

[DISCUSSION DRAFT]

116TH CONGRESS
2^D SESSION

H. R. _____

To amend the Securities Exchange Act of 1934 to prohibit issuers from granting stock options if the grantor or recipient are in possession of certain material non-public information, 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 prohibit issuers from granting stock options if the grantor or recipient are in possession of certain material non-public information, 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,*

1 **SECTION 1. PROHIBITION ON GRANTING STOCK OPTIONS**
2 **IF THE GRANTOR OR RECIPIENT ARE IN POS-**
3 **SESSION OF CERTAIN MATERIAL NON-PUBLIC**
4 **INFORMATION.**

5 (a) IN GENERAL.—The Securities Exchange Act of
6 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
7 section 10D the following:

8 **“SEC. 10E. PROHIBITION ON GRANTING STOCK OPTIONS IF**
9 **THE GRANTOR OR RECIPIENT ARE IN POS-**
10 **SESSION OF CERTAIN MATERIAL NON-PUBLIC**
11 **INFORMATION.**

12 “An issuer may not grant stock options to any officer,
13 employee, or director of the issuer if—

14 “(1) either the individual responsible for mak-
15 ing the grant decision or the recipient of the stock
16 options are in possession of material non-public in-
17 formation that would reasonably be expected to
18 cause the fair market value of the stock underlying
19 the options to rise if it were to become public; and

20 “(2) the options are to be granted according to
21 the terms of an equity compensation plan which re-
22 quires the grant price of the options to be equal to
23 or greater than the fair market value of the under-
24 lying stock at the time the options are granted.”.

25 (b) RULEMAKING.—Not later than the end of the
26 180-day period beginning on the date of enactment of this

- 1 Act, the Securities and Exchange Commission shall issue
- 2 rules to carry out the amendment made by subsection (a).