

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 1815
OFFERED BY MR. CASTEN OF ILLINOIS**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “SEC Disclosure Effec-
3 tiveness Testing Act”.

4 SEC. 2. DISCLOSURE TESTING.

5 (a) IN GENERAL.—Section 23(a) of the Securities
6 Exchange Act of 1934 (15 U.S.C. 78w(a)) is amended by
7 adding at the end the following:

8 “(4) INVESTOR TESTING.—

9 “(A) IN GENERAL.—The Commission shall en-
10 gage in investor testing prior to issuing any rule or
11 regulation which designates documents or informa-
12 tion to be disclosed under the securities laws, if such
13 documents or information—

14 “(i) are primarily used by retail investors,
15 as determined by the Commission; and

16 “(ii) are intended to be used by retail in-
17 vestors to make informed investment decisions

1 or to understand the investments held by the
2 retail investor.

3 “(B) CONTENTS.—Investor testing conducted
4 pursuant to subparagraph (A) shall include the fol-
5 lowing:

6 “(i) Qualitative testing in the form of one-
7 on-one cognitive interviews of retail investors
8 about documents or information, or samples of
9 such documents or information, to be provided.

10 “(ii) A nationwide survey of retail inves-
11 tors, designed to complement the interviews
12 under clause (i), on—

13 “(I) the usefulness of such documents
14 or information, or samples of such docu-
15 ments or information;

16 “(II) the proposed format of such doc-
17 uments or information, or samples of such
18 documents or information; and

19 “(III) delivery preferences of such
20 documents or information, or samples of
21 such documents or information.

22 “(iii) Analysis and publication in the Fed-
23 eral Register of the results of the survey and
24 interviews.

1 “(iv) An opportunity for the public to com-
2 ment on such results published in the Federal
3 Register.

4 “(C) SUBSTANTIVE CHANGES.—If the Commis-
5 sion, in the period between engaging in investor test-
6 ing and publishing a final rule, makes substantive
7 changes to such rule that the Commission deter-
8 mines would have a significant impact on retail in-
9 vestors, the Commission shall again engage in inves-
10 tor testing.

11 “(D) PUBLIC AVAILABILITY OF RETAIL TEST-
12 ING RESULTS.—The Commission shall make the
13 data and results of any investor testing performed
14 pursuant to this paragraph available to the public.”.

15 (b) PARTICIPATION OF INVESTOR ADVOCATE.—Sec-
16 tion 4(g) of the Securities Exchange Act of 1934 (15
17 U.S.C. 78d(g)) is amended—

18 (1) in paragraph (4)—

19 (A) in subparagraph (D)(ii), by striking
20 “and” at the end;

21 (B) by redesignating subparagraph (E) as
22 subparagraph (F); and

23 (C) by inserting after subparagraph (D)
24 the following:

25 “(E) engage in investor testing—

1 “(i) as necessary to carry out the
2 functions of the Office; and

3 “(ii) under section 23(a)(4), if the
4 Commission determines it appropriate;
5 and”;

6 (2) by adding at the end the following:

7 “(9) PUBLICATION OF DATA AND RESULTS OF
8 INVESTOR TESTING.—With respect to any investor
9 testing carried out by the Investor Advocate pursu-
10 ant to paragraph (4)(E), the Investor Advocate may
11 make the data and results of such investor testing
12 available to the public, and without further review or
13 editing by the Commission.”.

14 (c) PRIOR RULES.—

15 (1) IN GENERAL.—For any final rule or regula-
16 tion issued by the Securities and Exchange Commis-
17 sion (in this subsection referred to as the “Commis-
18 sion”) before the date of the enactment of this Act
19 that would be subject to investor testing under sec-
20 tion 23(a)(4) of the Securities Exchange Act of
21 1934, had such rule been issued on or after the date
22 of enactment of this Act, the Commission shall per-
23 form investor testing with respect to such rule or
24 regulation that includes the contents described in
25 such section 23(a)(4).

1 (2) SCHEDULE.—The Commission shall, not
2 later than 6 months after the date of the enactment
3 of this Act, establish a schedule for completing any
4 investor testing required under paragraph (1) that
5 prioritizes testing of any final rules and regulations
6 that designate documents or information central to
7 retail investor decision making.

8 (3) REPORT.—The Commission shall issue a re-
9 port to Congress each year containing the following:

10 (A) The status of any investor testing re-
11 quired under paragraph (1).

12 (B) The results of any investor testing
13 completed under paragraph (1).

14 (C) Any priorities the Commission has,
15 based on results of investor testing required by
16 paragraph (1), for—

17 (i) revising or eliminating any final
18 rule or regulation designating documents
19 or information to be provided to retail in-
20 vestors; and

21 (ii) revising any other final rule or
22 regulation to supplement revised or elimi-
23 nated rules designating documents or in-

1 formation to be provided to retail inves-
2 tors.

