

[Discussion Draft]

[DISCUSSION DRAFT]

117<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to require certain foreign issuers to disclose specified information to the Securities and Exchange Commission, and for other purposes.

---

IN THE HOUSE OF REPRESENTATIVES

Mr. SHERMAN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

---

**A BILL**

To amend the Securities Exchange Act of 1934 to require certain foreign issuers to disclose specified information to the Securities and Exchange Commission, 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 “Foreign Adversary  
5 Corporate Transparency (FACT) Act”.

1 **SEC. 2. DISCLOSURE REQUIREMENTS RELATING TO**  
2 **CHINA AND RUSSIA-BASED HEDGE FUNDS**  
3 **CAPITAL RAISING ACTIVITIES IN THE**  
4 **UNITED STATES THROUGH CERTAIN**  
5 **EXEMPTED TRANSACTIONS.**

6 (a) AMENDMENT.—The Securities Exchange Act of  
7 1934 is amended by inserting after section 13A (15 U.S.C.  
8 78m–1) the following:

9 **“SEC. 13B. DISCLOSURE REQUIREMENTS RELATING TO**  
10 **CERTAIN EXEMPTED TRANSACTIONS.**

11 “(a) IN GENERAL.—Notwithstanding any other pro-  
12 vision of law, in the case of an issuer that is domiciled  
13 in the People’s Republic of China, including a China-based  
14 hedge fund or a China-based private equity fund, or the  
15 Russian Federation, including a Russia-based hedge fund or  
16 a Russia-based private equity fund, that conducts a covered  
17 exempted transaction, such issuer shall provide to the  
18 Commission, at such time and in such manner as the  
19 Commission may prescribe, the following:

20 “(1) The identity of the issuer.

1           “(2) The place of incorporation of the issuer.

2           “(3) The amount of the issuance involved in the  
3 covered exempted transaction and the net proceeds  
4 to the issuer.

5           “(4) The principal beneficial owners of the  
6 issuer.

7           “(5) The intended use of the proceeds from  
8 such issuance, including—

9               “(A) each country in which the issuer in-  
10 tends to invest such proceeds; and

11               “(B) each industry in which the issuer in-  
12 tends to invest such proceeds.

13           “(6) The exemption the issuer relies on with re-  
14 spect to such covered exempted transaction.

15           “(b) **AUTHORITY TO REVISE AND PROMULGATE**  
16 **RULES, REGULATIONS, AND FORMS.**—The Commission  
17 shall, for the protection of investors and fair and orderly  
18 markets—

19               “(1) revise and promulgate such rules, regula-  
20 tions, and forms as may be necessary to carry out  
21 this section; and

22               “(2) issue rules to set conditions for the use of  
23 covered exempted transactions by an issuer who does  
24 not comply with the requirements under subsection  
25 (a).

1       “(c) COVERED EXEMPTED TRANSACTION.—In this  
2 section, the term ‘covered exempted transaction’ means an  
3 issuance of a security that is exempt from registration  
4 under section 5 of the Securities Act of 1933 (15 U.S.C.  
5 77e) that—

6               “(1) is structured or intended to comply with—

7                       “(A) Rule 506(b) of Regulation D, as pro-  
8 mulgated by the Commission;

9                       “(B) Regulation S, as promulgated by the  
10 Commission; or

11                      “(C) Rule 144A, as promulgated by the  
12 Commission; and

13               “(2) either—

14                      “(A) has an issuance equal to \$25,000,000  
15 or greater; or

16                      “(B) with respect to any 1-year period,  
17 has, together with all covered exempted trans-  
18 actions in that period, an aggregate issuance of  
19 \$50,000,000 or greater.”.

20       (b) APPLICABILITY.—The amendment made by sub-  
21 section (a) shall apply with respect to issuers of covered  
22 exempted transactions on the date that is 270 days after  
23 the date of the enactment of this Act.

24       (c) REPORT.—The Securities and Exchange Commis-  
25 sion shall, each quarter, issue a report to the Committee

1 on Financial Services of the House of Representatives and  
2 the Committee on Banking, Housing, and Urban Affairs  
3 of the Senate containing all information submitted by an  
4 issuer under section 13B of the Securities Exchange Act  
5 of 1934, as added by subsection (a), during the previous  
6 quarter.