

[DISCUSSION DRAFT]

119TH CONGRESS
2^D SESSION

H. R. _____

To amend the securities laws to prohibit brokers, dealers, and investment advisers with certain connections to the People’s Republic of China from registering with the Securities and Exchange Commission, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. LAWLER introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the securities laws to prohibit brokers, dealers, and investment advisers with certain connections to the People’s Republic of China from registering with the Securities and Exchange Commission, and for other purposes.

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 “PRC Broker-Dealers
5 and Investment Advisers Moratorium Act”.

1 **SEC. 2. PROHIBITIONS.**

2 (a) **BROKER OR DEALER REGISTRATION.—**

3 (1) **IN GENERAL.—**Section 15 of the Securities
4 Exchange Act of 1934 (15 U.S.C. 78o) is amended
5 by adding at the end the following:

6 “(p) **PROHIBITION ON REGISTRATION AS A BROKER**
7 **OR DEALER RELATED TO CHINESE OWNERSHIP.—**

8 “(1) **CONTROL DEFINED.—**In this subsection,
9 the term ‘control’ means beneficially owning, either
10 directly or through 1 or more companies, more than
11 15 percent of the voting securities of an entity.

12 “(2) **PROHIBITION.—**A broker or dealer shall be
13 prohibited from being registered as a broker or deal-
14 er under subsection (b) if—

15 “(A) the broker or dealer is an entity orga-
16 nized under the laws of the People’s Republic of
17 China;

18 “(B) the broker or dealer is controlled by
19 an entity organized under the laws of the Peo-
20 ple’s Republic of China;

21 “(C) the broker or dealer is controlled by
22 a national of the People’s Republic of China
23 who resides in the People’s Republic of China;
24 or

25 “(D) there is an associated person of the
26 broker or dealer organized under the laws of

1 the People’s Republic of China that provides
2 the broker or dealer with services, related to—
3 “(i) platform infrastructure;
4 “(ii) network services; or
5 “(iii) software or product develop-
6 ment, maintenance, or support.”.

7 (2) TERMINATION.—On the date that is 5 years
8 after the date of enactment of this Act, section 15
9 of the Securities Exchange Act of 1934 (15 U.S.C.
10 78o) is amended by striking subsection (p), as added
11 by paragraph (1) of this subsection.

12 (b) INVESTMENT ADVISER REGISTRATION.—

13 (1) IN GENERAL.—Section 203 of the Invest-
14 ment Advisers Act of 1940 (15 U.S.C. 80b–3) is
15 amended by adding at the end the following:

16 “(o) PROHIBITION ON REGISTRATION AS AN INVEST-
17 MENT ADVISER RELATED TO CHINESE OWNERSHIP.—

18 “(1) CONTROL DEFINED.—In this subsection,
19 the term ‘control’ means beneficially owning, either
20 directly or through 1 or more companies, more than
21 15 percent of the voting securities of an entity.

22 “(2) PROHIBITION.—A person may not be reg-
23 istered as an investment adviser if—

1 “(A) the person is an entity organized
2 under the laws of the People’s Republic of
3 China;

4 “(B) the person is controlled by an entity
5 organized under the laws of the People’s Re-
6 public of China;

7 “(C) the person is controlled by a national
8 of the People’s Republic of China who resides
9 in the People’s Republic of China; or

10 “(D) an affiliate of the person is organized
11 under the laws of the People’s Republic of
12 China that provides the person with services,
13 including—

14 “(i) software development or support;

15 “(ii) product development; or

16 “(iii) customer service.”.

17 (2) TERMINATION.—On the date that is 5 years
18 after the date of enactment of this Act, section 203
19 of the Investment Advisers Act of 1940 (15 U.S.C.
20 80b–3) is amended by striking subsection (o), as
21 added by paragraph (1) of this subsection.