

Chinese firms could get boot from U.S. exchanges as Congress clears bill

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- The U.S. House of Representatives today passed a law to kick Chinese companies off U.S. stock exchanges if they do not fully comply with U.S. auditing rules, a measure Pres. Trump is expected to sign.
- The bill, which passed the House by unanimous voice vote after passing the Senate unanimously in May, bars securities of foreign companies from being listed on any U.S. exchange if they have failed to conform to the Accounting Oversight Board's audits for three years in a row.
- While the law would apply to companies from any country, the legislation's sponsors intend it to target Chinese firms listed in the U.S., such as Alibaba (NYSE:BABA), Pinduoduo (NASDAQ:PDD) and PetroChina (NYSE:PTR).
- Chinese firms have raised money from U.S. shareholders for years, but their auditors violate a fundamental investor protection: China typically will not allow American regulators to inspect their work.
- Several U.S.-listed Chinese firms, including Alibaba and Yum China (NYSE:YUMC), recently have carried out secondary listings in Hong Kong, which would become more frequent if the law takes effect.
- The bill would allow Chinese companies and their auditors three years to comply with inspections before a trading prohibition could take effect.
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