

107TH CONGRESS  
2D SESSION

# H. R. 5048

To prohibit corporations from making loans to their officers, directors, and principal shareholders.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2002

Mr. GEORGE MILLER of California (for himself, Mr. SHOWS, Mr. ANDREWS, Mr. DOGGETT, Ms. LEE, Mrs. MINK of Hawaii, Mrs. NAPOLITANO, Ms. WOOLSEY, Mr. CONYERS, Mr. TIERNEY, Mr. DELAHUNT, Mr. CAPUANO, Mr. MEEHAN, Ms. WATERS, Mr. TAYLOR of Mississippi, Mr. KLECZKA, Mr. STARK, Ms. SCHAKOWSKY, Ms. JACKSON-LEE of Texas, Ms. DELAURO, Ms. SANCHEZ, Mr. NADLER, Ms. SOLIS, Mr. ABERCROMBIE, and Ms. SLAUGHTER) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To prohibit corporations from making loans to their officers, directors, and principal shareholders.

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 Executive  
5       Responsibility Act of 2002”.

1 **SEC. 2. GOVERNANCE PRACTICES TO PROHIBIT INSIDER**  
2 **LOANS.**

3 (a) RULEMAKING REQUIRED.—

4 (1) PROHIBITED LOANS.—Every national secu-  
5 rities exchange and national securities association  
6 shall adopt rules, effective no later than 6 months  
7 after the date of enactment of this Act, to require  
8 that the qualitative listing standards concerning cor-  
9 porate governance of the exchange or association  
10 prohibit loans or other extensions of credit that in  
11 the aggregate exceed \$50,000 to any corporate in-  
12 sider.

13 (2) DEFINITION OF CORPORATE INSIDER.—For  
14 purposes of paragraph (1), the term “corporate in-  
15 sider” with respect to any issuer means any person  
16 who is a beneficial owner, officer, or director who is  
17 required to file a statement under section 16 of the  
18 Securities Exchange Act of 1934 (15 U.S.C. 78p)  
19 with respect to ownership of the equity securities of  
20 such issuer.

21 (3) OTHER DEFINITIONS.—For purposes of  
22 paragraph (1), the terms “national securities ex-  
23 change” and “national securities association” have  
24 the same meanings provided in section 3 of the Se-  
25 curities Exchange Act of 1934 (15 U.S.C. 78c).

1       (b) PROCEDURE.—The rules required by subsection  
2 (a) of this section shall be adopted by any national securi-  
3 ties exchange or national securities association pursuant  
4 to section 19(b) of the Securities Exchange Act of 1934  
5 (15 U.S.C. 78s(b)). If the rules required by this section  
6 have not been adopted by any national securities exchange  
7 and national securities association and made effective by  
8 9 months after the date of enactment of this Act, the Se-  
9 curities and Exchange Commission shall initiate pro-  
10 ceedings to add the rules required by this section to the  
11 rules of such national securities exchange and national se-  
12 curities association.

13       (c) NO ADVERSE INFERENCE.—Nothing in this sec-  
14 tion shall be construed to alter, impair, limit, or abrogate  
15 the Securities and Exchange Commission’s power under  
16 section 19(c) of the Securities Exchange Act of 1934 to  
17 abrogate, add to, and delete from the rules of a self-regu-  
18 latory organization (other than a registered clearing agen-  
19 cy) as the Securities and Exchange Commission deems  
20 necessary or appropriate.

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