SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 249

[Release No. 34–104903]

RIN 3235–AN75

Holding Foreign Insiders Accountable Act Disclosure

AGENCY: Securities and Exchange Commission.

ACTION: Final rule.

SUMMARY: The Securities and Exchange Commission (''Commission'') is adopting final amendments to certain of its rules and forms under the Securities Exchange Act of 1934 (''Exchange Act'') to reflect the requirements of the Holding Foreign Insiders Accountable Act (''HFIA Act''). The HFIA Act amended Section 16(a) of the Exchange Act to require directors and officers of a foreign private issuer with a class of equity securities registered under Section 12 of the Exchange Act to provide disclosure of their beneficial ownership and transactions involving the issuer's equity securities. The final amendments revise the Commission's rules and forms to reflect these statutory requirements.

DATES: *Effective date:* March 18, 2026.

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SUPPLEMENTARY INFORMATION: We are adopting final amendments to the following rules and forms:

Commission reference	CFR citation (17 CFR)
Exchange Act: [1]	
Rule 3a12–3(b)	240.3a12–3(b)
Rule 16a–2	240.16a–2
Form 3	249.103
Form 4	249.104
Form 5	249.105

I. Background

Section 16(a) [2] of the Exchange Act requires directors,[3] officers,[4] and persons who beneficially own more than 10 percent of any class of equity securities registered under Section 12 of the Exchange Act (''10 percent holders,'' and collectively with directors and officers, as applicable, ''Section 16 reporting persons'') to disclose their holdings of the issuer's equity securities and transactions in the issuer's equity securities through filings with the Commission (''Section 16 reports'').[5] Section 16(b) [6] of the Exchange Act requires the disgorgement of any profits realized by a Section 16 reporting person from any purchase and sale of any equity security of an issuer within a period of less than six months. Section 16(c) [7] prohibits Section 16 reporting persons from engaging in certain short sales of the issuer's equity securities, with certain exceptions provided by Commission rules.[8]

The HFIA Act,[9] enacted on December 18, 2025, amended Section 16(a) to require every person who is a director or an officer of a ''foreign private issuer,'' as that term is defined in Exchange Act Rule 3b–4,[10] with a class of equity securities registered pursuant to Section 12 (but not 10 percent holders of FPIs [11]) to file Section 16

[1] 15 U.S.C. 78a *et seq.*

[2] 15 U.S.C. 78p(a).

[3] Exchange Act Section 3(a)(7) defines director as any director of a corporation or any person performing similar functions with respect to any organization, whether incorporated or unincorporated. 15 U.S.C. 78c(a)(7).

[4] Rule 16a–1(f) defines officer as an issuer's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer. 17 CFR 240.16a–1(f).

[5] Section 16 reports are: Form 3, which is filed by Section 16 reporting persons to report their initial beneficial ownership of equity securities; Form 4, which is filed by Section 16 reporting persons to report any changes in their ownership within two business days of the transaction; and Form 5, which is an annual filing for Section 16 reporting persons who need to report unreported or deferred beneficial ownership changes or transactions and is due 45 days after the issuer's fiscal year end.

[6] 15 U.S.C. 78p(b).

[7] 15 U.S.C. 78p(c).

[8] 17 CFR 240.16c–1 *et seq.*

[9] Sec. 8103 of the National Defense Authorization Act (cited as Holding Foreign Insiders Accountable Act, or HFIA Act), Public Law 119–60, [X] Stat. [X] (Dec. 18, 2025), Sec. 8103.

[10] 17 CFR 240.3b–4. Paragraph (b)(1)(A) of the HFIA Act refers to a foreign private issuer, as that term is defined in section 240.3b–4 of title 17, Code of Federal Regulations, or any successor regulation, and paragraph (b)(1)(B)(ii), in addressing the initial filing obligation, makes reference to a foreign private issuer, the securities of which are . . . registered pursuant to subsection (b) or (g) of section 12. We interpret these statutory provisions to mean that Section 16(a)'s disclosure requirements apply only with respect to such foreign private issuers. We refer to foreign private issuers with a class of equity securities registered pursuant to Section 12 as ''FPIs'' for purposes of this release.

[11] Some commentators have suggested that the HFIA Act's requirements extend to 10 percent holders of FPIs. *See, e.g.* Professors Bradford Levy, Robert J. Jackson, Jr. and Daniel Taylor, *Rulemaking Petition Pursuant to the Holding Foreign Insiders Accountable Act (HFIAA),* File No. 4–879, Securities and Exchange Commission (filed Jan. 26, 2026) (''Petition''). In addressing such comments and the Petition, we note that the language of the HFIA Act is expressly addressed to directors and officers of FPIs rather than 10 percent holders. Specifically, paragraph (b)(1)(A) of the HFIA Act amends Section 16(a) of the Exchange Act to provide as follows: Every person who is directly or indirectly the beneficial owner of more than 10 percent of any class of equity security . . . or who is a director or an officer of the issuer of such security *(including, solely for purposes of this sub-section, every person who is a director or an officer of a foreign private issuer . . .),* shall file [beneficial ownership reports] (emphasis added). The legislation inserts new language relating to FPIs only in reference to directors and officers and does not insert any such reference to FPIs' 10 percent holders. Based on the statutory text, we interpret this amendment to mean that the new Section 16(a) reporting requirements apply only to directors and officers and not 10 percent holders of FPIs. This interpretation also is consistent with the legislative history. Prior versions of the HFIA Act introduced in Congress contained broader language extending Section 16(a)'s reporting requirements to ''any . . . security of a foreign private issuer'' generally, without specifying the classes of persons obligated to file reports, rather than the more limited language of the HFIA Act as enacted. Holding Foreign Insiders Accountable Act, S.1089, 119th Cong. (introduced Mar. 24, 2025). Furthermore, this interpretation is supported by public statements on the HFIA Act and predecessor bills by the statute's co-sponsors, which focus on ''executives'' as the parties intended to be covered by the amendment: *See, e.g.,* Sens. Chris Van Hollen & John Kennedy, *Foreign Companies Should Have to Play by the Same Rules,* Wall Street Journal, Apr. 16, 2023 (''We are introducing new legislation called the Holding Foreign Insiders Accountable Act that would require executives at foreign firms that raise money in the U.S. to disclose their trades . . .''). We do not view the section title of the HFIA Act (''DISCLOSURES BY DIRECTORS, OFFICERS, AND PRINCIPAL STOCKHOLDERS'') as dispositive of Congress's intent to apply the statutory amendments to 10 percent holders. We note that this language simply tracks the title of the provision being amended—*i.e.,* Section 16 of the Exchange Act, which also reads, ''DIRECTORS, OFFICERS,

reports electronically and in English.[12] The Section 16(a) filing requirements for directors and officers of FPIs will become effective 90 days after enactment of the HFIA Act, or March 18, 2026.[13] The HFIA Act states that if any provision of Exchange Act Rule 3a12–3(b), which currently exempts securities registered by an FPI from all Section 16 obligations, is inconsistent with the amendments to Section 16(a), then such provision of Rule 3a12–3(b) will have no force or effect after the effective date of the HFIA Act.[14] The HFIA Act mandates that the Commission issue final regulations (or amend or rescind, in whole or in part, existing regulations) to carry out the amendments made by the act no later than 90 days after the date of enactment.[15] The HFIA Act did not amend Section 16(b) or Section 16(c), which provisions, accordingly, remain inapplicable to Section 16 reporting persons of FPIs.

II. Final Amendments

As mandated by the HFIA Act, we are adopting final amendments to Rule 3a12–3(b), Rule 16a–2, and Forms 3, 4, and 5 to conform these rules and forms to the HFIA Act.

- We are amending Rule 3a12–3(b) to be consistent with the HFIA Act by removing the current exemption from Section 16 in its entirety and replacing it with exemptions from Section 16(b) and Section 16(c) only.[16] Accordingly, Rule 3a12–3(b) will no longer exempt directors and officers of FPIs [17] with a class of equity securities registered under Section 12 from the filing obligations imposed by Section 16(a) and Rule 16a–2 (and related rules).
- The HFIA Act did not extend Section 16(a) filing requirements to 10 percent holders of equity securities of FPIs registered under Section 12. We are therefore amending Rule 16a–2, which identifies persons and transactions subject to Section 16, to exclude 10 percent holders of FPIs' equity securities from the requirements of Section 16(a) and related rules.
- We are amending Section 16 reports to reflect the changes made by the HFIA Act. We are amending General Instructions 1.(a)(i), (ii), and (iv) to Form 3 to include directors and officers of FPIs and exclude 10 percent holders of FPIs from the requirement to file the form.
- We are making technical amendments to each of the Section 16 reports to include an optional field for a foreign trading symbol,[18] a postal code, and a country code as part of the address of the reporting person.[19] Although Forms 3, 4, and 5 are already filed by certain individuals with foreign addresses who provide country codes in the ''State'' field, we believe that the increased number of filings by foreign individuals that will result from the enactment of the HFIA Act warrants a clearer designation of the reporting person's country.[20]

III. Procedural and Other Matters

If any of the provisions of these rules, or the application thereof to any person or circumstance, is held to be invalid, such invalidity shall not affect other provisions or application of such provisions to other persons or circumstances that can be given effect without the invalid provision or application.

The Office of Management Budget has determined that this action is not a significant regulatory action as defined in Executive Order 12866, as amended, and therefore it was not subject to Executive Order 12866 review. Pursuant to the Congressional Review Act,[21] the Office of Information and Regulatory Affairs has designated these amendments as not a ''major rule,'' as defined by 5 U.S.C. 804(2).

The Administrative Procedure Act (''APA'') generally requires an agency to publish notice of a proposed rulemaking in the **Federal Register** and provide an opportunity for public comment.[22] This requirement does not apply, however, if the agency ''for good cause finds . . . that notice and public procedure are impracticable, unnecessary, or contrary to the public interest.'' [23] As discussed in Section I above, the HFIA Act amended the Exchange Act to extend Section 16(a) reporting requirements to directors and officers of FPIs and mandated that the Commission issue final regulations (or amend or rescind, in whole or in part, existing regulations) to carry out the amendments made by

AND PRINCIPAL STOCKHOLDERS.'' 15 U.S.C. 78p. In any case, the United States Supreme Court has made clear that titles do not ''override the plain words'' of a statute and do not control. *See Dubin* v. *United States,* 599 U.S. 110, 121 (2023) (quoting *Fulton* v. *Philadelphia,* 593 U.S. 522, 536 (2021)); *Bhd. of R.R. Trainmen* v. *Balt. & Ohio R.R.,* 331 U.S. 519, 528–529 (1947). Moreover, to the extent the HFIA Act requires us to make certain changes to how rule provisions addressing FPIs are structured (see Rules 3a12–3(b) and 16a–2, as amended), this does not provide a basis to read the statute more broadly than what Congress enacted.

[12] HFIA Act, paragraph (b)(1).

[13] HFIA Act, paragraph (b)(2). Directors and officers of any FPI whose securities were registered pursuant to Section 12(b) or (g) of the Exchange Act as of the date of enactment of the HFIA Act (Dec. 18, 2025) are required to file their initial reports with the Commission on Mar. 18, 2026. *Id.,* paragraph (b)(1)(B)(ii).

[14] HFIA Act, paragraph (c). The HFIA Act also amended Section 16(a) to grant the Commission authority to conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from the reporting requirements of Section 16(a) if the Commission determines that the laws of a foreign jurisdiction apply substantially similar requirements to such person, security, or transaction. The Commission may consider granting such exemptive relief in a separate rulemaking or order.

[15] HFIA Act, paragraph (d)(1).

[16] We note that Exchange Act Rule 16a–3(g)(1) requires Section 16 reporting persons to report on Form 4 all transactions not exempt from section 16(b) as well as certain transactions that are exempt from Section 16(b) by Commission rule. 17 CFR 240.16a–3(g)(1). *See* also Instruction 4(a)(i)(1) of Form 4. Exchange Act Rule 16a–3(f)(1) requires Section 16 reporting persons to report on Form 5 transactions not previously reported on Form 4 or eligible for deferred reporting pursuant to Commission rule, including certain transactions exempt from Section 16(b). 17 CFR 240.16a–3(f)(1). *See also* General Instruction 4(a)(i)(A) of Form 5. The HFIA Act requires directors and officers of FPIs to file Section 16 reports while maintaining an exemption from Section 16(b)'s short-swing profit disgorgement provision for their transactions. Given this statutory mandate, directors and officers of FPIs should not view the language in Rule 16a–3(g)(1) and (f)(1), or similar language in Instructions to Forms 4 and 5, as exempting them from reporting transactions otherwise required by Section 16(a). Finally, the Transaction Codes listed in the Instructions for Forms 4 and 5 also apply to transactions of directors and officers of FPIs, notwithstanding their exemption from Section 16(b) under Rule 3a12–3(b).

[17] Some FPIs have a two-tier board structure, with a supervisory (non-management) board and a management board. For purposes of certain item requirements of Form 20–F, the term board of directors refers only to the supervisory or non-management board. *See, e.g.,* Instruction 1 to Item 16K(c) of Form 20–F. However, Section 3(a)(7) sets forth the definition of a director for purposes of the Exchange Act, including Section 16(a). *See supra* note 3, Whether a person is a director of an FPI for purposes of Section 16(a) reporting is therefore a factual determination based on the Section 3(a)(7) definition.

[18] Section 16 reporting persons will continue to be required to enter name and ticker or trading symbol in Box 3 of Form 3 and Box 2 of Form 4 and Form 5. The forms will now also include an optional field (Box 3a. of Form 3 and Box 2a. of Form 4 and Form 5) to allow for the listing of a second trading symbol for FPIs with trading in both U.S. and non-U.S. markets. In cases where a Section 16 reporting person of FPIs holds shares that are traded in both in U.S. and non-U.S. markets, they should include both trading symbols. In cases where shares only have a foreign trading symbol, a Section 16 reporting person of FPIs could either enter the foreign trading symbol in the first mandatory box (Box 3 of Form 3 and Box 2 of Form 4 and Form 5) if allotted space allows or enter ''none'' in that first trading symbol box and enter the foreign trading symbol in the second box (Box 3a. of Form 3 and Box 2a. of Form 4 and Form 5).

[19] EDGAR country codes are documented in the EDGAR Form D XML Technical Specification and EDGAR Ownership XML Technical Specification. A list of the country codes is available on the SEC website at *https://www.sec.gov/submit-filings/filer-support-resources/edgar-state-country-codes.*

[20] We are also amending the instructions to the Section 16 reports to update certain Commission contact information that is no longer current.

[21] 5 U.S.C. 801 *et seq.*

[22] *See* 5 U.S.C. 553(b).

[23] *Id.*

the HFIA Act no later than 90 days after the date of enactment of the Act. Because the amendments described in Section II above simply conform the Commission's rules and forms to the requirements of the HFIA Act and involve limited exercise of agency discretion, we find that notice and public comment are unnecessary.[24]

The APA also generally requires that an agency publish an adopted rule in the **Federal Register** 30 days before it becomes effective.[25] This requirement, however, does not apply if the agency finds good cause for making the rule effective sooner.[26] For the same reasons as we are forgoing notice and comment, we find good cause to make the rules effective on March 18, 2026.

IV. Economic Analysis

We are mindful of the costs imposed by, and the benefits obtained from, our rules. Under Section 3(f) of the Exchange Act,[27] whenever the Commission is engaged in rulemaking and required to consider or determine whether an action is necessary or appropriate in (or, with respect to the Investment Company Act, consistent with) the public interest, it shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation. In addition, Section 23(a)(2) of the Exchange Act requires the Commission to consider the impact on competition of any rules the Commission adopts under the Exchange Act and prohibits the Commission from adopting any rule that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.[28]

We have considered the economic effects of the final amendments, including their effects on competition, efficiency, and capital formation. As discussed in Section II above, the final amendments conform the Commission's rules and forms to the requirements of the HFIA Act. Accordingly, when we discuss the economic effects of the final amendments, we are discussing costs and benefits that stem directly from the changes made by the HFIA Act.[29]

Many of the effects discussed below cannot be quantified. For example, the magnitude of indirect costs incurred by directors and officers is difficult to quantify because the indirect costs are complex and difficult to observe. Relatedly, while we cite evidence, where available, of the potential information benefits from trade disclosures, it is difficult to predict whether their magnitude would be similar to the benefits realized today in the case of issuers other than FPIs, or for the subset of FPI directors and officers whose trade disclosures are available today.[30] Consequently, while we have, wherever possible, attempted to quantify the economic effects expected from the final amendments, much of the discussion remains qualitative in nature. Where we are unable to quantify the economic effects of the final amendments, we provide a qualitative assessment of the potential benefits, costs, and impacts of the amendments on efficiency, competition, and capital formation.

A. Broad Economic Considerations

The final amendments are expected to provide greater transparency to investors in FPIs with a class of equity securities registered under Section 12. Specifically, the amendments are expected to decrease information asymmetries between Section 16 reporting persons and investors about director and officer trading, as well as directors' and officers' beneficial ownership positions, enabling potentially more informed investment and voting decisions.

Through increased transparency due to directors and officers of FPIs being subject to Section 16(a) reporting and the ensuing potential for market and regulatory scrutiny of their trades and other transactions in the issuer's securities,[31] the final amendments also may deter trading based on material nonpublic information (''MNPI'') by such directors and officers, resulting in potential benefits to investors and improvement in incentives of the FPI directors and officers.[32] Due to their access to MNPI, FPI directors and officers can obtain illegitimate profits through the strategic timing of trades in the issuer's securities. In addition, such trading can: distort the incentives of FPI directors and officers, resulting in a loss of shareholder value and erosion of investor confidence in the markets; lead to reputational costs for issuers; and negatively affect the willingness of investors to trade the issuer's shares, the liquidity of the issuer's shares, and market efficiency, as well as capital formation and the ability to fund investments.[33]

Under the current reporting framework, the information currently available to investors and other market participants regarding the trading and beneficial ownership positions of FPI directors and officers is limited. As a result, investors cannot currently use such information when valuing an FPI's shares. The disclosure required by the final amendments will provide greater transparency to investors and decrease information asymmetries between FPI directors and officers and outside investors about the directors' and officers' trading and beneficial ownership positions, enabling more informed decisions about whether to invest in the FPI's shares and at what valuation.[34] This added transparency may result in more efficient capital allocation and more informationally efficient pricing. The additional

[24] This finding also satisfies the requirements of 5 U.S.C. 808(2), allowing the amendments to become effective notwithstanding the requirement of 5 U.S.C. 801 (if a federal agency finds that notice and public comment are impractical, unnecessary, or contrary to the public interest, a rule shall take effect at such time as the federal agency promulgating the rule determines). The amendments also do not require analysis under the Regulatory Flexibility Act. *See* 5 U.S.C. 604(a) (requiring a final regulatory flexibility analysis only for rules required by the APA or other law to undergo notice and comment).

[25] *See* 5 U.S.C. 553(d).

[26] *Id.*

[27] 15 U.S.C. 78c(f).

[28] 15 U.S.C. 78w(a)(2).

[29] Because the amendments conform the Commission's rules and forms to the HFIA Act and involve limited exercise of agency discretion, we did not identify significant regulatory alternatives to these conforming changes. As noted above, the HFIA Act grants the Commission authority to exempt certain persons, securities or transactions from the new Section 16(a) reporting requirements in specified circumstances. *See supra* note 14. While outside the scope of this rulemaking, the general effects of such an exemption would be to reduce the compliance costs and transparency benefits associated with the amendments, although the magnitude of those effects would depend on a number of factors, such as the home country reporting requirements and disclosure practices of exempted directors and officers.

[30] *See infra* notes 49, 55, and 59 and accompanying text.

[31] Studies have found evidence that changes in mandatory disclosure affect behavior. *See, e.g.,* Elizabeth C. Chuk, *Economic Consequences of Mandated Accounting Disclosures: Evidence from Pension Accounting Standards,* 88 Acct. Rev. 395 (2013); Alice Adams Bonaimé, *Mandatory Disclosure and Firm Behavior: Evidence from Share Repurchases,* 90 Acct. Rev. 1333 (2015).

[32] Nevertheless, these effects may be smaller as Exchange Act Section 10(b) and Rule 10b–5 already apply to FPIs today, which likely serve as a deterrent to trading on the basis of MNPI. *See* 15 U.S.C. 78j and 17 CFR 240.10b–5.

[33] For a comprehensive discussion of the economics of trading on the basis of MNPI and the evidence on its implications for investors and the capital markets, *see Insider Trading Arrangements and Related Disclosures,* Release No. 33–11138, at 118–27 (Dec. 14, 2022) [87 FR 80362, 80394–97 (Dec. 29, 2022)].

[34] Generally, by linking employees' and directors' wealth to shareholder wealth, an ownership stake in the company can provide employees and directors with an incentive to improve shareholder value. *See, e.g.,* Michael C. Jensen & William H. Meckling, *Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure,* 3 J. Fin. Econ. 305–360 (1976); Bengt Holmstrom, Moral Hazard and Observability, 10 Bell J. Econ. 324, 324–340 (1979); Bengt Holmstrom & Joan Ricart I. Costa, *Managerial Incentives and Capital Management,* 101 Q. J. Econ. 835, 835–860 (1986).

disclosure requirements may also indirectly yield potential capital formation benefits if they increase investor confidence in the alignment of the incentives of the FPI directors and officers with shareholder interests.

All the effects described above will be smaller to the extent that some information already is available regarding trading and beneficial ownership positions of FPI directors and officers today. It is important to note that the economic effects of the final amendments, including both the incremental benefits and the costs, will be lower in cases of FPIs whose directors and officers are already subject to similar reporting requirements in their home country jurisdictions.[35] As a further consideration, the informational effects of the amendments will be smaller to the extent that some information is already disclosed in Form 144 filings (required to be filed by directors and officers of FPIs with respect to proposed sales of restricted and/or control securities under that Securities Act safe harbor).[36] Nevertheless, Section 16 requirements are expected to provide more comprehensive disclosure with respect to the trading and beneficial ownership positions of FPI directors and officers because they also cover dispositions other than Rule 144 resales and acquisitions, as well as the initial reporting of beneficial ownership positions, which is not currently required.[37] As a further general consideration, the effect on share prices of the information contained in Section 16 reports may vary depending on the types of transactions reported by directors and officers.[38]

As a caveat, the trading research cited above generally focuses on non-FPIs, characterized by dispersed ownership structure and more homogeneity in corporate governance standards, as well as certain additional requirements. For example, directors and officers of non-FPIs are subject to Section 16(b) and 16(c), which provide additional deterrents against directors and officers from engaging in activities that Section 16 is intended to address. Non-FPIs also have to disclose information about any noncompliance with Section 16(a) filing requirements by directors and officers in their annual Form 10–K filings, proxy statements and information statements. The HFIA Act extends only Section 16(a) reporting to FPI directors and officers, without subjecting the directors and officers to the short-swing profit disgorgement provision of Section 16(b) or the short sale prohibition provision of Section 16(c). Neither the HFIA Act nor the Commission rules include a requirement for FPIs to disclose non-compliance with Section 16(a) filing requirements by directors and officers. In addition, some FPIs may have different attributes, such as concentrated ownership (*e.g.,* due to a large management, or non-management, block holder) [39] and weaker or more varied governance standards,[40] although there is some evidence from comparative research indicating that trading by insiders has information content in those scenarios as well.[41]

On a general level, some information about the likelihood of FPI directors and officers trading today based on MNPI may also be gleaned from: (1) the existing disclosure of an FPI's insider trading policies and procedures required by Item 16J of Form 20–F and/or (2) the existing disclosure of an FPI's code of ethics.[42] This may reduce the effects of the amendments. Nevertheless, the final amendments will provide more detailed information about ownership and trading by FPI directors and officers, including timely reporting on completed acquisitions and dispositions, by directors and officers of FPIs, which is not available today (other than some information that may be included in home country filings and voluntary Section 16 reports filed by directors and officers of FPIs).

B. Baseline

The baseline against which the benefits, costs, and the effects on efficiency, competition, and capital formation of the final amendments are measured consists of the pre-HFIA Act

[35] *See infra* note 55.

[36] A Section 16 reporting person may elect to rely on the Rule 144 safe harbor when selling restricted and/or control securities, and in that instance such a reporting person would have to make a Form 144 filing. *See infra* Section IV.B.2 for the estimate of the number of directors and officers of FPIs that have filed Form 144 recently. *See, e.g.,* Robert Jackson, Jr., Bradford Lynch-Levy & Daniel Taylor, *Holding Foreign Insiders Accountable,* 70 Mgmt. Sci. 4604, 4604–4613 (2024) (''JLT (2024)'') for an analysis of the information content contained in FPI insider Form 144 filings. Subsequent to the sample period of the study, electronic filing of Form 144 became mandatory, which can further facilitate quick dissemination of information about insider sales reported on Form 144 to investors and other market participants. *See infra* note 50.

[37] *See infra* note 49. Further, some studies, based on insiders of non-FPI issuers, which have been subject to Section 16 requirements for a long time, show that the information content of insider purchases is greater than the information content of insider sales, making this information effect potentially significant. *See, e.g.,* Leslie A. Jeng, Andrew Metrick & Richard Zeckhauser, *Estimating the Returns to Insider Trading: A Performance-Evaluation Perspective,* 85 Rev. Econ. & Stat. 453, 453–471 (2003) (''Jeng et al. (2003)'') (finding that ''insider purchases earn abnormal returns of more than 6% per year, and insider sales do not earn significant abnormal returns''). Separately, some beneficial ownership positions of insiders of FPIs may be required to be disclosed on Schedules 13D/G, where applicable.

[38] *See* Lauren Cohen, Christopher Malloy & Lukasz Pomorski, *Decoding Inside Information,* 67 J. Fin. 1009, 1009–1043 (2012) (''Cohen et al. (2012)'') (showing that ''there is predictable, identifiable 'routine' insider trading that is not informative about firms' futures. A portfolio strategy that focuses solely on the remaining ''opportunistic'' traders yields value-weighted abnormal returns of 82 basis points per month, while abnormal returns associated with routine traders are essentially zero . . .''). The term ''routine'' is used in the Cohen et al. (2012) study to refer to trades by ''routine traders,'' which the study defines as ''insider who placed a trade in the same calendar month for at least three consecutive years.'' The Cohen et al. (2012) study defines ''opportunistic'' trades as trades by everyone that is not a ''routine trader.'' Another dimension along which differences among directors and officers may affect the information in Section 16 reports is how many issuer shares they hold, through direct acquisitions or issuer-granted compensation securities.

[39] *See, e.g., generally,* Karl V. Lins, *Equity Ownership and Firm Value in Emerging Markets,* 38 J. Fin. & Quantitative Analysis 159, 159–184 (2003).

[40] On the one hand, insider trading disclosures may be more informative when directors and officers hold and trade larger positions or have greater potential to engage in self-dealing due to weak governance. On the other hand, the private benefits from informed insider trading may be on a smaller scale than other self-dealing gains of controlling insiders in weak corporate governance environments. For more on such insider self-dealing, *see* comparative research analyzing the agency conflict of expropriation of small outside shareholders, *e.g.,* Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes & Andrei Shleifer, *The Law and Economics of Self-Dealing,* 88 J. Fin. Econ. 430, 430–465 (2008); Simon Johnson, Rafael La Porta, Florencio Lopez-de-Silanes & Andrei Shleifer, *Tunneling,* 90 Am. Econ. Rev. 22, 22–27 (2000); Mingzhi Liu & Michel Magnan, *Self-Dealing Regulations, Ownership Wedge, and Corporate Valuation: International Evidence,* 19 Corp. Governance: Int'l Rev. 99, 99–115 (2011). *See also* C. Fritz Foley, Paul Goldsmith-Pinkham, Jonathan Greenstein & Eric Zwick, *Opting Out of Good Governance,* 46 J. Empirical Fin. 93, 93–110 (2018); Reena Aggarwal, Isil Erel, René Stulz & Rohan Williamson, *Differences in Governance Practices Between U.S. and Foreign Firms: Measurement, Causes, and Consequences,* 22 Rev. Fin. Stud. 3131, 3131–69 (2009).

[41] See, *e.g.,* Eric C. Chang, Jun Zhu & J. Michael Pinegar, Insider Trading in Hong Kong: Concentrated Ownership Versus the Legal Environment (Working Paper, 2002), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract__id=336702;* Qiang He & Oliver M. Rui, *Ownership Structure and Insider Trading: Evidence from China,* 134 J. Bus. Ethics 553, 553–74 (2016); Dimitris K. Chronopoulos, David G. McMillan, Fotios I. Papadimitriou & Mohammad Tavakoli, *Insider Trading and Future Stock Returns in Firms with Concentrated Ownership Levels,* 25 Eur. J. Fin. 139, 139–54 (2019) (examining in an East Asian sample from 2003–2012 and finding ''a significantly negative relation between the selling activity of insiders and stock returns'' but also finding that ''the buying activity of insiders is also inversely related to future stock returns''); Yonggang Tian, James S. Ang, Panpan Fu, Chaoqun Ma & Xiuhua Wang, *Does Social Trust Mitigate Insiders' Opportunistic Behaviors? Evidence from Insider Trading,* 59 Glob. Fin. J. 100907 (2024).

[42] *See* Item 16B of Form 20–F and paragraph 9 of General Instruction B to Form 40–F.

regulatory framework with respect to disclosure by FPIs and disclosures related to trading by Section 16 reporting persons and the scope of those parties who will be affected by the final amendments, specifically, FPIs, their directors and officers, and their investors.[43]

1. Regulatory Baseline

The regulatory baseline includes Section 16 reporting requirements in effect prior to the enactment of the HFIA Act. Before the HFIA Act was enacted, officers, directors, and 10 percent holders of non-FPI issuers with a class of equity securities registered under Section 12 were subject to beneficial ownership reporting requirements in Section 16(a) and Commission regulations adopted thereunder, which required them to file Forms 3, 4, and 5 to report their holdings and transactions.[44] In 2003, the Commission adopted rules requiring the forms to be filed electronically on the Commission's Electronic Data Gathering, Analysis, and Retrieval system (''EDGAR'') in XML format, rather than on paper.[45] Form 3, the initial statement of beneficial ownership of equity securities, is required to be filed within 10 days of the filer becoming a reporting person (*e.g.,* assuming an officer or director role), or in the case of an issuer that is registering a class of equity securities (other than certain exempted securities) for the first time under Section 12, no later than the effective date of the registration statement.[46] Form 4, a statement of changes in beneficial ownership, must be filed within two business days of the transaction resulting in the change, to ensure timely availability of information about those transactions.[47] Form 5, an annual report of any transactions that were not otherwise reported on Form 3 or Form 4, must be filed within 45 days after the issuer's fiscal year-end.[48]

Persons who are affiliates of either FPI or non-FPI issuers and intend to sell restricted and/or control securities under Rule 144 must file a notice of proposed sale of securities on Form 144 under certain circumstances.[49] As of April 2023, Form 144 must also be filed electronically in XML format.[50]

Within the framework of Commission rules, FPIs are afforded various exemptions and disclosure accommodations.[51] Nevertheless, in the context of insider trading, Exchange Act Section 10(b) and Rule 10b–5, and the general anti-fraud provisions of the federal securities laws, apply. FPIs also are subject to the requirement to disclose their insider trading policies and procedures (required by Item 16J of Form 20–F [52]) and codes of ethics.[53] Exchange-listed FPIs with a class of securities registered under Section 12(b) are subject to certain governance requirements of national securities exchanges, scaled for FPI issuers.[54]

In addition, FPIs and their Section 16 reporting persons also are subject to the securities and other laws and regulations in their respective home country jurisdictions. These jurisdictions may require disclosure of certain types of insider transactions.[55]

2. Affected Parties

The HFIA Act and the final amendments will affect directors and officers of FPIs that will be newly subject to Section 16(a) reporting, as well as investors in such issuers, and the issuers themselves.

Based on staff review of filings and amendments to them during calendar year 2024, we estimate that there are approximately 1,112 FPIs filing on Forms 20–F and 40–F [56] that have a class of equity securities registered under Section 12,[57] and thus whose directors and officers will be newly subject to Section 16(a) reporting requirements.

Limited disclosure about trading and other changes in the holdings of FPI directors and officers (as well as the unstructured and heterogeneous nature of disclosure about the list of FPI directors and officers) make it difficult to precisely estimate the number of directors and officers that will make multiple filings under the amendments. We estimate the number of affected filers in several different ways that reflect persons who would have to file Forms 3, 4, and 5 under Section 16.[58] As a caveat, in a few instances, directors and officers of FPIs voluntarily file Section 16 reports today.[59]

First, we calculate the average number of persons filing Section 16 reports per issuer, based on recent data on filings

[43] *See, e.g., Nasdaq* v. *SEC,* 34 F.4th 1105, 1111–15 (D.C. Cir. 2022). This approach also follows SEC staff guidance on economic analysis for rulemaking. *See* SEC Staff, Current Guidance on Economic Analysis in SEC Rulemaking (Mar. 16, 2012), *available at https://www.sec.gov/divisions/riskfin/rsfi_guidance_econ_analy_secrulemaking.pdf* (''The economic consequences of proposed rules (potential costs and benefits including effects on efficiency, competition, and capital formation) should be measured against a baseline, which is the best assessment of how the world would look in the absence of the proposed action.''); *id.* at 7 (''The baseline includes both the economic attributes of the relevant market and the existing regulatory structure.'').

[44] *See* 17 CFR 240.16a–2, 240.16a–3, 249.103–105.

[45] *See* Mandated Electronic Filing and website Posting for Forms 3, 4, and 5, Release No. 33–8230 (May 7, 2003) [68 FR 25788 (May 13, 2003)].

[46] *See* Form 3 General Instructions, Form 3; 15 U.S.C. 78p(a)(1).

[47] *See* 17 CFR 240.16a–3(a), (g). The filing deadline was shortened to two business days in 2002, as part of implementation of the Sarbanes-Oxley Act requirements. *See Ownership Reports and Trading by Officers, Directors and Principal Security Holders,* Release No. 34–46421 (Aug. 27, 2002) [67 FR 56462 (Sept. 3, 2002)].

[48] *See* 17 CFR 240.16a–3(a), (f).

[49] *See* 17 CFR 230.144 17, 239.144. Pursuant to Securities Act Rule 144(h), an affiliate who intends to resell restricted or control securities of the issuer in reliance upon Rule 144 during any three-month period in a transaction that exceeds either 5,000 shares or has an aggregate sales price of more than $50,000 must file a Form 144 concurrently with either the placing of an order with a broker to execute the sale or the execution of a sale directly with a market maker. 17 CFR 230.144(h). Form 144 data have been used in prior insider trading research. *See, e.g.,* JLT (2024).

[50] *See Updating EDGAR Filing Requirements and Form 144 Filings,* Release No. 33–11070 (June 2, 2022) [87 FR 35393 (June 10, 2022)].

[51] For a detailed discussion, *see Concept Release on Foreign Private Issuer Eligibility,* Release No. 33–11376 (June 4, 2024) [90 FR 24232 (June 9, 2025)] (''FPI Concept Release'').

[52] *See* 17 CFR 249.220f; Form 20–F, available at *sec.gov/files/form20-f.pdf.*

[53] *See supra* note 42.

[54] *See, e.g.,* Section 303A of the NYSE Listed Company Manual, *https://nyseguide.srorules.com/listed-company-manual;* Section 5600 of the Nasdaq Manual, *https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-5600-series.*

[55] *See, e.g.,* Canada, National Instrument 55–104, *available at https://www.osc.ca/* (search for ''National Instrument 55–104''); European Union, Market Abuse Regulation, *available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014R0596;* United Kingdom, Market Abuse Regulation, *available at https://www.legislation.gov.uk/eur/2014/596/contents.*

[56] A small number of FPIs may elect to file on Form 10–K and are not included in our count due to the difficulty in precisely identifying their status. For instance, ''. . . using a textual search of all Forms 10–K filed in calendar year 2023, the staff identified only nine such FPIs.'' *See* FPI Concept Release, at 24237 n. 73.

[57] Based on the review of information self-reported by issuers on the cover page of the annual report. In a handful of instances, the information was missing.

[58] We note that all directors and officers of FPIs would be subject to Section 16(a) (and its requirements). Estimates based on the number of actual filers over a recent year of data only characterize the subset of directors and officers that could be expected to make a filing in a typical year. Data from a typical year combines all filings on Form 3, 4, and 5. *See supra* note 13. We recognize that during the initial year of compliance with the HFIA Act, all FPI directors and officers will have to file Form 3. During a typical subsequent year, we would expect that there will be fewer FPI directors and officers that will have to file Form 3, and not all directors and officers subject to Section 16(a) are likely to have transactions requiring Form 4 or Form 5 reporting in a given calendar year.

[59] Based on staff review of EDGAR filings during calendar year 2024, we estimate that 63 directors and officers associated with 11 FPIs (identified as issuers that filed Forms 20–F or 40–F, or amendments to them, during calendar year 2024, and that had a class of equity securities registered under Section 12) filed Forms 3, 4, or 5, or amendments to them, during calendar year 2024. Timing differences may make this number a lower bound.

for non-FPI issuers, whose directors and officers are subject to Section 16(a) today, which is 10.5.[60] We multiply this average by the number of FPIs (1,112), which yields an estimate of approximately 11,676 new filers that could be expected to file Section 16 reports during a typical calendar year under the HFIA Act. As a caveat, this estimate does not account for potential differences between FPIs and non-FPIs with respect to the number of directors and officers per issuer or the degree of directors' and officers' trading (*e.g.,* due to potential differences in stock-based compensation or propensity to own or trade shares in their company). Considering the count of unique directors and officers (*i.e.,* suppressing cases of multiple issuers associated with a given officer or director that may have multiple board appointments at, and report holdings and trades for, multiple issuers) yields an estimate of approximately 9,786 new filers.[61]

Second, to partly account for potential differences between FPI and non-FPI issuers, we adjust the estimate above by the relative propensity of FPI and non-FPI directors and officers to make Form 144 filings, as one proxy for the differences between FPI and non-FPI directors and officers.[62] Adjusting the above estimate, 11,676, by the ratio of the average number of directors and officers who file Form 144 per FPI (0.8) [63] to the average number of directors and officers who file Form 144 per non-FPI (2.1),[64] yields an estimate of 4,448 [65] FPI directors and officers that could be expected to file Section 16 reports during a typical calendar year under the HFIA Act. If we instead take the above estimate of unique directors and officers (*i.e.,* approximately 9,786) and adjust it by the relative propensity of FPI and non-FPI directors and officers to make Form 144 filings, the estimate would be approximately 3,728 FPI directors and officers that would be expected to file Section 16 reports in a typical year of compliance.[66] It is difficult to determine this number with precision because Form 144 is only used for proposed resales of restricted and/or control securities above a certain threshold under the Rule 144 safe harbor, and there may be other systematic differences in transactions by directors and officers not reported on Form 144; however, this adjustment may help account for some of the differences between directors and officers of FPI and non-FPI issuers.

As a final approach, we estimate the average number of all directors and officers per FPI based on information in S&P Capital IQ, which is 18.9,[67] and multiply it by the number of FPIs (1,112), yielding an estimate of 21,017 [68] FPI director and officer filers that would become subject to Section 16(a) under the HFIA Act. While this definition may be more inclusive of all FPI directors and officers that would be subject to Section 16(a), compared to the prior two approaches, it is likely to be overinclusive of the number of directors and officers that would be expected to file one or more Section 16 reports during a typical year of compliance (since not all directors and officers may have reportable transactions (for purposes of Forms 4 and 5) during a given calendar year). Considering the count of unique directors and officers (*i.e.,* suppressing cases of multiple issuers associated with a given officer or director) yields an estimate of approximately 19,682 filers.[69]

The results of the three approaches are summarized in Table 1 below, yielding a range of approximately 3,728–21,017 potentially affected FPI directors and officers who could be Section 16 reporting persons.

[60] Based on staff analysis of EDGAR filings of Forms 3, 4, and 5, and amendments to them, filed during calendar year 2024, by directors and officers (identified based on the description of their role in the filing) associated with 5,621 non-FPI issuers (identified as issuers that filed annual reports on Form 10–K, or amendments to them, during calendar year 2024 and that had a class of equity securities registered under Section 12). For purposes of this estimate, an individual who holds multiple roles at a single issuer is counted once. An individual who holds an officer or director role at two different issuers is counted twice (once for each issuer). The average reflects that some non-FPI issuers were associated with zero Section 16 filings by directors and officers during calendar year 2024 (due to filing lags or no reportable trading activity). The average reflects rounding to the first decimal point. $1{,}112 \times 10.5 = 11{,}676$.

[61] To obtain this estimate, we multiplied the number of FPIs (identified as issuers that filed annual reports on Forms 20–F or 40–F, or amendments to them, during calendar year 2024, and that had a class of equity securities registered under Section 12) (1,112) by the average number of unique directors and officers filing based on non-FPIs (8.8). The latter average is calculated as the number of unique directors and officers of non-FPIs (identified as issuers that filed annual reports on Form 10–K, or amendments to them, during calendar year 2024, and that had a class of equity securities registered under Section 12) that filed Forms 3, 4, and 5 in calendar year 2024, or amendments to them, counting only one instance for each officer or director even if an officer or director was associated with, and made filings involving securities of, multiple issuers, divided by the number of non-FPIs. For purposes of this estimate, an individual is only counted once (including individuals who hold officer or director roles at different issuers). The average reflects rounding to the first decimal point. $8.8 \times 1{,}112 = 9{,}786$.

[62] While we could have used the number of FPI directors and officers who filed Form 144 to estimate the number of potential FPI directors and officers expected to file Section 16 reports in a typical year, we believe that figure is unrealistically low because the scope of Section 16 reporting obligations is considerably broader than for Form 144. *See supra* note 49.

[63] Based on staff analysis of EDGAR filings of Form 144, and amendments to them, filed during calendar year 2024, by directors and officers (identified based on relevant keywords in the relationship to issuer field; we do not exclude filings that lack specificity and list the relationship only as affiliate, which may result in some non-officer/director filings being potentially included), associated with FPIs (identified as issuers that filed Forms 20–F or 40–F, or amendments to them, during calendar year 2024, and that had a class of equity securities registered under Section 12). For purposes of this estimate, an individual who holds multiple roles at a single issuer is counted once. An individual who holds an officer or director role at two different issuers is counted twice (once for each issuer). The average reflects that some issuers were associated with zero Form 144 filings by directors and officers during calendar year 2024 (due to filing lags or no reportable trading activity). The average reflects rounding to the first decimal point.

[64] *Id.* Non-FPIs are identified as issuers that filed annual reports on Form 10–K, or amendments to them, during calendar year 2024, and that had a class of equity securities registered under Section 12. Estimates reflect rounding.

[65] $11{,}676 \times (0.8/2.1) = 4{,}448$.

[66] To obtain this estimate, we multiplied the estimate of the number of unique new filers from the first approach above (9,786) by the ratio of the average number of unique directors and officers of FPIs that filed Form 144 during calendar year 2024 (0.8) to the ratio of the average number of unique directors and officers of non-FPIs that filed Form 144 during calendar year 2024 (also 2.1). $9{,}786 \times (0.8/2.1) = 3{,}728$. For purposes of this estimate, an individual is only counted once (including individuals who hold officer or director roles at different issuers). The averages reflect rounding to the first decimal point.

[67] The estimate is based on S&P Capital IQ data on current board members and company professionals for issuers filing Forms 20–F or 40–F, or amendments to them, during calendar year 2024. As a caveat, the definition also relies on the S&P Capital IQ data on global executives and boards. A manual review of typical roles noted for those professionals confirms that the vast majority are executives, VPs, and board members. Data on directors and officers of FPIs is not readily extractable from EDGAR filings because it is reported in an unstructured and heterogeneous format, complicating data gathering and standardization. The average is skewed upward by large finance multinationals. The median was 14.0. For purposes of this estimate, an individual who holds multiple roles at a single issuer is counted once. An individual who holds an officer or director role at two different issuers is counted twice (once for each issuer). The estimate is rounded to the first decimal point.

[68] $18.9 \times 1{,}112 = 21{,}017$.

[69] To obtain this estimate, we multiplied the number of FPIs (identified as issuers that filed annual reports on Forms 20–F or 40–F, or amendments to them, during calendar year 2024) (1,112) by the average number of unique directors and officers based on S&P Capital IQ data on current internal and external board members and company professionals for issuers filing Forms 20–F or 40–F, or amendments to them, during calendar year 2024 (17.7). The latter average is calculated as the number of unique directors and officers of FPIs, counting only one instance for each officer or director even if an officer or director was associated with multiple FPIs. For purposes of this estimate, an individual is only counted once (including individuals who hold multiple director and officer roles at the same issuer). The average reflects rounding to the first decimal point. $17.7 \times 1{,}112 = 19{,}682$.

TABLE 1—SUMMARY OF ESTIMATES OF THE POTENTIAL NUMBER OF DIRECTORS AND OFFICERS OF FPIS EXPECTED TO FILE SECTION 16 REPORTS UNDER THE HFIA ACT [70]

Approach	Estimate description	Number of filers	Caveats
1. Non-FPI Section 16 data.	a. Not suppressing D&O overlaps across issuers: Number of Section 16 director and office filers per non-FPI issuer (10.5) × Number of FPIs (1,112).	11,676	Does not account for potential differences between FPI and non-FPI directors and officers.
	b. Unique D&Os (suppressing overlaps across issuers): Number of Section 16 director and officer filers per non-FPI issuer (8.8) × Number of FPIs (1,112).	9,786	
2. Form 144 data and non-FPI Section 16 data.	a. Not suppressing D&O overlaps across issuers: Estimate in row 1a above × the ratio of (Average number of directors and officers who have filed Form 144 during calendar year 2024 per FPI (0.8)/Average number of directors and officers who filed Form 144 during calendar year 2024 per non-FPI issuer (2.1)).	4,448	While it adjusts for some differences between FPI and non-FPI directors and officers, the adjustment is imprecise to the extent that there may be more differences than those reflected in Form 144 filing statistics. Form 144 only applies to proposed resales of restricted and/or control securities above the threshold under Rule 144 safe harbor and does not account for acquisitions.
	b. Unique D&Os (suppressing overlaps across issuers): Estimate in row 1b above × the ratio of (Average number of directors and officers who filed Form 144 during calendar year 2024 per FPI (0.8)/Average number of directors and officers who filed Form 144 during calendar year 2024 per non-FPI issuer (2.1)).	3,728	
3. Officer/director count	a. Not suppressing D&O overlaps across issuers: Average number of all directors and officers per FPI (18.9) × Number of FPIs (1,112).	21,017	Does not account for whether directors and officers own or trade company stock. Count of directors and officers per FPI is based on S&P Capital IQ data due to limitations of reporting.
	b. Unique D&Os (suppressing overlaps across issuers): Average number of all directors and officers per FPI (17.7) × Number of FPIs (1,112).	19,682	

While the amendments will also affect current and prospective FPI investors, as discussed in detail in Section IV.A above and Section IV.C below, we lack the data to estimate the number of affected investors.

C. Economic Effects of the Final Amendments

Section IV.A above addressed broad economic considerations related to the impact of disclosure of trading and beneficial ownership positions of FPI directors and officers, and the potential factors that may affect the magnitude of the economic effects of the final amendments. Below we provide a more detailed discussion of the anticipated benefits and costs of the HFIA Act and the final amendments relative to the baseline, as well as the anticipated effects of the HFIA Act and the final amendments on efficiency, competition, and capital formation.

1. Benefits

Extending Section 16(a) reporting requirements to directors and officers of FPIs will benefit investors by providing greater transparency about the trading and beneficial ownership positions of FPI directors and officers.[71] This enhanced transparency can aid investors in obtaining a more accurate picture of incentives of directors and officers of FPIs and a potentially more accurate valuation of the issuer's shares, enabling better informed investment decisions and contributing to more efficient allocation of investor capital.

We expect these benefits to result from the disclosure of acquisition and disposition transactions as well as ownership positions under Section 16(a) and the Commission's rules thereunder. While a purchase or sale transaction may be motivated by liquidity needs, rebalancing, or other routine considerations, prior studies show that purchases and/or sales reported under Section 16 may be relevant to investors.[72] Disclosure about ownership

[70] As discussed above, the first two approaches focus on the estimated number of directors and officers of FPIs that could be expected to file Section 16 reports in a typical year of compliance. The third approach focuses on estimating the potential total number of directors and officers of FPIs.

[71] *See supra* Section IV.A.

[72] See, *e.g.,* Francois Brochet, Information Content of Insider Trades Before and After the Sarbanes-Oxley Act, 85 Acct. Rev. 419, 419–446 (2010). (''Brochet (2010)''); David Veenman, Disclosures of Insider Purchases and the Valuation Implications of Past Earnings Signals Available to Purchase, 87 Acct. Rev. 313, 313–42 (2012); Cohen et al. (2012); Lyungmae Choi, Lucile Faurel & Stephen Hillegeist, Do Proprietary Costs Deter Insider Trading?, 71 Mgmt. Sci. 2751, 2751–3636 (2025); Jennifer L. Brown, G. Ryan Huston & Brian S. Wenzel, The Gift That Keeps on Giving: Stock Returns Around CEO Stock Gifts to Family Members, 29 Rev. Acct. Stud. 1904, 1904–47 (2024); Eli Bartov & Lucile Faurel, Sarbanes-Oxley Act and Patterns in Stock Returns Around Executive Stock Option Exercise Disclosures, 56 Acct. & Fin. 297, 297–332 (2016); Harjeet S. Bhabra & Ashrafee T. Hossain, Market Conditions, Governance and the Information Content of Insider Trades, 24 Rev. Fin. Econ. 1, 1–11 (2015); Jonathan L. Rogers, Douglas J. Skinner & Sarah L.C. Zechman, The Role of the Media in Disseminating Insider-Trading News, 21 Rev. Acct. Stud. 711, 711–39 (2016); Alan D. Jagolinzer, David F. Larcker & Daniel J. Taylor, Corporate Governance and the Information Content of Insider Trades, 49 J. Acct. Res. 1249, 1249–74 (2011); Enrichetta Ravina & Paola Sapienza, What Do Independent Directors Know? Evidence from Their Trading, 23 Rev. Fin. Stud. 962, 962–1003 (2010); Jeng et al. (2003); Josef Lakonishok & Inmoo Lee, Are Insider Trades Informative?, 14 Rev. Fin. Stud. 79, 79–111 (2001). Some studies suggest that the magnitude of market returns around Form 4 sale disclosures has declined post-Sarbanes-Oxley Act. See, *e.g.,* Laurel Franzen, Xu Li, Oktay Urcan & Mark E. Vargus, The Market Response to Insider Sales of Restricted Stock Versus Unrestricted Stock, 37 J. Fin. Res. 99, 99–118 (2014); Brochet (2010). Separately from studies of returns around Section 16 disclosures, there is also some evidence that insider sales

positions, as well as partial information about equity compensation awards that are reported among other transactions on Form 4, can provide new information to investors about the equity incentives of FPI directors and officers and the extent of alignment of directors' and officers' interests with those of shareholders that is not available in other FPI disclosures. Such granular, officer/director-level information will provide investors with context for supplementing and understanding other corporate disclosures that are used to value the companies' shares and make informed investment decisions (especially to the extent that FPIs provide disclosures that are different from U.S. domestic issuers due to certain FPI accommodations).[73]

Further, the timing of the trades, relative to the issuance of other corporate disclosures, may provide investors with insight into potential actions by FPI directors and officers that may affect firm value. Moreover, by drawing market scrutiny to trades by FPI directors and officers, additional disclosure may deter trading based on MNPI, benefiting investors and decreasing the economic costs and inefficiencies associated with such trading, as discussed in Section IV.A above.

These informational benefits should be considered in the context of the existing baseline, which includes partial disclosure of information about trades by directors and officers of certain FPIs through home country reporting and Form 144 filings.[74] Further, informational benefits of the new disclosure may be lower to the extent that directors and officers of FPIs do not undertake trades in, or hold, shares of the FPI, or to the extent that their reportable trades are routine, for instance, motivated by liquidity needs and similar considerations unrelated to MNPI.[75]

The new mandatory Section 16(a) disclosures will significantly increase the transparency regarding the trading and beneficial ownership of an FPI's equity securities by its directors and officers (in the case of FPIs from home country jurisdictions without a similar reporting requirement), which may not be attained under a voluntary regime. Although such reporting may reveal additional information to investors, enabling better informed investment decisions and more efficient allocation of capital as well as more orderly and efficient markets, FPI directors and officers may have a conflict of interest due to the private cost of disclosure that disincentivizes voluntary disclosure of trading and ownership information. For instance, the disclosure may impact share prices, affecting the prices at which the FPI officer's or director's subsequent trades are executed, or invite additional market scrutiny of directors' and officers' trades. Thus, a voluntary disclosure regime is likely to result in an inefficiently low level of disclosure about transactions by the FPI directors and officers.

Amending Forms 3, 4, and 5 to accommodate FPI director and officer reporting newly required under Section 16(a) is expected to make it easier for investors and other market participants to obtain and use this information due to the extensive market experience with electronic filings on these forms required for insiders of non-FPI issuers.[76] The structured data requirements of Forms 3, 4, and 5 are expected to facilitate access to, and analysis of, the disclosures by investors, potentially leading to more useful and timely insights. In particular, structured data on holdings of FPI directors and officers, as well as transaction disclosures, will enable automated extraction of detailed data on such holdings and trading, allowing investors to efficiently perform large-scale analyses and comparisons of holdings and trades across FPI directors and officers, issuers, and time periods. Structured data on holdings and trades of FPI directors and officers may also be efficiently combined with other information that is available in a structured data language in corporate filings and with market data contained in external machine-readable databases. Reporting this information in a structured data language is also expected to enable faster and more accurate analysis of the disclosed data by investors, including by facilitating investor analyses using machine learning tools.

2. Costs

The Section 16 reports required by the HFIA Act and the final amendments will impose direct (legal and compliance-related) costs on directors and officers of FPIs. Such costs include preparing the disclosure and gathering and verifying the information required to comply with the new disclosure requirements. Such legal and compliance costs are expected to be somewhat lower for directors and officers that already report trades to comply with the requirements of the FPI's home country jurisdiction,[77] or the very small number of directors and officers of FPIs that voluntarily report under Section 16(a) today.[78] Directors and officers are likely to have information about their acquisition and disposition of securities readily available and/or accessible from their brokers or issuers. Directors and officers also may have this information for purposes of internal compliance with an issuer's insider trading policies and programs (which issuers may implement for various reasons, including, but not limited to, the application of Exchange Act Section 10(b) and Rule 10b–5 to directors and officers of FPIs). Nevertheless, some directors and officers may not be systematically collecting such information or organizing it in the format required by Forms 3, 4, and 5 today. In such cases, directors and officers are likely to incur additional costs to compile information about their acquisitions and dispositions of securities and report it pursuant to the timing requirements, specifically, in the case of Form 4. The requirement to prepare the Section 16 disclosures in the XML format required for Forms 3, 4, and 5 should not impose incremental compliance costs on the affected directors and officers, because affected directors and officers would be able to complete a fillable web form on EDGAR that automatically converts the inputted disclosures to XML.[79] Any affected directors and officers that wish to submit an XML-tagged Form 3, 4, or 5 rather than use the fillable form would be able to do so.[80]

Overall, we estimate that complying with the new Section 16(a) disclosure requirements will require in the aggregate 20,510 additional burden hours per year,[81] which is equivalent to approximately $9.5 million per year in dollar terms (at a rate of $463 per hour).[82] The requirement to file the

disclosures on Form 144 have information content, see, *e.g.,* JLT (2024).

[73] *See supra* note 51 and accompanying text.

[74] *See supra* Section IV.B.1.

[75] *See supra* note 59 and accompanying text. Nevertheless, the fact that directors and officers only engage in routine trades may itself be informative about the strength of internal governance in place with respect to director and officer trading. More granular information about director and officer holdings may also aid investors in calculating up-to-date public float of the issuer.

[76] *See supra* notes 44–45.

[77] *See supra* note 55.

[78] *See supra* note 59.

[79] *See* EDGAR Filer Manual Vol. II, Section 8.1.4, *available at https://www.sec.gov/submit-filings/edgar-filer-manual.*

[80] *See id.* at Chapter 9.

[81] *See infra* Section V.C.1. (1,484 + 17,852 + 1,174) hours.

[82] 20,510 hours × $463 = $9,496,130. The $463 per hour rate reflects our current estimate of the blended hourly rate for lawyers ($498), paralegals

Continued

Section 16 disclosures electronically on EDGAR, which currently applies to Forms 3, 4, and 5, is expected to impose a small additional cost, mainly during the first year of compliance to establish EDGAR access and obtain filings codes. Directors and officers that have not previously used EDGAR for filing are expected to expend an aggregate 5,330 hours to submit Form ID,[83] which is equivalent to a one-time aggregate compliance cost of approximately $2.5 million (at a rate of $463 per hour).[84]

While these are aggregate average estimates, it is possible that there will be some variation in compliance costs. Initial costs of Section 16(a) reporting may be somewhat larger than ongoing compliance costs because all directors and officers of FPIs will have to file an initial Form 3, even if they do not have any holdings in the FPI's securities or make subsequent transaction disclosures on Forms 4 and 5. Initial compliance costs also may vary based on directors' and officers' existing recordkeeping processes. Somewhat higher compliance costs are expected to be incurred, especially initially, by FPI directors and officers that do not report their trades in the FPI's home country jurisdiction; FPI directors and officers that have no prior individual experience with filing on EDGAR; FPI directors and officers with more shareholdings and trades; FPI directors and officers whose broker does not provide electronic or otherwise readily accessible trade confirmations; and FPI directors and officers who must undertake the incremental effort to translate and compile trade records for Section 16 reporting in English. While there may be variation in compliance costs across filers, the average compliance cost per filer is expected to be modest.[85] In addition, FPIs may assist directors and officers with retaining a preparer or leveraging the expertise of the issuer's personnel to help directors and officers comply with their filing obligations, which may make compliance less costly and more efficient for individual filers.

Next, we discuss the indirect costs of the new Section 16(a) disclosure requirements. One potential indirect cost to affected FPI directors and officers, and potentially issuers themselves, is the potential share price movement that may make directors' and officers', and potentially issuers', subsequent trades costlier. For example, if the market price rises (or falls) following the Section 16(a) disclosure, irrespective of the reason for the trade reported under Section 16(a), and the officer or director, or the issuer, plans to undertake future share purchases (or sales), such future transactions may be executed at a less favorable price. Affected directors and officers may be able to structure multiple trades into a shorter time period in anticipation of the timing of the Form 4 disclosure, although placing a single larger trade may also result in price impact. Issuers also may implement policies regarding director and officer trading around the timing of issuer trades, to mitigate potential spillovers.

Another potential indirect cost of the new Section 16(a) disclosure requirements is that they may reveal details about directors' and officers' incentives and compensation structures that are not otherwise required to be disclosed under existing regulations, which could potentially reveal sensitive proprietary information about individual directors' and directors' compensation structures and executive talent retention strategy to competitors. For example, compensation disclosures for FPI directors and officers required by Form 20–F and Form 40–F can be provided on an aggregated basis if home country laws do not require disclosure of compensation on an individual basis (and such individualized compensation disclosure is not otherwise publicly provided).[86] It also may invite market scrutiny to FPI director and officer compensation arrangements and equity incentives, potentially prompting issuers to make changes to such arrangements. In anticipation of the costs of compliance and market scrutiny of Section 16 reports, some directors and officers of FPIs may seek to restructure their securities holdings. In some other instances, directors and officers may negotiate changes to compensation when facing additional compliance requirements.[87] If the existing ownership and compensation incentives already were optimal, such changes may be inefficient. As a general consideration, costs incurred by issuers would be borne by their existing shareholders.

FPI directors and officers, and the issuers themselves, may incur other indirect costs as the result of additional market scrutiny of directors' and officers' trades by investors and other market participants in response to the

and legal assistants ($169), and chief executives ($723). We expect that the types of individuals, the rates for those individuals, and the proportion of each individual's contributions would vary among filers and could differ depending on which specific form a filer is completing. Nonetheless, for purposes of this economic analysis, we believe the $463 per hour rate is a reasonable estimate of the hourly cost of completing Forms 3, 4, and 5. To calculate the occupational hourly rates used in this release, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for the private sector. *See Occupational Employment and Wage Statistics,* U.S. Bureau of Labor Statistics, *available at https://www.bls.gov/oes/; see also Standard Occupational Classification,* U.S. Bureau of Labor Statistics, *available at https://www.bls.gov/soc/* (describing occupational classification system used by BLS); Exec. Off. of the President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), *available at https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf* (describing the industry classification system used by BLS and other agencies). We assume that these mean hourly wage data for domestic employers are comparable for foreign employers for the purpose of this analysis, although the actual wages could be higher or lower. The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. *See Employment Cost Index, U.S. Bureau of Labor Statistics, available at https://www.bls.gov/eci/.* The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for the private sector to total annual wages across all occupations for the private sector in the OEWS data. *See Gross Output by Industry,* U.S. Bureau of Economic Analysis, *available at https://www.bea.gov/data/industries/gross-output-by-industry; Occupational Employment and Wage Statistics,* U.S. Bureau of Labor Statistics, *available at https://www.bls.gov/oes/.* The final product is the occupational hourly rate. *See generally* Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), *available at https://www.sec.gov/files/method-occupational-hourly-rates.pdf.* We assume that these mean hourly wage data for domestic employers are comparable for foreign employers for the purpose of this analysis, although the actual wages could be higher or lower.

[83] Form ID, the application for EDGAR access, must be submitted and approved by SEC staff in order for filers to make filings on EDGAR. *See Prepare and Submit My Form ID Application for EDGAR Access,* Sec. and Exch. Comm'n (last reviewed or updated on Dec. 22, 2025), *https://www.sec.gov/submit-filings/filer-support-resources/how-do-i-guides/prepare-submit-my-form-id-application. See also infra* Section V.C.2.

[84] 5,330 × $463 = $2,467,790. *See supra* note 82 for an explanation of the hourly rate calculation.

[85] For example, filing Form ID to establish initial EDGAR access is estimated to require 0.6 hours for purposes of the PRA, which is equivalent to approximately $278 in dollar terms ($463 × 0.6), incurred once by new filers that have not previously used EDGAR. *See infra* note 104 and accompanying text and *supra* note 82. For purposes of the PRA, complying with Form 3, 4, and 5 requirements is estimated to require 20,510 hours per year across 9,786 filers, or approximately $970 ($463 × 20,510/9,786) for the average filer in dollar terms. *See supra* note 81, *infra* note 100 and accompanying text, and *supra* note 82 for an explanation of the $463 hourly rate calculation.

[86] *See* Item 6B of Form 20–F.

[87] *See, generally,* D.T. Roulstone, *The Relation Between Insider-Trading Restrictions and Executive Compensation,* 41 J. Acct. Res. 525, 525–51 (2003) (showing, in a different context, ''that firms that restrict insider trading pay a premium in total compensation relative to firms not restricting insider trading, after controlling for economic determinants of pay.'').

Section 16 disclosures, including additional expenditures on investor relations and even potential reputational concerns, without regard to the reasons for the trades, including liquidity considerations. Some FPI directors and officers might hesitate to trade, even when confronted with liquidity needs, to avoid drawing heightened investor scrutiny. Such costs are expected to be higher in cases of directors and officers that do not already report their trades of the FPI's equity securities (whether in the FPI's home country jurisdiction or, in the case of sales, on Form 144), as well as directors and officers that engage in more trades.

3. Present Values and Annualized Values of Monetized Benefits and Costs

In this section, we report the total monetized benefits and costs of the new Section 16(a) disclosure requirements in two alternative ways. These presentations are intended to address the fact that the various benefits and costs of the amendments will not accrue at the same point in time; rather, benefits and costs that accrue sooner are generally more valuable than those that occur later in time. Specifically, we report below (1) the present values of expected benefits and costs that are monetized in our economic analysis over a 10-year time horizon, starting in 2026, as well as (2) the annualized values over the same time horizon that are derived from the present values. This 10-year time horizon represents the period over which the principal benefits and costs that are monetized in the economic analysis are expected to accrue.[88] The present values and annualized values account for the timing of benefits and costs through discounting, which is a procedure that accounts for the time value of money.[89] The present values and annualized values are computed for total monetized benefits and costs, combining one-time and recurring monetized benefits and costs, across all affected persons over the time horizon.

Table 2 reports the present values of monetized benefits and costs using annual real discount rates of 3 percent and 7 percent over a 10-year time horizon, starting in 2026.[90]

TABLE 2—PRESENT VALUE OF MONETIZED BENEFITS AND COSTS OVER A 10-YEAR TIME HORIZON

[2025 Dollars] [a]

Estimated effects [b]	3% Real discount rate	7% Real discount rate
Benefits	N/A	N/A
Costs	$84,641,581	$71,377,454

Notes:

[a] This Table includes only benefits and costs that are monetized. As discussed in this economic analysis, there are other benefits and costs that we are not able to monetize.

[b] For each discount rate, the present value of monetized costs is calculated assuming that annual monetized costs start to be incurred as of the year in which affected persons first comply. We assume that monetized costs accrue mid-year, and we use a mid-year discount rate.

Table 3 reports annualized monetized benefits and costs using real discount rates of 3 percent and 7 percent over a 10-year horizon.[91] The lump sum present values of monetized benefits and costs reported in Table 2 are converted in Table 3 into a constant stream of annualized benefits and costs over a 10-year time horizon, starting in 2026.[92] Annualized benefits and costs may differ from the recurring monetized annual benefits and costs discussed earlier in this economic analysis because they incorporate the timing of benefits and costs, through discounting, and combine one-time and recurring benefits and costs.[93]

TABLE 3—ANNUALIZED MONETIZED BENEFITS AND COSTS OVER A 10-YEAR TIME HORIZON

[2025 Dollars] [a]

Estimated effects [b]	3% Real discount rate	7% Real discount rate
Benefits	N/A	N/A
Costs	$9,777,004	$9,824,502

Notes:

[a] This Table includes only benefits and costs that are monetized. As discussed in this economic analysis, there are other benefits and costs that we are not able to monetize.

[88] *See* OMB, Circular A–4, at 31 (Sept. 17, 2003) (stating that ''[t]he ending point should be far enough in the future to encompass all the significant benefits and costs likely to result from the rule''). For the purposes of this analysis, we assume the start year for the analysis's 10-year time horizon is the effective date of the rule. The analysis uses calendar years and accounts for the compliance periods included in the release (*see* note b in Table 2).

[89] *See id.* at 32 (''The Rationale for Discounting'') & 45 (''Treatment of Benefits and Costs over Time''); *see also* OIRA, Regulatory Impact Analysis: A Primer, at 11 (Aug. 15, 2011), *available at https://www.reginfo.gov/public/jsp/Utilities/circular-a-4_regulatory-impact-analysis-a-primer.pdf* (''To provide an accurate assessment of benefits and costs that occur at different points in time or over different time horizons, an agency should use discounting. Agencies should provide benefit and cost estimates using both 3 percent and 7 percent annual discount rates expressed as a present value as well as annualized.''); Harvey S. Rosen & Ted Gayer, Public Finance 151 (8th ed. 2008) (defining present value as ''the value today of a given amount of money to be paid or received in the future'').

[90] This approach is consistent with OMB Circular A–4. *See* Circular A–4, at 31–34 (stating that, ''[f]or regulatory analysis, [agencies] should provide estimates of net benefits using both 3 percent and 7 percent'' discount rates and discussing why those rates are reasonable default rates).

[91] This approach is consistent with the recommended treatment of benefits and costs over time in Circular A–4. *See id.* at 45 (''You should present annualized benefits and costs using real discount rates of 3 and 7 percent'').

[92] For each discount rate, the annualized monetized benefits (costs, respectively) in Table 3 represent the constant annual stream of benefits (costs, respectively) whose present value over the 10-year horizon equates the corresponding present value in Table 2. *See* note b, Table 3 for additional calculation details.

[93] The annualized benefits and costs present these values over the 10-year time horizon, starting in the year of the effective date, even if recurring annual benefits and costs would actually start to be incurred at a later date due to compliance periods.

[b] For each discount rate, the annualized value of monetized benefits (costs, respectively) is calculated by dividing the corresponding present value of monetized benefits (costs, respectively) in Table 2 by the sum of discount factors over the 10-year time horizon. The discount factor in year t of the 10-year time horizon (t = 1, . . ., 10) is equal to 1/(1 + discount rate)^(t − 0.5), where the discount rate is either 3% or 7%. The sum of discount factors over the 10-year time horizon is then the sum of the discount factors across years t = 1 through 10.

In sum, Tables 2 and 3 report in two alternative ways expected total benefits and costs, across all affected persons, which are monetized in our economic analysis, using real discount rates of 3 percent and 7 percent over a 10-year time horizon.

4. Efficiency, Competition, and Capital Formation

We expect the HFIA Act and the final amendments to reduce the information asymmetry between directors and officers of FPIs and outside investors by providing additional details about the trading and beneficial ownership positions of FPI directors and officers. The reduction in information asymmetry as a result of the new Section 16(a) disclosure requirements should result in more informationally efficient stock prices.[94] Because disclosure of trading and beneficial ownership positions of FPI directors and officers can reveal directors' and officers' incentives, which may affect shareholder value as discussed in Section IV.A above, the additional disclosure may also better inform investment decisions (enabling more efficient allocation of capital in investor portfolios) and voting decisions.

Importantly, the new Section 16(a) disclosure requirements may draw additional market scrutiny to the trading of directors and officers of FPIs and thus may serve to deter trading by FPI directors and officers on the basis of MNPI. As discussed in Section IV.A. above, this potential scrutiny could strengthen the alignment of directors' and officers' objectives with those of shareholders.

A lower risk of trading against an informed director or officer of an FPI may increase investor confidence and the willingness of market participants to buy and trade in the issuer's shares. These effects should indirectly make it easier for the issuer to gain greater investor confidence and raise capital from investors, resulting in capital formation benefits for such issuers.[95]

Finally, in line with the discussion in Section IV.A. above, the new Section 16(a) disclosure requirements may affect competition. Decreasing the ability of directors and officers of FPIs to trade on MNPI will weaken their competitive edge in trading, promoting competition among other investors in the market for the FPI's shares. A lower risk of an officer or director with a significant private information advantage trading the FPI's shares should strengthen the incentive of other market participants to trade those shares and compete in gathering and processing information about the issuer. Disclosure of transactions of an FPI's equity securities by its directors and officers will also enable investors to access and compare such information across all issuers, including other FPIs and non-FPI issuers, potentially enhancing issuers' incentives to compete in, and establish a reputation for, having robust practices in the area of director and officer trading.

The new Section 16(a) disclosure requirements may reduce trading by FPI directors and officers on the basis of MNPI. Decrease in such trading should also limit such persons' incentives to engage in inefficient corporate decisions associated with such trading.[96] The effects of the new disclosure requirements on the efficiency of corporate investment and other decisions are not fully certain because the amendments may induce FPI directors and officers to adjust their holdings in response to the reduced liquidity and potentially lead companies to adjust incentive and compensation structure or other policies and practices in response to the amendments.

Further, limiting the ability of FPI directors and officers to trade on MNPI may decrease the incentives of affected directors and officers to influence the timing and content of corporate disclosures. More timely and higher-quality corporate disclosures will provide more information to investors, which should result in more informationally efficient share prices in the secondary market and more efficient allocation of investor capital across investment opportunities in their portfolio. A reduction in trading on the basis of MNPI by FPI directors and officers may also benefit market efficiency.[97]

All effects described above will be weaker to the extent that some

[94] A number of studies demonstrate adverse effects of insider trading on market efficiency. *See, e.g.,* Michael J. Fishman & Kathleen M. Hagerty, *Insider Trading and the Efficiency of Stock Prices,* 23 RAND J. Econ. 106 (1992) (showing that ''under certain circumstances, insider trading leads to less efficient stock prices. This is because insider trading has two adverse effects on the competitiveness of the market: it deters other traders from acquiring information and trading, and it skews the distribution of information held by traders toward one trader.''); Zhihong Chen et al., *The Real Effect of the Initial Enforcement of Insider Trading Laws,* 45 J. Corp. Fin. 687 (2017) (finding evidence that the initial enforcement of insider trading laws ''improves capital allocation efficiency by increasing price informativeness and reducing market frictions''); Robert M. Bushman et al., *Insider Trading Restrictions and Analysts' Incentives to Follow Firms,* 60 J. Fin. 35 (2005) (arguing that ''insider trading crowds out private information acquisition by outsiders'' and showing that ''analyst following increases after initial enforcement of insider trading laws'' in a cross-country sample); Nuno Fernandes & Miguel A. Ferreira, *Insider Trading Laws and Stock Price Informativeness,* 22 Rev. Fin. Stud. 1845 (2009) (finding that price informativeness increases with the enforcement of insider trading laws, but only in countries with a strong ''efficiency of the judicial system, investor protection, and financial reporting''); *see also* Fishman & Hagerty, 23 RAND J. Econ. 106 (showing in a theoretical framework that ''with insider trading, the aggregate amount of information possessed by traders in the market is greater. Nevertheless, under certain circumstances, insider trading leads to less efficient stock prices. This is because insider trading has two adverse effects on stock price efficiency. First, with insider trading, the number of informed traders in the market is lower—the presence of a better-informed insider deters non-insiders from acquiring information and trading. Second, with insider trading, the information in the market is not evenly distributed across traders—the insider has an informational advantage. Both of these effects lead to a less competitive market and less efficient prices...''). *But see* Henry G. Manne, *Insider Trading and the Stock Market* (Free Press 1966) (arguing that insider trading does not harm long-term investors and instead represents an efficient method of compensating insiders). In addition, potential failure of investors to accurately interpret the information in the Section 16 disclosures (*e.g.,* overreaction to disclosures of liquidity trades by directors and officers) also may decrease the informational efficiency of prices.

[95] *See, e.g.,* Hsuan-Chi Chen & Qing Hao, *Insider Trading Law Enforcement and Gross Spreads of ADR IPOs,* 35 J. Banking & Fin. 1907, 1907–1917 (2011) (showing in a cross-country analysis that better enforcement of insider trading laws decreases underwriter gross spreads for ADRs, an important IPO cost). Further, various studies show that insider trading negatively impacts liquidity. *See, e.g.,* Raymond P.H. Fishe & Michel A. Robe, *The Impact of Illegal Insider Trading in Dealer and Specialist Markets: Evidence From a Natural Experiment,* 71 J. Fin. Econ. 461 (2004); Louis Cheng et al., *The Effects of Insider Trading on Liquidity,* 14 Pacific-Basin Fin. J. 467 (2006); Hayne E. Leland, Insider Trading: Should It Be Prohibited?, 100 J. POL. ECON. 859 (1992) (showing in a model that ''markets are less liquid'' and ''outside investors and liquidity traders will be hurt'' when insider trading is permitted); Laura N. Beny, *Do Insider Trading Laws Matter? Some Preliminary Comparative Evidence,* 7 Am. L. & Econ. Rev. 144 (2005) (finding that ''countries with more prohibitive insider trading laws have more diffuse equity ownership, more accurate stock prices, and more liquid stock markets''); Lawrence R. Glosten, *Insider Trading, Liquidity, and the Role of the Monopolist Specialist,* 62 J. Bus. 211 (1989) (showing in a model that insider trading reduces liquidity).

[96] *See supra* Section IV.A.

[97] *See supra* note 95.

information about the trading of directors and officers of FPIs may already be available today, as discussed in greater detail in Section IV.A. above.

It is possible that for some companies and directors and officers, the direct and indirect costs of complying with the new Section 16(a) requirements detailed in Section IV.C above may be so significant as to affect, on the margin, the decision to remain registered under Section 12, or to pursue a new registration under Section 12. If that were to occur, it would reduce the number of FPIs with a class of securities registered under Section 12 in the U.S. market, potentially impacting access to capital and U.S. investors' ability to diversify their portfolios within the U.S. securities market. However, given that there are likely other, more substantial regulatory costs and economic cost-and-benefit considerations of having a class of shares registered under Section 12, we believe that the new Section 16(a) disclosure requirements are unlikely to have a significant effect on this decision.

V. Paperwork Reduction Act

A. Background

Certain provisions of Form 3, Form 4, and Form 5 that will be affected by the final amendments contain ''collection of information'' requirements within the meaning of the Paperwork Reduction Act of 1995 (''PRA'').[98] The final amendments will also necessitate an increase in respondents to Form ID required for filings on EDGAR by FPI directors and officers to comply with Section 16(a), but will not change the form itself. The Commission is submitting the final amendments to the Office of Management and Budget (''OMB'') for review in accordance with the PRA.[99] We are seeking emergency approval from OMB for the revised burden estimates associated with the HFIA Act requirements and the related final amendments to Form 3, Form 4, and Form 5 and the revised burden estimates for Form ID in accordance with the procedures of the PRA. In a separate notice, we will seek public comment on the revised burden estimates.

The titles for the collections of information are:

(1) ''Form 3—Initial Statement of Beneficial Ownership of Securities'' (OMB Control No. 3235–0104);

(2) ''Form 4—Statement of Changes in Beneficial Ownership of Securities'' (OMB Control No. 3235–0287);

(3) ''Form 5—Annual Statement of Beneficial Ownership'' (OMB Control No. 3235–0362); and

(4) ''Form ID—Application for EDGAR Access'' (OMB Control No. 3235–0328).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information requirement unless it displays a currently valid OMB control number. Compliance with the information collections is mandatory. Responses to the information collections are not kept confidential and there is no mandatory retention period for the information disclosed. The affected Forms 3, 4, and 5 were adopted under the Exchange Act and are used by Section 16 reporting persons to disclose securities ownership information and securities transaction information under Exchange Act Section 16(a). Form ID is the application for EDGAR access, which is necessary to file required reports on EDGAR, including those on Form 3, 4, and 5. The hours and costs associated with preparing and filing the forms constitute reporting and cost burdens imposed by each collection of information.

B. Summary of the Amendments

As described in more detail in Section II above, we are adopting final amendments to reflect the requirements of the HFIA Act. The HFIA Act amended Section 16(a) of the Exchange Act to require directors and officers of FPIs with a class of equity securities registered under Section 12 of the Exchange Act to provide disclosure as to their beneficial ownership and transactions involving the company's equity securities. The final amendments revise the Commission's rules and forms to reflect these statutory requirements.

C. Burden and Cost Estimates Related to the HFIA Act Requirements and the Related Final Amendments

1. Forms 3, 4, and 5

We anticipate that the HFIA Act requirements and the related final amendments will increase the number of respondents on Forms 3, 4, and 5, and thus the total annual burden hours for those forms. Given that directors and officers of FPIs were not previously subject to Section 16(a) of the Exchange Act, and the limited information on variables that are highly specific to the unique circumstances of each type of person affected by the final amendments, our ability to predict the magnitude of corresponding burdens with any precision is constrained.

In deriving our estimates, we make certain assumptions. For example, we assume that FPIs' governing structures, and, therefore, number of directors and officers, are, on average, similar or proportionate to those of non-FPIs. We further assume that FPI directors and officers have similar trading habits to non-FPI directors and officers, for whom we have reporting data. We estimate the number of affected respondents to be 9,786 by determining the number of FPIs filing on Forms 20–F and 40–F [100] that have a class of equity securities registered under Section 12 (1,112 FPIs) and multiplying it by the average number of unique directors and officers filing Section 16 reports per non-FPI issuer (8.8 persons).[101]

As a result of the HFIA Act requirements and the related final amendments, we estimate that, on an annual basis, there will be an additional 2,967 Forms 3 filed, an additional 35,703 Forms 4 filed, and an additional 1,174 Forms 5 filed.[102] In addition, the increase in the annual paperwork burden for Forms 3, 4, and 5 will be 1,484 hours, 17,852 hours, and 1,174 hours, respectively, and zero dollars of cost burden for each Form.[103]

These estimates represent the average burdens for all affected respondents, regardless of their individual characteristics. In deriving our estimates, we recognize that the burdens will likely vary among individual

[98] 44 U.S.C. 3501 *et seq.*

[99] 44 U.S.C. 3507(d) and 5 CFR 1320.11.

[100] A small number of FPIs may elect to file on Form 10–K and are not included in our estimates, *see supra* note 56.

[101] *See supra* note 61. *But see supra* Section IV.B.2. for alternative estimates of total affected respondents.

[102] The current OMB inventories for Forms 3, 4, and 5 reflect 16,520, 186,052 and 5,939 annual responses, respectively. As discussed above, we expect the final amendments to Section 16(a) and related rules to increase the number of persons required to make Form 3, 4, and 5 filings. For purposes of this PRA estimate, we assume that the ongoing rate of filing by FPI directors and officers will be proportionate to the ongoing rate of filing by non-FPI directors and officers. However, the current OMB inventories for Forms 3, 4, and 5 include filings by 10 percent holders of non-FPIs, and the final amendments will only increase responses by directors and officers of FPIs, and not 10 percent holders of FPIs. To adjust for 10 percent holders, we estimate that 92%, 97%, and 96% of current responses on Forms 3, 4, and 5, respectively, are made by directors and officers of non-FPIs. Applying that approach to the current OMB inventories for Forms 3, 4, and 5, we estimate that the number of responses will increase by 2,967, 35,703, and 1,174 for Forms 3, 4, and 5, respectively.

[103] These amounts are calculated based on the estimated number of additional Forms 3, 4, and 5 filed as a result of the final amendments—2,967, 35,703, and 1,174, respectively, *see supra* note 102—multiplied by the current OMB inventory number of hours per response. The current OMB inventory indicates that there are 0.5 burden hours associated with each Form 3 and Form 4 filing and one burden hour associated with each Form 5 filing. The estimated change in burden hours is rounded to the nearest whole number. The current OMB inventory also indicates that there are $0 of burden dollars associated with each Form 3, 4, and 5 filing.

respondents based on a number of factors. We believe that some respondents will experience burdens in excess of this average and some respondents may experience less than the average burden.

The table below shows the total annual compliance burden, in hours and in costs, of the collection of information resulting from the HFIA Act requirements and the related final amendments. The burden estimates were calculated by multiplying the estimated increase in the number of responses by the estimated average amount of time it would take a respondent to prepare and review the required information. The burden carried by the respondent internally is reflected in hours. For purposes of the PRA, we estimate that 100 percent of the burden of preparing Forms 3, 4, and 5 is carried by the respondent internally.

PRA TABLE 1—CALCULATION OF THE INCREMENTAL BURDEN ESTIMATES FOR FORM 3, 4, AND 5

Collection of information	Estimated number of new annual responses (A)	Burden hour per response (B)	Incremental change in annual burden hours (C) [(A) × (B)]	Incremental change in cost burden (F)
Form 3	2,967	0.50	1,484	$0
Form 4	35,703	0.50	17,852	0
Form 5	1,174	1.00	1,174	0

2. Form ID

As a result of the HFIA Act requirements and the related final amendments, FPI directors and officers will be required to file specified disclosures on EDGAR. The final amendments will not change Form ID itself, but we anticipate that the number of Form ID filings will increase due to new respondents being required to comply with Section 16(a).

For purposes of this PRA analysis, we assume that most FPI directors and officers becoming subject to Section 16(a) reporting will not have filed an electronic submission with us previously and, therefore, will be required to file a Form ID. We further assume that each director and officer filing a Form ID will incur 0.6 total burden hours, with 100 percent of those hours being handled internally by the respondent. In total, this will correspond to approximately 8,883 [104] additional Form ID filings and a total annual burden of 5,330 hours for the ''Form ID'' information collection (8,883 filings × 0.6 hours/filing).

The below table summarizes the estimated incremental paperwork burdens associated with Form ID.

PRA TABLE 2—CALCULATION OF THE INCREMENTAL BURDEN ESTIMATES FOR FORM ID

Collection of information	Estimated number of new annual responses (A)	Burden hour per response (B)	Incremental change in annual burden hours (C) [(A) × (B)]	Incremental change in cost burden (F)
Form ID	8,883	0.60	5,330	$0

The table below illustrates the estimated annual compliance burden of new information collections as a result of the HFIA Act requirements' and the related final amendments' estimated effect on the paperwork burden per response.

PRA TABLE 3—CALCULATION OF THE CHANGE IN BURDEN ESTIMATES OF CURRENT RESPONSES RESULTING FROM THE HFIA ACT REQUIREMENTS AND THE RELATED FINAL AMENDMENTS

	Current burden			Program change			Requested change in burden		
Form	Current annual responses (A)	Current burden hours (B)	Current cost burden (C)	Number of affected responses (D)	Change in burden hours (E)	Change in cost burden (F)	Annual responses (G)	Burden hours (H) [(B) + (E)]	Cost burden (I)
Form 3	16,520	8,260	$0	2,967	1,484	$0	19,487	9,744	$0
Form 4	186,052	93,026	0	35,703	17,852	0	221,755	110,878	0
Form 5	5,939	5,939	0	1,174	1,174	0	7,113	7,113	0
Form ID	73,600	44,160	0	8,883	5,330	0	82,483	49,490	0

[104] We estimate the number of individual FPI directors and officers that may become subject to Section 16(a) reporting under the HFIA Act based on average number of non-FPI directors and officers (*see supra* Economic Analysis Table 1 and accompanying discussion). We have further accounted for FPI directors and officers that likely already have a Form ID on file due to voluntary Section 16 reporting (63, *see supra* note 59) or because they have filed Form 144 (840). Because most FPI directors and officers have never previously filed a Form ID and there is limited reporting information, the actual number of filers may differ from our estimates.

VI. Statutory Authority

The amendments contained in this release are being adopted under the authority set forth in Sections 16 and 23(a) of the Exchange Act and the HFIA Act.

List of Subjects

17 CFR Part 240

Reporting and recordkeeping requirements, Securities.

17 CFR Part 249

Reporting and recordkeeping requirements, Securities.

Text of the Amendments

In accordance with the foregoing, the Commission amends title 17, chapter II of the Code of Federal Regulations as follows:

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

■ 1. The authority citation for part 240 continues to read, in part, as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z–2, 77z–3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c–3, 78c–5, 78d, 78e, 78f, 78g, 78i, 78j, 78j–1, 78k, 78k–1, 78*l,* 78m, 78n, 78n–1, 78o, 78o–4, 78o–10, 78p, 78q, 78q–1, 78s, 78u–5, 78w, 78x, 78dd, 78*ll,* 78mm, 80a–20, 80a–23, 80a–29, 80a–37, 80b–3, 80b–4, 80b–11, 1681w(a)(1), 6801–6809, 6825, 7201 *et seq.,* and 8302; 7 U.S.C. 2(c)(2)(E); 12 U.S.C. 5221(e)(3); 18 U.S.C. 1350; Pub. L. 111–203, 939A, 124 Stat. 1376 (2010); and Pub. L. 112–106, sec. 503 and 602, 126 Stat. 326 (2012), unless otherwise noted.

* * * * *

■ 2. Section 240.3a12–3 is amended by revising the section heading and paragraph (b) to read as follows:

§ 240.3a12–3 Exemption from sections 14(a), 14(b), 14(c), 14(f), 16(b) and 16(c) for securities of certain foreign issuers.

* * * * *

(b) Securities registered by a foreign private issuer, as defined in Rule 3b–4 (§ 240.3b–4 of this chapter), shall be exempt from sections 14(a), 14(b), 14(c), 14(f), 16(b) and 16(c) of the Act.

■ 3. Amend § 240.16a–2 introductory text by adding a new second sentence to read as follows:

§ 240.16a–2 Persons and transactions subject to section 16.

* * * The rules under section 16(a) of the Act do not apply to ten percent beneficial owners of an issuer that is a foreign private issuer, as defined in Rule 3b–4 (§ 240.3b–4 of this chapter).'' after the first sentence.* * *

* * * * *

PART 249—FORMS, SECURITIES EXCHANGE ACT OF 1934

■ 4. The authority citation for part 249 continues to read, in part, as follows:

Authority: 15 U.S.C. 78a *et seq.* and 7201 *et seq.;* 12 U.S.C. 5461 *et seq.;* 18 U.S.C. 1350; Sec. 953(b) Pub. L. 111–203, 124 Stat. 1904; Sec. 102(a)(3) Pub. L. 112–106, 126 Stat. 309 (2012), Sec. 107 Pub. L. 112–106, 126 Stat. 313 (2012), Sec. 72001 Pub. L. 114–94, 129 Stat. 1312 (2015), and secs. 2 and 3 Pub. L. 116–222, 134 Stat. 1063 (2020), unless otherwise noted.

* * * * *

■ 5. Form 3 (referenced in § 249.103) is amended by:

■ a. Revising paragraphs (i), (ii) and (iv) of section 1(a) of the General Instructions;

■ b. In section 3(a) of the General Instructions, removing the text ''For assistance with technical questions about EDGAR, or to request an access code, call the EDGAR Filer Support Office at (202) 942–8900. For assistance with questions about the EDGAR rules, call the Office of EDGAR and Information Analysis at (202) 942–2940.'' and, in its place, adding the text ''For assistance with questions about EDGAR, contact the EDGAR Business Office at (202) 551–8900.'';

■ c. In the note to section 3 of the General Instructions, removing the text ''450 5th Street NW'', and, in its place, adding the text ''100 F Street NE''; and

■ d. On the first page of the form in data field box ''1. Name and Address of Reporting Person*'', removing the word ''Zip'', and adding the words ''Zip/Postal Code'' and ''Country''; and

■ e. On the first page of the form add data field box ''3a. Foreign Trading Symbol'' under data field box ''3. Issuer Name and Ticker or Trading Symbol''.

Note: Form 3 is attached as Appendix A to this document. The text of Form 3 will not appear in the Code of Federal Regulations.

* * * * *

■ 6. Form 4 (referenced in § 249.104) is amended by:

■ a. In the title of the General Instructions, removing the word ''OF'' from between ''STATEMENT OF CHANGES'' and ''BENEFICIAL OWNERSHIP OF SECURITIES'' and, in its place, adding the word ''IN'' so that the title reads ''STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES'';

■ b. In section 2(a) of the General Instructions, removing the text ''For assistance with technical questions about EDGAR, or to request an access code, call the EDGAR Filer Support Office at (202) 942–8900. For assistance with questions about the EDGAR rules, call the Office of EDGAR and Information Analysis at (202) 942–2940.'' and, in its place, adding the text ''For assistance with questions about EDGAR, contact the EDGAR Business Office at (202) 551–8900.'';

■ c. In the note to section 2 of the General Instructions, removing the text ''450 5th Street, NW'', and, in its place, adding the text ''100 F Street NE''; and

■ d. On the first page of the form in data field box ''1. Name and Address of Reporting Person*'', removing the word ''Zip'', and adding the words ''Zip/Postal Code'' and ''Country''; and

■ e. On the first page of the form add data field box ''2a. Foreign Trading Symbol'' under data field box ''2. Issuer Name and Ticker or Trading Symbol''.

* * * * *

Note: The text of Form 4 does not, and this amendment will not appear in the Code of Federal Regulations.

■ 7. Form 5 (referenced in § 249.105) is amended by:

■ a. In section 2(a) of the General Instructions, removing the text ''For assistance with technical questions about EDGAR, or to request an access code, call the EDGAR Filer Support Office at (202) 942–8900. For assistance with questions about the EDGAR rules, call the Office of EDGAR and Information Analysis at (202) 942–2940.'' and, in its place, adding the text ''For assistance with questions about EDGAR, contact the EDGAR Business Office at (202) 551–8900.'';

■ b. In note to section 2 of the General Instructions, removing the text ''450 5th Street, NW'' and, in its place, adding the text ''100 F Street NE''; and

■ c. On the first page of the form in data field box ''1. Name and Address of Reporting Person*'', removing the word ''Zip'', and adding the words ''Zip/Postal Code'' and ''Country''; and

■ d. On the first page of the form add data field box ''2a. Foreign Trading Symbol'' under data field box ''2. Issuer Name and Ticker or Trading Symbol''.

* * * * *

Note: The text of Form 5 does not, and this amendment will not appear in the Code of Federal Regulations.

By the Commission.

Dated: February 27, 2026.

Sherry R. Haywood,

Assistant Secretary.

Note: The following appendix will not appear in the Code of Federal Regulations

Appendix A—Form 3

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 3

* * * * *

General Instructions

1. * * *

(a) * * *

(i) any director or officer of an issuer with a class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (''Exchange Act''), including every person who is a director or an officer of a foreign private issuer, as that term is defined in Rule 3b-4 (Note: Title is not determinative for purposes of determining ''officer'' status. See Rule 16a-1(f) for the definition of ''officer'');

(ii) any beneficial owner of greater than 10% of a class of equity securities registered under Section 12 of the Exchange Act of an issuer that is not a ''foreign private issuer'' as defined in Rule 3b-4, as determined by voting or investment control over the securities pursuant to Rule 16a-1(a)(l) (''ten percent holder'');

* * * * *

(iv) any officer, director, member of an advisory board, investment adviser, affiliated person of an investment adviser or beneficial owner of more than 10% of any class of outstanding securities (other than short-term paper), except for the beneficial owner of more than 10% of any class of outstanding securities of a foreign private issuer as defined in Rule 3b-4, of a registered closed-end investment company, under Section 30(h) of the Investment Company Act of 1940; and

* * * * *

3. * * *

(a) * * * For assistance with questions about EDGAR, contact the EDGAR Business Office at (202) 551–8900.

* * * * *

Note: If filing pursuant to a hardship exception under Regulation S–T Rule 202 (17 CFR 232.202), file three copies of this Form or any amendment, at least one of which is signed, with the Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. * * *

* * * * *

[FR Doc. 2026–04202 Filed 3–2–26; 8:45 am]

BILLING CODE 8011–01–P

DEPARTMENT OF THE INTERIOR

National Park Service

36 CFR Part 7

[NPS–ASIS–NPS0040355; NPS–2025–0003; PPMPSPD1Z.YM0000, PPNEASISS0]

RIN 1024–AE90

Assateague Island National Seashore; Oversand Vehicles

AGENCY: National Park Service, Interior.

ACTION: Final rule.

SUMMARY: The National Park Service (NPS) amends the special regulations for Assateague Island National Seashore to remove certain permit eligibility requirements for motor vehicles that drive on designated beaches and oversand routes. The rule eliminates requirements addressing vehicle weight, ground clearance, and dimensions. These requirements were established in 1976 and are no longer necessary. In addition, the NPS is making several technical, non-substantive changes to the regulations.

DATES: This rule is effective April 2, 2026.

ADDRESSES: The comments received on the proposed rule are available on *https://www.regulations.gov* in Docket No. NPS–2025–0003.

FOR FURTHER INFORMATION CONTACT: Hugh Hawthorne, Superintendent, Assateague Island National Seashore; (410) 629–6080 Ext 6080; *hugh_hawthorne@nps.gov.* Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

SUPPLEMENTARY INFORMATION:

Background

Purpose and Significance of Assateague Island National Seashore

In 1965, Congress established the Assateague Island National Seashore (Seashore) to protect and develop Assateague Island and certain adjacent waters and small marsh islands for public outdoor recreation use and enjoyment. 16 U.S.C 459f. Congress directed the Secretary of the Interior, acting through the NPS, to administer the Seashore for general purposes of public outdoor recreation, including conservation of natural features contributing to public enjoyment. 16 U.S.C. 459f–5. The NPS manages the Seashore as a unit of the National Park System. In addition to the Seashore that is managed by the NPS, other public lands on the island are managed by the Maryland Department of Natural Resources (Assateague State Park) and the U.S. Fish and Wildlife Service (Chincoteague National Wildlife Refuge).

The dominant feature of the Seashore is Assateague Island, a barrier island that stretches 37 miles along the Atlantic Coast of Maryland and Virginia. The island is a dynamic place, altered daily by powerful wind and waves. It is the largest natural barrier island ecosystem in the mid-Atlantic region that remains predominantly unaffected by human development. Only a couple of miles wide at its broadest point, the island's terrain offers shelter to famed wild horses as well as sika deer, ghost crabs, and migratory birds such as the great blue heron and snowy egret. The Seashore is a three-hour drive from Washington, Baltimore, and Philadelphia. Visitors to the Seashore can explore sandy beaches, salt marshes, maritime forests, and coastal bays. Popular recreational activities include swimming in the ocean, paddling in coastal bays, fishing, hunting, stargazing, and photography.

Authority To Promulgate Regulations

The NPS Organic Act (54 U.S.C. 100101 *et seq.*) gives the NPS broad authority to regulate the use of lands and waters under its jurisdiction, including a specific authority to promulgate regulations it considers necessary or proper for the use and management of National Park System units. 54 U.S.C. 100751(a). The enabling act for the Seashore confirms that NPS may use applicable legal authorities, including those provided by the Organic Act, for the conservation and management of natural resources. 16 U.S.C. 459f–5.

Executive Order (E.O.) 11644, ''Use of Off-Road Vehicles on the Public Lands,'' was issued in 1972 and amended by E.O. 11989 in 1977. E.O. 11644 required Federal agencies to issue regulations designating specific areas and routes on public lands where the use of off-road vehicles may be allowed. The NPS implemented these E.O.s, in part, by promulgating regulations at 36 CFR 4.10 (''Travel on park roads and designated routes'').

Under 36 CFR 4.10, the use of motor vehicles off park roads and parking areas is not permitted unless routes and areas are designated for off-road motor vehicle use by special regulation. Such