To require the Securities and Exchange Commission to carry out a study to evaluate the issues affecting the provision of and reliance upon investment research into small issuers.

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 2018

Mr. Huizenga (for himself and Ms. Maxine Waters of California) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require the Securities and Exchange Commission to carry out a study to evaluate the issues affecting the provision of and reliance upon investment research into small issuers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Improving Investment Research for Small and Emerging Issuers Act”.

SEC. 2. RESEARCH STUDY.

(a) STUDY REQUIRED.—The Securities and Exchange Commission shall conduct a study to evaluate the
issues affecting the provision of and reliance upon investment research into small issuers, including emerging growth companies and companies considering initial public offerings.

(b) CONTENTS OF STUDY.—The study required under subsection (a) shall consider—

(1) factors related to the demand for such research by institutional and retail investors;

(2) the availability of such research, including—

(A) the number and types of firms who provide such research;

(B) the volume of such research over time;

and

(C) competition in the research market;

(3) conflicts of interest relating to the production and distribution of investment research;

(4) the costs of such research;

(5) the impacts of different payment mechanisms for investment research into small issuers, including whether such research is paid for by—

(A) hard-dollar payments from research clients;

(B) payments directed from the client’s commission income (i.e., “soft dollars”); or
(C) payments from the issuer that is the subject of such research;

(6) any unique challenges faced by minority-owned, women-owned, and veteran-owned small issuers in obtaining research coverage; and

(7) the impact on the availability of research coverage for small issuers due to—

(A) investment adviser concentration and consolidation, including any potential impacts of fund-size on demand for investment research of small issuers;

(B) broker and dealer concentration and consolidation, including any relationships between the size of the firm and allocation of resources for investment research into small issuers;

(C) Securities and Exchange Commission rules;

(D) registered national securities association rules;

(E) State and Federal liability concerns;

(F) the settlement agreements referenced in Securities and Exchange Commission Litigation Release No. 18438 (i.e., the “Global Research Analyst Settlement”); and

(c) Report Required.—Not later than 180 days after the date of the enactment of this Act, the Securities and Exchange Commission shall submit to Congress a report that includes—

(1) the results of the study required by subsection (a); and

(2) recommendations to increase the demand for, volume of, and quality of investment research into small issuers, including emerging growth companies and companies considering initial public offerings.