

115TH CONGRESS  
2D SESSION

# H. R. 6139

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.

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## 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

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## 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.

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 “Improving Investment  
5       Research for Small and Emerging Issuers Act”.

6       **SEC. 2. RESEARCH STUDY.**

7       (a) **STUDY REQUIRED.**—The Securities and Ex-  
8       change Commission shall conduct a study to evaluate the

1 issues affecting the provision of and reliance upon invest-  
2 ment research into small issuers, including emerging  
3 growth companies and companies considering initial public  
4 offerings.

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

7 (1) factors related to the demand for such re-  
8 search by institutional and retail investors;

9 (2) the availability of such research, includ-  
10 ing—

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

13 (B) the volume of such research over time;  
14 and

15 (C) competition in the research market;

16 (3) conflicts of interest relating to the produc-  
17 tion and distribution of investment research;

18 (4) the costs of such research;

19 (5) the impacts of different payment mecha-  
20 nisms for investment research into small issuers, in-  
21 cluding whether such research is paid for by—

22 (A) hard-dollar payments from research  
23 clients;

24 (B) payments directed from the client's  
25 commission income (i.e., "soft dollars"); or

1 (C) payments from the issuer that is the  
2 subject of such research;

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

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

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

12 (B) broker and dealer concentration and  
13 consolidation, including any relationships be-  
14 tween the size of the firm and allocation of re-  
15 sources for investment research into small  
16 issuers;

17 (C) Securities and Exchange Commission  
18 rules;

19 (D) registered national securities associa-  
20 tion rules;

21 (E) State and Federal liability concerns;

22 (F) the settlement agreements referenced  
23 in Securities and Exchange Commission Litiga-  
24 tion Release No. 18438 (i.e., the “Global Re-  
25 search Analyst Settlement”); and

1 (G) Directive 2014/65/EU of the European  
2 Parliament and of the Council of 15 May 2014  
3 on markets in financial instruments and  
4 amending Directive 2002/92/EC and Directive  
5 2011/61/EU, as implemented by the European  
6 Union (“EU”) member states (“MiFID II”).

7 (c) REPORT REQUIRED.—Not later than 180 days  
8 after the date of the enactment of this Act, the Securities  
9 and Exchange Commission shall submit to Congress a re-  
10 port that includes—

11 (1) the results of the study required by sub-  
12 section (a); and

13 (2) recommendations to increase the demand  
14 for, volume of, and quality of investment research  
15 into small issuers, including emerging growth com-  
16 panies and companies considering initial public of-  
17 ferings.

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