

118TH CONGRESS
2D SESSION

H. R. 7758

To prohibit index funds from investing in Chinese companies, and for other purposes.

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

A BILL

To prohibit index funds from investing in Chinese companies,
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 “No China in Index
5 Funds Act”.

6 **SEC. 2. PROHIBITION.**

7 (a) IN GENERAL.—An index fund may not invest in
8 a Chinese company.

9 (b) DIVESTMENT PERIOD SAFE HARBOR.—With re-
10 spect to an index fund with an investment in a Chinese

1 company on the date of enactment of this Act, subsection
2 (a) shall not apply to such investment during the 180-
3 day period beginning on the date of enactment of this Act.

4 (c) CIVIL PENALTY.—

5 (1) IN GENERAL.—Any person who violates this
6 section shall be subject to a civil penalty in an
7 amount not to exceed the greater of—

8 (A) \$250,000; or

9 (B) an amount that is twice the amount of
10 the transaction that is the basis of the violation
11 with respect to which the penalty is imposed.

12 (2) AMOUNT OF A TRANSACTION DEFINED.—

13 For purposes of paragraph (1)(B), the term
14 “amount of a transaction” means—

15 (A) with respect to a purchase that violates
16 this section, the purchase price; and

17 (B) with respect to the holding of an in-
18 vestment that violates this section, the fair mar-
19 ket value of the investment at the time of the
20 violation.

21 (d) RULEMAKING.—The Securities and Exchange
22 Commission may issue such rules as may be necessary to
23 carry out this section.

24 (e) DEFINITIONS.—In this section:

1 (1) CHINESE COMPANY.—The term “Chinese
2 company” means a company—

3 (A) incorporated or otherwise organized in
4 China;

5 (B) that has a majority of its assets or em-
6 ployees located in China;

7 (C) owned by, controlled by, or subject to
8 the jurisdiction or direction of the government
9 of the People’s Republic of China;

10 (D) where a majority of the company’s
11 value depends on the revenues, profits, market
12 capitalization, assets, or the value of a security
13 (including options to purchase or sell) of a com-
14 pany described under subparagraph (A), (B), or
15 (C), as determined by the Securities and Ex-
16 change Commission; or

17 (E) where a company described under sub-
18 paragraph (A), (B), or (C) has control, as de-
19 fined under section 230.405 of title 17, Code of
20 Federal Regulations, of the company, as deter-
21 mined by the Securities and Exchange Commis-
22 sion.

23 (2) HEDGE FUND.—The term “hedge fund”
24 means an issuer that would be an investment com-
25 pany but for paragraph (1) or (7) of section 3(c) of

1 the Investment Company Act of 1940 (15 U.S.C.
2 80a-3(e)).

3 (3) INDEX FUND.—The term “index fund”
4 means an investment company or hedge fund that is
5 designed to track an index of securities or a portion
6 of such an index.

7 (4) INVESTMENT COMPANY.—The term “invest-
8 ment company” has the meaning given that term
9 under section 3 of the Investment Company Act of
10 1940 (15 U.S.C. 80a-3).

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