retains a foreign public accounting firm
21 to perform an audit of the financial statements
22 of such issuer and the Board notifies the issuer,
23 pursuant to subparagraph (A), that the Board
24 is unable to inspect such foreign public account-
25 ing firm, such issuer shall disclose in the an-
26 nual report of such issuer if such issuer is

1 owned or controlled by a foreign government, or
2 an entity controlled by or acting on behalf of a
3 foreign government.

4 “(2) TRADING PROHIBITION.—

5 “(A) IN GENERAL.—If an issuer required
6 to file a report under section 13 or 15(d) of the
7 Securities Exchange Act of 1934 retains a for-
8 eign public accounting firm to perform an audit
9 of the financial statements of such issuer, the
10 Commission shall prohibit the trading, on a na-
11 tional securities exchange or alternative trading
12 system, of any securities of such issuer if—

13 “(i) in the case of a firm inspected de-
14 scribed under subsection (b)(1)(A), the
15 Board has been unable to perform an in-
16 spection pursuant to this section for 3 con-
17 secutive years; and

18 “(ii) in the case of a firm inspected
19 described under subsection (b)(1)(B), the
20 Board has been unable to perform an in-
21 spection pursuant to this section for 6 con-
22 secutive years.

23 “(B) ENDING OF PROHIBITION.—The
24 Commission shall end a prohibition on trading
25 imposed pursuant to subparagraph (A) if the

1 Board notifies the Commission that the Board
2 has, in the period following the start of such
3 prohibition, inspected a public accounting firm
4 retained by the issuer to perform an audit of
5 the financial statements of such issuer.

6 “(C) NOTIFICATION.—The Commission
7 shall notify each national securities exchange
8 and alternative trading system on each occasion
9 it prohibits the trading of any securities of an
10 issuer pursuant to subparagraph (A) or ends a
11 prohibition on trading pursuant to subpara-
12 graph (B).

13 “(3) RULEMAKING.—

14 “(A) IN GENERAL.—Not later than 90
15 days after the date of the enactment of this
16 subsection, the Commission shall issue rules
17 that establish the manner and form in which an
18 issuer shall make any disclosure required under
19 paragraph (1).

20 “(B) OTHER RULES.—The Commission
21 may issue such other rules as are necessary to
22 carry out this subsection.

23 “(4) DEFINITIONS.—

24 “(A) FOREIGN PUBLIC ACCOUNTING
25 FIRM.—The term ‘foreign public accounting

1 firm' has the meaning given the term in section
2 106.

3 “(B) NATIONAL SECURITIES EXCHANGE.—
4 The term ‘national securities exchange’ means a
5 securities exchange that has registered with the
6 Commission under section 6 of the Securities
7 Exchange Act of 1934.”.