

AMENDMENT TO RULES COMM. PRINT 119-33
OFFERED BY MR. SHERMAN OF CALIFORNIA

At the end of subtitle B of title XVII, insert the following:

1 **SEC. 17__ . DISCLOSURE WITH RESPECT TO CERTAIN FI-**
2 **NANCIAL RISKS RELATING TO THE PEOPLE'S**
3 **REPUBLIC OF CHINA.**

4 (a) SENSE OF CONGRESS.—It is the sense of Con-
5 gress that investing in China poses unique risks that in-
6 vestors should carefully consider.

7 (b) ANNUAL DISCLOSURES.—Section 13 of the Secu-
8 rities Exchange Act of 1934 (15 U.S.C. 78m) is amended
9 by adding at the end the following:

10 “(t) DISCLOSURE WITH RESPECT TO CERTAIN FI-
11 NANCIAL RISKS RELATING TO THE PEOPLE’S REPUBLIC
12 OF CHINA.—

13 “(1) IN GENERAL.—Each issuer required to file
14 an annual report under subsection (a) shall include
15 in such report—

16 “(A) with respect to each covered foreign
17 market, a description (including quantification,
18 if possible) of—

1 “(i) the degree to which each supply
2 chain of such issuer relies upon or is ex-
3 posed to the covered foreign market; and

4 “(ii) the operations of such issuer in
5 the covered foreign market;

6 “(B) a narrative description of the issuer’s
7 China risk; and

8 “(C) if the issuer identifies a material
9 China risk, a narrative description with respect
10 to each China risk identified by the issuer of—

11 “(i) the actions the issuer has taken
12 or will take to minimize that China risk;
13 and

14 “(ii) the additional actions the issuer
15 may take to minimize that China risk if a
16 covered event occurs.

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

20 “(A) disclose the assessment of such issuer
21 as to the likelihood that a covered event or any
22 China risk will occur; or

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

25 “(3) DEFINITIONS.—In this subsection:

1 “(A) CHINA RISK.—The term ‘China risk’
2 means an issuer’s exposure to material financial
3 consequences caused by the Chinese Communist
4 Party, the Government of the People’s Republic
5 of China, or firms or other entities operating in
6 the People’s Republic of China stemming from
7 reasonably likely, imminent, or ongoing factors,
8 including—
9 “(i) consequences for the operations
10 of the issuer—
11 “(I) in a covered foreign market;
12 and
13 “(II) caused by disruptions to
14 supply chains, including supply chains
15 for—
16 “(aa) goods or services origi-
17 nating in a covered foreign mar-
18 ket; and
19 “(bb) goods transported
20 through or over the East China
21 Sea or South China Sea;
22 “(ii) devaluation, seizure, expropria-
23 tion, denial of access, or nationalization of
24 assets, including intellectual property, of
25 the issuer in a covered foreign market;

1 “(iii) imperfect rule of law, unequal or
2 imperfect enforcement of intellectual prop-
3 erty rights, or biased judicial proceedings;

4 “(iv) with respect to any equity in-
5 vestments the issuer has within a covered
6 foreign market, impediments to exercising
7 full voting rights of American or non-Chi-
8 nese shareholders or any firm in which the
9 issuer has an equity investment taking ac-
10 tions against the interests of the firm’s
11 shareholders in favor of the interests of the
12 Chinese Communist Party or the Govern-
13 ment of the People’s Republic of China;
14 and

15 “(v) other material financial impact
16 on the operations of the issuer caused by
17 the Chinese Communist Party, the Govern-
18 ment of the People’s Republic of China, or
19 firms or other entities operating in the
20 People’s Republic of China.

21 “(B) COVERED EVENT.—The term ‘cov-
22 ered event’—

23 “(i) means a significant disruption to
24 the economic relations between the United

1 States and the People’s Republic of China,
2 including—

3 “(I) a partial or full trade embar-
4 go of the People’s Republic of China
5 by the United States (or vice versa);

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

10 “(III) the United States revoking
11 permanent normal trade relations
12 with the People’s Republic of China
13 (or vice versa); and

14 “(ii) includes disruptions resulting
15 from PRC military action against Taiwan.

16 “(C) COVERED FOREIGN MARKET.—The
17 term ‘covered foreign market’ means mainland
18 China, the Hong Kong special administrative
19 region, the Macau special administrative region,
20 Taiwan, Japan, Mongolia, the Democratic Peo-
21 ple’s Republic of Korea, and the Republic of
22 Korea.

23 “(D) MAINLAND CHINA.—The term ‘main-
24 land China’ means the People’s Republic of
25 China, excluding the Hong Kong special admin-

1 administrative region and the Macau special adminis-
2 trative region.

3 “(E) OPERATIONS.—The term ‘operations’
4 may include, with respect to an issuer required
5 to file an annual report under subsection (a),
6 the assets, personnel, sales and revenue, liabil-
7 ities, technology, intellectual property, and
8 other notable ties or activities of such issuer.

9 “(F) PRC MILITARY ACTION AGAINST TAI-
10 WAN.—The term ‘PRC military action against
11 Taiwan’—

12 “(i) means a campaign of armed ag-
13 gression by the People’s Republic of China
14 against the Government of Taiwan (or the
15 territories under its control); and

16 “(ii) includes—

17 “(I) a firepower strike campaign;

18 “(II) an island landing campaign;

19 and

20 “(III) a full or partial blockade
21 (by sea or air).”.

22 (c) DISCLOSURE AT TIME OF REGISTRATION.—Sec-
23 tion 12(b) of the Securities Exchange Act of 1934 (15
24 U.S.C. 78l(b)) is amended by adding at the end the fol-
25 lowing:

1 “(4) The information described under section
2 13(t)(1).”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall take effect on the date that is 180 days
5 after the date of the enactment of this section.

