H. R. 1

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.

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

SECTION 1. SHORT TITLE.

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

SEC. 2. FOREIGN JURISDICTIONS THAT PREVENT INSPECTION.

(a) In General.—Section 104 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7214) is amended by adding at the end the following:

“(i) Foreign Jurisdictions That Prevent Inspection.—

“(1) Disclosure.—

“(A) Notification.—If the Board is unable to inspect a foreign public accounting firm pursuant to this section that is retained by an issuer to preform an audit of the financial statements of such issuer, the Board shall, to the degree possible, notify such issuer that the Board is unable to inspect such firm pursuant to this section.

“(B) Disclosures in Annual Report.—

If an issuer required to file a report under section 13 or 15(d) of the Securities Exchange Act of 1934 retains a foreign public accounting firm to perform an audit of the financial statements of such issuer and the Board notifies the issuer, pursuant to subparagraph (A), that the Board is unable to inspect such foreign public accounting firm, such issuer shall disclose in the annual report of such issuer if such issuer is
owned or controlled by a foreign government, or
an entity controlled by or acting on behalf of a
foreign government.

“(2) TRADING PROHIBITION.—

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

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

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

“(B) ENDING OF PROHIBITION.—The
Commission shall end a prohibition on trading
imposed pursuant to subparagraph (A) if the
Board notifies the Commission that the Board has, in the period following the start of such prohibition, inspected a public accounting firm retained by the issuer to perform an audit of the financial statements of such issuer.

“(C) NOTIFICATION.—The Commission shall notify each national securities exchange and alternative trading system on each occasion it prohibits the trading of any securities of an issuer pursuant to subparagraph (A) or ends a prohibition on trading pursuant to subparagraph (B).

“(3) RULEMAKING.—

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

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

“(4) DEFINITIONS.—

“(A) FOREIGN PUBLIC ACCOUNTING FIRM.—The term ‘foreign public accounting
firm’ has the meaning given the term in section 106.

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