

115TH CONGRESS
2D SESSION

H. R. 7234

To amend the Sarbanes-Oxley Act of 2002 to require certain issuers to disclose to the Securities and Exchange Commission information regarding foreign jurisdictions that prevent the Public Company Accounting Oversight Board from performing inspections under that Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 10, 2018

Mr. CONAWAY introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To amend the Sarbanes-Oxley Act of 2002 to require certain issuers to disclose to the Securities and Exchange Commission information regarding foreign jurisdictions that prevent the Public Company Accounting Oversight Board from performing inspections under that Act, 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 as the “Holding Foreign Com-
5 panies Accountable Act”.

1 **SEC. 2. DISCLOSURE REQUIREMENT.**

2 Section 104 of the Sarbanes-Oxley Act of 2002 (15
3 U.S.C. 7214) is amended by adding at the end the fol-
4 lowing:

5 “(i) **DISCLOSURE REGARDING FOREIGN JURISDIC-**
6 **TIONS THAT PREVENT INSPECTIONS.—**

7 “(1) **DEFINITION.—**In this subsection, the term
8 ‘covered issuer’ means an issuer that is required to
9 file reports under section 13 or 15(d) of the Securi-
10 ties Exchange Act of 1934 (15 U.S.C. 78m; 78o(d)).

11 “(2) **DISCLOSURE TO COMMISSION.—**The Com-
12 mission shall—

13 “(A) identify each covered issuer that, with
14 respect to the preparation of the audit report
15 on the covered issuer’s financial statement that
16 is included in a report described in paragraph
17 (1) with respect to the covered issuer, retains a
18 registered public accounting firm to issue such
19 audit report that—

20 “(i) is located in a foreign jurisdic-
21 tion; and

22 “(ii) the Board is unable to inspect
23 under this section because of the applica-
24 bility of the laws or rules of the foreign ju-
25 risdiction; and

1 “(B) require each covered issuer identified
2 under subparagraph (A) to disclose on an an-
3 nual basis to the Commission, in accordance
4 with the rules issued by the Commission under
5 paragraph (3)—

6 “(i) the provisions of law or rule in
7 the jurisdiction described in subparagraph
8 (A)(i) that prevent the Board from per-
9 forming an inspection under this section,
10 as described in subparagraph (A)(ii); and

11 “(ii) the date on which those provi-
12 sions of law or rule no longer prevent the
13 Board from performing that inspection.

14 “(3) TRADING PROHIBITION AFTER 3 YEARS OF
15 NON-INSPECTIONS.—

16 “(A) IN GENERAL.—If the Commission de-
17 termines that a covered issuer has 3 consecutive
18 non-inspection years, the Commission shall pro-
19 hibit the securities of the covered issuer from
20 being traded on a national securities exchange.

21 “(B) REMOVAL OF INITIAL PROHIBI-
22 TION.—If, after a prohibition required under
23 subparagraph (A), the issuer subject to the pro-
24 hibition certifies to the Commission that the
25 issuer will retain a registered public accounting

1 firm that the Board is able to inspect under
2 this section, the Commission shall end the pro-
3 hibition imposed pursuant to subparagraph (A).

4 “(C) RECURRENCE OF NON-INSPECTION
5 YEARS.—If, after the ending of a prohibition
6 under subparagraph (B) or (D), the Commis-
7 sion determines that a covered issuer has a
8 non-inspection year, the Commission shall pro-
9 hibit the securities of the covered issuer from
10 being traded on a national securities exchange.

11 “(D) REMOVAL OF SUBSEQUENT PROHIBI-
12 TION.—If, after the end of a 5-year period be-
13 ginning on the date of a prohibition required
14 under subparagraph (C), the issuer subject to
15 the prohibition certifies to the Commission that
16 the issuer will retain a registered public ac-
17 counting firm that the Board is able to inspect
18 under this section, the Commission shall end
19 the prohibition imposed pursuant to subpara-
20 graph (C).

21 “(E) NON-INSPECTION YEAR DEFINED.—
22 For purposes of this paragraph and with re-
23 spect to a covered issuer, the term ‘non-inspec-
24 tion year’ means a year—

1 “(i) during which the Commission
2 identified the covered issuer under para-
3 graph (2)(A) with respect to every report
4 described in paragraph (1) filed by the cov-
5 ered issuer during such year; and

6 “(ii) that begins after the date of the
7 enactment of this subsection.

8 “(4) RULES.—Not later than 90 days after the
9 date of enactment of this subsection, the Commis-
10 sion shall issue rules that establish the manner and
11 form in which a covered issuer shall make a disclo-
12 sure required under paragraph (2)(B).”.

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