

116TH CONGRESS  
1ST SESSION

# S. 573

To require the Securities and Exchange Commission to carry out a study of Rule 10b5–1 trading plans, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 2019

Mr. VAN HOLLEN (for himself and Mrs. FISCHER) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To require the Securities and Exchange Commission to carry out a study of Rule 10b5–1 trading plans, 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 “Promoting Trans-  
5 parent Standards for Corporate Insiders Act”.

6 **SEC. 2. SEC STUDY.**

7 (a) DEFINITIONS.—In this section—

8 (1) the term “Commission” means the Securi-  
9 ties and Exchange Commission;

1           (2) the term “Rule 10b5–1” means section  
2           240.10b5–1 of title 17, Code of Federal Regulations;  
3           and

4           (3) the term “trading plan” means a plan de-  
5           scribed in paragraph (e)(1)(i)(A)(3) of Rule 10b5–  
6           1.

7           (b) STUDY.—

8           (1) IN GENERAL.—The Commission shall carry  
9           out a study of whether Rule 10b5–1 should be  
10          amended to—

11           (A) limit the ability of issuers and issuer  
12          insiders to adopt a trading plan to a period  
13          during which the issuer or issuer insider, as ap-  
14          plicable, is permitted to buy or sell securities  
15          during issuer-adopted trading windows;

16           (B) limit the ability of issuers and issuer  
17          insiders to adopt multiple trading plans;

18           (C) establish a mandatory delay during the  
19          period beginning on the date on which a trading  
20          plan is adopted and ending on the date on  
21          which the first trade is executed under such a  
22          plan;

23           (D) with respect to a delay established  
24          under subparagraph (C), and depending on the

1 findings of the Commission under subparagraph

2 (A)—

3 (i) impose the same delay for trading  
4 plans adopted during an issuer-adopted  
5 trading window as opposed to outside of  
6 such a window; and

7 (ii) provide an exception to such a  
8 delay;

9 (E) limit the frequency with which issuers  
10 and issuer insiders may modify or cancel trad-  
11 ing plans;

12 (F) require issuers and issuer insiders to  
13 file with the Commission any adoption of,  
14 amendment to, termination of, and transaction  
15 under a trading plan; or

16 (G) require the board of directors of an  
17 issuer that has adopted a trading plan to—

18 (i) adopt policies governing trading  
19 plan practices;

20 (ii) periodically monitor transactions  
21 made under the trading plan; and

22 (iii) ensure that the policies of the  
23 issuer discuss the use of the trading plan  
24 in the context of guidelines or require-

1                   ments with respect to equity hedging, hold-  
2                   ing, and ownership.

3                   (2) **ADDITIONAL CONSIDERATIONS.**—In car-  
4                   rying out the study required under paragraph (1),  
5                   the Commission shall consider, with respect to each  
6                   amendment considered by the Commission under  
7                   that paragraph—

8                   (A) how the amendment may clarify and  
9                   enhance existing prohibitions against insider  
10                  trading;

11                  (B) the impact that the amendment may  
12                  have on the ability of an issuer to attract a per-  
13                  son to become an issuer insider;

14                  (C) the impact that the amendment may  
15                  have on capital formation;

16                  (D) the impact that the amendment may  
17                  have on the willingness of an issuer to operate  
18                  as a public company; and

19                  (E) any other consideration that the Com-  
20                  mission considers necessary and appropriate for  
21                  the protection of investors.

22                  (c) **REPORT.**—Not later than 1 year after the date  
23                  of enactment of this Act, the Commission shall submit to  
24                  the Committee on Banking, Housing, and Urban Affairs  
25                  of the Senate and the Committee on Financial Services

1 of the House of Representatives a report that contains all  
2 findings and determinations made in carrying out the  
3 study required under subsection (b).

4 (d) RULEMAKING.—After completing the study re-  
5 quired under subsection (b), the Commission shall, subject  
6 to public notice and comment, amend Rule 10b5–1 in a  
7 manner that is consistent with the results of the study.

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