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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R. 4320

To ensure that irresponsible corporate executives, rather than shareholders,
pay fines and penalties.

IN THE HOUSE OF REPRESENTATIVES

Ms. PORTER introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To ensure that irresponsible corporate executives, rather than
shareholders, pay fines and penalties.

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 “Corporate Manage-
5 ment Accountability Act of 2019”.

6 **SEC. 2. FINE, PENALTY, AND SETTLEMENT ACCOUNT-**
7 **ABILITY.**

8 (a) DEFINITIONS.—In this section—

1 (1) the term “Commission” means the Securi-
2 ties and Exchange Commission;

3 (2) the term “covered fine or similar pen-
4 alty”—

5 (A) means a fine or similar penalty, as
6 that term is defined in Treasury Regulation
7 section 1.162–21(b); and

8 (B) includes any fine or similar penalty—

9 (i) that is paid by a reporting com-
10 pany; and

11 (ii) with respect to which the Commis-
12 sion determines disclosure under sub-
13 section (b)(1) is appropriate;

14 (3) the term “issuer” has the meaning given
15 the term in section 3(a) of the Securities Exchange
16 Act of 1934 (15 U.S.C. 78c(a));

17 (4) the term “named executive officer”—

18 (A) means an individual for whom disclo-
19 sure is required under section 229.402(a)(3) of
20 title 17, Code of Federal Regulations; and

21 (B) includes any other employee of a re-
22 porting company with respect to whom the
23 Commission determines disclosure under sub-
24 section (b)(1) is appropriate; and

1 (5) the term “reporting company” means an
2 issuer—

3 (A) the securities of which are registered
4 under section 12 of the Securities Exchange
5 Act of 1934 (15 U.S.C. 78l); or

6 (B) that is required to file reports under
7 section 15(d) of the Securities Exchange Act of
8 1934 (15 U.S.C. 78o(d)).

9 (b) REQUIREMENT TO ISSUE RULES.—Not later
10 than 360 days after the date of enactment of this Act,
11 the Commission shall issue final rules to require each re-
12 porting company, in each annual report submitted under
13 section 13 or section 15(d) of the Securities Exchange Act
14 of 1934 (15 U.S.C. 78m and 78o(d)), or in each proxy
15 statement filed pursuant to section 14(a) of the Securities
16 Exchange Act of 1934 (15 U.S.C. 78n(a)) for an annual
17 meeting of shareholders, to—

18 (1) disclose whether the reporting company, in
19 order to align the incentives of those managing the
20 reporting company with the incentives of the share-
21 holders of the reporting company, has established
22 procedures to recoup from compensation paid to,
23 and to withhold from future compensation paid to,
24 any named executive officer all or a portion of the

1 cost of any covered fine or similar penalty that has
2 been paid by the reporting company;

3 (2) if the reporting company has established
4 procedures described in paragraph (1)—

5 (A) provide a description of those proce-
6 dures; and

7 (B) disclose the amount that the reporting
8 company has recouped from each named execu-
9 tive officer under those procedures during each
10 of the 3 most recent fiscal years; and

11 (3) if the reporting company has not estab-
12 lished procedures described in paragraph (1), pro-
13 vide an explanation of why no such procedures are
14 necessary for the benefit of the shareholders of the
15 reporting company.