

118TH CONGRESS  
2D SESSION

# H. R. 7757

To amend the Securities Exchange Act of 1934 to require disclosures with respect to certain financial risks relating to the People’s Republic of China, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2024

Mr. SHERMAN (for himself and Mrs. SPARTZ) introduced the following bill;  
which was referred to the Committee on Financial Services

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## A BILL

To amend the Securities Exchange Act of 1934 to require disclosures with respect to certain financial risks relating 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 “China Risk Reporting  
5 Act”.

1 **SEC. 2. DISCLOSURE WITH RESPECT TO CERTAIN FINAN-**  
2 ****CIAL RISKS RELATING TO THE PEOPLE’S RE-****  
3 ****PUBLIC OF CHINA.****

4 (a) SENSE OF CONGRESS.—It is the sense of Con-  
5 gress that investing in China poses unique risks that in-  
6 vestors should carefully consider.

7 (b) ANNUAL DISCLOSURES.—Section 13 of the Secu-  
8 rities Exchange Act of 1934 (15 U.S.C. 78m) is amended  
9 by adding at the end the following:

10 “(t) DISCLOSURE WITH RESPECT TO CERTAIN FI-  
11 NANCIAL RISKS RELATING TO THE PEOPLE’S REPUBLIC  
12 OF CHINA.—

13 “(1) IN GENERAL.—Each issuer required to file  
14 an annual report under subsection (a) shall include  
15 in such report—

16 “(A) with respect to each covered foreign  
17 market, a description (including quantification,  
18 if possible) of—

19 “(i) the degree to which each supply  
20 chain of such issuer relies upon or is ex-  
21 posed to the covered foreign market; and

22 “(ii) the operations of such issuer in  
23 the covered foreign market;

24 “(B) a narrative description of the issuer’s  
25 China risk; and

1           “(C) if the issuer identifies a material  
2           China risk, a narrative description with respect  
3           to each China risk identified by the issuer of—

4                   “(i) the actions the issuer has taken  
5                   or will take to minimize that China risk;  
6                   and

7                   “(ii) the additional actions the issuer  
8                   may take to minimize that China risk if a  
9                   covered event occurs.

10           “(2) RULE OF CONSTRUCTION.—Nothing in  
11           this subsection shall be construed to require an  
12           issuer to—

13                   “(A) disclose the assessment of such issuer  
14                   as to the likelihood that a covered event or any  
15                   China risk will occur; or

16                   “(B) provide any third-party assessment of  
17                   such likelihood.

18           “(3) DEFINITIONS.—In this subsection:

19                   “(A) CHINA RISK.—The term ‘China risk’  
20                   means an issuer’s exposure to material financial  
21                   consequences caused by the Chinese Communist  
22                   Party, the Government of the People’s Republic  
23                   of China, or firms or other entities operating in  
24                   the People’s Republic of China stemming from

1 reasonably likely, imminent, or ongoing factors,  
2 including—

3 “(i) consequences for the operations  
4 of the issuer—

5 “(I) in a covered foreign market;  
6 and

7 “(II) caused by disruptions to  
8 supply chains, including supply chains  
9 for—

10 “(aa) goods or services origi-  
11 nating in a covered foreign mar-  
12 ket; and

13 “(bb) goods transported  
14 through or over the East China  
15 Sea or South China Sea;

16 “(ii) devaluation, seizure, expropria-  
17 tion, denial of access, or nationalization of  
18 assets, including intellectual property, of  
19 the issuer in a covered foreign market;

20 “(iii) imperfect rule of law, unequal or  
21 imperfect enforcement of intellectual prop-  
22 erty rights, or biased judicial proceedings;

23 “(iv) with respect to any equity in-  
24 vestments the issuer has within a covered  
25 foreign market, impediments to exercising

1 full voting rights of American or non-Chi-  
2 nese shareholders or any firm in which the  
3 issuer has an equity investment taking ac-  
4 tions against the interests of the firm's  
5 shareholders in favor of the interests of the  
6 Chinese Communist Party or the Govern-  
7 ment of the People's Republic of China;  
8 and

9 “(v) other material financial impact  
10 on the operations of the issuer caused by  
11 the Chinese Communist Party, the Govern-  
12 ment of the People's Republic of China, or  
13 firms or other entities operating in the  
14 People's Republic of China.

15 “(B) COVERED EVENT.—The term ‘cov-  
16 ered event’—

17 “(i) means a significant disruption to  
18 the economic relations between the United  
19 States and the People's Republic of China,  
20 including—

21 “(I) a partial or full trade embar-  
22 go of the People's Republic of China  
23 by the United States (or vice versa);

24 “(II) trade or financial sanctions  
25 imposed on the People's Republic of

1 China by the United States (or vice  
2 versa); and

3 “(III) the United States revoking  
4 permanent normal trade relations  
5 with the People’s Republic of China  
6 (or vice versa); and

7 “(ii) includes disruptions resulting  
8 from PRC military action against Taiwan.

9 “(C) COVERED FOREIGN MARKET.—The  
10 term ‘covered foreign market’ means mainland  
11 China, the Hong Kong special administrative  
12 region, the Macau special administrative region,  
13 Taiwan, Japan, Mongolia, the Democratic Peo-  
14 ple’s Republic of Korea, and the Republic of  
15 Korea.

16 “(D) MAINLAND CHINA.—The term ‘main-  
17 land China’ means the People’s Republic of  
18 China, excluding the Hong Kong special admin-  
19 istrative region and the Macau special adminis-  
20 trative region.

21 “(E) OPERATIONS.—The term ‘operations’  
22 may include, with respect to an issuer required  
23 to file an annual report under subsection (a),  
24 the assets, personnel, sales and revenue, liabil-

1           ities, technology, intellectual property, and  
2           other notable ties or activities of such issuer.

3                   “(F) PRC MILITARY ACTION AGAINST TAI-  
4           WAN.—The term ‘PRC military action against  
5           Taiwan’—

6                           “(i) means a campaign of armed ag-  
7                           gression by the People’s Republic of China  
8                           against the Government of Taiwan (or the  
9                           territories under its control); and

10                                   “(ii) includes—

11   “(I) a firepower strike campaign;

12   “(II) an island landing campaign;

13   and

14   “(III) a full or partial blockade  
15   (by sea or air).”.

16           (c) DISCLOSURE AT TIME OF REGISTRATION.—Sec-  
17           tion 12(b) of the Securities Exchange Act of 1934 (15  
18           U.S.C. 78l(b)) is amended by adding at the end the fol-  
19           lowing:

20                           “(4) The information described under section  
21                           13(t)(1).”.

22           (d) EFFECTIVE DATE.—The amendments made by  
23           this section shall take effect on the date that is 180 days  
24           after the date of the enactment of this section.

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