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(Original Signature of Member)

118TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to require certain additional annual disclosures by public companies and exchange-traded funds investing in companies with ties to the People’s Republic of China, and for other purposes.

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**IN THE HOUSE OF REPRESENTATIVES**

Mr. FALLON introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Securities Exchange Act of 1934 to require certain additional annual disclosures by public companies and exchange-traded funds investing in companies with ties to the People’s Republic of China, 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 “Securing American  
5       Families and Enterprises from People’s Republic of China

1 Investments Act” or the “SAFE from PRC Investments  
2 Act”.

3 **SEC. 2. ADDITIONAL DISCLOSURES TO PROTECT AMERICAN**  
4 **INVESTORS AND BUSINESSES.**

5 Section 13 of the Securities Exchange Act of 1934  
6 (15 U.S.C. 78m) is amended by adding at the end the  
7 following:

8 “(s) ADDITIONAL DISCLOSURES TO PROTECT AMER-  
9 ICAN INVESTORS AND BUSINESSES.—

10 “(1) IN GENERAL.—Each covered issuer that is  
11 required to file an annual report under section 13(a)  
12 or 15(d) shall disclose in that report the following:

13 “(A) Whether a senior official of the  
14 national- or provincial-level governments of the  
15 People’s Republic of China (‘PRC’) sits on the  
16 board of directors of the issuer or any sub-  
17 sidiary of the issuer.

18 “(B) Whether executive-level employees,  
19 senior directors, and board members of the  
20 issuer are members of the Communist Party of  
21 China.

22 “(C) Whether executive-level employees,  
23 senior directors, and board members of the  
24 issuer have immediate family members that are  
25 senior officials of the Communist Party of

1 China or the Government of the People's Re-  
2 public of China.

3 “(D) Whether the issuer has a party  
4 branch or committee as part of the issuer's cor-  
5 porate structure.

6 “(E) With respect to the operations of the  
7 issuer located in the PRC—

8 “(i) the amount of cash held;

9 “(ii) any limits imposed by the Com-  
10 munist Party of China or the Government  
11 of the People's Republic of China on the  
12 ability to take such cash out of the coun-  
13 try; and

14 “(iii) disclosure of investments, assets  
15 and liabilities, technology licensed or trans-  
16 ferred, and financing or debt obligations  
17 involving PRC operations or from a PRC  
18 entity.

19 “(F) The number of times executive-level  
20 employees of the issuer interact with senior offi-  
21 cials of the Communist Party of China and the  
22 costs of those meetings and any transfer of  
23 goods, money, or services between issuer's em-  
24 ployees.

1           “(G) The amount the issuer has expended  
2           on operations in the People’s Republic of China,  
3           both in total and for the prior fiscal year.

4           “(H) The amount the issuer has expended  
5           on operations in the United States, both in  
6           total and for the prior fiscal year.

7           “(I) The amount (both in total and for the  
8           prior fiscal year) that the issuer has spent on  
9           lobbying in the United States, including—

10           “(i) whether the issuer or any sub-  
11           sidiary of the issuer has reported any sums  
12           under the Foreign Agents Registration Act  
13           of 1938; and

14           “(ii) whether the issuer or any sub-  
15           sidiary of the issuer has reported any sums  
16           under the Lobbying Disclosure Act of  
17           1995.

18           “(J) Whether the Public Company Ac-  
19           counting Oversight Board is unable to inspect  
20           or investigate a registered public accounting  
21           firm retained by the issuer to prepare an audit  
22           report on the financial statement of the issuer.

23           “(K) The amount of taxes and other fees  
24           the issuer paid to the Government of the Peo-  
25           ple’s Republic of China on an annual basis.

1 “(L) With respect to customer data—

2 “(i) who has access to such data;

3 “(ii) disclosure of instances when in-  
4 formation is requested, arrangements that  
5 may allow passive or continuous access, ef-  
6 forts to protect such data, instances of  
7 cyber-attack, corporate or personnel dis-  
8 putes that involve potential breaches, and  
9 notification of other breaches; and

10 “(iii) whether such data is stored in  
11 the United States and, if not, the country  
12 or territory in which such data is stored.

13 “(M) For each subsidiary of the issuer lo-  
14 cated in the PRC, the information described  
15 under subparagraphs (A) through (L) with re-  
16 spect to such subsidiary.

17 “(N) If the issuer or any subsidiary of the  
18 issuer located in the PRC produces goods or  
19 services that are part of a military-civil fusion  
20 strategy, whether the issuer has consulted with  
21 the People’s Liberation Army or the Ministry of  
22 State Security with regard to industrial policy.

23 “(2) DEFINITIONS.—In this subsection:

24 “(A) COMMUNIST PARTY OF CHINA.—The  
25 term ‘Communist Party of China’ means the

1 ruling party of the People’s Republic of China,  
2 including—

3 “(i) party bodies at the national- and  
4 sub-national level; and

5 “(ii) any agency or instrumentality of  
6 the Communist Party of China.

7 “(B) COVERED ISSUER.—The term ‘cov-  
8 ered issuer’ means an issuer—

9 “(i) that is—

10 “(I) headquartered in the PRC  
11 (including the Hong Kong and Macau  
12 Special Administrative Regions);

13 “(II) a branch or subsidiary of  
14 an issuer headquartered in the PRC;  
15 or

16 “(III) a variable interest entity  
17 or other type of firm structured  
18 through a series of contracts or over-  
19 lapping personnel—

20 “(aa) that are tied to core  
21 operations in the PRC; or

22 “(bb) controlled and owned  
23 by an issuer headquartered in the  
24 PRC; or

25 “(ii) that—

1 “(I) is domiciled in a tax haven  
2 jurisdiction or self-governing terri-  
3 tories including, the Cayman Islands,  
4 British Virgin Islands, Bermuda, the  
5 Netherlands, Switzerland, Luxem-  
6 bourg, Singapore, the United Arab  
7 Emirates, the Bahamas, Cyprus, or  
8 Mauritius; and

9 “(II) has the majority of the  
10 issuer’s business operations taking  
11 place the PRC or the majority of the  
12 issuer’s revenue generated in main-  
13 land China.

14 “(C) GOVERNMENT OF THE PEOPLE’S RE-  
15 PUBLIC OF CHINA.—The term ‘Government of  
16 the People’s Republic of China’ means any of  
17 the following:

18 “(i) Any national or sub-national gov-  
19 ernmental unit of the People’s Republic of  
20 China.

21 “(ii) Any national or sub-national leg-  
22 islature of the People’s Republic of China.

23 “(iii) Any national or sub-national  
24 People’s Political Consultative Conference  
25 of the People’s Republic of China.

1 “(iv) Any national or sub-national ju-  
2 dicial or prosecutorial body of the People’s  
3 Republic of China.

4 “(v) Any national or sub-national su-  
5 pervision commission of the People’s Re-  
6 public of China.

7 “(vi) Any agency or instrumentality of  
8 the People’s Republic of China.

9 “(D) IMMEDIATE FAMILY MEMBER.—The  
10 term ‘immediate family member’ shall include a  
11 spouse, domestic partner, mother, father, aunt,  
12 uncle, sibling, or child.

13 “(E) MILITARY-CIVIL FUSION STRAT-  
14 EGY.—The term ‘military-civil fusion strategy’  
15 means the strategy of the Communist Party of  
16 China aiming to mobilize non-military resources  
17 and expertise for military application, includ-  
18 ing—

19 “(i) the development of technology,  
20 improvements in logistics, and other uses  
21 by the People’s Liberation Army; and

22 “(ii) firms which develop and acquire  
23 advanced dual-use technology for military  
24 purposes.



1 “(F) PRC.—The term ‘PRC’ means the  
2 People’s Republic of China.

3 “(G) SENIOR OFFICIAL.—The term ‘senior  
4 official’, when used in connection with the Gov-  
5 ernment of the People’s Republic of China or  
6 the Communist Party of China, means—

7 “(i) an official with the rank of a dep-  
8 uty at the provincial or ministerial level  
9 (shengbu ji fu zhi) or higher; or

10 “(ii) a chief at the bureau level (tingju  
11 ji zheng zhi) or higher.

12 “(H) VARIABLE INTEREST ENTITY.—The  
13 term ‘variable interest entity’ means an entity  
14 where an investor has a controlling interest that  
15 is not based on holding the majority of voting  
16 rights.”.

17 **SEC. 3. DISCLOSURES BY EXCHANGE TRADED FUNDS IN-**  
18 **VESTING IN CHINESE COMPANIES.**

19 Section 13 of the Securities Exchange Act of 1934  
20 (15 U.S.C. 78m), as amended by section 2, is further  
21 amended by adding at the end the following:

22 “(t) DISCLOSURES BY EXCHANGE TRADED FUNDS  
23 INVESTING IN CHINESE COMPANIES.—

24 “(1) IN GENERAL.—Each exchange traded fund  
25 required to file an annual report under section 13(a)

1 or 15(d) shall, if the fund invested in the securities  
2 of any PRC company during the reporting period,  
3 include in such report the following, with respect to  
4 each such PRC company:

5 “(A) Who owns the company, including  
6 whether the company is owned by the Govern-  
7 ment of the People’s Republic of China or a  
8 PRC state-controlled entity.

9 “(B) Whether the company operates a  
10 Communist Party of China branch or com-  
11 mittee within the company’s corporate struc-  
12 ture.

13 “(C) Whether the company has any con-  
14 tractual agreements with the Government of the  
15 People’s Republic of China or the Communist  
16 Party of China or any agency or instrumen-  
17 tality of either.

18 “(D) Whether the company has partici-  
19 pated in the PRC’s industrial policies or has  
20 military or public security contracts.

21 “(E) Whether any funding, direction, or  
22 other forms of control over the company are ex-  
23 ercised by the Government of the People’s Re-  
24 public of China or the Communist Party of  
25 China.

1           “(F) Whether executive-level employees  
2           and board members of the company have imme-  
3           diate family members who are senior officials of  
4           the Communist Party of China or the Govern-  
5           ment of the People’s Republic of China or are  
6           themselves senior officials of the Communist  
7           Party of China or the Government of the Peo-  
8           ple’s Republic of China.

9           “(G) Whether the company is part of (in-  
10          cluding by reason of being a branch or sub-  
11          sidiary) or tied to (through a series of contracts  
12          or parallel corporate incorporations) firms or  
13          individuals sanctioned, restricted, or identified  
14          as tied to the People’s Liberation Army by the  
15          United States Government, including under—

16               “(i) the Military End User List main-  
17               tained by the Bureau of Industry and Se-  
18               curity of the Department of Commerce;

19               “(ii) the Non-SDN Chinese Military-  
20               Industrial Complex Companies List;

21               “(iii) the Unverified List maintained  
22               by the Secretary of Commerce;

23               “(iv) the List maintained by the Fed-  
24               eral Communications Commission of equip-  
25               ment and services covered by section 2 of

1 the Secure and Trusted Communications  
2 Networks Act of 2019 (47 U.S.C. 1601);

3 “(v) the Uyghur Forced Labor Pre-  
4 vention Act Entity List maintained by the  
5 Department of Homeland Security;

6 “(vi) the list of covered issuers subject  
7 to a prohibition under section 104 of the  
8 Sarbanes-Oxley Act of 2002 (15 U.S.C.  
9 7214) maintained by the Securities and  
10 Exchange Commission; and

11 “(vii) the Withhold Release Orders  
12 and Findings List maintained by the Com-  
13 missioner of U.S. Customs and Border  
14 Protection.

15 “(H) The types of products and services  
16 offered by the company.

17 “(I) Whether the company has a contract  
18 with the United States Department of Defense.

19 “(J) Whether the company produces a  
20 product or service that is used in the produc-  
21 tion of aircraft, spacecraft, semiconductor chips  
22 and equipment, batteries or battery compo-  
23 nents, facial recognition technology, artificial  
24 intelligence, telecommunications technology, en-  
25 ergy production equipment, advanced medical

1 devices, or pharmaceuticals or any such prod-  
2 ucts related to the national technology and in-  
3 dustrial base in the United States.

4 “(K) Whether the company produces goods  
5 that would violate U.S. environmental law or  
6 U.S. civil liberties law if the goods were pro-  
7 duced or used in the United States.

8 “(L) Any business activities conducted by  
9 the company—

10 “(i) with a privately-held firm involved  
11 in China’s industrial, technology, and mili-  
12 tary modernization efforts based in the  
13 People’s Republic of China; or

14 “(ii) with a Chinese state-controlled  
15 entity.

16 “(M) Whether the company has ever had  
17 an audit of the same type and quality as typi-  
18 cally used by an issuer of publicly traded securi-  
19 ties.

20 “(2) DEFINITIONS.—In this subsection:

21 “(A) EXCHANGE TRADED FUND.—The  
22 term ‘exchange traded fund’ has the meaning  
23 given that term under section 270.6c-11 of title  
24 17, Code of Federal Regulations.

1                   “(B) OTHER DEFINITIONS.—The terms  
2                   ‘Communist Party of China’, ‘Government of  
3                   the People’s Republic of China’, ‘immediate  
4                   family member’, and ‘PRC’ have the meaning  
5                   given those terms, respectively, under sub-  
6                   section (s)(2).”.