AMENDMENT TO RULES COMMITTEE PRINT
118–10
OFFERED BY MR. SHERMAN OF CALIFORNIA

At the end of title XVIII add the following:

SEC. 1859. DISCLOSURE REQUIREMENTS RELATING TO
CHINA-BASED HEDGE FUNDS CAPITAL RAISING ACTIVITIES IN THE UNITED STATES
THROUGH CERTAIN EXEMPTED TRANSACTIONS.

(a) Amendment.—The Securities Exchange Act of 1934 is amended by inserting after section 13A (15 U.S.C. 78m–1) the following:

“SEC. 13B. DISCLOSURE REQUIREMENTS RELATING TO CERTAIN EXEMPTED TRANSACTIONS.

“(a) In General.—Notwithstanding any other provision of law, in the case of an issuer that is domiciled in the People’s Republic of China, including a China-based hedge fund or a China-based private equity fund, that conducts a covered exempted transaction, such issuer shall provide to the Commission, at such time and in such manner as the Commission may prescribe, the following:

“(1) The identity of the issuer.

“(2) The place of incorporation of the issuer.
“(3) The amount of the issuance involved in the covered exempted transaction and the net proceeds to the issuer.

“(4) The principal beneficial owners of the issuer.

“(5) The intended use of the proceeds from such issuance, including—

“(A) each country in which the issuer intends to invest such proceeds; and

“(B) each industry in which the issuer intends to invest such proceeds.

“(6) The exemption the issuer relies on with respect to such covered exempted transaction.

“(b) AUTHORITY TO REVISE AND PROMULGATE RULES, REGULATIONS, AND FORMS.—The Commission shall, for the protection of investors and fair and orderly markets—

“(1) revise and promulgate such rules, regulations, and forms as may be necessary to carry out this section; and

“(2) issue rules to set conditions for the use of covered exempted transactions by an issuer who does not comply with the requirements under subsection (a).
“(c) COVERED EXEMPTED TRANSACTION.—In this section, the term ‘covered exempted transaction’ means an issuance of a security that is exempt from registration under section 5 of the Securities Act of 1933 (15 U.S.C. 77e) that—

“(1) is structured or intended to comply with—

“(A) Rule 506(b) of Regulation D, as promulgated by the Commission;

“(B) Regulation S, as promulgated by the Commission; or

“(C) Rule 144A, as promulgated by the Commission; and

“(2) either—

“(A) has an issuance equal to $25,000,000 or greater; or

“(B) with respect to any 1-year period, has, together with all covered exempted transactions in that period, an aggregate issuance of $50,000,000 or greater.”.

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply with respect to issuers of covered exempted transactions on the date that is 270 days after the date of the enactment of this Act.

(c) REPORT.—The Securities and Exchange Commission shall, each quarter, issue a report to the Committee
on Financial Services of the House of Representatives and
the Committee on Banking, Housing, and Urban Affairs
of the Senate containing all information submitted by an
issuer under section 13B of the Securities Exchange Act
of 1934, as added by subsection (a), during the previous
quarter.