

1 (3) by striking “section 18(f)(2)” each place
2 such term appears and inserting “section 18(f)”;

3 (4) by striking “section 18(f)(3)” each place
4 such term appears and inserting “section 18(f)”;

5 and

6 (5) by striking “section 18(f)(4)” each place
7 such term appears and inserting “section 18(f)”.

8 **SEC. 738. REPEAL OF AUTHORITY TO RESTRICT ARBITRA-**
9 **TION.**

10 (a) IN GENERAL.—Section 1028 of the Consumer Fi-
11 nancial Protection Act of 2010 (12 U.S.C. 5518) is hereby
12 repealed.

13 (b) CLERICAL AMENDMENT.—The table of contents
14 under section 1(b) of the Dodd-Frank Wall Street Reform
15 and Consumer Protection Act is amended by striking the
16 item relating to section 1028.

17 **TITLE VIII—CAPITAL MARKETS**
18 **IMPROVEMENTS**

19 **Subtitle A—SEC Reform,**
20 **Restructuring, and Accountability**

21 **SEC. 801. AUTHORIZATION OF APPROPRIATIONS.**

22 Section 35 of the Securities Exchange Act of 1934
23 (15 U.S.C. 78kk) is amended by striking paragraphs (1)
24 through (5) and inserting the following:

25 “(1) for fiscal year 2017, \$1,555,000,000;

1 “(2) for fiscal year 2018, \$1,605,000,000;
2 “(3) for fiscal year 2019, \$1,655,000,000;
3 “(4) for fiscal year 2020, \$1,705,000,000;
4 “(5) for fiscal year 2021, \$1,755,000,000; and
5 “(6) for fiscal year 2022, \$1,805,000,000.”.

6 **SEC. 802. REPORT ON UNOBLIGATED APPROPRIATIONS.**

7 Section 23 of the Securities Exchange Act of 1934
8 (15 U.S.C. 78w) is amended by adding at the end the fol-
9 lowing:

10 “(e) REPORT ON UNOBLIGATED APPROPRIATIONS.—
11 If, at the end of any fiscal year, there remain unobligated
12 any funds that were appropriated to the Commission for
13 such fiscal year, the Commission shall, not later than 30
14 days after the last day of such fiscal year, submit to the
15 Committee on Financial Services and the Committee on
16 Appropriations of the House of Representatives and the
17 Committee on Banking, Housing, and Urban Affairs and
18 the Committee on Appropriations of the Senate a report
19 stating the amount of such unobligated funds. If there is
20 any material change in the amount stated in the report,
21 the Commission shall, not later than 7 days after deter-
22 mining the amount of the change, submit to such commit-
23 tees a supplementary report stating the amount of and
24 reason for the change.”.

1 **SEC. 803. SEC RESERVE FUND ABOLISHED.**

2 Section 4 of the Securities Exchange Act of 1934 (15
3 U.S.C. 78d) is amended by striking subsection (i).

4 **SEC. 804. FEES TO OFFSET APPROPRIATIONS.**

5 (a) SECTION 31 OF THE SECURITIES EXCHANGE ACT
6 OF 1934.—Section 31 of the Securities Exchange Act of
7 1934 (15 U.S.C. 78ee) is amended—

8 (1) by striking subsection (a) and inserting the
9 following:

10 “(a) COLLECTION.—The Commission shall, in ac-
11 cordance with this section, collect transaction fees and as-
12 sessments.”;

13 (2) in subsection (i)—

14 (A) in paragraph (1)(A), by inserting “ex-
15 cept as provided in paragraph (2),” before
16 “shall”; and

17 (B) by striking paragraph (2) and insert-
18 ing the following:

19 “(2) GENERAL REVENUE.—Any fees collected
20 for a fiscal year pursuant to this section, sections
21 13(e) and 14(g) of this title, and section 6(b) of the
22 Securities Act of 1933 in excess of the amount pro-
23 vided in appropriation Acts for collection for such
24 fiscal year pursuant to such sections shall be depos-
25 ited and credited as general revenue of the Treas-
26 ury.”;

1 (3) in subsection (j)—

2 (A) by striking “the regular appropriation
3 to the Commission by Congress for such fiscal
4 year” each place it appears and inserting “the
5 target offsetting collection amount for such fis-
6 cal year”; and

7 (B) in paragraph (2), by striking “sub-
8 section (l)” and inserting “subsection (l)(2)”;
9 and

10 (4) by striking subsection (l) and inserting the
11 following:

12 “(l) DEFINITIONS.—For purposes of this section:

13 “(1) TARGET OFFSETTING COLLECTION
14 AMOUNT.—The target offsetting collection amount
15 for a fiscal year is—

16 “(A) for fiscal year 2017, \$1,400,000,000;
17 and

18 “(B) for each succeeding fiscal year, the
19 target offsetting collection amount for the prior
20 fiscal year, adjusted by the rate of inflation.

21 “(2) BASELINE ESTIMATE OF THE AGGREGATE
22 DOLLAR AMOUNT OF SALES.—The baseline estimate
23 of the aggregate dollar amount of sales for any fiscal
24 year is the baseline estimate of the aggregate dollar
25 amount of sales of securities (other than bonds, de-

1 ventures, other evidences of indebtedness, security
2 futures products, and options on securities indexes
3 (excluding a narrow-based security index)) to be
4 transacted on each national securities exchange and
5 by or through any member of each national securi-
6 ties association (otherwise than on a national securi-
7 ties exchange) during such fiscal year as determined
8 by the Commission, after consultation with the Con-
9 gressional Budget Office and the Office of Manage-
10 ment and Budget, using the methodology required
11 for making projections pursuant to section 257 of
12 the Balanced Budget and Emergency Deficit Control
13 Act of 1985.”.

14 (b) SECTION 6(b) OF THE SECURITIES ACT OF
15 1933.—Section 6(b) of the Securities Act of 1933 (15
16 U.S.C. 77f(b)) is amended—

17 (1) by striking “target fee collection amount”
18 each place it appears and inserting “target offsetting
19 collection amount”;

20 (2) in paragraph (4), by striking the last sen-
21 tence and inserting the following: “Subject to para-
22 graphs (6)(B) and (7), an adjusted rate prescribed
23 under paragraph (2) shall take effect on the later
24 of—

1 “(A) the first day of the fiscal year to
2 which such rate applies; or

3 “(B) five days after the date on which a
4 regular appropriation to the Commission for
5 such fiscal year is enacted.”;

6 (3) in paragraph (5), by inserting “of the Secu-
7 rities Exchange Act of 1934” after “sections 13(e)
8 and 14(g)”;

9 (4) by redesignating paragraph (6) as para-
10 graph (8);

11 (5) by inserting after paragraph (5) the fol-
12 lowing:

13 “(6) OFFSETTING COLLECTIONS.—Fees col-
14 lected pursuant to this subsection for any fiscal
15 year—

16 “(A) except as provided in section 31(i)(2)
17 of the Securities Exchange Act of 1934, shall
18 be deposited and credited as offsetting collec-
19 tions to the account providing appropriations to
20 the Commission; and

21 “(B) except as provided in paragraph (7),
22 shall not be collected for any fiscal year except
23 to the extent provided in advance in appropria-
24 tion Acts.

1 “(7) LAPSE OF APPROPRIATION.—If on the
2 first day of a fiscal year a regular appropriation to
3 the Commission has not been enacted, the Commis-
4 sion shall continue to collect fees (as offsetting col-
5 lections) under this subsection at the rate in effect
6 during the preceding fiscal year, until 5 days after
7 the date such a regular appropriation is enacted.”;
8 and

9 (6) in subparagraph (A) of paragraph (8) (as
10 so redesignated)—

11 (A) by striking the subparagraph heading
12 and inserting “TARGET OFFSETTING COLLEC-
13 TION AMOUNT.—”; and

14 (B) in the heading of the right column of
15 the table, by striking “**fee**” and inserting “**off-**
16 **setting**”.

17 (c) SECTION 13(e) OF THE SECURITIES EXCHANGE
18 ACT OF 1934.—Section 13(e) of the Securities Exchange
19 Act of 1934 (15 U.S.C. 78m(e)) is amended—

20 (1) by striking paragraph (5) and inserting the
21 following:

22 “(5) OFFSETTING COLLECTIONS.—Fees col-
23 lected pursuant to this subsection for any fiscal
24 year—

1 “(A) except as provided in section 31(i)(2),
2 shall be deposited and credited as offsetting col-
3 lections to the account providing appropriations
4 to the Commission; and

5 “(B) except as provided in paragraph (8),
6 shall not be collected for any fiscal year except
7 to the extent provided in advance in appropria-
8 tions Acts.”; and

9 (2) by adding at the end the following:

10 “(8) LAPSE OF APPROPRIATION.—If on the
11 first day of a fiscal year a regular appropriation to
12 the Commission has not been enacted, the Commis-
13 sion shall continue to collect fees (as offsetting col-
14 lections) under this subsection at the rate in effect
15 during the preceding fiscal year, until 5 days after
16 the date such a regular appropriation is enacted.”.

17 (d) SECTION 14(g) OF THE SECURITIES EXCHANGE
18 ACT OF 1934.—Section 14(g) of the Securities Exchange
19 Act of 1934 (15 U.S.C. 78n(g)) is amended—

20 (1) by striking paragraph (5) and inserting the
21 following:

22 “(5) OFFSETTING COLLECTIONS.—Fees col-
23 lected pursuant to this subsection for any fiscal
24 year—

1 “(A) except as provided in section 31(i)(2),
2 shall be deposited and credited as offsetting col-
3 lections to the account providing appropriations
4 to the Commission; and

5 “(B) except as provided in paragraph (8),
6 shall not be collected for any fiscal year except
7 to the extent provided in advance in appropria-
8 tions Acts.”;

9 (2) by redesignating paragraph (8) as para-
10 graph (9); and

11 (3) by inserting after paragraph (7) the fol-
12 lowing:

13 “(8) LAPSE OF APPROPRIATION.—If on the
14 first day of a fiscal year a regular appropriation to
15 the Commission has not been enacted, the Commis-
16 sion shall continue to collect fees (as offsetting col-
17 lections) under this subsection at the rate in effect
18 during the preceding fiscal year, until 5 days after
19 the date such a regular appropriation is enacted.”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section—

22 (1) shall apply beginning on October 1, 2017,
23 except that for fiscal year 2018, the Securities and
24 Exchange Commission shall publish—

1 (A) the rates established under section 31
2 of the Securities Exchange Act of 1934, as
3 amended by this section, not later than 30 days
4 after the date on which an Act making a reg-
5 ular appropriation to the Commission for fiscal
6 year 2018 is enacted; and

7 (B) the rate established under section 6(b)
8 of the Securities Act of 1933, as amended by
9 this section, not later than August 31, 2017;
10 and

11 (2) shall not apply with respect to fees for any
12 fiscal year before fiscal year 2018.

13 **SEC. 805. COMMISSION RELOCATION FUNDING PROHIBI-**
14 **TION.**

15 The Securities and Exchange Commission may not
16 obligate any funds for the purpose of constructing a new
17 headquarters of the Commission.

18 **SEC. 806. IMPLEMENTATION OF RECOMMENDATIONS.**

19 Section 967 of the Dodd-Frank Wall Street Reform
20 and Consumer Protection Act is amended by adding at
21 the end the following:

22 “(d) IMPLEMENTATION OF RECOMMENDATIONS.—
23 Not later than 6 months after the date of enactment of
24 this subsection, the Securities and Exchange Commission
25 shall complete an implementation of the recommendations

1 contained in the report of the independent consultant
2 issued under subsection (b) on March 10, 2011. To the
3 extent that implementation of certain recommendations
4 requires legislation, the Commission shall submit a report
5 to Congress containing a request for legislation granting
6 the Commission such authority it needs to fully implement
7 such recommendations.”.

8 **SEC. 807. OFFICE OF CREDIT RATINGS TO REPORT TO THE**
9 **DIVISION OF TRADING AND MARKETS.**

10 Section 15E(p)(1) of the Securities Exchange Act of
11 1934 (15 U.S.C. 78o-7(p)(1)) is amended—

12 (1) in subparagraph (A), by striking “within
13 the Commission” and inserting “within the Division
14 of Trading and Markets”; and

15 (2) in subparagraph (B), by striking “report to
16 the Chairman” and inserting “report to the head of
17 the Division of Trading and Markets”.

18 **SEC. 808. OFFICE OF MUNICIPAL SECURITIES TO REPORT**
19 **TO THE DIVISION OF TRADING AND MAR-**
20 **KETS.**

21 Section 979 of the Dodd-Frank Wall Street Reform
22 and Consumer Protection Act (15 U.S.C. 78o-4a) is
23 amended—

1 (1) in subsection (a), by inserting “, within the
2 Division of Trading and Markets,” after “There
3 shall be in the Commission”; and

4 (2) in subsection (b), by striking “report to the
5 Chairman” and inserting “report to the head of the
6 Division of Trading and Markets”.

7 **SEC. 809. INDEPENDENCE OF COMMISSION OMBUDSMAN.**

8 Section 4(g)(8) of the Securities Exchange Act of
9 1934 (15 U.S.C. 78d(g)(8)) is amended—

10 (1) in subparagraph (A), by striking “the In-
11 vestor Advocate shall appoint” and all that follows
12 through “Investor Advocate” and inserting “the
13 Chairman shall appoint an Ombudsman, who shall
14 report to the Commission”; and

15 (2) in subparagraph (D)—

16 (A) by striking “report to the Investor Ad-
17 vocate” and inserting “report to the Commis-
18 sion”; and

19 (B) by striking the last sentence.

20 **SEC. 810. INVESTOR ADVISORY COMMITTEE IMPROVE-**
21 **MENTS.**

22 Section 39 of the Securities Exchange Act of 1934
23 (15 U.S.C. 78pp) is amended—

24 (1) in subsection (a)(2)(B), by striking “sub-
25 mit” and inserting, “in consultation with the Small

1 Business Capital Formation Advisory Committee es-
2 tablished under section 40, submit”;

3 (2) in subsection (b)—

4 (A) in paragraph (1)—

5 (i) in subparagraph (C), by striking
6 “and”;

7 (ii) in subparagraph (D)(iv), by strik-
8 ing the period at the end and inserting “;
9 and”; and

10 (iii) by adding at the end the fol-
11 lowing:

12 “(E) a member of the Small Business Cap-
13 ital Formation Advisory Committee who shall
14 be a nonvoting member.”;

15 (B) by amending paragraph (2) to read as
16 follows:

17 “(2) TERM.—

18 “(A) LENGTH OF TERM FOR MEMBERS OF
19 THE COMMITTEE.—Each member of the Com-
20 mittee appointed under paragraph (1), other
21 than the Investor Advocate, shall serve for a
22 term of 4 years.

23 “(B) LIMITATION ON MULTIPLE TERMS.—
24 A member of the Committee may not serve for
25 more than one term, except for the Investor Ad-

1 vocate, a representative of State securities com-
2 missions, and the member of the Small Busi-
3 ness Capital Formation Advisory Committee.”;
4 and

5 (C) in paragraph (3), by striking “para-
6 graph (1)(B)” and inserting “paragraph (1)”;

7 (3) in subsection (c), by amending paragraph
8 (2) to read as follows:

9 “(2) TERM.—

10 “(A) LENGTH OF TERM.—Each member
11 elected under paragraph (1) shall serve for a
12 term of 3 years in the capacity for which the
13 member was elected under paragraph (1).

14 “(B) LIMITATION ON MULTIPLE TERMS.—
15 A member elected under paragraph (1) may not
16 serve for more than one term in the capacity
17 for which the member was elected under para-
18 graph (1).”; and

19 (4) by striking subsections (i) and (j).

20 **SEC. 811. DUTIES OF INVESTOR ADVOCATE.**

21 Section 4(g)(4) of the Securities Exchange Act of
22 1934 (15 U.S.C. 78d(g)(4)) is amended—

23 (1) in subparagraph (D)(ii), by striking “and”;

24 (2) in subparagraph (E), by striking the period
25 at the end and inserting a semicolon; and

1 (3) by adding at the end the following:

2 “(F) not take a position on any legislation
3 pending before Congress other than a legislative
4 change proposed by the Investor Advocate pur-
5 suant to subparagraph (E);

6 “(G) consult with the Advocate for Small
7 Business Capital Formation on proposed rec-
8 ommendations made under subparagraph (E);
9 and

10 “(H) advise the Advocate for Small Busi-
11 ness Capital Formation on issues related to
12 small business investors.”.

13 **SEC. 812. ELIMINATION OF EXEMPTION OF SMALL BUSI-**
14 **NESS CAPITAL FORMATION ADVISORY COM-**
15 **MITTEE FROM FEDERAL ADVISORY COM-**
16 **MITTEE ACT.**

17 Section 40 of the Securities Exchange Act of 1934
18 (as added by Public Law 114–284) is amended by striking
19 subsection (h).

20 **SEC. 813. INTERNAL RISK CONTROLS.**

21 The Securities Exchange Act of 1934 (15 U.S.C. 78a
22 et seq.) is amended—

23 (1) by inserting after section 4G, as added by
24 this Act, the following:

1 **“SEC. 4H. INTERNAL RISK CONTROLS.**

2 “(a) IN GENERAL.—Each of the following entities, in
3 consultation with the Chief Economist, shall develop com-
4 prehensive internal risk control mechanisms to safeguard
5 and govern the storage of all market data by such entity,
6 all market data sharing agreements of such entity, and
7 all academic research performed at such entity using mar-
8 ket data:

9 “(1) The Commission.

10 “(2) Each national security association required
11 to register under section 15A.

12 “(b) CONSOLIDATED AUDIT TRAIL.—The Commis-
13 sion may not approve a national market system plan pur-
14 suant to part 242.613 of title 17, Code of Federal Regula-
15 tions (or any successor regulation), unless the operator of
16 the consolidated audit trail created by such plan has devel-
17 oped, in consultation with the Chief Economist, com-
18 prehensive internal risk control mechanisms to safeguard
19 and govern the storage of all market data by such oper-
20 ator, all market data sharing agreements of such operator,
21 and all academic research performed at such operator
22 using market data.”;

23 (2) in section 3(a), by redesignating the second
24 paragraph (80) (relating to funding portals) as
25 paragraph (81); and

1 (3) in section 3(a), by adding at the end the
2 following:

3 “(82) CHIEF ECONOMIST.—The term ‘Chief
4 Economist’ means the Director of the Division of
5 Economic and Risk Analysis, or an employee of the
6 Commission with comparable authority, as deter-
7 mined by the Commission.”.

8 **SEC. 814. APPLICABILITY OF NOTICE AND COMMENT RE-**
9 **QUIREMENTS OF THE ADMINISTRATIVE PRO-**
10 **CEDURE ACT TO GUIDANCE VOTED ON BY**
11 **THE COMMISSION.**

12 The Securities Exchange Act of 1934 (15 U.S.C. 78a
13 et seq.) is amended by inserting after section 4H, as added
14 by this Act, the following:

15 **“SEC. 4I. APPLICABILITY OF NOTICE AND COMMENT RE-**
16 **QUIREMENTS OF THE ADMINISTRATIVE PRO-**
17 **CEDURE ACT TO GUIDANCE VOTED ON BY**
18 **THE COMMISSION.**

19 “The notice and comment requirements of section
20 553 of title 5, United States Code, shall also apply with
21 respect to any Commission statement or guidance, includ-
22 ing interpretive rules, general statements of policy, or
23 rules of Commission organization, procedure, or practice,
24 that has the effect of implementing, interpreting, or pre-

1 scribing law or policy and that is voted on by the Commis-
2 sion.”.

3 **SEC. 815. LIMITATION ON PILOT PROGRAMS.**

4 (a) IN GENERAL.—Section 4 of the Securities Ex-
5 change Act of 1934 (15 U.S.C. 78d), as amended by sec-
6 tion 371(e), is further amended by adding at the end the
7 following:

8 “(k) LIMITATION ON PILOT PROGRAMS.—

9 “(1) IN GENERAL.—Any pilot program estab-
10 lished by self-regulatory organizations, either indi-
11 vidually or jointly, and filed with the Commission,
12 including under section 11A or 19, shall terminate
13 after the end of the 5-year period beginning on the
14 date that the Commission approved such program,
15 unless the Commission issues a rule to permanently
16 continue such program or approves such program on
17 a permanent basis.

18 “(2) EXTENSION.—With respect to a particular
19 pilot program described under paragraph (1), the
20 Commission may extend the 5-year period described
21 under such paragraph for an additional 3 years if
22 the Commission determines such extension is nec-
23 essary or appropriate in the public interest or for
24 the protection of investors.

1 “(3) LACK OF STATUTORY AUTHORITY.—If,
2 with respect to a pilot program described under
3 paragraph (1), the Commission determines that the
4 pilot program should continue permanently, but the
5 Commission lacks sufficient statutory authority to
6 permanently continue the program, the Commission
7 shall, not later than 1 year before such pilot pro-
8 gram is scheduled to terminate pursuant to para-
9 graph (1), notify the Committee on Financial Serv-
10 ices of the House of Representatives and the Com-
11 mittee on Banking, Housing, and Urban Affairs of
12 the Senate that the Commission believes the pro-
13 gram should continue permanently but does not have
14 sufficient statutory authority to continue the pro-
15 gram.”.

16 (b) TREATMENT OF EXISTING PILOT PROGRAMS.—
17 For purposes of section 4(k) of Securities Exchange Act
18 of 1934, as added by subsection (a), the date on which
19 the Commission approved a pilot program that was in ex-
20 istence on the date of the enactment of this Act shall be
21 deemed to be the date of the enactment of this Act.

1 **SEC. 816. PROCEDURE FOR OBTAINING CERTAIN INTEL-**
2 **LECTUAL PROPERTY.**

3 (a) PERSONS UNDER SECURITIES ACT OF 1933.—
4 Section 8 of the Securities Act of 1933 (15 U.S.C. 77h)
5 is amended by adding at the end the following:

6 “(g) PROCEDURE FOR OBTAINING CERTAIN INTEL-
7 LECTUAL PROPERTY.—The Commission is not authorized
8 to compel under this title a person to produce or furnish
9 source code, including algorithmic trading source code or
10 similar intellectual property, to the Commission unless the
11 Commission first issues a subpoena.”.

12 (b) PERSONS UNDER THE SECURITIES EXCHANGE
13 ACT OF 1934.—Section 23 of the Securities Exchange Act
14 of 1934 (15 U.S.C. 78w) is amended by adding at the
15 end the following:

16 “(e) PROCEDURE FOR OBTAINING CERTAIN INTEL-
17 LECTUAL PROPERTY.—The Commission is not authorized
18 to compel under this title a person to produce or furnish
19 source code, including algorithmic trading source code or
20 similar intellectual property, to the Commission unless the
21 Commission first issues a subpoena.”.

22 (c) INVESTMENT COMPANIES.—Section 31 of the In-
23 vestment Company Act of 1940 (15 U.S.C. 80a–30) is
24 amended by adding at the end the following:

25 “(e) PROCEDURE FOR OBTAINING CERTAIN INTEL-
26 LECTUAL PROPERTY.—The Commission is not authorized

1 to compel under this title an investment company to
2 produce or furnish source code, including algorithmic trad-
3 ing source code or similar intellectual property, to the
4 Commission unless the Commission first issues a sub-
5 poena.”.

6 (d) INVESTMENT ADVISERS.—Section 204 of the In-
7 vestment Advisers Act of 1940 (15 U.S.C. 80b–4) is
8 amended—

9 (1) by adding at the end the following:

10 “(f) PROCEDURE FOR OBTAINING CERTAIN INTEL-
11 LECTUAL PROPERTY.—The Commission is not authorized
12 to compel under this title an investment adviser to produce
13 or furnish source code, including algorithmic trading
14 source code or similar intellectual property, to the Com-
15 mission unless the Commission first issues a subpoena.”;
16 and

17 (2) in the second subsection (d), by striking
18 “(d)” and inserting “(e)”.

19 **SEC. 817. PROCESS FOR CLOSING INVESTIGATIONS.**

20 (a) IN GENERAL.—Not later than 180 days after the
21 date of the enactment of this Act, the Securities and Ex-
22 change Commission shall establish a process for closing
23 investigations (including preliminary or informal inves-
24 tigation) that is designed to ensure that the Commission,
25 in a timely manner—

1 (1) makes a determination of whether or not to
2 institute an administrative or judicial action in a
3 matter or refer the matter to the Attorney General
4 for potential criminal prosecution; and

5 (2) if the Commission determines not to insti-
6 tute such an action or refer the matter to the Attor-
7 ney General, informs the persons who are the sub-
8 ject of the investigation that the investigation is
9 closed.

10 (b) **RULE OF CONSTRUCTION.**—Nothing in this sec-
11 tion shall be construed to affect the authority of the Com-
12 mission to re-open an investigation if the Commission ob-
13 tains new evidence after the investigation is closed, subject
14 to any applicable statute of limitations.

15 **SEC. 818. ENFORCEMENT OMBUDSMAN.**

16 (a) **IN GENERAL.**—Section 4 of the Securities Ex-
17 change Act of 1934 (15 U.S.C. 78d), as amended by sec-
18 tion 803, is further amended by adding at the end the
19 following:

20 “(i) **ENFORCEMENT OMBUDSMAN.**—

21 “(1) **ESTABLISHMENT.**—The Commission shall
22 have an Enforcement Ombudsman, who shall be ap-
23 pointed by and report directly to the Commission.

24 “(2) **DUTIES.**—The Enforcement Ombudsman
25 shall—

1 “(A) act as a liaison between the Commis-
2 sion and any person who is the subject of an in-
3 vestigation (including a preliminary or informal
4 investigation) by the Commission or an admin-
5 istrative or judicial action brought by the Com-
6 mission in resolving problems that such persons
7 may have with the Commission or the conduct
8 of Commission staff; and

9 “(B) establish safeguards to maintain the
10 confidentiality of communications between the
11 persons described in subparagraph (A) and the
12 Enforcement Ombudsman.

13 “(3) LIMITATION.—In carrying out the duties
14 of the Enforcement Ombudsman under paragraph
15 (2), the Enforcement Ombudsman shall utilize per-
16 sonnel of the Commission to the extent practicable.
17 Nothing in this subsection shall be construed as re-
18 placing, altering, or diminishing the activities of any
19 ombudsman or similar office of any other agency.

20 “(4) REPORT.—The Enforcement Ombudsman
21 shall submit to the Commission and to the Com-
22 mittee on Financial Services of the House of Rep-
23 resentatives and the Committee on Banking, Hous-
24 ing, and Urban Affairs of the Senate an annual re-
25 port that describes the activities and evaluates the

1 effectiveness of the Enforcement Ombudsman during
2 the preceding year.”.

3 (b) DEADLINE FOR INITIAL APPOINTMENT.—The
4 Securities and Exchange Commission shall appoint the ini-
5 tial Enforcement Ombudsman under subsection (i) of sec-
6 tion 4 of the Securities Exchange Act of 1934, as added
7 by subsection (a), not later than 180 days after the date
8 of the enactment of this Act.

9 **SEC. 819. ADEQUATE NOTICE.**

10 Section 21 of the Securities Exchange Act of 1934
11 (15 U.S.C. 78u) is amended by adding at the end the fol-
12 lowing:

13 “(k) ADEQUATE NOTICE REQUIRED BEFORE BRING-
14 ING AN ENFORCEMENT ACTION.—

15 “(1) IN GENERAL.—No person shall be subject
16 to an enforcement action by the Commission for an
17 alleged violation of the securities laws or the rules
18 and regulations issued thereunder if such person did
19 not have adequate notice of such law, rule, or regu-
20 lation.

21 “(2) PUBLISHING OF INTERPRETATION
22 DEEMED ADEQUATE NOTICE.—With respect to an
23 enforcement action, adequate notice of a securities
24 law or a rule or regulation issued thereunder shall
25 be deemed to have been provided to a person if the

1 Commission approved a statement or guidance, in
2 accordance with Section 4I, with respect to the con-
3 duct that is the subject of the enforcement action,
4 prior to the time that the person engaged in the con-
5 duct that is the subject of the enforcement action.”.

6 **SEC. 820. ADVISORY COMMITTEE ON COMMISSION’S EN-**
7 **FORCEMENT POLICIES AND PRACTICES.**

8 (a) ESTABLISHMENT.—Not later than 6 months after
9 the date of the enactment of this Act, the Chairman shall
10 establish an advisory committee on the Commission’s en-
11 forcement policies and practices (in this section referred
12 to as the “Committee”).

13 (b) DUTIES.—

14 (1) ANALYSIS AND RECOMMENDATIONS.—

15 (A) IN GENERAL.—The Committee shall
16 conduct an analysis of the policies and practices
17 of the Commission relating to the enforcement
18 of the securities laws and make recommenda-
19 tions to the Commission regarding changes to
20 such policies and practices.

21 (B) SPECIFIC MATTERS INCLUDED.—In
22 carrying out subparagraph (A), the Committee
23 shall analyze and make recommendations to the
24 Commission regarding matters including the
25 following:

1 (i) How the Commission's enforce-
2 ment objectives and strategies may be
3 more effective.

4 (ii) The Commission's enforcement
5 practices and procedures from the point of
6 view of due process, the relationship of en-
7 forcement action to notice of legal require-
8 ments, the attribution of responsibility for
9 violations, and the protection of reputation
10 and rights of privacy.

11 (iii) The Commission's enforcement
12 policies and practices in light of its statu-
13 tory responsibility to protect investors,
14 maintain fair, orderly, and efficient mar-
15 kets, and facilitate capital formation.

16 (iv) The appropriate blend of regula-
17 tion, publicity, and formal enforcement ac-
18 tion and on methods of furthering vol-
19 untary compliance.

20 (v) Criteria for the selection and dis-
21 position of enforcement actions, the ade-
22 quacy of sanctions authorized by law, and
23 the suitability and effectiveness of sanc-
24 tions imposed by the Commission pro-
25 ceedings.

1 (2) REPORT.—Not later than 1 year after the
2 establishment of the Committee under subsection
3 (a), the Committee shall submit to the Commission
4 and the appropriate congressional committees a re-
5 port containing the results of the analysis and the
6 recommendations required by paragraph (1)(A).

7 (c) MEMBERSHIP.—

8 (1) NUMBER AND APPOINTMENT.—The Com-
9 mittee shall be composed of not less than 3 and not
10 greater than 7 members appointed by the Chairman.

11 (2) CHAIRPERSON.—The Chairperson of the
12 Committee shall be designated by the Chairman at
13 the time of appointment of the members.

14 (d) SUPPORT.—The Commission shall provide the
15 Committee with the administrative, professional, and tech-
16 nical support required by the Committee to carry out its
17 responsibilities under this section.

18 (e) TERMINATION OF COMMITTEE.—The Committee
19 established by subsection (a) shall terminate on the date
20 that the report required by subsection (b)(2) is submitted.

21 (f) CONSIDERATION AND ADOPTION OF REC-
22 COMMENDATIONS BY COMMISSION.—Not later than 180
23 days after the Committee submits the report required by
24 subsection (b)(2), the Commission shall—

1 (1) consider the analysis and recommendations
2 included in such report;

3 (2) adopt such recommendations, with any
4 modifications, as the Commission considers appro-
5 priate; and

6 (3) submit to the appropriate congressional
7 committees a report that—

8 (A) lists each recommendation included in
9 such report that the Commission does not adopt
10 or adopts with material modifications; and

11 (B) for each recommendation listed under
12 subparagraph (A), explains why the Commis-
13 sion does not consider it appropriate or does
14 not have sufficient authority to adopt the rec-
15 ommendation or to adopt the recommendation
16 without material modification.

17 (g) DEFINITIONS.—In this section:

18 (1) APPROPRIATE CONGRESSIONAL COMMIT-
19 TEES.—The term “appropriate congressional com-
20 mittees” means the Committee on Financial Services
21 of the House of Representatives and the Committee
22 on Banking, Housing, and Urban Affairs of the Sen-
23 ate.

24 (2) CHAIRMAN.—The term “Chairman” means
25 the Chairman of the Commission.

1 (3) COMMISSION.—The term “Commission”
2 means the Securities and Exchange Commission.

3 (4) SECURITIES LAWS.—The term “securities
4 laws” has the meaning given such term in section
5 3(a) of the Securities Exchange Act of 1934 (15
6 U.S.C. 78c(a)).

7 **SEC. 821. PROCESS TO PERMIT RECIPIENT OF WELLS NOTI-**
8 **FICATION TO APPEAR BEFORE COMMISSION**
9 **STAFF IN-PERSON.**

10 (a) IN GENERAL.—Not later than 180 days after the
11 date of the enactment of this Act, the Securities and Ex-
12 change Commission shall establish a process under which,
13 in any instance in which the Commission staff provides
14 a written Wells notification to an individual informing the
15 individual that the Commission staff has made a prelimi-
16 nary determination to recommend that the Commission
17 bring an administrative or judicial action against the indi-
18 vidual, the individual shall have the right to make an in-
19 person presentation before the Commission staff con-
20 cerning such recommendation and to be represented by
21 counsel at such presentation, at the individual’s own ex-
22 pense.

23 (b) ATTENDANCE BY COMMISSIONERS.—Such proc-
24 ess shall provide that each Commissioner of the Commis-

1 sion, or a designee of the Commissioner, may attend any
2 such presentation.

3 (c) REPORT BY COMMISSION STAFF.—Such process
4 shall provide that, before any Commission vote on whether
5 to bring the administrative or judicial action against the
6 individual, the Commission staff shall provide to each
7 Commissioner a written report on any such presentation,
8 including any factual or legal arguments made by the indi-
9 vidual and any supporting documents provided by the indi-
10 vidual.

11 **SEC. 822. PUBLICATION OF ENFORCEMENT MANUAL.**

12 (a) IN GENERAL.—Not later than 1 year after the
13 date of the enactment of this Act, the Securities and Ex-
14 change Commission shall approve, by vote of the Commis-
15 sion, and publish an updated manual that sets forth the
16 policies and practices that the Commission will follow in
17 the enforcement of the securities laws (as defined in sec-
18 tion 3(a) of the Securities Exchange Act of 1934 (15
19 U.S.C. 78c(a))). Such manual shall include policies and
20 practices required by this Act, and by the amendments
21 made by this Act, and shall be developed so as to ensure
22 transparency in such enforcement and uniform application
23 of such laws by the Commission.

24 (b) ENFORCEMENT PLAN AND REPORT.—Beginning
25 on the date that is one year after the date of enactment

1 of this Act, and each year thereafter, and the Securities
2 and Exchange Commission shall transmit to Congress and
3 publish on its Internet website an annual enforcement
4 plan and report that shall—

5 (1) detail the priorities of the Commission with
6 regard to enforcement and examination activities for
7 the forthcoming year;

8 (2) report on the Commission's enforcement
9 and examination activities for the previous year, in-
10 cluding an assessment of how such activities com-
11 ported with the priorities identified for that year
12 pursuant to paragraph (1);

13 (3) contain an analysis of litigated decisions
14 found not in favor of the Commission over the pre-
15 ceding year;

16 (4) contain a description of any emerging
17 trends the Commission has focused on as part of its
18 enforcement program, including whether and how
19 the Commission has alerted or communicated with
20 those who may be subject to the Commission's regu-
21 lation of emerging trends;

22 (5) contain a description of legal theories or
23 standards employed by the Commission in enforce-
24 ment over the preceding year that had not previously

1 been employed, and a summary justifying each such
2 theory or standard; and

3 (6) provide an opportunity and mechanism for
4 public comment.

5 **SEC. 823. PRIVATE PARTIES AUTHORIZED TO COMPEL THE**
6 **SECURITIES AND EXCHANGE COMMISSION TO**
7 **SEEK SANCTIONS BY FILING CIVIL ACTIONS.**

8 Title I of the Securities Exchange Act of 1934 (15
9 U.S.C. 78a et seq.) is amended by adding at the end the
10 following:

11 **“SEC. 41. PRIVATE PARTIES AUTHORIZED TO COMPEL THE**
12 **COMMISSION TO SEEK SANCTIONS BY FILING**
13 **CIVIL ACTIONS.**

14 “(a) **TERMINATION OF ADMINISTRATIVE PRO-**
15 **CEEDING.**—In the case of any person who is a party to
16 a proceeding brought by the Commission under a securi-
17 ties law, to which section 554 of title 5, United States
18 Code, applies, and against whom an order imposing a
19 cease and desist order and a penalty may be issued at
20 the conclusion of the proceeding, that person may, not
21 later than 20 days after receiving notice of such pro-
22 ceeding, and at that person’s discretion, require the Com-
23 mission to terminate the proceeding.

24 “(b) **CIVIL ACTION AUTHORIZED.**—If a person re-
25 quires the Commission to terminate a proceeding pursuant

1 to subsection (a), the Commission may bring a civil action
2 against that person for the same remedy that might be
3 imposed.

4 “(c) STANDARD OF PROOF IN ADMINISTRATIVE PRO-
5 CEEDING.—Notwithstanding any other provision of law, in
6 the case of a proceeding brought by the Commission under
7 a securities law, to which section 554 of title 5, United
8 States Code, applies, a legal or equitable remedy may be
9 imposed on the person against whom the proceeding was
10 brought only on a showing by the Commission of clear and
11 convincing evidence that the person has violated the rel-
12 evant provision of law.”.

13 **SEC. 824. CERTAIN FINDINGS REQUIRED TO APPROVE**
14 **CIVIL MONEY PENALTIES AGAINST ISSUERS.**

15 The Securities Exchange Act of 1934 (15 U.S.C. 78a
16 et seq.) is amended by inserting after section 4E the fol-
17 lowing:

18 **“SEC. 4F. CERTAIN FINDINGS REQUIRED TO APPROVE**
19 **CIVIL MONEY PENALTIES AGAINST ISSUERS.**

20 “The Commission may not seek against or impose on
21 an issuer a civil money penalty for violation of the securi-
22 ties laws unless the publicly available text of the order ap-
23 proving the seeking or imposition of such penalty contains
24 findings, supported by an analysis by the Division of Eco-

1 nomic and Risk Analysis and certified by the Chief Econo-
2 mist, of whether—

3 “(1) the alleged violation resulted in direct eco-
4 nomic benefit to the issuer; and

5 “(2) the penalty will harm the shareholders of
6 the issuer.”.

7 **SEC. 825. REPEAL OF AUTHORITY OF THE COMMISSION TO**
8 **PROHIBIT PERSONS FROM SERVING AS OFFI-**
9 **CERS OR DIRECTORS.**

10 (a) UNDER SECURITIES ACT OF 1933.—Subsection
11 (f) of section 8A of the Securities Act of 1933 (15 U.S.C.
12 77h-1) is repealed.

13 (b) UNDER SECURITIES EXCHANGE ACT OF 1934.—
14 Subsection (f) of section 21C of the Securities Exchange
15 Act of 1934 (15 U.S.C. 78u-3) is repealed.

16 **SEC. 826. SUBPOENA DURATION AND RENEWAL.**

17 Section 21(b) of the Securities Exchange Act of 1934
18 (15 U.S.C. 78u(b)) is amended—

19 (1) by inserting “SUBPOENA.—” after the enu-
20 merator;

21 (2) by striking “For the purpose of” and insert-
22 ing the following:

23 “(1) IN GENERAL.—For the purpose of”; and

24 (3) by adding at the end the following:

25 “(2) OMNIBUS ORDERS OF INVESTIGATION.—

1 “(A) DURATION AND RENEWAL.—An om-
2 nibus order of investigation shall not be for an
3 indefinite duration and may be renewed only by
4 Commission action.

5 “(B) DEFINITION.—In paragraph (A), the
6 term ‘omnibus order of investigation’ means an
7 order of the Commission authorizing 1 of more
8 members of the Commission or its staff to issue
9 subpoenas under paragraph (1) to multiple per-
10 sons in relation to a particular subject matter
11 area.”.

12 **SEC. 827. ELIMINATION OF AUTOMATIC DISQUALIFICA-**
13 **TIONS.**

14 The Securities Exchange Act of 1934 (15 U.S.C. 78a
15 et seq.), as amended by this Act, is further amended by
16 inserting after section 4F the following:

17 **“SEC. 4G. ELIMINATION OF AUTOMATIC DISQUALIFICA-**
18 **TIONS.**

19 “(a) IN GENERAL.—Notwithstanding any other pro-
20 vision of law, a non-natural person may not be disqualified
21 or otherwise made ineligible to use an exemption or reg-
22 istration provision, engage in an activity, or qualify for
23 any similar treatment under a provision of the securities
24 laws or the rules issued by the Commission under the se-
25 curities laws by reason of having, or a person described

1 in subsection (b) having, been convicted of any felony or
2 misdemeanor or made the subject of any judicial or admin-
3 istrative order, judgment, or decree arising out of a gov-
4 ernmental action (including an order, judgment, or decree
5 agreed to in a settlement), or having, or a person de-
6 scribed in subsection (b) having, been suspended or ex-
7 pelled from membership in, or suspended or barred from
8 association with a member of, a registered national securi-
9 ties exchange or a registered national or affiliated securi-
10 ties association for any act or omission to act constituting
11 conduct inconsistent with just and equitable principles of
12 trade, unless the Commission, by order, on the record
13 after notice and an opportunity for hearing, makes a de-
14 termination that such non-natural person should be so dis-
15 qualified or otherwise made ineligible for purposes of such
16 provision.

17 “(b) PERSON DESCRIBED.—A person is described in
18 this subsection if the person is—

19 “(1) a natural person who is a director, officer,
20 employee, partner, member, or shareholder of the
21 non-natural person referred to in subsection (a) or
22 is otherwise associated or affiliated with such non-
23 natural person in any way; or

1 “(2) a non-natural person who is associated or
2 affiliated with the non-natural person referred to in
3 subsection (a) in any way.

4 “(c) RULE OF CONSTRUCTION.—Nothing in this sec-
5 tion shall be construed to limit any authority of the Com-
6 mission, by order, on the record after notice and an oppor-
7 tunity for hearing, to prohibit a person from using an ex-
8 emption or registration provision, engaging in an activity,
9 or qualifying for any similar treatment under a provision
10 of the securities laws, or the rules issued by the Commis-
11 sion under the securities laws, by reason of a circumstance
12 referred to in subsection (a) or any similar circumstance.”.

13 **SEC. 828. DENIAL OF AWARD TO CULPABLE WHISTLE-**
14 **BLOWERS.**

15 Section 21F(c) of the Securities Exchange Act of
16 1934 (15 U.S.C. 78u-6(c)) is amended—

17 (1) in paragraph (2)—

18 (A) in subparagraph (C), by striking “or”
19 at the end;

20 (B) in subparagraph (D), by striking the
21 period and inserting “; or”; and

22 (C) by adding at the end the following:

23 “(E) to any whistleblower who is respon-
24 sible for, or complicit in, the violation of the se-

1 securities laws for which the whistleblower pro-
2 vided information to the Commission.”; and

3 (2) by adding at the end the following:

4 “(3) DEFINITION.—For purposes of paragraph
5 (2)(E), a person is responsible for, or complicit in,
6 a violation of the securities laws if, with the intent
7 to promote or assist the violation, the person—

8 “(A) procures, induces, or causes another
9 person to commit the offense;

10 “(B) aids or abets another person in com-
11 mitting the offense; or

12 “(C) having a duty to prevent the viola-
13 tion, fails to make an effort the person is re-
14 quired to make.”.

15 **SEC. 829. CONFIDENTIALITY OF RECORDS OBTAINED FROM**
16 **FOREIGN SECURITIES AND LAW ENFORCE-**
17 **MENT AUTHORITIES.**

18 Section 24(d) of the Securities Exchange Act of 1934
19 (15 U.S.C. 78x(d)) is amended to read as follows:

20 “(d) RECORDS OBTAINED FROM FOREIGN SECURI-
21 TIES AND LAW ENFORCEMENT AUTHORITIES.—Except as
22 provided in subsection (g), the Commission shall not be
23 compelled to disclose records obtained from a foreign secu-
24 rities authority, or from a foreign law enforcement author-
25 ity as defined in subsection (f)(4), if—

1 “(1) the foreign securities authority or foreign
2 law enforcement authority has in good faith deter-
3 mined and represented to the Commission that the
4 records are confidential under the laws of the coun-
5 try of such authority; and

6 “(2) the Commission obtains such records pur-
7 suant to—

8 “(A) such procedure as the Commission
9 may authorize for use in connection with the
10 administration or enforcement of the securities
11 laws; or

12 “(B) a memorandum of understanding.

13 For purposes of section 552 of title 5, United States Code,
14 this subsection shall be considered a statute described in
15 subsection (b)(3)(B) of such section 552.”.

16 **SEC. 830. CLARIFICATION OF AUTHORITY TO IMPOSE SANC-**
17 **TIONS ON PERSONS ASSOCIATED WITH A**
18 **BROKER OR DEALER.**

19 Section 15(b)(6)(A)(i) of the Securities Exchange Act
20 of 1934 (15 U.S.C. 78o(b)(6)(A)(i)) is amended by strik-
21 ing “enumerated” and all that follows and inserting “enu-
22 merated in subparagraph (A), (D), (E), (G), or (H) of
23 paragraph (4) of this subsection;”.

1 **SEC. 831. COMPLAINT AND BURDEN OF PROOF REQUIRE-**
2 **MENTS FOR CERTAIN ACTIONS FOR BREACH**
3 **OF FIDUCIARY DUTY.**

4 Section 36(b) of the Investment Company Act of
5 1940 (15 U.S.C. 80a–35(b)) is amended by adding at the
6 end the following:

7 “(7) In any such action brought by a security
8 holder of a registered investment company on behalf
9 of such company—

10 “(A) the complaint shall state with par-
11 ticularity all facts establishing a breach of fidu-
12 ciary duty, and, if an allegation of any such
13 facts is based on information and belief, the
14 complaint shall state with particularity all facts
15 on which that belief is formed; and

16 “(B) such security holder shall have the
17 burden of proving a breach of fiduciary duty by
18 clear and convincing evidence.”.

19 **SEC. 832. CONGRESSIONAL ACCESS TO INFORMATION**
20 **HELD BY THE PUBLIC COMPANY ACCOUNT-**
21 **ING OVERSIGHT BOARD.**

22 Section 105(b)(5) of the Sarbanes-Oxley Act of 2002
23 (15 U.S.C. 7215(b)(5)) is amended—

24 (1) in subparagraph (A), by striking “subpara-
25 graphs (B) and (C)” and inserting “subparagraphs
26 (B), (C) and (D)”; and

1 (2) by adding at the end the following:

2 “(D) AVAILABILITY TO THE CONGRES-
3 SIONAL COMMITTEES.—The Board shall make
4 available to the Committees specified under sec-
5 tion 101(h)—

6 “(i) such information as the Commit-
7 tees shall request; and

8 “(ii) with respect to any confidential
9 or privileged information provided in re-
10 sponse to a request under clause (i), in-
11 cluding any information subject to section
12 104(g) and subparagraph (A), or any con-
13 fidential or privileged information provided
14 orally in response to such a request, such
15 information shall maintain the protections
16 provided in subparagraph (A), and shall
17 retain its confidential and privileged status
18 in the hands of the Board and the Com-
19 mittees.”.

20 **SEC. 833. ABOLISHING INVESTOR ADVISORY GROUP.**

21 The Public Company Accounting Oversight Board
22 shall abolish the Investor Advisory Group.

1 **SEC. 834. REPEAL OF REQUIREMENT FOR PUBLIC COM-**
2 **PANY ACCOUNTING OVERSIGHT BOARD TO**
3 **USE CERTAIN FUNDS FOR MERIT SCHOLAR-**
4 **SHIP PROGRAM.**

5 (a) IN GENERAL.—Section 109(c) of the Sarbanes-
6 Oxley Act of 2002 (15 U.S.C. 7219(c)) is amended by
7 striking paragraph (2).

8 (b) CONFORMING AMENDMENTS.—Section 109 of the
9 Sarbanes-Oxley Act of 2002 (15 U.S.C. 7219) is amend-
10 ed—

11 (1) in subsection (c), by striking “USES OF
12 FUNDS” and all that follows through “The budget”
13 and inserting “USES OF FUNDS.—The budget”; and

14 (2) in subsection (f), by striking “subsection
15 (c)(1)” and inserting “subsection (c)”.

16 **SEC. 835. REALLOCATION OF FINES FOR VIOLATIONS OF**
17 **RULES OF MUNICIPAL SECURITIES RULE-**
18 **MAKING BOARD.**

19 (a) IN GENERAL.—Section 15B(c)(9) of the Securi-
20 ties Exchange Act of 1934 (15 U.S.C. 78o–4(c)(9)) is
21 amended to read as follows:

22 “(9) Fines collected for violations of the rules of the
23 Board shall be deposited and credited as general revenue
24 of the Treasury, except as otherwise provided in section
25 308 of the Sarbanes-Oxley Act of 2002 or section 21F
26 of this title.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to fines collected after the date
3 of enactment of this Act.

4 **Subtitle B—Eliminating Excessive**
5 **Government Intrusion in the**
6 **Capital Markets**

7 **SEC. 841. REPEAL OF DEPARTMENT OF LABOR FIDUCIARY**
8 **RULE AND REQUIREMENTS PRIOR TO RULE-**
9 **MAKING RELATING TO STANDARDS OF CON-**
10 **DUCT FOR BROKERS AND DEALERS.**

11 (a) REPEAL OF DEPARTMENT OF LABOR FIDUCIARY
12 RULE.—The final rule of the Department of Labor titled
13 “Definition of the Term ‘Fiduciary’; Conflict of Interest
14 Rule—Retirement Investment Advice” and related prohib-
15 ited transaction exemptions published April 8, 2016 (81
16 Fed. Reg. 20946) shall have no force or effect.

17 (b) STAY ON RULES DEFINING CERTAIN FIDU-
18 CIARIES.—After the date of enactment of this Act, the
19 Secretary of Labor shall not prescribe any regulation
20 under the Employee Retirement Income Security Act of
21 1974 (29 U.S.C. 1001 et seq.) defining the circumstances
22 under which an individual is considered a fiduciary until
23 the date that is 60 days after the Securities and Exchange
24 Commission issues a final rule relating to standards of
25 conduct for brokers and dealers pursuant to the second

1 subsection (k) of section 15 of the Securities Exchange
2 Act of 1934 (15 U.S.C. 78o(k)).

3 (c) REQUIREMENT AFTER STAY.—If, after the stay
4 described under subsection (b), the Secretary of Labor
5 prescribes a regulation described under such subsection,
6 the Secretary of Labor shall prescribe a substantially iden-
7 tical definition of what constitutes fiduciary investment
8 advice and impose substantially identical standards of care
9 and conditions as the Securities and Exchange Commis-
10 sion has imposed on brokers, dealers, or investment advis-
11 ers.

12 (d) REQUIREMENTS PRIOR TO RULEMAKING RELAT-
13 ING TO STANDARDS OF CONDUCT FOR BROKERS AND
14 DEALERS.—The second subsection (k) of section 15 of the
15 Securities Exchange Act of 1934 (15 U.S.C. 78o(k)), as
16 added by section 913(g)(1) of the Dodd-Frank Wall Street
17 Reform and Consumer Protection Act (12 U.S.C. 5301
18 et seq.), is amended by adding at the end the following:

19 “(3) REQUIREMENTS PRIOR TO RULEMAKING.—
20 The Commission shall not promulgate a rule pursu-
21 ant to paragraph (1) before providing a report to the
22 Committee on Financial Services of the House of
23 Representatives and the Committee on Banking,
24 Housing, and Urban Affairs of the Senate describing
25 whether—

1 “(A) retail investors (and such other cus-
2 tomers as the Commission may provide) are
3 being harmed due to brokers or dealers oper-
4 ating under different standards of conduct than
5 those that apply to investment advisors under
6 section 211 of the Investment Advisers Act of
7 1940 (15 U.S.C. 80b–11);

8 “(B) alternative remedies will reduce any
9 confusion or harm to retail investors due to
10 brokers or dealers operating under different
11 standards of conduct than those standards that
12 apply to investment advisors under section 211
13 of the Investment Advisers Act of 1940 (15
14 U.S.C. 80b–11), including—

15 “(i) simplifying the titles used by bro-
16 kers, dealers, and investment advisors; and

17 “(ii) enhancing disclosure surrounding
18 the different standards of conduct cur-
19 rently applicable to brokers, dealers, and
20 investment advisors;

21 “(C) the adoption of a uniform fiduciary
22 standard of conduct for brokers, dealers, and
23 investment advisors would adversely impact the
24 commissions of brokers and dealers, the avail-
25 ability of proprietary products offered by bro-

1 kers and dealers, and the ability of brokers and
2 dealers to engage in principal transactions with
3 customers; and

4 “(D) the adoption of a uniform fiduciary
5 standard of conduct for brokers or dealers and
6 investment advisors would adversely impact re-
7 tail investor access to personalized and cost-ef-
8 fective investment advice, recommendations
9 about securities, or the availability of such ad-
10 vice and recommendations.

11 “(4) ECONOMIC ANALYSIS.—The Commission’s
12 conclusions contained in the report described in
13 paragraph (3) shall be supported by economic anal-
14 ysis.

15 “(5) REQUIREMENTS FOR PROMULGATING A
16 RULE.—The Commission shall publish in the Fed-
17 eral Register alongside the rule promulgated pursu-
18 ant to paragraph (1) formal findings that such rule
19 would reduce confusion or harm to retail customers
20 (and such other customers as the Commission may
21 by rule provide) due to different standards of con-
22 duct applicable to brokers, dealers, and investment
23 advisors.

24 “(6) REQUIREMENTS UNDER INVESTMENT AD-
25 VISERS ACT OF 1940.—In proposing rules under

1 paragraph (1) for brokers or dealers, the Commis-
2 sion shall consider the differences in the registration,
3 supervision, and examination requirements applica-
4 ble to brokers, dealers, and investment advisors.”.

5 **SEC. 842. EXEMPTION FROM RISK RETENTION REQUIRE-**
6 **MENTS FOR NONRESIDENTIAL MORTGAGE.**

7 (a) IN GENERAL.—Section 15G of the Securities Ex-
8 change Act of 1934 (15 U.S.C. 78o–11) is amended—

9 (1) in subsection (a)—

10 (A) in paragraph (3)(B), by striking “and”
11 at the end;

12 (B) in paragraph (4)(B), by striking the
13 period and inserting “; and”; and

14 (C) by adding at the end the following:

15 “(5) the term ‘asset-backed security’ refers only
16 to an asset-backed security that is comprised wholly
17 of residential mortgages.”;

18 (2) in subsection (b)—

19 (A) by striking paragraph (1); and

20 (B) by striking “(2) RESIDENTIAL MORT-
21 GAGES.—”;

22 (3) by striking subsection (h) and redesignating
23 subsection (i) as subsection (h); and

24 (4) in subsection (h) (as so redesignated)—

1 (A) by striking “effective—” and all that
2 follows through “(1) with respect to” and in-
3 serting “effective with respect to”;

4 (B) in paragraph (1), by striking “; and”
5 and inserting a period; and

6 (C) by striking paragraph (2).

7 (b) CONFORMING AMENDMENT.—Section 941 of the
8 Dodd-Frank Wall Street Reform and Consumer Protec-
9 tion Act is amended by striking subsection (c).

10 **SEC. 843. FREQUENCY OF SHAREHOLDER APPROVAL OF**
11 **EXECUTIVE COMPENSATION.**

12 Section 14A(a) of the Securities Exchange Act of
13 1934 (15 U.S.C. 78n–1(a)) is amended—

14 (1) in paragraph (1), by striking “Not less fre-
15 quently than once every 3 years” and inserting
16 “Each year in which there has been a material
17 change to the compensation of executives of an
18 issuer from the previous year”; and

19 (2) by striking paragraph (2) and redesignating
20 paragraph (3) as paragraph (2).

21 **SEC. 844. SHAREHOLDER PROPOSALS.**

22 (a) RESUBMISSION THRESHOLDS.—The Securities
23 and Exchange Commission shall revise section 240.14a–
24 8(i)(12) of title 17, Code of Federal Regulations to—

1 (1) in paragraph (i), adjust the 3 percent
2 threshold to 6 percent;

3 (2) in paragraph (ii), adjust the 6 percent
4 threshold to 15 percent; and

5 (3) in paragraph (iii), adjust the 10 percent
6 threshold to 30 percent.

7 (b) **HOLDING REQUIREMENT.**—The Securities and
8 Exchange Commission shall revise the holding require-
9 ment for a shareholder to be eligible to submit a share-
10 holder proposal to an issuer in section 240.14a–8(b)(1)
11 of title 17, Code of Federal Regulations, to—

12 (1) eliminate the option to satisfy the holding
13 requirement by holding a certain dollar amount;

14 (2) require the shareholder to hold 1 percent of
15 the issuer’s securities entitled to be voted on the
16 proposal, or such greater percentage as determined
17 by the Commission; and

18 (3) adjust the 1 year holding period to 3 years.

19 (c) **SHAREHOLDER PROPOSALS ISSUED BY PROX-**
20 **IES.**—Section 14 of the Securities Exchange Act of 1934
21 (15 U.S.C. 78n) is amended by adding at the end the fol-
22 lowing:

23 “(j) **SHAREHOLDER PROPOSALS BY PROXIES NOT**
24 **PERMITTED.**—An issuer may not include in its proxy ma-
25 terials a shareholder proposal submitted by a person in

1 such person's capacity as a proxy, representative, agent,
2 or person otherwise acting on behalf of a shareholder.”.

3 **SEC. 845. PROHIBITION ON REQUIRING A SINGLE BALLOT.**

4 Section 14 of the Securities Exchange Act of 1934
5 (15 U.S.C. 78n) is amended by adding at the end the fol-
6 lowing:

7 “(k) PROHIBITION ON REQUIRING A SINGLE BAL-
8 LOT.—The Commission may not require that a solicitation
9 of a proxy, consent, or authorization to vote a security
10 of an issuer in an election of members of the board of
11 directors of the issuer be made using a single ballot or
12 card that lists both individuals nominated by (or on behalf
13 of) the issuer and individuals nominated by (or on behalf
14 of) other proponents and permits the person granting the
15 proxy, consent, or authorization to select from among indi-
16 viduals in both groups.”.

17 **SEC. 846. REQUIREMENT FOR MUNICIPAL ADVISOR FOR**
18 **ISSUERS OF MUNICIPAL SECURITIES.**

19 Section 15B(d) of the Securities Exchange Act of
20 1934 (15 U.S.C. 78o-4(d)) is amended by adding at the
21 end the following:

22 “(3) An issuer of municipal securities shall not be
23 required to retain a municipal advisor prior to issuing any
24 such securities.”.

1 **SEC. 847. SMALL ISSUER EXEMPTION FROM INTERNAL**
2 **CONTROL EVALUATION.**

3 Section 404(c) of the Sarbanes-Oxley Act of 2002 (15
4 U.S.C. 7262(c)) is amended to read as follows:

5 “(c) EXEMPTION FOR SMALLER ISSUERS.—Sub-
6 section (b) shall not apply with respect to any audit report
7 prepared for an issuer that has total market capitalization
8 of less than \$500,000,000, nor to any issuer that is a de-
9 pository institution with assets of less than
10 \$1,000,000,000.”.

11 **SEC. 848. STREAMLINING OF APPLICATIONS FOR AN EX-**
12 **EMPTION FROM THE INVESTMENT COMPANY**
13 **ACT OF 1940.**

14 Section 6(c) of the Investment Company Act of 1940
15 (15 U.S.C. 80a-6(c)) is amended—

16 (1) by striking “(c) The Commission” and in-
17 serting the following:

18 “(c) GENERAL EXEMPTIVE AUTHORITY.—

19 “(1) IN GENERAL.—The Commission”; and

20 (2) by adding at the end the following:

21 “(2) APPLICATION PROCESS.—

22 “(A) IN GENERAL.—A person who wishes
23 to receive an exemption from the Commission
24 pursuant to paragraph (1) shall file an applica-
25 tion with the Commission in such form and

1 manner and containing such information as the
2 Commission may require.

3 “(B) PUBLICATION; REJECTION OF IN-
4 VALID APPLICATIONS.—

5 “(i) IN GENERAL.—Not later than the
6 end of the 5-day period beginning on the
7 date that the Commission receives an ap-
8 plication under subparagraph (A), the
9 Commission shall either—

10 “(I) publish the application, in-
11 cluding by publication on the website
12 of the Commission; or

13 “(II) if the Commission deter-
14 mines that the application does not
15 comply with the proper form, manner,
16 or information requirements described
17 under subparagraph (A), reject such
18 application and notify the applicant of
19 the specific reasons the application
20 was rejected.

21 “(ii) FAILURE TO PUBLISH APPLICA-
22 TION.—If the Commission does not reject
23 an application under clause (i)(II), but
24 fails to publish the application by the end
25 of the time period specified under clause

1 (i), such application shall be deemed to
2 have been published on the date that is the
3 end of such time period.

4 “(3) DETERMINATION BY COMMISSION.—

5 “(A) IN GENERAL.—Not later than 45
6 days after the date that the Commission pub-
7 lishes an application pursuant to paragraph
8 (2)(B), the Commission shall, by order—

9 “(i) approve the application;

10 “(ii) if the Commission determines
11 that the application would have been ap-
12 proved had the applicant provided addi-
13 tional supporting documentation or made
14 certain amendments to the application—

15 “(I) provide the applicant with
16 the specific additional supporting doc-
17 umentation or amendments that the
18 Commission believes are necessary for
19 the applicant to provide in order for
20 the application to be approved; and

21 “(II) request that the applicant
22 withdraw the application and re-sub-
23 mit the application with such addi-
24 tional supporting documentation and
25 amendments; or

1 “(iii) deny the application.

2 “(B) EXTENSION OF TIME PERIOD.—The
3 Commission may extend the time period de-
4 scribed under subparagraph (A) by not more
5 than an additional 45 days, if—

6 “(i) the Commission determines that a
7 longer period is appropriate and publishes
8 the reasons for such determination; or

9 “(ii) the applicant consents to the
10 longer period.

11 “(C) TIME PERIOD FOR WITHDRAWAL.—If
12 the Commission makes a request under sub-
13 paragraph (A)(ii) for an applicant to withdraw
14 an application, such application shall be deemed
15 to be denied if the applicant informs the Com-
16 mission that the applicant will not withdraw the
17 application or if the applicant does not with-
18 draw the application before the end of the 30-
19 day period beginning on the date the Commis-
20 sion makes such request.

21 “(4) PROCEEDINGS; NOTICE AND HEARING.—If
22 an application is denied pursuant to paragraph (3),
23 the Commission shall provide the applicant with—

24 “(A) a written explanation for why the ap-
25 plication was not approved; and

1 “(B) an opportunity for hearing, if re-
2 quested by the applicant not later than 20 days
3 after the date of such denial, with such hearing
4 to be commenced not later than 30 days after
5 the date of such denial.

6 “(5) RESULT OF FAILURE TO INSTITUTE OR
7 COMMENCE PROCEEDINGS.—An application shall be
8 deemed to have been approved by the Commission,
9 if—

10 “(A) the Commission fails to either ap-
11 prove, request the withdrawal of, or deny the
12 application, as required under paragraph
13 (3)(A), within the time period required under
14 paragraph (3)(A), as such time period may
15 have been extended pursuant to paragraph
16 (3)(B); or

17 “(B) the applicant requests an opportunity
18 for hearing, pursuant to paragraph (4)(B), but
19 the Commission does not commence such hear-
20 ing within the time period required under para-
21 graph (4)(B).

22 “(6) RULEMAKING.—Not later than 180 days
23 after the date of enactment of this paragraph, the
24 Commission shall issue rules to carry out this sub-
25 section.”.

1 **SEC. 849. RESTRICTION ON RECOVERY OF ERRONEOUSLY**
2 **AWARDED COMPENSATION.**

3 Section 10D(b)(2) of the Securities Exchange Act of
4 1934 (15 U.S.C. 78j-4(b)(2)) is amended by inserting be-
5 fore the period the following: “, where such executive offi-
6 cer had control or authority over the financial reporting
7 that resulted in the accounting restatement”.

8 **SEC. 850. EXEMPTIVE AUTHORITY FOR CERTAIN PROVI-**
9 **SIONS RELATING TO REGISTRATION OF NA-**
10 **TIONALLY RECOGNIZED STATISTICAL RAT-**
11 **ING ORGANIZATIONS.**

12 Section 15E of the Securities Exchange Act of 1934
13 (15 U.S.C. 78o-7) is amended by adding at the end the
14 following:

15 “(w) COMMISSION EXEMPTIVE AUTHORITY.—The
16 Commission, by rules and regulations upon its own mo-
17 tion, or by order upon application, may conditionally or
18 unconditionally exempt any person from any provision or
19 provisions of this title or of any rule or regulation there-
20 under, if and to the extent it determines that such rule,
21 regulation, or requirement is creating a barrier to entry
22 into the market for nationally recognized statistical rating
23 organizations or impeding competition among such organi-
24 zations, or that such an exemption is necessary or appro-
25 priate in the public interest and is consistent with the pro-
26 tection of investors.”.

1 **SEC. 851. RISK-BASED EXAMINATIONS OF NATIONALLY**
2 **RECOGNIZED STATISTICAL RATING ORGANI-**
3 **ZATIONS.**

4 Section 15E(p)(3) of the Securities Exchange Act of
5 1934 (15 U.S.C. 78o-7(p)(3)) is amended—

6 (1) in subparagraph (A)—

7 (A) in the heading, by striking “ANNUAL”
8 and inserting “RISK-BASED”;

9 (B) by striking “an examination” and in-
10 sserting “examinations”; and

11 (C) by striking “at least annually”; and

12 (2) in subparagraph (B), in the matter pre-
13 ceding clause (i), by inserting “, as appropriate,”
14 after “Each examination under subparagraph (A)
15 shall include”.

16 **SEC. 852. TRANSPARENCY OF CREDIT RATING METH-**
17 **ODOLOGIES.**

18 Section 15E(s) of the Securities Exchange Act of
19 1934 (15 U.S.C. 78o-7(s)) is amended—

20 (1) in paragraph (2)(B), by inserting before the
21 semicolon the following: “rated by the nationally rec-
22 ognized statistical rating agency”; and

23 (2) in paragraph (3)—

24 (A) in subparagraph (A)(ix), by inserting
25 before the period the following: “, except that
26 the Commission may not require the inclusion

1 of references to statutory or regulatory require-
2 ments or statutory provision headings or enu-
3 merators for any specific disclosure”;

4 (B) in subparagraph (B)(iv), by inserting
5 before the period the following: “, except that
6 the Commission may not require the inclusion
7 of references to statutory or regulatory require-
8 ments or statutory provision headings or enu-
9 merators for any specific disclosure”; and

10 (C) by adding at the end the following:

11 “(C) NO MANDATE ON THE ORGANIZATION
12 OF DISCLOSURES.—The Commission may not
13 mandate the specific organization of the disclo-
14 sures required under this paragraph.”.

15 **SEC. 853. REPEAL OF CERTAIN ATTESTATION REQUIRE-**
16 **MENTS RELATING TO CREDIT RATINGS.**

17 Section 15E of the Securities Exchange Act of 1934
18 (15 U.S.C. 78o–7) is amended—

19 (1) in subsection (c)(3)(B)—

20 (A) in clause (i), by adding “and” at the
21 end;

22 (B) in clause (ii), by striking “; and” and
23 inserting a period; and

24 (C) by striking clause (iii); and

25 (2) in subsection (q)(2)—

1 (A) in subparagraph (D), by adding “and”
2 at the end;

3 (B) in subparagraph (E), by striking “;
4 and” and inserting a period; and

5 (C) by striking subparagraph (F).

6 **SEC. 854. LOOK-BACK REVIEW BY NRSRO.**

7 Section 15E(h)(4)(A) of the Securities Exchange Act
8 of 1934 (15 U.S.C. 78o–7(h)(4)(A)) is amended—

9 (1) by striking “Each nationally” and inserting
10 the following:

11 “(i) IN GENERAL.—Each nationally”;

12 (2) by striking “underwriter” and inserting
13 “lead underwriter”;

14 (3) by striking “in any capacity”;

15 (4) by striking “during the 1-year period pre-
16 ceding the date an action was taken with respect to
17 the credit rating”;

18 (5) by redesignating clauses (i) and (ii) as sub-
19 clauses (I) and (II), respectively, and adjusting the
20 margin of such subclauses accordingly;

21 (6) in subclause (I), as so redesignated, by in-
22 serting before the semicolon the following: “during
23 the 1-year period preceding the departure of the em-
24 ployee from the nationally recognized statistical rat-
25 ing organization”; and

1 (7) by adding at the end the following:

2 “(ii) MAINTENANCE OF RATINGS AC-
3 TIONS.—In the case of maintenance of rat-
4 ings actions, the requirement under clause
5 (i) shall only apply to employees of a per-
6 son subject to a credit rating of the nation-
7 ally recognized statistical rating organiza-
8 tion or an issuer of a security or money
9 market instrument subject to a credit rat-
10 ing of the nationally recognized statistical
11 rating organization.”.

12 **SEC. 855. APPROVAL OF CREDIT RATING PROCEDURES AND**
13 **METHODOLOGIES.**

14 Section 15E(r)(1)(A) of the Securities Exchange Act
15 of 1934 (15 U.S.C. 78o-7(r)(1)(A)) is amended by insert-
16 ing “, or the Chief Credit Officer” after “performing a
17 function similar to that of a board”.

18 **SEC. 856. EXCEPTION FOR PROVIDING CERTAIN MATERIAL**
19 **INFORMATION RELATING TO A CREDIT RAT-**
20 **ING.**

21 Section 15E(h)(3) of the Securities Exchange Act of
22 1934 (15 U.S.C. 78o-7(h)(3)) is amended by adding at
23 the end the following:

24 “(C) EXCEPTION FOR PROVIDING CERTAIN
25 MATERIAL INFORMATION.—Rules issued under

1 this paragraph may not prohibit a person who
2 participates in sales or marketing of a product
3 or service of a nationally recognized statistical
4 rating organization from providing material in-
5 formation, or information believed in good faith
6 to be material, to the issuance or maintenance
7 of a credit rating to a person who participates
8 in determining or monitoring the credit rating,
9 or developing or approving procedures or meth-
10 odologies used for determining the credit rating,
11 so long as the information provided is not in-
12 tended to influence the determination of a cred-
13 it rating, or the procedures or methodologies
14 used to determine credit ratings.”.

15 **SEC. 857. REPEALS.**

16 (a) REPEALS.—The following provisions of title IX
17 of the Dodd-Frank Wall Street Reform and Consumer
18 Protection Act are repealed, and the provisions of law
19 amended or repealed by such sections are restored or re-
20 vived as if such sections had not been enacted:

- 21 (1) Section 912.
- 22 (2) Section 914.
- 23 (3) Section 917.
- 24 (4) Section 918.
- 25 (5) Section 919A.

- 1 (6) Section 919B.
- 2 (7) Section 919C.
- 3 (8) Section 921.
- 4 (9) Section 929T.
- 5 (10) Section 929X.
- 6 (11) Section 929Y.
- 7 (12) Section 929Z.
- 8 (13) Section 931.
- 9 (14) Section 933.
- 10 (15) Section 937.
- 11 (16) Section 939B.
- 12 (17) Section 939C.
- 13 (18) Section 939D.
- 14 (19) Section 939E.
- 15 (20) Section 939F.
- 16 (21) Section 939G.
- 17 (22) Section 939H.
- 18 (23) Section 946.
- 19 (24) Subsection (b) of section 953.
- 20 (25) Section 955.
- 21 (26) Section 956.
- 22 (27) Section 964.
- 23 (28) Section 965.
- 24 (29) Section 968.
- 25 (30) Section 971.

1 (31) Section 972.

2 (32) Section 976.

3 (33) Section 977.

4 (34) Section 978.

5 (35) Section 984.

6 (36) Section 989.

7 (37) Section 989A.

8 (38) Section 989F.

9 (39) Subsection (b) of section 989G.

10 (40) Section 989I.

11 (b) CONFORMING AMENDMENTS.—The Dodd-Frank
12 Wall Street Reform and Consumer Protection Act (12
13 U.S.C. 5301) is amended—

14 (1) in the table of contents in section 1(b), by
15 striking the items relating to the sections described
16 under paragraphs (1) through (23), (25) through
17 (38), and (40) of subsection (a);

18 (2) in section 953, by striking “(a) DISCLO-
19 SURE OF PAY VERSUS PERFORMANCE.—”; and

20 (3) in section 989G, by striking “(a) EXEMP-
21 TION.—”.

1 **SEC. 858. EXEMPTION OF AND REPORTING BY PRIVATE EQ-**
2 **UITY FUND ADVISERS.**

3 Section 203 of the Investment Advisers Act of 1940
4 (15 U.S.C. 80b-3) is amended by adding at the end the
5 following:

6 “(o) EXEMPTION OF AND REPORTING BY PRIVATE
7 EQUITY FUND ADVISERS.—

8 “(1) IN GENERAL.—Except as provided in this
9 subsection, no investment adviser shall be subject to
10 the registration or reporting requirements of this
11 title with respect to the provision of investment ad-
12 vice relating to a private equity fund.

13 “(2) MAINTENANCE OF RECORDS AND ACCESS
14 BY COMMISSION.—Not later than 6 months after the
15 date of enactment of this subsection, the Commis-
16 sion shall issue final rules—

17 “(A) to require investment advisers de-
18 scribed in paragraph (1) to maintain such
19 records and provide to the Commission such an-
20 nual or other reports as the Commission, taking
21 into account fund size, governance, investment
22 strategy, risk, and other factors, determines
23 necessary and appropriate in the public interest
24 and for the protection of investors; and

25 “(B) to define the term ‘private equity
26 fund’ for purposes of this subsection.”.

1 **SEC. 859. RECORDS AND REPORTS OF PRIVATE FUNDS.**

2 The Investment Advisers Act of 1940 (15 U.S.C.
3 80b–1 et seq.) is amended—

4 (1) in section 204(b)—

5 (A) in paragraph (1)—

6 (i) in subparagraph (A), by striking
7 “investors,” and all that follows and in-
8 serting “investors.”;

9 (ii) by striking subparagraph (B); and

10 (iii) by striking “this title—” and all
11 that follows through “to maintain” and in-
12 serting “this title to maintain”;

13 (B) in paragraph (3)(H)—

14 (i) by striking “, in consultation with
15 the Council,”; and

16 (ii) by striking “or for the assessment
17 of systemic risk”;

18 (C) in paragraph (4), by striking “, or for
19 the assessment of systemic risk”;

20 (D) in paragraph (5), by striking “or for
21 the assessment of systemic risk”;

22 (E) in paragraph (6)(A)(ii), by striking “,
23 or for the assessment of systemic risk”;

24 (F) by striking paragraph (7) and redesign-
25 ating paragraphs (8) through (11) as para-
26 graphs (7) through (10), respectively; and

1 (G) in paragraph (8) (as so redesignated),
2 by striking “paragraph (8)” and inserting
3 “paragraph (7)”; and
4 (2) in section 211(e)—
5 (A) by striking “after consultation with the
6 Council but”; and
7 (B) by striking “subsection 204(b)” and
8 inserting “section 204(b)”.

9 **SEC. 860. DEFINITION OF ACCREDITED INVESTOR.**

10 (a) IN GENERAL.—Section 2(a)(15) of the Securities
11 Act of 1933 (15 U.S.C. 77b(a)(15)) is amended—

12 (1) by redesignating clauses (i) and (ii) as sub-
13 paragraphs (A) and (F), respectively; and

14 (2) in subparagraph (A) (as so redesignated),
15 by striking “; or” at the end and inserting a semi-
16 colon, and inserting after such subparagraph the fol-
17 lowing:

18 “(B) any natural person whose individual
19 net worth, or joint net worth with that person’s
20 spouse, exceeds \$1,000,000 (which amount,
21 along with the amounts set forth in subpara-
22 graph (C), shall be adjusted for inflation by the
23 Commission every 5 years to the nearest
24 \$10,000 to reflect the change in the Consumer
25 Price Index for All Urban Consumers published

1 by the Bureau of Labor Statistics) where, for
2 purposes of calculating net worth under this
3 subparagraph—

4 “(i) the person’s primary residence
5 shall not be included as an asset;

6 “(ii) indebtedness that is secured by
7 the person’s primary residence, up to the
8 estimated fair market value of the primary
9 residence at the time of the sale of securi-
10 ties, shall not be included as a liability (ex-
11 cept that if the amount of such indebted-
12 ness outstanding at the time of sale of se-
13 curities exceeds the amount outstanding 60
14 days before such time, other than as a re-
15 sult of the acquisition of the primary resi-
16 dence, the amount of such excess shall be
17 included as a liability); and

18 “(iii) indebtedness that is secured by
19 the person’s primary residence in excess of
20 the estimated fair market value of the pri-
21 mary residence at the time of the sale of
22 securities shall be included as a liability;

23 “(C) any natural person who had an indi-
24 vidual income in excess of \$200,000 in each of
25 the 2 most recent years or joint income with

1 that person's spouse in excess of \$300,000 in
2 each of those years and has a reasonable expect-
3 tation of reaching the same income level in the
4 current year;

5 “(D) any natural person who, by reason of
6 their net worth or income, is an accredited in-
7 vestor under section 230.215 of title 17, Code
8 of Federal Regulations (as in effect on the day
9 before the date of enactment of this subpara-
10 graph);

11 “(E) any natural person who is currently
12 licensed or registered as a broker or investment
13 adviser by the Commission, the Financial In-
14 dustry Regulatory Authority, or an equivalent
15 self-regulatory organization (as defined in sec-
16 tion 3(a)(26) of the Securities Exchange Act of
17 1934), or the securities division of a State or
18 the equivalent State division responsible for li-
19 censing or registration of individuals in connec-
20 tion with securities activities;

21 “(F) any natural person the Commission
22 determines, by regulation, to have demonstrable
23 education or job experience to qualify such per-
24 son as having professional knowledge of a sub-
25 ject related to a particular investment, and

1 whose education or job experience is verified by
2 the Financial Industry Regulatory Authority or
3 an equivalent self-regulatory organization (as
4 defined in section 3(a)(26) of the Securities Ex-
5 change Act of 1934); or”.

6 (b) REPEAL.—

7 (1) IN GENERAL.—Section 413 of the Dodd-
8 Frank Wall Street Reform and Consumer Protection
9 Act (Public Law 111–203) is hereby repealed.

10 (2) CLERICAL AMENDMENT.—The table of con-
11 tents in section 1(b) of the Dodd-Frank Wall Street
12 Reform and Consumer Protection Act is amended by
13 striking the items relating to section 413.

14 **SEC. 861. REPEAL OF CERTAIN PROVISIONS REQUIRING A**
15 **STUDY AND REPORT TO CONGRESS.**

16 (a) REPEAL.—The following provisions of the Dodd-
17 Frank Wall Street Reform and Consumer Protection Act
18 are repealed:

19 (1) Section 412.

20 (2) Section 415.

21 (3) Section 416.

22 (4) Section 417.

23 (b) CLERICAL AMENDMENT.—The table of contents
24 in section 1(b) of the Dodd-Frank Wall Street Reform and

1 Consumer Protection Act is amended by striking the items
2 relating to sections 412, 415, 416, and 417.

3 **SEC. 862. REPEAL.**

4 (a) REPEAL.—The following sections of title XV of
5 the Dodd-Frank Wall Street Reform and Consumer Pro-
6 tection Act are repealed, and the provisions of law amend-
7 ed or repealed by such sections are restored or revived as
8 if such sections had not been enacted:

9 (1) Section 1502.

10 (2) Section 1503.

11 (3) Section 1504.

12 (4) Section 1505.

13 (5) Section 1506.

14 (b) CLERICAL AMENDMENT.—The table of contents
15 in section 1(b) of the Dodd-Frank Wall Street Reform and
16 Consumer Protection Act is amended by striking the items
17 relating to sections 1502, 1503, 1504, 1505, and 1506.

18 **Subtitle C—Harmonization of**
19 **Derivatives Rules**

20 **SEC. 871. COMMISSIONS REVIEW AND HARMONIZATION OF**
21 **RULES RELATING TO THE REGULATION OF**
22 **OVER-THE-COUNTER SWAPS MARKETS.**

23 The Securities and Exchange Commission and the
24 Commodity Futures Trading Commission shall review
25 each rule, order, and interpretive guidance issued by either

1 such Commission pursuant to title VII of the Dodd-Frank
2 Wall Street Reform and Consumer Protection Act (15
3 U.S.C. 8301 et seq.) and, where the Commissions find in-
4 consistencies in any such rules, orders, or interpretive
5 guidance, shall jointly issue new rules, orders, or interpre-
6 tive guidance to resolve such inconsistencies.

7 **SEC. 872. TREATMENT OF TRANSACTIONS BETWEEN AF-**
8 **FILIATES.**

9 (a) COMMODITY EXCHANGE ACT.—Section 1a(47) of
10 the Commodity Exchange Act (7 U.S.C. 1a(47)) is amend-
11 ed by adding at the end the following:

12 “(G) TREATMENT OF SWAP TRANSACTIONS
13 BETWEEN AFFILIATES.—

14 “(i) EXEMPTION FROM SWAP
15 RULES.—Except as provided under clause
16 (ii), the Commission may not regulate a
17 swap under this Act if all of the following
18 apply to such swap:

19 “(I) AFFILIATION.—One
20 counterparty, directly or indirectly,
21 holds a majority ownership interest in
22 the other counterparty, or a third
23 party, directly or indirectly, holds a
24 majority ownership interest in both
25 counterparties.

1 “(II) FINANCIAL STATEMENTS.—

2 The affiliated counterparty that holds
3 the majority interest in the other
4 counterparty or the third party that,
5 directly or indirectly, holds the major-
6 ity interests in both affiliated
7 counterparties, reports its financial
8 statements on a consolidated basis
9 under generally accepted accounting
10 principles or International Financial
11 Reporting Standards, or other similar
12 standards, and the financial state-
13 ments include the financial results of
14 the majority-owned affiliated
15 counterparty or counterparties.

16 “(ii) REQUIREMENTS FOR EXEMPTED
17 SWAPS.—With respect to a swap described
18 under clause (i):

19 “(I) REPORTING REQUIRE-
20 MENT.—If at least one counterparty is
21 a swap dealer or major swap partici-
22 pant, that counterparty shall report
23 the swap pursuant to section 4r, with-
24 in such time period as the Commis-

1 sion may by rule or regulation pre-
2 scribe—

3 “(aa) to a swap data reposi-
4 tory; or

5 “(bb) if there is no swap
6 data repository that would accept
7 the agreement, contract or trans-
8 action, to the Commission.

9 “(II) RISK MANAGEMENT RE-
10 QUIREMENT.—If at least one
11 counterparty is a swap dealer or
12 major swap participant, the swap
13 shall be subject to a centralized risk
14 management program pursuant to
15 section 4s(j) that is reasonably de-
16 signed to monitor and to manage the
17 risks associated with the swap.

18 “(III) ANTI-EVASION REQUIRE-
19 MENT.—The swap shall not be struc-
20 tured to evade the Dodd-Frank Wall
21 Street Reform and Consumer Protec-
22 tion Act in violation of any rule pro-
23 mulgated by the Commission pursuant
24 to section 721(c) of such Act.”.

1 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
2 3(a)(68) of the Securities Exchange Act of 1934 (15
3 U.S.C. 78c(a)(68)) is amended by inserting before sub-
4 section (b) the following:

5 “(F) TREATMENT OF SECURITY-BASED
6 SWAP TRANSACTIONS BETWEEN AFFILIATES.—

7 “(i) EXEMPTION FROM SECURITY-
8 BASED SWAP RULES.—Except as provided
9 under clause (ii), the Commission may not
10 regulate a security-based swap under this
11 Act if all of the following apply to such se-
12 curity-based swap:

13 “(I) AFFILIATION.—One
14 counterparty, directly or indirectly,
15 holds a majority ownership interest in
16 the other counterparty, or a third
17 party, directly or indirectly, holds a
18 majority ownership interest in both
19 counterparties.

20 “(II) FINANCIAL STATEMENTS.—
21 The affiliated counterparty that holds
22 the majority interest in the other
23 counterparty or the third party that,
24 directly or indirectly, holds the major-
25 ity interests in both affiliated

1 counterparties, reports its financial
2 statements on a consolidated basis
3 under generally accepted accounting
4 principles or International Financial
5 Reporting Standards, or other similar
6 standards, and the financial state-
7 ments include the financial results of
8 the majority-owned affiliated
9 counterparty or counterparties.

10 “(ii) REQUIREMENTS FOR EXEMPTED
11 SECURITY-BASED SWAPS.—With respect to
12 a security-based swap described under
13 clause (i):

14 “(I) REPORTING REQUIRE-
15 MENT.—If at least one counterparty is
16 a security-based swap dealer or major
17 security-based swap participant, that
18 counterparty shall report the security-
19 based swap pursuant to section 13A,
20 within such time period as the Com-
21 mission may by rule or regulation pre-
22 scribe—

23 “(aa) to a security-based
24 swap data repository; or

1 “(bb) if there is no security-
2 based swap data repository that
3 would accept the agreement, con-
4 tract or transaction, to the Com-
5 mission.

6 “(II) RISK MANAGEMENT RE-
7 QUIREMENT.—If at least one
8 counterparty is a security-based swap
9 dealer or major security-based swap
10 participant, the security-based swap
11 shall be subject to a centralized risk
12 management program pursuant to
13 section 15F(j) that is reasonably de-
14 signed to monitor and to manage the
15 risks associated with the security-
16 based swap.

17 “(III) ANTI-EVASION REQUIRE-
18 MENT.—The security-based swap shall
19 not be structured to evade the Dodd-
20 Frank Wall Street Reform and Con-
21 sumer Protection Act in violation of
22 any rule promulgated by the Commis-
23 sion pursuant to section 761(b)(3) of
24 such Act.”.