

AMENDMENT TO RULES COMMITTEE PRINT 116-

32

OFFERED BY MR. FOSTER OF ILLINOIS

On page 8, line 19, strike “**SEC. 4.**” and insert
“**SEC. 7.**”.

At the end of page 8, line 18, insert the following:

1 **SEC. 4. ARBITRATION AGREEMENTS IN THE SECURITIES**

2 **EXCHANGE ACT OF 1934.**

3 (a) IN GENERAL.—The Securities Exchange Act of
4 1934 is amended—

5 (1) by amending section 15(o) (15 U.S.C.
6 78o(o)) to read as follows:

7 “(o) LIMITATIONS ON PRE-DISPUTE AGREEMENTS.—
8 Notwithstanding any other provision of law, it shall be un-
9 lawful for any broker, dealer, funding portal, or municipal
10 securities dealer to enter into, modify, or extend an agree-
11 ment with customers or clients of such entity with respect
12 to a future dispute between the parties that—

13 “(1) mandates arbitration for such dispute;

14 “(2) restricts, limits, or conditions the ability of
15 a customer or client of such entity to select or des-
16 ignate a forum for resolution of such dispute; or

1 “(3) restricts, limits, or conditions the ability of
2 a customer or client to pursue a claim relating to
3 such dispute in an individual or representative ca-
4 pacity or on a class action or consolidated basis.”;
5 and

6 (2) in section 6(b) (15 U.S.C. 78f(b)), by add-
7 ing at the end the following:

8 “(11) MANDATORY ARBITRATION.—The rules of
9 the exchange prohibit the listing of any security if—

10 “(A) the issuer of such security is a United
11 States person; and

12 “(B) such issuer, in its bylaws, other gov-
13 erning documents, or any contract with a share-
14 holder related to the parties as issuer and
15 shareholder mandates arbitration for any dis-
16 putes between the issuer and the shareholders
17 of the issuer.”.

18 (b) APPLICATION TO EXISTING AGREEMENTS.—

19 (1) IN GENERAL.—With respect to an agree-
20 ment described in section 15(o) of the Securities Ex-
21 change Act of 1934 that was entered before the date
22 of the enactment of this Act, any provision prohib-
23 ited by section 15(o) of the Securities Exchange Act
24 of 1934 is void.

1 (2) ONGOING ARBITRATION.—A provision pro-
2 hibited by section 15(o) of the Securities Exchange
3 Act of 1934 shall not be void under paragraph (1)
4 if arbitration required by such provision was initi-
5 ated by any party on or before the date of the enact-
6 ment of this subsection.

7 **SEC. 5. ARBITRATION AGREEMENTS IN THE SECURITIES**
8 **ACT OF 1933.**

9 Section 6 of the Securities Act of 1933 (15 U.S.C.
10 77f) is amended by adding at the end the following:

11 “(f) LIMITATION ON ARBITRATION REQUIRE-
12 MENTS.—A security may not be registered with the Com-
13 mission if—

14 “(1) the issuer of such security is a United
15 States person; and

16 “(2) such issuer, in its bylaws, or other gov-
17 erning documents, or any contract with a share-
18 holder related to the parties as issuer and share-
19 holder mandates arbitration for any disputes be-
20 tween the issuer and the shareholders of the
21 issuer.”.

1 **SEC. 6. ARBITRATION AGREEMENTS IN THE INVESTMENT**
2 **ADVISERS ACT OF 1940.**

3 (a) IN GENERAL.—Section 205(f) of the Investment
4 Advisers Act of 1940 (15 U.S.C. 80b–5(f)) is amended
5 to read as follows:

6 “(f) Notwithstanding any other provision of law, it
7 shall be unlawful for any investment adviser to enter into,
8 modify, or extend an agreement with customers or clients
9 of such entity with respect to a future dispute between
10 the parties to such agreement that—

11 “(1) mandates arbitration for such dispute;

12 “(2) restricts, limits, or conditions the ability of
13 a customer or client of such entity to select or des-
14 ignate a forum for resolution of such dispute; or

15 “(3) restricts, limits, or conditions the ability of
16 a customer or client to pursue a claim relating to
17 such dispute in an individual or representative ca-
18 pacity or on a class action or consolidated basis.”.

19 (b) APPLICATION TO EXISTING AGREEMENTS.—

20 (1) IN GENERAL.—With respect to an agree-
21 ment described in section 205(f) of the Investment
22 Advisers Act of 1940 that was entered before the
23 date of the enactment of this Act, any provision pro-
24 hibited by section 205(f) of the Investment Advisers
25 Act of 1940 is void.

1 (2) ONGOING ARBITRATION.—A provision pro-
2 hibited by section 15(o) of the Securities Exchange
3 Act of 1934 shall not be void under paragraph (1)
4 if arbitration required by such provision was initi-
5 ated by any party on or before the date of the enact-
6 ment of this subsection.

