

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To amend the Securities Exchange Act of 1934 to require issuers to disclose to the Securities and Exchange Commission the details of any repurchase plan for an equity security, to prohibit such a repurchase unless it is approved by the Commission, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

To amend the Securities Exchange Act of 1934 to require issuers to disclose to the Securities and Exchange Commission the details of any repurchase plan for an equity security, to prohibit such a repurchase unless it is approved by the 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 “**[To be added]** Act
5 of 2019”.

1 **SEC. 2. STOCK BUYBACKS.**

2 (a) FINDINGS.—The Congress finds the following:

3 (1) Public corporations have spent significant
4 corporate profits on stock buybacks.

5 (2) Following the passage of the Act entitled
6 “An Act to provide for reconciliation pursuant to ti-
7 tles II and V of the concurrent resolution on the
8 budget for fiscal year 2018”, approved December
9 22, 2017 (Public Law 115–466), corporations di-
10 verted the vast majority of expected tax savings on
11 stock buybacks.

12 (3) More generally, corporate spending on
13 buybacks has been at the expense of research and
14 development spending and increases in worker pay.

15 (4) Stock buybacks disproportionately benefit
16 senior executives of corporations and shareholders,
17 furthering income inequality and stagnant wages for
18 the middle class.

19 (5) Corporations should evaluate how corporate
20 profits are allocated and invest in employees, train-
21 ing, and business productivity improvements.

22 (b) SENSE OF CONGRESS.—It is the sense of the
23 Congress that—

24 (1) stock buybacks have not been properly regu-
25 lated or reviewed by the securities regulators;

1 (2) corporations' stock buybacks should receive
2 thorough review and details of stock buyback plans
3 should be disclosed to the public; and

4 (3) increases in corporate investment and high-
5 er worker pay should benefit the economy and share-
6 holders and workers will both benefit.

7 (c) REMOVAL OF SAFE HARBOR.—Section 240.10b-
8 18 of title 17, Code of Federal Regulations, shall have no
9 force or effect.

10 (d) DISCLOSURE.—The Securities Exchange Act of
11 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
12 section 9 (15 U.S.C. 78i) the following:

13 **“SEC. 9A. ISSUER EQUITY SECURITIES REPURCHASES.**

14 “(a) IN GENERAL.—Any issuer that seeks to imple-
15 ment a repurchase plan for an equity security shall submit
16 to the Commission a disclosure filing at least 15 days be-
17 fore executing the plan that provides detailed information
18 addressing each of the following:

19 “(1) The number of equity securities to be re-
20 purchased, time period for repurchase, and current
21 number of outstanding equity securities.

22 “(2) Worker wages, compared to prior years
23 and compared to the size of the proposed repur-
24 chase.

1 “(3) Whether and to what extent the issuer has
2 engaged in layoffs, or has materially reduced the
3 size of its workforce (other than through the sale of
4 business lines or assets) in the past 3 years.

5 “(4) A description of the issuer’s pension plans,
6 if any, including whether the issuer has any un-
7 funded pension liability, other employee compensa-
8 tion plans, and the amount the issuer contributes,
9 including to 401(k)s and matching programs.

10 “(5) How the repurchase plan serves the long-
11 term interests of all the issuer’s stakeholders, includ-
12 ing the issuer’s employees, customers, and share-
13 holders.

14 “(6) Whether the issuer has considered alter-
15 native investments, including research and develop-
16 ment, worker training or retaining programs, invest-
17 ment in the issuer’s facilities, or expansion of the
18 workforce, and the amount of investment in each of
19 these areas in the past year.

20 “(7) A description of—

21 “(A) how the repurchase plan will be exe-
22 cuted, including steps that the issuer, or any
23 agent or broker of the issuer, uses or will take
24 to prevent manipulation of—

25 “(i) the issuer’s equity securities; and

1 “(ii) any contract or trading arrange-
2 ment that has been or will be entered into;
3 and

4 “(B) the counterparty to the contract or
5 trading arrangement described in subparagraph
6 (A)(ii).

7 “(8) A description of any expected tax or ac-
8 counting benefit from the repurchase and the
9 amount of the benefit and the time period for it to
10 be recognized.

11 “(9) Why the repurchase plan is in the financial
12 best interest of the issuer, beyond the interests of
13 executives or shareholders, including whether the
14 stock repurchase plan will be funded in whole, or in
15 part, by debt.

16 “(10) The impact that the repurchase plan will
17 have on the compensation, or elements used to de-
18 termine the compensation, of executives, including
19 any compensation required to be disclosed by the
20 issuer under section 229.402 of title 17, Code of
21 Federal Regulations (or any successor thereto).

22 “(11) A certification by the issuer’s chief execu-
23 tive officer and board of directors regarding the ac-
24 curacy of the information contained in the repur-
25 chase plan disclosure and an affirmation that the re-

1 purchase plan is in the long-term financial best in-
2 terest of the issuer.

3 “(b) COMMISSION APPROVAL REQUIRED.—

4 “(1) IN GENERAL.—An issuer may not imple-
5 ment a repurchase plan for an equity security unless
6 such plan is approved by the Commission pursuant
7 to this section.

8 “(2) REVIEW.—The Commission shall complete
9 a review of a disclosure described under subsection
10 (a) not later than 15 days after the date on which
11 the disclosure is submitted and, after reviewing the
12 information required to be disclosed by the issuer
13 under this section and other existing disclosure re-
14 quirements, the Commission shall determine whether
15 to approve the repurchase plan.

16 “(c) CONSIDERATION.—In considering whether to
17 allow the repurchase plan, the Commission shall take into
18 consideration—

19 “(1) the information pertaining to each of the
20 items described in subsection (a); and

21 “(2) the potential for manipulation of the eq-
22 uity security based on the disclosed repurchase plan.

23 “(d) DETAILS.—After the date on which a plan is
24 approved under this section, the issuer shall submit to the
25 Commission, not later than 10 days after the end of each

1 calendar month in which equity security repurchases are
2 effected, the full details of the repurchases in that month,
3 including the date, quantity, and price paid for equity se-
4 curities under the plan.”.