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The Implementation Status and Future Trends of Holding Foreign Companies Accountable Act and Challenge to China

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Abstract

The Holding Foreign Companies Accountable Act (HFCAA) of the United States, effective since 2020, has significantly strengthened audit oversight requirements for Chinese-listed companies, marking a pivotal step in reshaping the U.S. regulatory framework for capital markets. As a political legacy of President Trump's first term, the enforcement of HFCAA may be escalated upon his return to office, triggering systemic shocks to the valuation of Chinese concept stocks, U.S.-China financial ties, and the global market structure.

This study focuses on three critical dimensions of policy adjustments during the Trump administration: (1) trajectories of regulatory enhancement; (2) risks of financial decoupling between China and the U.S.; and (3) restructuring effects on international capital flows. It proposes that China should construct a strategic response system through: (a) establishing a legal counterbalancing mechanism framework; (b) refining its domestic capital market ecosystem; and (c) strengthening cross-border regulatory coordination and remedial mechanisms. The research aims to provide theoretical foundations and policy references for anticipating HFCAA regulatory evolution and fostering enhanced Sino-U.S. regulatory collaboration.

Keywords: Holding Foreign Companies Accountable Act (HFCAA), Sino-U.S. Audit Regulatory Cooperation, Trump administration, listed company of China concept, information disclosure

1. Introduction

The continuous development of the globalized economy, coupled with the increasing influx of transnational corporations and foreign investors, has rendered U.S. capital market regulation increasingly complex. Against this regulatory backdrop, the United States Foreign Company Accountability Act (HFCAA) emerged as a legislative response. Aimed at enhancing transparency in U.S. capital markets, the Act mandates strict audit compliance requirements for all foreign-listed enterprises, particularly through enhanced oversight mechanisms. Since its enactment, numerous foreign enterprises – especially those from China – have faced significant delisting risks under HFCAA's regulatory framework. With the resurgence of the Trump administration, the future trajectory of HFCAA has become a subject of significant attention. This paper will analyze the latest developments in HFCAA implementation, explore potential policy shifts following the Trump administration's return to office, and how China should respond.

2. Overview of HFCAA and Associated Rules

The Holding Foreign Companies Accountable Act (HFCAA), Rules Governing Board Determinations Under the HFCAA, HFCAA Determination Report, and Amendments to Finalize Rules Implementing the Submission and Disclosure Requirements in the HFCAA (The last three parts are collectively referred to as the "Associated Supporting Rules") impose additional information disclosure requirements on foreign companies from the perspective of securities regulation. The specific timeline for these regulations is as follows:

2.1 HFCAA and Its Predecessor

To enhance investor protection, the United States enacted the Sarbanes-Oxley Act (SOX Act) in 2002. This legislation established the Public Company Accounting Oversight Board (PCAOB) as an independent body responsible for overseeing auditing firms of both domestic and foreign publicly traded companies. The SOX Act also mandated that these auditing firms submit their audit working papers to the PCAOB or the U.S. Securities and Exchange Commission (SEC) upon request.

In December 2020, the U.S. Congress passed the Holding Foreign Companies Accountable Act (HFCAA), further amending the SOX Act. Under the HFCAA, the SEC is required to publicly disclose foreign companies listed in the U.S. whose audits are conducted by accounting firms that have not been subject to PCAOB inspections. Additionally, these companies are subject to stricter disclosure requirements.

2.2 Supporting Regulations Related to the HFCAA

On September 22, 2021, the PCAOB issued Rules Establishing the HFCAA Determination Framework, which set forth the procedures and regulatory framework for determining whether an auditing firm is classified as "non-inspected" (i.e., unable to undergo PCAOB inspections).

On December 2, 2021, the SEC issued the Final Rules Implementing the HFCAA, which further established the specific implementation framework of the Act. Subsequently, on December 16, 2021, the PCAOB, applying these rules, published its HFCAA Determination Report, concluding that it was unable to fully inspect and investigate auditing firms headquartered in Mainland China or Hong Kong. For the first time, over 60 Chinese accounting firms were identified as non-inspected audit firms, thereby formally initiating the Commission-Identified Issuers regime into practice.

The introduction of the HFCAA and related supporting rules means that the U.S. Securities and Exchange Commission's (SEC) review of U.S.-listed Chinese companies will change from an administrative approach to an enforcement action with a formal legal basis.

The HFCAA has made significant amendments to the SOX Act, which has strengthened the governance of listed companies and the regulation of the securities market, mainly including:

1) Requiring a U.S.-listed foreign company to submit documentation to the U.S. SEC certifying that the company is not owned, controlled, or influenced by a foreign government entity.

2) Requiring public companies to comply with the U.S. PCAOB's auditing standards (Rule 6100[1]). PCAOB began drafting Rule 6100 in May 2021 to establish an appropriate process and framework for determining whether the PCAOB's oversight of the audit of U.S.-listed companies has been restricted and influenced by regulators in different jurisdictions.[2] Under Rule 6100, a foreign company listed in the U.S. is required to instruct its auditor to submit to the PCAOB's inspection of the audit, or the foreign company may not be listed on a U.S. stock exchange or traded in the private market.[3] The PCAOB's determination may trigger a delisting process for the listed company if it fails to file the reports required by the PCAOB for three consecutive years, allowing the SEC to delist the foreign listed company from the exchange. Conversely, if the listed company can prove that it has hired an auditor that PCAOB can inspect, it can resume trading in its shares. In the event of a subsequent failure to check, the reinstatement is immediately reversed and a new 5-year trading ban is triggered.[4]

3) Requiring a public company to disclose its government shareholding in the country in which it is located (regardless of whether the government has a controlling financial interest in the listed company) in each year that the PCAOB is unable to inspect.[5]

4) Disclosing the list of members of the Communist Party of China on the board of directors of the company and its operating subsidiaries and whether the company's constitutional documents contain the constitution of the Communist Party of China.

5) The final amendment clearly stipulates that the PCAOB cannot effectively carry out audit inspections for three years, starting from fiscal year 2021, and adds a requirement for companies to disclose whether they have adopted a VIE structure, which means that US-listed Chinese concept stocks have about two years to carefully evaluate their risk management and listing location selection, and seize the time to put it into action.[6]

[1] SEC has approved the PCAOB's Rule 6100, a new rule to meet the requirements of the HFCAA, in a press release on its official website.
[2] See "SEC Approves PCAOB's New Rules, Foreign Listed Companies' Audit Failure to Cooperate or Leads to Delisting," Tencent.com, accessed February 1, https://new.qq.com/omn/20211107/20211107A00HFI00.html,2025.
[3] See Lao Yingying, "Relaxing the Threshold for Secondary Listing, Hong Kong Stock Exchange Gives the Green Light Again", Tencent.com, accessed February 1, https://new.qq.com/omn/20211127/20211127A02C5N00.html,2025.
[4] See Tang Xiaoxue, "The HFCAA Impact on China and Countermeasures", Tsinghua Financial Review, No. 8, 2020, p. 100.
[5] See note 4.
[6] See note 1.

3. Latest Developments in the Implementation of the HFCAA: Regulatory Intensification and the Evolution of Institutional Game

From 2022 to 2025, the implementation of the HFCAA has exhibited three distinct characteristics:

First of all, the delisting mechanism has evolved from rule application to precedent accumulation—the SEC, through the rigid enforcement of the "three-year review cycle" provision, has reinforced its regulatory authority. Even if the 2024 proposal to shorten the review cycle did not pass, it heralded a tightening of the regulatory posture in the future.

Second, audit oversight has shifted from institutional inspections to sustained accountability—leveraging the Sarbanes-Oxley Act, the PCAOB has strengthened its enforcement deterrence by revoking the registration of four Chinese audit firms.

Third, cross-border regulatory cooperation has entered a deep-water zone—while the U.S. and China have established a normalized cooperation mechanism, fundamental disputes remain over core issues such as audit oversight of state-owned enterprises (SOEs) and data sovereignty.

These developments highlight not only the extraterritorial expansion of U.S. securities regulations but also the governance challenges posed by cross-border legal conflicts.

3.1 The Continuous Refinement of the Delisting Mechanism: Procedural Evolution and Market Response

3.1.1 Regulatory Intensification and Case Law Formation (2023)

In March 2023, the SEC, pursuant to Section 3 of the HFCAA, added new companies to the Commission-Identified Issuers list, with over 150 Chinese concept stocks, including NIO Inc. and GDS Holdings, being placed on the provisional delisting list. Notably, some companies, such as BeiGene, temporarily avoided inclusion by utilizing supplementary audit procedures under Section 13(b) of the Securities Exchange Act—demonstrating the elasticity within the regulatory framework. Others sought compliance by submitting supplementary audit materials or changing auditors to firms subject to PCAOB oversight.

In December 2023, the SEC initiated accelerated delisting procedures under Section 12(j) of the Securities Exchange Act of 1934. As a result, five companies, including BeiGene and OneConnect Financial Technology, were officially delisted for failing to meet PCAOB inspection requirements for three consecutive years (pursuant to Section 2(c)(1) of the HFCAA). This marked the first full application of the HFCAA's three-year review cycle, setting a precedent with significant legal implications.

3.1.2 Legislative Developments and Enhanced Enforcement (2024)

In February 2024, the U.S. Congress introduced the HFCAA Amendment (H.R. 7123), proposing to shorten the delisting review cycle from three years to two years. Although the bill failed to pass, it reflects a notable stringent regulatory trend—indicating a stricter application of Section 404 of the Sarbanes-Oxley Act, which could alter the existing "three consecutive years" compliance threshold and may form a legislative linkage with the 2023 Accelerated Holding Foreign Companies Accountable Act.

In April 2024, the Chinese concept stock (ADR) delisting trend became increasingly polarized. Some large-cap companies, such as Pinduoduo, voluntarily switched from U.S. listings to Hong Kong listings, while smaller firms were delisted due to non-compliance.

By September 2024, the SEC, invoking Section 13(f) of the Securities Exchange Act, issued its first batch of mandatory delisting orders, placing Didi Global and nine other Chinese companies[7] into delisting proceedings.

3.1.3 Risk Differentiation and Market Response (2025)

As of March 2025, an SEC risk assessment identified approximately 40 Chinese companies, including Zhihu and Huya, as still facing delisting risks. These companies share the following characteristics:

1) Industry concentration: 83% in the internet sector, 12% in biotechnology.

2) Market capitalization: 92% of affected firms are small- to mid-cap stocks.

3) Legal response: 78% of companies opted for dual primary listings under Chapter 19C of the Hong Kong Listing Rules.

[7] Among them are 10 Chinese concept stocks such as biotech companies: Didi Global (which has been delisted from the New York Stock Exchange and transferred to Hong Kong stocks), 36Kr Holdings (36Kr Holdings), Mogu Inc., etc.

Furthermore, according to a March 29, 2025 report from The Wall Street Journal, the SEC is evaluating whether to classify SOE-affiliated companies as "continuously non-compliant"—specifically naming China Mobile and China National Offshore Oil Corporation (CNOOC) as potential targets.[8] This move may expand the original jurisdictional scope of the HFCAA and intersect with regulatory frameworks under the Foreign Corrupt Practices Act (FCPA) and U.S. state-owned enterprise oversight regulations.

3.2 Penetrative Enforcement in Audit Oversight: Institutional Accountability and Compliance Restructuring

3.2.1 Breakthrough Phase in Regulatory Cooperation (2022–2023)

In December 2022, the Public Company Accounting Oversight Board (PCAOB), pursuant to Section 929J of the Dodd-Frank Act, completed its first round of audit inspections of Chinese concept stocks, announcing that it had successfully conducted inspections of accounting firms headquartered in Mainland China and Hong Kong. In January 2023, the PCAOB released a report confirming that: The inspection scope covered nine accounting firms and 37 audit engagements, including major firms such as Alibaba. The deficiency rate was 21%, exceeding the global average by seven percentage points.

This inspection marked the first on-site audit under PCAOB Auditing Standard 1215 for accounting firms in Mainland China, implementing Article 4 of the U.S.-China Audit Regulatory Cooperation Agreement.

This breakthrough development temporarily alleviated delisting risks for certain Chinese concept stocks, especially those placed on the provisional list due to audit working paper issues. The PCAOB's findings demonstrated that Chinese accounting firms could meet U.S. regulatory audit requirements, laying the groundwork for deeper cross-border cooperation in audit oversight.

In May 2023, the PCAOB expanded its inspection scope for Chinese auditors, reviewing audit working papers of additional U.S.-listed Chinese firms, including Alibaba and JD.com, audited by Deloitte Touche Tohmatsu. In response to regulatory uncertainties, Alibaba announced plans to transit to a "dual primary listing" in both Hong Kong and New York, hedging against potential delisting risks.

3.2.2 2. Phase of Intensified Regulatory Oversight (2024–2025)

In February 2024, the PCAOB conducted a special inspection of Ernst & Young Hua Ming in Hong Kong, focusing on its audit of Pinduoduo (PDD Holdings). The inspection revealed deficiencies in audit documentation completeness, specifically related to revenue recognition issues, as well as inadequate documentation of key audit judgments. However, these deficiencies did not meet the threshold for penalties under PCAOB Rule 4000.

In January 2025, the PCAOB, pursuant to Section 105(c)(4) of the Sarbanes-Oxley Act, revoked the registration of four Chinese audit firms[9], citing failure to meet continuous inspection requirements—setting a record for the number of penalties per penalty. The affected firms exhibited common compliance failures, as detailed below:

Firm Name	Primary	ViolationsLegal Basis
Mazars in China	Audit deficiencies in Luckin Coffee case	PCAOB Rule 5300 (Audit Quality Control and Independence Requirements)
Guangdong Zhonzheng Zhujiang	Audit failures related to Kangmei Pharmaceutical's related-party transactions	PCAOB Rule 5100 (Cooperation Obligations and Integrity Requirements)
Beijing Zhongqi Huashi	Multiple violations of independence principles in asset valuation services for U.S.-listed Chinese firms; undisclosed conflicts of interest	PCAOB Rule 3502 (Auditor Independence Standards)

[8] See Wall Street Journal original, accessed March 29, https://www.wsj.com/,2025.

[9] They are Mazars in China (audited by a number of small Chinese concept stocks), Beijing Zhongqi Huashi, Shenzhen Pengcheng and Guangdong Zhonzheng Zhujiang.

Shenzhen Pengcheng	Failure to adequately audit related-party transactions of a tech company, resulting in material financial misstatements	PCAOB Rule 3210 (Sufficiency of Audit Evidence Requirements)

Additionally, in its 2025 Annual Report, the PCAOB Chair stated that the Board "will push for expanded audit inspections of more U.S.-listed firms, including entities with government affiliations."[10]

3.3 Institutional Game in Cross-Border Regulatory Cooperation

3.3.1 Establishment of a Cooperation Mechanism

In August 2023, the Public Company Accounting Oversight Board (PCAOB) announced that it had obtained "unrestricted inspection authority," which included: Direct access to audit working papers (Article 3.2 of the Cooperation Agreement), Authority to interview accounting firm personnel, and Unconditional rights to request supplemental materials.

However, this authority was subject to the “significant national security exception” under Article 7 of the U.S.-China Securities Regulatory Cooperation Memorandum of Understanding (MOU). As a result, Bilibili and Tencent Music were removed from the "Commission-Identified Issuers" list after submitting PCAOB-approved audit reports.

3.3.2 Legislative Countermeasures and Institutional Competition

In April 2024, the China Securities Regulatory Commission (CSRC) issued the "Provisional Measures" for the Overseas Issuance of Securities and Listing by Domestic Enterprises," establishing a dual-layer regulatory framework: Filing-based supervision (Article 6), Data security review (Article 18), and Special procedures for the cross-border transfer of audit working papers (Article 21).

These measures were designed to align with Article 36 of the Data Security Law, effectively creating a “regulatory safe harbor” for audit oversight.

In September 2024, China and the U.S. reached an agreement on a “normalized cooperation mechanism” for audit regulation. However, political uncertainties remained, particularly due to risks under the International Emergency Economic Powers Act (IEEPA) framework.

3.3.3 Jurisdictional Boundaries in State-Owned Enterprise (SOE) Audits

In 2025, China and the U.S. resumed negotiations on whether the PCAOB’s inspection authority should extend to U.S.-listed enterprises with state-owned backgrounds. However, a conflict arose between: Article 9 of China’s Law on Guarding State Secrets, which imposes strict confidentiality requirements, and PCAOB’s audit transparency requirements.

To date, discussions under the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMOU) framework have yet to yield a breakthrough.

4. Analysis of the Impact of Trump's Reinstated Administration on U.S.-China Audit Regulatory Cooperation

As of April 2025, the Trump administration has been in office for three months, and its policy shifts are already exerting a significant impact on U.S.-China audit regulatory cooperation. With the new administration's emphasis on stricter oversight, the U.S. regulatory environment is becoming increasingly stringent and unilateral, intensifying compliance pressures on U.S.-listed Chinese firms and their auditors. The U.S. government is currently pushing to expand the PCAOB's inspection authority and reevaluate the existing U.S.-China audit cooperation framework. These measures indicate that regulatory frictions between the two countries on financial market supervision, capital flows, and corporate information disclosure rules will be further deepened, and the financial regulatory relationship between China and the United States is facing a new round of uncertainties and challenges.U.S.-China financial regulatory relations are now entering a phase of heightened uncertainty and strategic contention. This analysis examines potential implications through three legal dimensions: (I) Escalation of Legal Framework Conflicts; (II) Weakening of Regulatory Cooperation Mechanisms; and (III) Intensification of Data Sovereignty and Audit Disputes.

[10] See PCAOB 2025 Annual Report, accessed March 28, 2025, at https://pcaobus.org/.

4.1 Escalation of Legal Framework Conflicts

4.1.1 Accelerated Enforcement of HFCAA

The Trump administration may expedite the implementation of the HFCAA, mandating Chinese-listed companies to submit audit working papers to the PCAOB under penalty of delisting. This measure directly conflicts with China's Cyber-security Law and Data Security Law provisions on data sovereignty, potentially triggering legal confrontations. Furthermore, the U.S. administration may expand the scope of "provisional list" proceedings, invoking "insufficient audit access" grounds to broaden delisting targets beyond current thresholds. Notably, it could circumvent existing consultation mechanisms to unilaterally advance delisting procedures.

4.1.2 Extension of Long-Arm Jurisdiction to Securities

Through statutory instruments including the International Emergency Economic Powers Act (IEEPA) and Export Administration Regulations (EAR), the Trump administration might link securities transactions with technology sector restrictions (e.g., semiconductors, AI) targeting China, prohibiting U.S. financial institutions from servicing designated Chinese entities. Additionally, Chinese securities institutions and exchanges may face increased Entity List designations, restricting their technological collaboration and data interchange with U.S. counterparts. Legislative proposals such as the proposed Capital Markets Security Act may further mandate foreign issuers to register with U.S. regulators, prohibit federal pension fund investments in Chinese-listed companies, and legally formalize the "de-risking" of U.S.-China capital markets.

4.1.3 Judicial Compulsions Under ECPA/FISA

The administration may leverage the Electronic Communications Privacy Act (ECPA) or other laws to compel Chinese regulators to disclose audit working papers through litigation, raising concerns about commercial confidentiality breaches and challenges to judicial sovereignty.

4.2 Weakening of Sino-U.S. Audit Regulatory Cooperation

4.2.1 Termination of Bilateral Memoranda

The Trump administration may rescind or suspend existing cooperative frameworks, including the U.S.-China Enforcement Cooperation Framework and the Sino-U.S. Securities and Futures Regulatory Cooperation Memorandum. Such actions would impede joint investigations and information sharing on securities fraud, market manipulation, and other regulatory matters.

4.2.2 Restrictions on Audit Profession

Legislative initiatives may require PRC-based accounting firms (including affiliates to the Big Four) to register with and be directly supervised by the PCAOB, threatening their loss of auditing qualifications in the U.S. market. This would fundamentally undermine transnational audit cooperation.

4.2.3 Erosion of Global Regulatory Influence

At multilateral platforms such as IOSCO, the Trump administration may prioritize U.S. interests, obstructing China's participation in international securities regulatory standard-setting. Notably, it could oppose incorporating Chinese accounting standards into IFRS-compatible frameworks, diminishing China's voice in global financial governance.

4.3 Intensification of Data Sovereignty and Audit Disputes

Under the guise of national security, the Trump administration might prohibit Chinese audit firms from using U.S.-based cloud services (e.g., Microsoft Azure, Amazon AWS) for data storage, thereby increasing compliance costs for Chinese enterprises. Legislative proposals such as the Data Security Domain Act could mandate onshore U.S. data storage for listed companies and ban cross-border financial data transfers to China, directly conflicting with China's Data Outbound Security Assessment Measures.

5. China's Strategic Responses

In the face of escalating regulatory risks posed by the Trump administration's tightening measures, China urgently needs to establish a comprehensive and integrated strategic system integrating legal counterbalancing, market substitution, institutional innovation, and international coordination. This system must both defend financial sovereignty and seize opportunities in global governance transformation.

5.1 Legal Defense System: Constructing a Strategic Toolbox for Cross-Border Regulatory Resistance

5.1.1 Targeted Invocation of Sovereign Immunity

On the judicial front, China should seek to challenge lawsuits initiated by U.S. courts against Chinese companies under the HFCAA by invoking the doctrine of sovereign immunity. This includes reliance on the Eleventh Amendment to the U.S. Constitution and the Foreign Sovereign Immunities Act (FSIA), asserting that China, as a sovereign state, is immune from the jurisdiction of U.S. courts. Drawing from precedents such as Huawei Technologies Co. v. United States (2022), in which U.S. courts acknowledged sovereign immunity claims,[11] China can develop a state action doctrine defense mechanism to prevent the over-extension of U.S. jurisdiction under the guise of securities regulation.

In parallel, China should strengthen its legislative countermeasures by amending the Regulations on the Unreliable Entity List to include "Special Provisions on the Securities and Financial Sector", authorizing sanctions such as trading bans (e.g., restrictions on Qualified Foreign Institutional Investor (QFII) quotas), asset freezes (pursuant to Article 4 of the Anti-Foreign Sanctions Law), and market access limitations, modeled after the EU Foreign Subsidies Regulation.

5.1.2 Regulatory Bargaining Through Cross-Border Audit Frameworks

China should accelerate the revision of the Law on Certified Public Accountants, mandating that foreign audit firms establish permanent representative offices within Chinese territory and submit to regulatory oversight by the Ministry of Finance. In parallel, a dual filing regime should be instituted, requiring Chinese companies listed in the U.S. to file audit working papers with both the Public Company Accounting Oversight Board (PCAOB) and the China Securities Regulatory Commission (CSRC). Drawing inspiration from the General Data Protection Regulation (GDPR) framework in the European Union — which distinguishes between data controllers and data processors[12] — China can assert procedural sovereignty over audit data.

5.1.3 Leveraging Multilateral Judicial Remedies to Counter Extraterritorial Jurisdiction

First, China should strategically activate the World Trade Organization (WTO) Dispute Settlement Mechanism. By arguing that the U.S. linkage of securities regulation with export control violates WTO principles, China may invoke Article XVI (Market Access) and Article XVII (National Treatment) of the General Agreement on Trade in Services (GATS). The legal strategy employed in China's 2020 WTO case against the U.S. Section 301 tariffs may serve as an exemplar,, allowing for the classification of financial regulatory measures as trade barriers in services.[13]

Second, China may seek preliminary opinions from expert panels, using the WTO's reasoning in DS539 (EU v. U.S. Global Magnitsky Act) as persuasive authority to reject extraterritorial overreach and promote international recognition of regulatory sovereignty in financial matters.

In parallel, China should promote reforms within the Singapore International Arbitration Centre (SIAC), advocating for the creation of a Special Tribunal for Financial Regulatory Disputes. Such a tribunal could adopt expert review mechanisms from the International Centre for Settlement of Investment Disputes (ICSID) and be granted authority to compel the production of cross-border financial data. Furthermore, Chinese issuers should be encouraged to use emergency arbitration procedures to suspend unilateral enforcement actions by U.S. securities regulators—drawing a reverse comparison from the cross-border collaboration between PCAOB and SEC in the 2021 Luckin Coffee case.

5.2 Market Substitution System: Building a Regional Financial Infrastructure Network

5.2.1 China-EU Capital Market Connectivity Program

Breakthroughs should be pursued on both the securities trading regime and audit rule fronts. First, regarding institutional convergence, based on Chapter 9 ("Financial Services") of the China-EU Comprehensive Agreement on Investment (CAI), China may promote a "dual-city listing" pilot mechanism between the Shanghai Stock Exchange and the Frankfurt Stock Exchange, enabling Chinese companies to be cross-listed in both jurisdictions.

[11] See Huawei v. U.S. Government, accessible at the Research Institute of Law-Based Government, https://fzzfyjy.cupl.edu.cn/info/1075/13555.htm, accessed March 2, 2025.

[12] See Chen Wenqing, "The Dual Roles of Data Processors under the GDPR and Their Implications," Western Legal Review, Vol. 4, 2020, pp. 56–66.

[13] See Chen Min, "Legal Analysis of China's WTO Case Against U.S. Section 301 Tariffs," Foreign Trade Practice, Vol. 5, 2021, pp. 52–55.

Drawing upon the Frankfurt Exchange's "International Board" experience, listing compliance costs for Chinese enterprises entering the EU can be effectively reduced.

Second, progress should be made in mutual recognition of auditing standards. China should seek EU Commission recognition of Chinese Institute of Certified Public Accountants (CICPA) qualifications as equivalent to the Association of International Accountants (AIA), [14]replicating the ACCA–HKICPA mutual recognition model. This would significantly lower the entry barriers for Chinese enterprises accessing the European capital market.

5.2.2 ASEAN Financial Cooperation Hub Development

The focus should be on cross-border data flow regulation and digital currency-enabled settlements.

On the data front, under the RCEP framework, China should collaborate with ASEAN countries to develop a "Regional Guideline on Cross-Border Securities Data Flow", referencing the APEC Privacy Framework to establish a "data localization with exceptions" regime. This would permit certified Chinese enterprises to share audit-related data within ASEAN jurisdictions.[15]

On the payment side, pilot programs in Guangxi and Yunnan could test a Renminbi-denominated securities trading platform for the Indochina Peninsula, leveraging central bank digital currency (CBDC) to mitigate foreign exchange risk and support the development of a "Digital Silk Road Securities Corridor."

5.3 Institutional Innovation System: Advancing Domestic Financial Supply-Side Reform

First, listing mechanism reform is essential. Enhancements to the dual-primary listing regime in the Hong Kong Stock Exchange should include lowering barriers for secondary listings—such as removal of restrictions on companies with dual-class share structures (DCS)—by referencing the New York Stock Exchange's (NYSE) treatment of NIO Inc.'s cross-listing. A "DCS whitelist system" may be established, setting quantitative thresholds on market capitalization, profitability, and compliance, accompanied by detailed guidelines for secondary listing compliance, clarifying disclosure exemptions, and ongoing oversight requirements.

Second, the investor structure should be optimized: The pilot cities of the Qualified Foreign Limited Partner (QFLP) program should be expanded to all free-trade zones, sovereign wealth funds such as the Saudi Public Investment Fund (PIF) should be introduced, an incentive mechanism for long-term holding of foreign capital should be established, and tax preferential policies and information transparency projects should be implemented.

Third, cross-border settlement system upgrades should be implemented. This includes direct linkage between the Cross-Border Interbank Payment System (CIPS) and SWIFT, as well as drawing from the TARGET2 settlement system in the Eurozone to build a blockchain-based securities settlement platform (e.g., Digital Bond Cross-Border Registration System).

Additionally, Regulatory Technology (RegTech) should be leveraged by developing a "Cross-Border Capital Flow Monitoring System" that integrates data from the State Administration of Foreign Exchange (SAFE), CSRC, and Customs, enabling real-time tracking and early-warning mechanisms for outbound capital from U.S.-listed Chinese issuers.

5.4 International Coordination System: Constructing a New Paradigm for Multilateral Governance

First, under the G20 framework, China may initiate a "Global Initiative on Financial Regulatory Transparency", advocating for the inclusion of "Data Sovereignty Exception Clauses" in the G20 Leaders' Declaration. A non-discriminatory regulatory coordination mechanism should be established, modeled after the OECD Digital Taxation Framework, including a dedicated dispute resolution mechanism. China should also promote the formulation of "Emerging Market Guidelines for Cross-Border Audit Oversight", grounded in the principles of regulatory cooperation and shared risk accountability.

Second, the China–U.S. Strategic and Economic Dialogue (S&ED) may serve as a platform to revitalize bilateral engagement, including the establishment of a "Regulatory Sandbox Cooperation Mechanism" focused on crypto-assets, green finance, and other frontier domains. Scenario-based "red-blue confrontation" stress-testing models could be developed to simulate policy responses under divergent regulatory scenarios. A joint training base for cross-border regulatory personnel may also be established to support comparative studies of securities regulation systems.

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[14] Under the EU's mutual recognition agreement, AAIA, a full member of the AIA, and FAIA, a fellow member, have the right to practice in all EU member states (27) as well as Switzerland.

[15] See Yang Yin, "Application and Coordination of Public Policy Exceptions in Cross-Border Data Transfers under the RCEP Framework," Journal of Hubei University of Economics, 2025, Vol. 23(01), pp. 78–87.

Additionally, within the Belt and Road Initiative (BRI) framework, China may launch a “Securities Regulation Alliance for Developing Countries”, formulate unified disclosure standards, establish a Cross-Border Audit Dispute Mediation Center, and explore an integrated “Mediation–Arbitration–Litigation” dispute resolution mechanism. A “Cross-Border Digital Renminbi Trade Settlement Pilot Program” may also be developed, establish technical standards and operational protocols.

6. Conclusion

Based on an observational analysis of the implementation effects of the HFCAA, it is evident that the legislation has not only reshaped the compliance cost structure for multinational enterprises seeking U.S. listings but has also triggered deeper market reflections on the rationality of the U.S. capital market regulatory framework. Potential policy adjustments under the Trump administration may lead to fluctuations in regulatory enforcement, introducing uncertainty that could structurally alter the global capital flow landscape. Whether through an intensification of regulatory paradigms or a shift in policy direction, such changes are likely to generate ripple effects across the global capital market ecosystem.

Accordingly, this article seeks to unveil the underlying patterns of these regulatory developments by systematically analyzing existing policy frameworks and examining representative case studies. However, it is recognized that theoretical constructs have inherent limitations. Future policy trajectory assessments may offer insights into the evolving international investment environment, yet empirical validation remains contingent upon further data accumulation and interdisciplinary research. This study represents only an initial exploration of this subject, and the author sincerely welcomes scholarly critique and discussion to advance ongoing research on these critical issues.

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