H. R. 4320

To ensure that irresponsible corporate executives, rather than shareholders, pay fines and penalties.

IN THE HOUSE OF REPRESENTATIVES

Ms. Porter introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To ensure that irresponsible corporate executives, rather than shareholders, pay fines and penalties.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3
4 SECTION 1. SHORT TITLE.
5 This Act may be cited as the “Corporate Manage-
6 ment Accountability Act of 2019”.
7
8 SEC. 2. FINE, PENALTY, AND SETTLEMENT ACCOUNT-
9 ABILITY.
10 (a) DEFINITIONS.—In this section—
(1) the term “Commission” means the Securities and Exchange Commission;

(2) the term “covered fine or similar penalty”—

   (A) means a fine or similar penalty, as that term is defined in Treasury Regulation section 1.162–21(b); and

   (B) includes any fine or similar penalty—

      (i) that is paid by a reporting company; and

      (ii) with respect to which the Commission determines disclosure under subsection (b)(1) is appropriate;

(3) the term “issuer” has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78e(a));

(4) the term “named executive officer”—

   (A) means an individual for whom disclosure is required under section 229.402(a)(3) of title 17, Code of Federal Regulations; and

   (B) includes any other employee of a reporting company with respect to whom the Commission determines disclosure under subsection (b)(1) is appropriate; and
(5) the term “reporting company” means an issuer—

(A) the securities of which are registered under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 78l); or

(B) that is required to file reports under section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(d)).

(b) Requirement To Issue Rules.—Not later than 360 days after the date of enactment of this Act, the Commission shall issue final rules to require each reporting company, in each annual report submitted under section 13 or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m and 78o(d)), or in each proxy statement filed pursuant to section 14(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78n(a)) for an annual meeting of shareholders, to—

(1) disclose whether the reporting company, in order to align the incentives of those managing the reporting company with the incentives of the shareholders of the reporting company, has established procedures to recoup from compensation paid to, and to withhold from future compensation paid to, any named executive officer all or a portion of the
cost of any covered fine or similar penalty that has
been paid by the reporting company;

(2) if the reporting company has established
procedures described in paragraph (1)—

(A) provide a description of those proce-
dures; and

(B) disclose the amount that the reporting
company has recouped from each named execu-
tive officer under those procedures during each
of the 3 most recent fiscal years; and

(3) if the reporting company has not estab-
lished procedures described in paragraph (1), pro-
vide an explanation of why no such procedures are
necessary for the benefit of the shareholders of the
reporting company.