

FCC Proposes Rules to Ferret Out Control of Regulated Entities by Foreign Adversaries

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The Federal Communications Commission (FCC) has released a <u>notice of proposed rulemaking</u> on control of FCC-regulated businesses by "foreign adversaries." If the FCC adopts these rules, nearly every entity that is subject to FCC regulation could be subject to new ownership reporting requirements, including companies that do not regularly report ownership today, such as multichannel video programming distributors, companies holding equipment authorizations and entities with private radio licenses, like those used for communication in factories or office buildings or by fleet managers. Penalties for failing to comply with the reporting requirements could include fines and revocation of licenses or other authorizations.

The proposed rule would require every covered entity to report whether it is under the control of any foreign adversary designated by the Department of Commerce. (The current foreign adversaries are Cuba, Iran, North Korea, the People's Republic of China, Russia and the president of Venezuela.) The proposed definition of control is very broad and covers both businesses with direct ties to foreign adversaries and those that have 10% or greater direct or indirect voting or equity interests held by foreign adversaries, entities under the control of foreign adversaries, or citizens of foreign adversaries.

If an entity reports that it is under the control of a foreign adversary, it will be required to provide detailed information on its ownership. Under the proposed rules, this information would be made public. Based on that information, the FCC could take additional action, including requiring additional reporting, referring the entity to a national security review by other federal agencies or revoking its authorizations.

The FCC also has proposed to require updates to the reports if information changes and is considering requiring periodic reports even for entities that have no changes in ownership or control. It is considering whether to exempt some entities from the reporting requirement if they have provided equivalent information in the recent past.

It is likely that rules very similar to those that have been proposed will be adopted, as national security issues have become more prominent at the FCC in recent years. The rules most likely will go into effect in 2026, although they could be adopted sooner.

Comments on the notice of proposed rulemaking are due 30 days after it is published in the Federal Register, and reply comments are due 60 days after publication.

For more information on the proposed rules and the potential impact on companies that rely on FCC authorizations, please reach out to one of the Cooley lawyers listed below.

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Key Contacts

| Tamar E. Finn | tfinn@cooley.com |
|-----------------|-------------------------|
| Washington, DC | +1 202 728 7129 |
| J.G. Harrington | jgharrington@cooley.com |
| Washington, DC | +1 202 776 2818 |
| Henry Wendel | hwendel@cooley.com |
| Washington, DC | +1 202 776 2943 |

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