

Union Calendar No. 627

115TH CONGRESS
2D SESSION

H. R. 6139

[Report No. 115–808]

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

JULY 10, 2018

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

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
9 issues affecting the provision of and reliance upon invest-
10 ment research into small issuers, including emerging
11 growth companies and companies considering initial public
12 offerings.

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

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

17 (2) the availability of such research, includ-
18 ing—

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

21 (B) the volume of such research over time;

22 and

23 (C) competition in the research market;

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

1 (4) the costs of such research;

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

5 (A) hard-dollar payments from research
6 clients;

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

9 (C) payments from the issuer that is the
10 subject of such research;

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

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

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

20 (B) broker and dealer concentration and
21 consolidation, including any relationships be-
22 tween the size of the firm and allocation of re-
23 sources for investment research into small
24 issuers;

1 (C) Securities and Exchange Commission
2 rules;

3 (D) registered national securities associa-
4 tion rules;

5 (E) State and Federal liability concerns;

6 (F) the settlement agreements referenced
7 in Securities and Exchange Commission Litiga-
8 tion Release No. 18438 (i.e., the “Global Re-
9 search Analyst Settlement”); and

10 (G) Directive 2014/65/EU of the European
11 Parliament and of the Council of 15 May 2014
12 on markets in financial instruments and
13 amending Directive 2002/92/EC and Directive
14 2011/61/EU, as implemented by the European
15 Union (“EU”) member states (“MiFID II”).

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

20 (1) the results of the study required by sub-
21 section (a); and

22 (2) recommendations to increase the demand
23 for, volume of, and quality of investment research
24 into small issuers, including emerging growth com-

- 1 panies and companies considering initial public of-
- 2 ferings.

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