[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.

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IN THE HOUSE OF REPRESENTATIVES

M. ______ introduced the following bill; which was referred to the Committee on __________

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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,
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SECTION 1. SHORT TITLE.

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

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

7 (a) DEFINITIONS.—In this section:
(1) **COMMISSION.**—The term “Commission” means the Securities and Exchange Commission.

(2) **ISSUER.**—The term “issuer” has the meaning given the term in the section 3 of the Securities Exchange Act of 1934.

(3) **RULE 10B-18.**—The term “Rule 10b–18” means section 240.10b–18 of title 17, Code of Federal Regulations.

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

(b) **STUDY.**—

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

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

(B) limit the ability of an issuer to announce or implement multiple stock repurchase plans if such issuer has in the 1 year period prior to such announcement announced one or
more stock repurchase plans and not fulfilled any of such stock repurchase plans;

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

(i) any minimum number or dollar amount of shares the issuer intends to repurchase under such stock repurchase plan; and

(ii) the expiration date of such repurchase plan;

(D) require any issuer that implements a stock repurchase plan to make timely disclosures regarding each transaction conducted under such announced repurchase plan;

(E) establish a period of time after a stock repurchase plan is announced during which an officer or director of the issuer that implemented such stock repurchase plan may not sell any common stock of the issuer or exercise any option on common stock of the issuer;

(F) account for any significant changes, in the period between the issuance of Rule 10b-18 and the date of the enactment of this Act, in
how issuers, and officers and directors of issuers, use stock repurchase plans;

(G) require any issuer that implements a stock repurchase plan to make timely disclosures regarding the annual total compensation of its executive officers, including any incentives related to the stock price of the issuer;

(H) require any issuer that implements a stock repurchase plan to make timely disclosures regarding the percentage increase in the median of the annual total compensation of all employees of the issuer, excluding executive officers, over the last completed fiscal year;

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

(J) make any additional changes as the Commission deems necessary and appropriate to mitigate the risk of abuse of stock repurchase plans.
(2) ADDITIONAL CONSIDERATIONS.—In carrying out the study required under paragraph (1), the Commission shall consider, with respect to each change proposed in a subparagraph—

(A) the impact of stock repurchase programs on investors;

(B) the impact stock repurchase programs have on employee wages and compensation, and company investment in research and development and capital improvements;

(C) the impact that such change would have on the decisions of issuers to list a security on a national securities exchange;

(D) any other consideration that the Commission considers necessary and appropriate for ensuring the maintenance of fair and orderly markets; and

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

(c) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Commission shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that contains
all findings and determinations made in carrying out the
study required under subsection (b).

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