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 WITH RESPECT TO CERTAIN FINANCIAL RISKS RELATING TO THE PEOPLE’S REPUBLIC OF CHINA.

(a) In general.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

“(t) Disclosure and Contingency Plan With Respect to Certain Financial Risks Relating to the People’s Republic of China.—

“(1) In general.—Each issuer required to file an annual report under subsection (a) shall include in such report—

“(A) with respect to the foreign markets of mainland China, the Hong Kong special administrative region, the Macau special administrative region, and Taiwan, a description (including quantification, if possible) of—
“(i) the degree to which each supply chain of such issuer relies upon or is exposed to each such foreign market; and

“(ii) the operations of such issuer in each such foreign market;

“(B) a narrative description of risk factors associated with a hypothetical, imminent, or ongoing covered event, including any anticipated, past, or ongoing—

“(i) consequences for the operations of the issuer—

“(I) in a covered foreign market;

and

“(II) caused by disruptions to supply chains, including supply chains for—

“(aa) goods or services originating in a covered foreign market; and

“(bb) goods transported through or over the East China Sea or South China Sea;

“(ii) devaluation, seizure, denial of access, or nationalization of assets of the issuer in a covered foreign market;
“(iii) divestment by the issuer from a covered foreign market;

“(iv) change in operations of the issuer within a covered foreign market; and

“(v) other material financial impact on the operations of the issuer resulting from the covered event; and

“(C) if the issuer determines that material financial consequences apply to such issuer in the case of a covered event, whether or not the issuer has a contingency plan that the issuer will implement to minimize the consequences of such covered event if such covered event occurs.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to require an issuer to—

“(A) disclose the assessment of such issuer as to the likelihood that a covered event will occur; or

“(B) provide any third-party assessment of such likelihood.

“(3) DEFINITIONS.—In this subsection:

“(A) COVERED EVENT.—The term ‘covered event’ means—
“(i) PRC military action against Taiwan; or

“(ii) a significant disruption to the economic relations between the United States and the People’s Republic of China, including—

“(I) a partial or full trade embargo of the People’s Republic of China by the United States (or vice versa);

“(II) trade or financial sanctions imposed on the People’s Republic of China by the United States (or vice versa); and

“(III) the United States revoking permanent normal trade relations with the People’s Republic of China (or vice versa).

“(B) COVERED FOREIGN MARKET.—The term ‘covered foreign market’ means mainland China, the Hong Kong special administrative region, the Macau special administrative region, Taiwan, Japan, Mongolia, the Democratic People’s Republic of Korea, and the Republic of Korea.
“(C) MAINLAND CHINA.—The term ‘mainland China’ means the People’s Republic of China, excluding the Hong Kong special administrative region and the Macau special administrative region.

“(D) OPERATIONS.—The term ‘operations’ may include, with respect to an issuer required to file an annual report under subsection (a), the assets, personnel, sales and revenue, liabilities, technology, and other notable ties or activities of such issuer.

“(E) PRC MILITARY ACTION AGAINST TAIWAN.—The term ‘PRC military action against Taiwan’—

“(i) means a campaign of armed aggression by the People’s Republic of China against the Government of Taiwan (or the territories under its control); and

“(ii) includes—

“(I) a firepower strike campaign;
“(II) an island landing campaign;
and
“(III) a full or partial blockade (by sea or air).”.
(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date that is 180 days after the date of the enactment of this section.