

115TH CONGRESS
2D SESSION

H. R. 6139

IN THE SENATE OF THE UNITED STATES

JULY 11, 2018

Received; read twice and referred to the Committee on Banking, Housing, and
Urban Affairs

AN ACT

To require the Securities and Exchange Commission to carry out a study to evaluate the issues affecting the provision of and reliance upon investment research into small issuers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Improving Investment
3 Research for Small and Emerging Issuers Act”.

4 **SEC. 2. RESEARCH STUDY.**

5 (a) **STUDY REQUIRED.**—The Securities and Ex-
6 change Commission shall conduct a study to evaluate the
7 issues affecting the provision of and reliance upon invest-
8 ment research into small issuers, including emerging
9 growth companies and companies considering initial public
10 offerings.

11 (b) **CONTENTS OF STUDY.**—The study required
12 under subsection (a) shall consider—

13 (1) factors related to the demand for such re-
14 search by institutional and retail investors;

15 (2) the availability of such research, includ-
16 ing—

17 (A) the number and types of firms who
18 provide such research;

19 (B) the volume of such research over time;

20 and

21 (C) competition in the research market;

22 (3) conflicts of interest relating to the produc-
23 tion and distribution of investment research;

24 (4) the costs of such research;

1 (5) the impacts of different payment mecha-
2 nisms for investment research into small issuers, in-
3 cluding whether such research is paid for by—

4 (A) hard-dollar payments from research
5 clients;

6 (B) payments directed from the client’s
7 commission income (i.e., “soft dollars”); or

8 (C) payments from the issuer that is the
9 subject of such research;

10 (6) any unique challenges faced by minority-
11 owned, women-owned, and veteran-owned small
12 issuers in obtaining research coverage; and

13 (7) the impact on the availability of research
14 coverage for small issuers due to—

15 (A) investment adviser concentration and
16 consolidation, including any potential impacts of
17 fund-size on demand for investment research of
18 small issuers;

19 (B) broker and dealer concentration and
20 consolidation, including any relationships be-
21 tween the size of the firm and allocation of re-
22 sources for investment research into small
23 issuers;

24 (C) Securities and Exchange Commission
25 rules;

1 (D) registered national securities associa-
2 tion rules;

3 (E) State and Federal liability concerns;

4 (F) the settlement agreements referenced
5 in Securities and Exchange Commission Litiga-
6 tion Release No. 18438 (i.e., the “Global Re-
7 search Analyst Settlement”); and

8 (G) Directive 2014/65/EU of the European
9 Parliament and of the Council of 15 May 2014
10 on markets in financial instruments and
11 amending Directive 2002/92/EC and Directive
12 2011/61/EU, as implemented by the European
13 Union (“EU”) member states (“MiFID II”).

14 (c) REPORT REQUIRED.—Not later than 180 days
15 after the date of the enactment of this Act, the Securities
16 and Exchange Commission shall submit to Congress a re-
17 port that includes—

18 (1) the results of the study required by sub-
19 section (a); and

20 (2) recommendations to increase the demand
21 for, volume of, and quality of investment research
22 into small issuers, including emerging growth com-

- 1 panies and companies considering initial public of-
- 2 ferings.

Passed the House of Representatives July 10, 2018.

Attest: KAREN L. HAAS,
Clerk.