

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To require the Securities and Exchange Commission to study whether to amend the rules of the Commission relating to certain stock repurchases, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Securities and Exchange Commission to study whether to amend the rules of the Commission relating to certain stock repurchases, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “[_____]
5 Act of 2019]”

6 **SEC. 2. SEC STUDY OF RULE 10B-18.**

7 (a) DEFINITIONS.—In this section:

1 (1) COMMISSION.—The term “Commission”
2 means the Securities and Exchange Commission.

3 (2) ISSUER.—The term “issuer” has the mean-
4 ing given the term in the section 3 of the Securities
5 Exchange Act of 1934.

6 (3) RULE 10B-18.—The term “Rule 10b-18”
7 means section 240.10b-18 of title 17, Code of Fed-
8 eral Regulations.

9 (4) STOCK REPURCHASE PLAN.—The term
10 “stock repurchase plan” means any transaction
11 through which an issuer repurchases common stock
12 or its equivalent in open market trading.

13 (b) STUDY.—

14 (1) IN GENERAL.—The Commission shall carry
15 out a study to determine whether Rule 10b-18, or
16 any other rule issued by the Commission, should be
17 amended to—

18 (A) expressly limit the ability of an issuer
19 to announce or implement a stock repurchase
20 plan that such issuer does not intend to fulfill;

21 (B) limit the ability of an issuer to an-
22 nounce or implement multiple stock repurchase
23 plans if such issuer has in the 1 year period
24 prior to such announcement announced one or

1 more stock repurchase plans and not fulfilled
2 any of such stock repurchase plans;

3 (C) require any issuer that announces a
4 stock repurchase plan to make disclosures at
5 the time of such announcement regarding—

6 (i) any minimum number or dollar
7 amount of shares the issuer intends to re-
8 purchase under such stock repurchase
9 plan; and

10 (ii) the expiration date of such repur-
11 chase plan;

12 (D) require any issuer that implements a
13 stock repurchase plan to make timely disclo-
14 sures regarding each transaction conducted
15 under such announced repurchase plan;

16 (E) establish a period of time after a stock
17 repurchase plan is announced during which an
18 officer or director of the issuer that imple-
19 mented such stock repurchase plan may not sell
20 any common stock of the issuer or exercise any
21 option on common stock of the issuer;

22 (F) account for any significant changes, in
23 the period between the issuance of Rule 10b-18
24 and the date of the enactment of this Act, in

1 how issuers, and officers and directors of
2 issuers, use stock repurchase plans;

3 (G) require any issuer that implements a
4 stock repurchase plan to make timely disclo-
5 sures regarding the annual total compensation
6 of its executive officers, including any incentives
7 related to the stock price of the issuer;

8 (H) require any issuer that implements a
9 stock repurchase plan to make timely disclo-
10 sures regarding the percentage increase in the
11 median of the annual total compensation of all
12 employees of the issuer, excluding executive of-
13 ficers, over the last completed fiscal year;

14 (I) allow, for any stock repurchase plan
15 outside of the safe harbor under section
16 240.10b-18 of the Code of Federal Regulations,
17 a review by the Commission on an individual-
18 ized, case-by-case basis using the criteria set
19 forth by the Commission in the proposed sec-
20 tion 240.13e-2 (35 Fed. Reg. 11411) published
21 July 16, 1970; or

22 (J) make any additional changes as the
23 Commission deems necessary and appropriate
24 to mitigate the risk of abuse of stock repur-
25 chase plans.

1 (2) ADDITIONAL CONSIDERATIONS.—In car-
2 rying out the study required under paragraph (1),
3 the Commission shall consider, with respect to each
4 change proposed in a subparagraph—

5 (A) the impact of stock repurchase pro-
6 grams on investors;

7 (B) the impact stock repurchase programs
8 have on employee wages and compensation, and
9 company investment in research and develop-
10 ment and capital improvements;

11 (C) the impact that such change would
12 have on the decisions of issuers to list a secu-
13 rity on a national securities exchange;

14 (D) any other consideration that the Com-
15 mission considers necessary and appropriate for
16 ensuring the maintenance of fair and orderly
17 markets; and

18 (E) the impact that such change would
19 have on reducing wealth inequality.

20 (c) REPORT.—Not later than 1 year after the date
21 of the enactment of this Act, the Commission shall submit
22 to the Committee on Banking, Housing, and Urban Af-
23 fairs of the Senate and the Committee on Financial Serv-
24 ices of the House of Representatives a report that contains

1 all findings and determinations made in carrying out the
2 study required under subsection (b).

3 (d) RULEMAKING.—Not later than 1 year after the
4 date on which the Commission submits a report under
5 subsection (c), the Commission shall amend Rule 10b–18
6 in a manner that is consistent with the results of the
7 study.