

## Union Calendar No. 268

116<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 4320

[Report No. 116-337]

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

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### IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 12, 2019

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

DECEMBER 11, 2019

Reported with an amendment, committed to the Committee of the Whole  
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on September 12, 2019]

# **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 **SECTION 1. SHORT TITLE.**

4        *This Act may be cited as the “Corporate Management*  
5 *Accountability Act of 2019”.*

6 **SEC. 2. FINE, PENALTY, AND SETTLEMENT ACCOUNT-**  
7 **ABILITY.**

8        *(a) DEFINITIONS.—In this section—*

9            *(1) the term “Commission” means the Securities*  
10 *and Exchange Commission;*

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

12                    *(A) means a fine or similar penalty, as that*  
13 *term is defined in Treasury Regulation section*  
14 *1.162–21(b); and*

15                    *(B) includes any fine or similar penalty—*

16                            *(i) that is paid by a reporting com-*  
17 *pany; and*

18                            *(ii) with respect to which the Commis-*  
19 *sion determines disclosure under subsection*  
20 *(b)(1) is appropriate;*

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

24            *(4) the term “named executive officer”—*

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

4           (B) includes any other employee of a report-  
5           ing company with respect to whom the Commis-  
6           sion determines disclosure under subsection  
7           (b)(1) is appropriate; and

8           (5) the term “reporting company” means an  
9           issuer—

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

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

16           (b) *REQUIREMENT TO ISSUE RULES.*—Not later than  
17           360 days after the date of enactment of this Act, the Com-  
18           mission shall issue final rules to require each reporting  
19           company, in each annual report submitted under section  
20           13 or section 15(d) of the Securities Exchange Act of 1934  
21           (15 U.S.C. 78m and 78o(d)), or in each proxy statement  
22           filed pursuant to section 14(a) of the Securities Exchange  
23           Act of 1934 (15 U.S.C. 78n(a)) for an annual meeting of  
24           shareholders, to—

1           (1) *disclose whether the reporting company, in*  
2 *order to align the incentives of those managing the re-*  
3 *porting company with the incentives of the share-*  
4 *holders of the reporting company, has established pro-*  
5 *cedures to recoup from compensation paid to, and to*  
6 *withhold from future compensation paid to, any*  
7 *named executive officer all or a portion of the cost of*  
8 *any covered fine or similar penalty that has been*  
9 *paid by the reporting company;*

10           (2) *if the reporting company has established pro-*  
11 *cedures described in paragraph (1)—*

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

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

18           (3) *if the reporting company has not established*  
19 *procedures described in paragraph (1), provide an ex-*  
20 *planation of why no such procedures are necessary for*  
21 *the benefit of the shareholders of the reporting com-*  
22 *pany.*

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