Suspend the Rules and Pass the Bill, H.R. 4335, With an Amendment

(The amendment strikes all after the enacting clause and inserts a new text)

116TH CONGRESS
1ST SESSION

H. R. 4335

To amend the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to issue rules that prohibit officers and directors of certain companies from trading securities in anticipation of a current report, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 16, 2019

Mrs. CAROLYN B. MALONEY of New York introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to issue rules that prohibit officers and directors of certain companies from trading securities in anticipation of a current report, and for other purposes.

Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “8–K Trading Gap Act of 2019”.

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SEC. 2. PROHIBITION ON CERTAIN TRADING IN ANTICIPATION OF A CURRENT REPORT.

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

"SEC. 10E. PROHIBITION ON CERTAIN TRADING IN ANTICIPATION OF A CURRENT REPORT.

"(a) Prohibition.—Not later than 1 year after the date of enactment of this section, the Commission shall issue rules that require each issuer that is subject to reporting requirements under section 13(a) or 15(d) to establish and maintain policies, controls, and procedures that are reasonably designed to prohibit executive officers and directors of the issuer from purchasing, selling, or otherwise transferring any equity security of the issuer, directly or indirectly—

"(1) with respect to an event described in sections 1 through 6 of Form 8–K, between—

"(A) the occurrence of such event; and

"(B) the filing or furnishing of a current report on Form 8–K with respect to such event; and

"(2) with respect to an event described in section 7 or 8 of Form 8–K, between—

"(A) the date on which the issuer determines that it will disclose such event; and
“(B) the filing or furnishing of a current report on Form 8–K with respect to such event.

“(b) PERMISSIBLE TRANSACTIONS.—In issuing rules under subsection (a), the Commission—

“(1) may exempt certain transactions that the Commission determines is appropriate, including those that—

“(A) occur automatically;

“(B) are made pursuant to an advance election; or

“(C) except as provided in paragraph (2), involve a purchase or sale of equity securities that satisfies the conditions under section 240.10b5–1(c) of title 17, Code of Federal Regulations;

“(2) may not exempt from those rules a transaction made by an executive officer or director of an issuer under a plan that—

“(A) is described in section 240.10b5–1(c)(1)(i)(A)(3) of title 17, Code of Federal Regulations; and

“(B) was adopted—

“(i) with respect to an event described in sections 1 through 6 of Form 8–K, be-
“(I) the occurrence of such event;
and
“(II) the filing or furnishing of a
current report on Form 8–K with re-
spect to such event; and
“(ii) with respect to an event de-
scribed in section 7 or 8 of Form 8–K, be-
tween—
“(I) the date on which the issuer
determines that it will disclose such
event; and
“(II) the filing or furnishing of a
current report on Form 8–K with re-
spect to such event; and
“(3) shall exempt from those rules—
“(A) issuers required to adopt and admin-
ister a code of ethics pursuant section 270.17j–
1 of title 17, Code of Federal Regulations, and
any other issuers registered under the Invest-
ment Company Act of 1940 whose investment
advisers are required to adopt and administer a
code of ethics pursuant to section 275.204A–1
of title 17, Code of Federal Regulations; and
“(B) any event where such event is de-
scribed in sections 1 through 6 of Form 8–K
and the issuer has announced such event in a press release or other method of dissemination that complies with the requirements of section 101(e)(2) of Regulation FD (17 C.F.R. Part 243.101(e)(2)).".