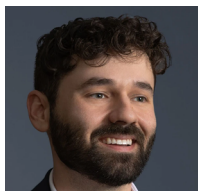


Market Trends 2025/26: Disclosure on the Holding Foreign Companies Accountable Act

A Practical Guidance® Practice Note by Liz Walsh and David Breyer, Mayer Brown LLP



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This practice note examines the Holding Foreign Companies Accountable Act (HFCAA) and its implications for foreign companies whose securities trade on U.S. national securities exchanges or over-the-counter markets. It outlines the HFCAA framework governing issuers whose auditors cannot be inspected or investigated completely by the Public Company Accounting Oversight Board (PCAOB), including issuer identification, disclosure requirements and potential trading prohibitions after two consecutive non-inspection years.

The note traces developments concerning PCAOB access to audit firms in mainland China and Hong Kong, including the 2022 Statement of Protocol, subsequent inspections and enforcement activity, and the PCAOB's continuing authority to issue new HFCAA determinations. It also covers SEC Staff guidance addressing PRC-based companies, government ownership and control, variable interest entity structures, required approvals, government intervention and related regulatory risks.

Drawing on recent SEC filings, the note surveys HFCAA-related disclosure practices in the Business, Risk Factors, and Management's Discussion and Analysis sections, including disclosure concerning auditor inspection status, delisting and trading risks, foreign regulation, and China-related operations. It concludes by addressing disclosure enhancements concerning HFCAA status, audit committee oversight, risk management, auditor changes, potential delisting, Nasdaq listing standards, SEC enforcement scrutiny, and geopolitical risks.

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Liz Walsh is counsel in Mayer Brown's Washington DC office and a member of the Public Companies & Corporate Governance and Capital Markets practices. She advises public companies on their obligations under the federal securities laws and on related corporate governance requirements. Liz also provides advice to public companies regarding compliance with SEC executive compensation disclosure requirements and Section 13 and Section 16 reporting. In addition, she advises on corporate governance matters, including advice regarding director independence, board committee structure and charters, codes of conduct, corporate governance guidelines, controls and procedures, CEO and CFO certifications, and NYSE and Nasdaq requirements.

Liz spent over 11 years at the US Securities and Exchange Commission in the Division of Corporation Finance. She most recently served as Acting Director of the Office of Small Business Policy and previously served as Special Counsel to the Deputy Director of the Division. At the SEC's Office of Small Business Policy, Liz counseled on the administration of the federal securities laws and regulations that particularly affect small businesses, including the smaller reporting company requirements, as well as the capital-raising exemptions from Securities Act registration. She also assisted with the Division's substantial revisions to the exempt offering framework, including the adoption of changes to the accredited investor definition and rule amendments intended to harmonize and simplify the offering exemptions in 2020.

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