

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.

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.

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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