

1 **Subtitle E—Accountability and**
2 **Executive Compensation**

3 **SEC. 951. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**
4 **TION DISCLOSURES.**

5 The Securities Exchange Act of 1934 (15 U.S.C. 78a
6 et seq.) is amended by inserting after section 14 (15
7 U.S.C. 78n) the following:

8 **“SEC. 14A. SHAREHOLDER APPROVAL OF EXECUTIVE COM-**
9 **PENSATION.**

10 “(a) SEPARATE RESOLUTION REQUIRED.—

11 “(1) IN GENERAL.—Not less frequently than
12 once every 3 years, a proxy or consent or authoriza-
13 tion for an annual or other meeting of the share-
14 holders for which the proxy solicitation rules of the
15 Commission require compensation disclosure shall
16 include a separate resolution subject to shareholder
17 vote to approve the compensation of executives, as
18 disclosed pursuant to section 229.402 of title 17,
19 Code of Federal Regulations, or any successor there-
20 to.

21 “(2) FREQUENCY OF VOTE.—Not less fre-
22 quently than once every 6 years, a proxy or consent
23 or authorization for an annual or other meeting of
24 the shareholders for which the proxy solicitation
25 rules of the Commission require compensation dis-

1 closure shall include a separate resolution subject to
2 shareholder vote to determine whether votes on the
3 resolutions required under paragraph (1) will occur
4 every 1, 2, or 3 years.

5 “(3) EFFECTIVE DATE.—The proxy or consent
6 or authorization for the first annual or other meet-
7 ing of the shareholders occurring after the end of
8 the 6-month period beginning on the date of enact-
9 ment of this section shall include—

10 “(A) the resolution described in paragraph
11 (1); and

12 “(B) a separate resolution subject to
13 shareholder vote to determine whether votes on
14 the resolutions required under paragraph (1)
15 will occur every 1, 2, or 3 years.

16 “(b) SHAREHOLDER APPROVAL OF GOLDEN PARA-
17 CHUTE COMPENSATION.—

18 “(1) DISCLOSURE.—In any proxy or consent
19 solicitation material (the solicitation of which is sub-
20 ject to the rules of the Commission pursuant to sub-
21 section (a)) for a meeting of the shareholders occur-
22 ring after the end of the 6-month period beginning
23 on the date of enactment of this section, at which
24 shareholders are asked to approve an acquisition,
25 merger, consolidation, or proposed sale or other dis-

1 position of all or substantially all the assets of an
2 issuer, the person making such solicitation shall dis-
3 close in the proxy or consent solicitation material, in
4 a clear and simple form in accordance with regula-
5 tions to be promulgated by the Commission, any
6 agreements or understandings that such person has
7 with any named executive officers of such issuer (or
8 of the acquiring issuer, if such issuer is not the ac-
9 quiring issuer) concerning any type of compensation
10 (whether present, deferred, or contingent) that is
11 based on or otherwise relates to the acquisition,
12 merger, consolidation, sale, or other disposition of all
13 or substantially all of the assets of the issuer and
14 the aggregate total of all such compensation that
15 may (and the conditions upon which it may) be paid
16 or become payable to or on behalf of such executive
17 officer.

18 “(2) SHAREHOLDER APPROVAL.—Any proxy or
19 consent or authorization relating to the proxy or
20 consent solicitation material containing the disclo-
21 sure required by paragraph (1) shall include a sepa-
22 rate resolution subject to shareholder vote to ap-
23 prove such agreements or understandings and com-
24 pensation as disclosed, unless such agreements or

1 understandings have been subject to a shareholder
2 vote under subsection (a).

3 “(c) RULE OF CONSTRUCTION.—The shareholder
4 vote referred to in subsections (a) and (b) shall not be
5 binding on the issuer or the board of directors of an issuer,
6 and may not be construed—

7 “(1) as overruling a decision by such issuer or
8 board of directors;

9 “(2) to create or imply any change to the fidu-
10 ciary duties of such issuer or board of directors;

11 “(3) to create or imply any additional fiduciary
12 duties for such issuer or board of directors; or

13 “(4) to restrict or limit the ability of share-
14 holders to make proposals for inclusion in proxy ma-
15 terials related to executive compensation.

16 “(d) DISCLOSURE OF VOTES.—Every institutional in-
17 vestment manager subject to section 13(f) shall report at
18 least annually how it voted on any shareholder vote pursu-
19 ant to subsections (a) and (b), unless such vote is other-
20 wise required to be reported publicly by rule or regulation
21 of the Commission.

22 “(e) EXEMPTION.—The Commission may, by rule or
23 order, exempt an issuer or class of issuers from the re-
24 quirement under subsection (a) or (b). In determining
25 whether to make an exemption under this subsection, the

1 Commission shall take into account, among other consid-
2 erations, whether the requirements under subsections (a)
3 and (b) disproportionately burdens small issuers.”.

4 **SEC. 952. COMPENSATION COMMITTEE INDEPENDENCE.**

5 (a) IN GENERAL.—The Securities Exchange Act of
6 1934 (15 U.S.C. 78 et seq.) is amended by inserting after
7 section 10B, as added by section 753, the following:

8 **“SEC. 10C. COMPENSATION COMMITTEES.**

9 “(a) INDEPENDENCE OF COMPENSATION COMMIT-
10 TEES.—

11 “(1) LISTING STANDARDS.—The Commission
12 shall, by rule, direct the national securities ex-
13 changes and national securities associations to pro-
14 hibit the listing of any equity security of an issuer,
15 other than an issuer that is a controlled company,
16 limited partnership, company in bankruptcy pro-
17 ceedings, open-ended management investment com-
18 pany that is registered under the Investment Com-
19 pany Act of 1940, or a foreign private issuer that
20 provides annual disclosures to shareholders of the
21 reasons that the foreign private issuer does not have
22 an independent compensation committee, that does
23 not comply with the requirements of this subsection.

24 “(2) INDEPENDENCE OF COMPENSATION COM-
25 MITTEES.—The rules of the Commission under para-

1 graph (1) shall require that each member of the
2 compensation committee of the board of directors of
3 an issuer be—

4 “(A) a member of the board of directors of
5 the issuer; and

6 “(B) independent.

7 “(3) INDEPENDENCE.—The rules of the Com-
8 mission under paragraph (1) shall require that, in
9 determining the definition of the term ‘independ-
10 ence’ for purposes of paragraph (2), the national se-
11 curities exchanges and the national securities asso-
12 ciations shall consider relevant factors, including—

13 “(A) the source of compensation of a mem-
14 ber of the board of directors of an issuer, in-
15 cluding any consulting, advisory, or other com-
16 pensatory fee paid by the issuer to such mem-
17 ber of the board of directors; and

18 “(B) whether a member of the board of di-
19 rectors of an issuer is affiliated with the issuer,
20 a subsidiary of the issuer, or an affiliate of a
21 subsidiary of the issuer.

22 “(4) EXEMPTION AUTHORITY.—The rules of
23 the Commission under paragraph (1) shall permit a
24 national securities exchange or a national securities
25 association to exempt a particular relationship from

1 the requirements of paragraph (2), with respect to
2 the members of a compensation committee, as the
3 national securities exchange or national securities
4 association determines is appropriate, taking into
5 consideration the size of an issuer and any other rel-
6 evant factors.

7 “(b) INDEPENDENCE OF COMPENSATION CONSULT-
8 ANTS AND OTHER COMPENSATION COMMITTEE ADVIS-
9 ERS.—

10 “(1) IN GENERAL.—The compensation com-
11 mittee of an issuer may only select a compensation
12 consultant, legal counsel, or other adviser to the
13 compensation committee after taking into consider-
14 ation the factors identified by the Commission under
15 paragraph (2).

16 “(2) RULES.—The Commission shall identify
17 factors that affect the independence of a compensa-
18 tion consultant, legal counsel, or other adviser to a
19 compensation committee of an issuer. Such factors
20 shall be competitively neutral among categories of
21 consultants, legal counsel, or other advisers and pre-
22 serve the ability of compensation committees to re-
23 tain the services of members of any such category,
24 and shall include—

1 “(A) the provision of other services to the
2 issuer by the person that employs the com-
3 pensation consultant, legal counsel, or other ad-
4 viser;

5 “(B) the amount of fees received from the
6 issuer by the person that employs the com-
7 pensation consultant, legal counsel, or other ad-
8 viser, as a percentage of the total revenue of
9 the person that employs the compensation con-
10 sultant, legal counsel, or other adviser;

11 “(C) the policies and procedures of the
12 person that employs the compensation consult-
13 ant, legal counsel, or other adviser that are de-
14 signed to prevent conflicts of interest;

15 “(D) any business or personal relationship
16 of the compensation consultant, legal counsel,
17 or other adviser with a member of the com-
18 pensation committee; and

19 “(E) any stock of the issuer owned by the
20 compensation consultant, legal counsel, or other
21 adviser.

22 “(c) COMPENSATION COMMITTEE AUTHORITY RE-
23 LATING TO COMPENSATION CONSULTANTS.—

24 “(1) AUTHORITY TO RETAIN COMPENSATION
25 CONSULTANT.—

1 “(A) IN GENERAL.—The compensation
2 committee of an issuer, in its capacity as a
3 committee of the board of directors, may, in its
4 sole discretion, retain or obtain the advice of a
5 compensation consultant.

6 “(B) DIRECT RESPONSIBILITY OF COM-
7 PENSATION COMMITTEE.—The compensation
8 committee of an issuer shall be directly respon-
9 sible for the appointment, compensation, and
10 oversight of the work of a compensation con-
11 sultant.

12 “(C) RULE OF CONSTRUCTION.—This
13 paragraph may not be construed—

14 “(i) to require the compensation com-
15 mittee to implement or act consistently
16 with the advice or recommendations of the
17 compensation consultant; or

18 “(ii) to affect the ability or obligation
19 of a compensation committee to exercise its
20 own judgment in fulfillment of the duties
21 of the compensation committee.

22 “(2) DISCLOSURE.—In any proxy or consent
23 solicitation material for an annual meeting of the
24 shareholders (or a special meeting in lieu of the an-
25 nual meeting) occurring on or after the date that is

1 1 year after the date of enactment of this section,
2 each issuer shall disclose in the proxy or consent
3 material, in accordance with regulations of the Com-
4 mission, whether—

5 “(A) the compensation committee of the
6 issuer retained or obtained the advice of a com-
7 pensation consultant; and

8 “(B) the work of the compensation con-
9 sultant has raised any conflict of interest and,
10 if so, the nature of the conflict and how the
11 conflict is being addressed.

12 “(d) **AUTHORITY TO ENGAGE INDEPENDENT LEGAL**
13 **COUNSEL AND OTHER ADVISERS.—**

14 “(1) **IN GENERAL.—**The compensation com-
15 mittee of an issuer, in its capacity as a committee
16 of the board of directors, may, in its sole discretion,
17 retain and obtain the advice of independent legal
18 counsel and other advisers.

19 “(2) **DIRECT RESPONSIBILITY OF COMPENSA-**
20 **TION COMMITTEE.—**The compensation committee of
21 an issuer shall be directly responsible for the ap-
22 pointment, compensation, and oversight of the work
23 of independent legal counsel and other advisers.

24 “(3) **RULE OF CONSTRUCTION.—**This sub-
25 section may not be construed—

1 “(A) to require a compensation committee
2 to implement or act consistently with the advice
3 or recommendations of independent legal coun-
4 sel or other advisers under this subsection; or

5 “(B) to affect the ability or obligation of a
6 compensation committee to exercise its own
7 judgment in fulfillment of the duties of the
8 compensation committee.

9 “(e) COMPENSATION OF COMPENSATION CONSULT-
10 ANTS, INDEPENDENT LEGAL COUNSEL, AND OTHER AD-
11 VISERS.—Each issuer shall provide for appropriate fund-
12 ing, as determined by the compensation committee in its
13 capacity as a committee of the board of directors, for pay-
14 ment of reasonable compensation—

15 “(1) to a compensation consultant; and

16 “(2) to independent legal counsel or any other
17 adviser to the compensation committee.

18 “(f) COMMISSION RULES.—

19 “(1) IN GENERAL.—Not later than 360 days
20 after the date of enactment of this section, the Com-
21 mission shall, by rule, direct the national securities
22 exchanges and national securities associations to
23 prohibit the listing of any security of an issuer that
24 is not in compliance with the requirements of this
25 section.

1 “(2) OPPORTUNITY TO CURE DEFECTS.—The
2 rules of the Commission under paragraph (1) shall
3 provide for appropriate procedures for an issuer to
4 have a reasonable opportunity to cure any defects
5 that would be the basis for the prohibition under
6 paragraph (1), before the imposition of such prohibi-
7 tion.

8 “(3) EXEMPTION AUTHORITY.—

9 “(A) IN GENERAL.—The rules of the Com-
10 mission under paragraph (1) shall permit a na-
11 tional securities exchange or a national securi-
12 ties association to exempt a category of issuers
13 from the requirements under this section, as
14 the national securities exchange or the national
15 securities association determines is appropriate.

16 “(B) CONSIDERATIONS.—In determining
17 appropriate exemptions under subparagraph
18 (A), the national securities exchange or the na-
19 tional securities association shall take into ac-
20 count the potential impact of the requirements
21 of this section on smaller reporting issuers.

22 “(g) CONTROLLED COMPANY EXEMPTION.—

23 “(1) IN GENERAL.—This section shall not apply
24 to any controlled company.

1 “(2) DEFINITION.—For purposes of this sec-
2 tion, the term ‘controlled company’ means an
3 issuer—

4 “(A) that is listed on a national securities
5 exchange or by a national securities association;
6 and

7 “(B) that holds an election for the board
8 of directors of the issuer in which more than 50
9 percent of the voting power is held by an indi-
10 vidual, a group, or another issuer.”.

11 (b) STUDY AND REPORT.—

12 (1) STUDY.—The Securities and Exchange
13 Commission shall conduct a study and review of the
14 use of compensation consultants and the effects of
15 such use.

16 (2) REPORT.—Not later than 2 years after the
17 date of the enactment of this Act, the Commission
18 shall submit a report to Congress on the results of
19 the study and review required by this subsection.

20 **SEC. 953. EXECUTIVE COMPENSATION DISCLOSURES.**

21 (a) DISCLOSURE OF PAY VERSUS PERFORMANCE.—
22 Section 14 of the Securities Exchange Act of 1934 (15
23 U.S.C. 78n), as amended by this title, is amended by add-
24 ing at the end the following:

1 “(i) DISCLOSURE OF PAY VERSUS PERFORMANCE.—

2 The Commission shall, by rule, require each issuer to dis-
3 close in any proxy or consent solicitation material for an
4 annual meeting of the shareholders of the issuer a clear
5 description of any compensation required to be disclosed
6 by the issuer under section 229.402 of title 17, Code of
7 Federal Regulations (or any successor thereto), including
8 information that shows the relationship between executive
9 compensation actually paid and the financial performance
10 of the issuer, taking into account any change in the value
11 of the shares of stock and dividends of the issuer and any
12 distributions. The disclosure under this subsection may in-
13 clude a graphic representation of the information required
14 to be disclosed.”.

15 (b) ADDITIONAL DISCLOSURE REQUIREMENTS.—

16 (1) IN GENERAL.—The Commission shall
17 amend section 229.402 of title 17, Code of Federal
18 Regulations, to require each issuer to disclose in any
19 filing of the issuer described in section 229.10(a) of
20 title 17, Code of Federal Regulations (or any suc-
21 cessor thereto)—

22 (A) the median of the annual total com-
23 pensation of all employees of the issuer, except
24 the chief executive officer (or any equivalent po-
25 sition) of the issuer;

1 (B) the annual total compensation of the
2 chief executive officer (or any equivalent posi-
3 tion) of the issuer; and

4 (C) the ratio of the amount described in
5 subparagraph (A) to the amount described in
6 subparagraph (B).

7 (2) TOTAL COMPENSATION.—For purposes of
8 this subsection, the total compensation of an em-
9 ployee of an issuer shall be determined in accordance
10 with section 229.402(c)(2)(x) of title 17, Code of
11 Federal Regulations, as in effect on the day before
12 the date of enactment of this Act.

13 **SEC. 954. RECOVERY OF ERRONEOUSLY AWARDED COM-**
14 **PENSATION.**

15 The Securities Exchange Act of 1934 is amended by
16 inserting after section 10C, as added by section 952, the
17 following:

18 **“SEC. 10D. RECOVERY OF ERRONEOUSLY AWARDED COM-**
19 **PENSATION POLICY.**

20 “(a) LISTING STANDARDS.—The Commission shall,
21 by rule, direct the national securities exchanges and na-
22 tional securities associations to prohibit the listing of any
23 security of an issuer that does not comply with the re-
24 quirements of this section.

1 “(b) **RECOVERY OF FUNDS.**—The rules of the Com-
2 mission under subsection (a) shall require each issuer to
3 develop and implement a policy providing—

4 “(1) for disclosure of the policy of the issuer on
5 incentive-based compensation that is based on finan-
6 cial information required to be reported under the
7 securities laws; and

8 “(2) that, in the event that the issuer is re-
9 quired to prepare an accounting restatement due to
10 the material noncompliance of the issuer with any fi-
11 nancial reporting requirement under the securities
12 laws, the issuer will recover from any current or
13 former executive officer of the issuer who received
14 incentive-based compensation (including stock op-
15 tions awarded as compensation) during the 3-year
16 period preceding the date on which the issuer is re-
17 quired to prepare an accounting restatement, based
18 on the erroneous data, in excess of what would have
19 been paid to the executive officer under the account-
20 ing restatement.”.

21 **SEC. 955. DISCLOSURE REGARDING EMPLOYEE AND DIREC-**
22 **TOR HEDGING.**

23 Section 14 of the Securities Exchange Act of 1934
24 (15 U.S.C. 78n), as amended by this title, is amended by
25 adding at the end the following:

1 “(j) DISCLOSURE OF HEDGING BY EMPLOYEES AND
2 DIRECTORS.—The Commission shall, by rule, require each
3 issuer to disclose in any proxy or consent solicitation mate-
4 rial for an annual meeting of the shareholders of the issuer
5 whether any employee or member of the board of directors
6 of the issuer, or any designee of such employee or member,
7 is permitted to purchase financial instruments (including
8 prepaid variable forward contracts, equity swaps, collars,
9 and exchange funds) that are designed to hedge or offset
10 any decrease in the market value of equity securities—

11 “(1) granted to the employee or member of the
12 board of directors by the issuer as part of the com-
13 pensation of the employee or member of the board
14 of directors; or

15 “(2) held, directly or indirectly, by the employee
16 or member of the board of directors.”.

17 **SEC. 956. ENHANCED COMPENSATION STRUCTURE RE-**
18 **PORTING.**

19 (a) ENHANCED DISCLOSURE AND REPORTING OF
20 COMPENSATION ARRANGEMENTS.—

21 (1) IN GENERAL.—Not later than 9 months
22 after the date of enactment of this title, the appro-
23 priate Federal regulators jointly shall prescribe regu-
24 lations or guidelines to require each covered finan-
25 cial institution to disclose to the appropriate Federal

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1 regulator the structures of all incentive-based com-
2 pensation arrangements offered by such covered fi-
3 nancial institutions sufficient to determine whether
4 the compensation structure—

5 (A) provides an executive officer, employee,
6 director, or principal shareholder of the covered
7 financial institution with excessive compensa-
8 tion, fees, or benefits; or

9 (B) could lead to material financial loss to
10 the covered financial institution.

11 (2) RULES OF CONSTRUCTION.—Nothing in
12 this section shall be construed as requiring the re-
13 porting of the actual compensation of particular in-
14 dividuals. Nothing in this section shall be construed
15 to require a covered financial institution that does
16 not have an incentive-based payment arrangement to
17 make the disclosures required under this subsection.

18 (b) PROHIBITION ON CERTAIN COMPENSATION AR-
19 RANGEMENTS.—Not later than 9 months after the date
20 of enactment of this title, the appropriate Federal regu-
21 lators shall jointly prescribe regulations or guidelines that
22 prohibit any types of incentive-based payment arrange-
23 ment, or any feature of any such arrangement, that the
24 regulators determine encourages inappropriate risks by
25 covered financial institutions—

1 (1) by providing an executive officer, employee,
2 director, or principal shareholder of the covered fi-
3 nancial institution with excessive compensation, fees,
4 or benefits; or

5 (2) that could lead to material financial loss to
6 the covered financial institution.

7 (c) STANDARDS.—The appropriate Federal regu-
8 lators shall—

9 (1) ensure that any standards for compensation
10 established under subsections (a) or (b) are com-
11 parable to the standards established under section of
12 the Federal Deposit Insurance Act (12 U.S.C. 2
13 1831p-1) for insured depository institutions; and

14 (2) in establishing such standards under such
15 subsections, take into consideration the compensa-
16 tion standards described in section 39(e) of the Fed-
17 eral Deposit Insurance Act (12 U.S.C. 1831p- 9
18 1(c)).

19 (d) ENFORCEMENT.—The provisions of this section
20 and the regulations issued under this section shall be en-
21 forced under section 505 of the Gramm-Leach-Bliley Act
22 and, for purposes of such section, a violation of this sec-
23 tion or such regulations shall be treated as a violation of
24 subtitle A of title V of such Act.

25 (e) DEFINITIONS.—As used in this section—

1 (1) the term “appropriate Federal regulator”
2 means the Board of Governors of the Federal Re-
3 serve System, the Office of the Comptroller of the
4 Currency, the Board of Directors of the Federal De-
5 posit Insurance Corporation, the Director of the Of-
6 fice of Thrift Supervision, the National Credit Union
7 Administration Board, the Securities and Exchange
8 Commission, the Federal Housing Finance Agency;
9 and

10 (2) the term “covered financial institution”
11 means—

12 (A) a depository institution or depository
13 institution holding company, as such terms are
14 defined in section 3 of the Federal Deposit In-
15 surance Act (12 U.S.C. 1813);

16 (B) a broker-dealer registered under sec-
17 tion 15 of the Securities Exchange Act of 1934
18 (15 U.S.C. 78o);

19 (C) a credit union, as described in section
20 19(b)(1)(A)(iv) of the Federal Reserve Act;

21 (D) an investment advisor, as such term is
22 defined in section 202(a)(11) of the Investment
23 Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11));

24 (E) the Federal National Mortgage Asso-
25 ciation;

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1 (F) the Federal Home Loan Mortgage
2 Corporation; and

3 (G) any other financial institution that the
4 appropriate Federal regulators, jointly, by rule,
5 determine should be treated as a covered finan-
6 cial institution for purposes of this section.

7 (f) EXEMPTION FOR CERTAIN FINANCIAL INSTITU-
8 TIONS.—The requirements of this section shall not apply
9 to covered financial institutions with assets of less than
10 \$1,000,000,000.

11 **SEC. 957. VOTING BY BROKERS.**

12 Section 6(b) of the Securities Exchange Act of 1934
13 (15 U.S.C. 78f(b)) is amended—

14 (1) in paragraph (9)—

15 (A) in subparagraph (A), by redesignating
16 clauses (i) through (v) as subclauses (I)
17 through (V), respectively, and adjusting the
18 margins accordingly;

19 (B) by redesignating subparagraphs (A)
20 through (D) as clauses (i) through (iv), respec-
21 tively, and adjusting the margins accordingly;

22 (C) by inserting “(A)” after “(9)”; and

23 (D) in the matter immediately following
24 clause (iv), as so redesignated, by striking “As
25 used” and inserting the following:

1 “(B) As used”.

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

3 “(10)(A) The rules of the exchange prohibit
4 any member that is not the beneficial owner of a se-
5 curity registered under section 12 from granting a
6 proxy to vote the security in connection with a
7 shareholder vote described in subparagraph (B), un-
8 less the beneficial owner of the security has in-
9 structed the member to vote the proxy in accordance
10 with the voting instructions of the beneficial owner.

11 “(B) A shareholder vote described in this sub-
12 paragraph is a shareholder vote with respect to the
13 election of a member of the board of directors of an
14 issuer, executive compensation, or any other signifi-
15 cant matter, as determined by the Commission, by
16 rule, and does not include a vote with respect to the
17 uncontested election of a member of the board of di-
18 rectors of any investment company registered under
19 the Investment Company Act of 1940 (15 U.S.C.
20 80b-1 et seq.).

21 “(C) Nothing in this paragraph shall be con-
22 strued to prohibit a national securities exchange
23 from prohibiting a member that is not the beneficial
24 owner of a security registered under section 12 from
25 granting a proxy to vote the security in connection

1 with a shareholder vote not described in subpara-
2 graph (A).”

3 **Subtitle F—Improvements to the**
4 **Management of the Securities**
5 **and Exchange Commission**

6 **SEC. 961. REPORT AND CERTIFICATION OF INTERNAL SU-**
7 **PERVISORY CONTROLS.**

8 (a) ANNUAL REPORTS AND CERTIFICATION.—Not
9 later than 90 days after the end of each fiscal year, the
10 Commission shall submit a report to the Committee on
11 Banking, Housing, and Urban Affairs of the Senate and
12 the Committee on Financial Services of the House of Rep-
13 resentatives on the conduct by the Commission of exami-
14 nations of registered entities, enforcement investigations,
15 and review of corporate financial securities filings.

16 (b) CONTENTS OF REPORTS.—Each report under
17 subsection (a) shall contain—

18 (1) an assessment, as of the end of the most re-
19 cent fiscal year, of the effectiveness of—

20 (A) the internal supervisory controls of the
21 Commission; and

22 (B) the procedures of the Commission ap-
23 plicable to the staff of the Commission who per-
24 form examinations of registered entities, en-