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To prevent the funding of malign activities of the Chinese Communist Party through the sale of “A-Shares” on certain securities exchanges controlled by the Chinese Communist Party by prohibiting the purchase, sale, and ownership of such securities by United States investors, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2024

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To prevent the funding of malign activities of the Chinese Communist Party through the sale of “A-Shares” on certain securities exchanges controlled by the Chinese Communist Party by prohibiting the purchase, sale, and ownership of such securities by United States investors, 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 “Stop Funding the CCP
5 through A-Shares Act”.

1 **SEC. 2. FINDINGS; PURPOSES.**

2 (a) BASIS OF FINDINGS.—The findings set forth in
3 subsection (b) are based on facts disclosed by—

4 (1) Executive Order 13959, Executive Order
5 13974, and Executive Order 14032 (50 U.S.C. 1701
6 note; relating to addressing the threat from securi-
7 ties investments that finance certain companies of
8 the People’s Republic of China);

9 (2) the record and reports of—

10 (A) the United States-China Economic and
11 Security Review Commission with respect to the
12 national security implications of the bilateral
13 economic and financial relationship between the
14 United States and the People’s Republic of
15 China under section 1238(b)(2) of the Floyd D.
16 Spence National Defense Authorization Act for
17 Fiscal Year 2001 (as enacted into law by Public
18 Law 106–398; 22 U.S.C. 7002(b)(2));

19 (B) the Congressional-Executive Commis-
20 sion on the People’s Republic of China with re-
21 spect to the acts of the People’s Republic of
22 China that reflect compliance with or violation
23 of human rights and the development of the
24 rule of law in the People’s Republic of China
25 under title III of the U.S.-China Relations Act
26 of 2000 (22 U.S.C. 6911 et seq.); and

1 (3) the annual threat assessment of the intel-
2 ligence community under section 108B of the Na-
3 tional Security Act of 1947 (50 U.S.C. 3043b);

4 (4) the annual report of the Department of De-
5 fense on military and security developments involv-
6 ing the People’s Republic of China under section
7 1202 of the National Defense Authorization Act for
8 Fiscal Year 2000 (Public Law 106–65; 10 U.S.C.
9 113 note);

10 (5) the annual Country Reports on Human
11 Rights Practices of the Department of State; and

12 (6) facts otherwise disclosed and ascertained.

13 (b) FINDINGS.—Congress finds that investments in
14 securities listed on certain securities exchanges in the Peo-
15 ple’s Republic of China adversely affect the public interest
16 of the United States and the interest of United States in-
17 vestors, in that, among other things—

18 (1) the ideology, goals, and actions of the Chi-
19 nese Communist Party are inimical to the national
20 security, economic security, fundamental values, and
21 liberty of the United States and citizens of the
22 United States;

23 (2) all governmental, economic, business, and
24 social institutions in the People’s Republic of China
25 are effectively instrumentalities of the Chinese Com-

1 munist Party, as reflected in the Party’s charter,
2 which states, “Government, the military, society and
3 schools, north, south, east and west—the party leads
4 them all”, and are utilized by the Chinese Com-
5 munist Party to achieve its goals, paramount among
6 which are staying in power and vanquishing the
7 United States as the world’s leading superpower;

8 (3) among those institutions is the People’s
9 Liberation Army, an instrumentality of the Chinese
10 Communist Party reporting to the Central Military
11 Commission of the Chinese Communist Party;

12 (4) the core mission of the People’s Liberation
13 Army is to sustain the Chinese Communist Party’s
14 grip on power, as was demonstrated by the Chinese
15 Communist Party’s use of the People’s Liberation
16 Army in putting down the pro-democracy dem-
17 onstrations of 1989;

18 (5) the Chinese Communist Party is actively
19 undermining the national security of the United
20 States through a massive buildup of the military ca-
21 pabilities of the People’s Liberation Army and in-
22 creasingly aggressive actions by military and para-
23 military actors;

24 (6) the Chinese Communist Party supports the
25 buildup of those capabilities through a program of

1 “military-civil fusion” under which Chinese compa-
2 nies and researchers must share technology and
3 equipment with the Chinese military, with the goal
4 of ensuring that the People’s Liberation Army
5 achieves global military dominance by 2049;

6 (7) those companies, known as Chinese military
7 industrial-complex companies, although often rep-
8 resenting themselves as private and civilian, are, in
9 fact, directly supporting the Chinese Communist
10 Party’s military, intelligence, and security
11 apparatuses and providing aid in their development
12 and modernization;

13 (8) the Chinese military industrial-complex
14 companies raise substantial capital by selling securi-
15 ties to United States institutional and individual in-
16 vestors;

17 (9) the Chinese military industrial-complex
18 companies increasingly do so by listing their securi-
19 ties for sale on the Shanghai and Shenzhen stock ex-
20 changes, which are self-proclaimed instrumentalities
21 of the Chinese Communist Party and are regulated
22 by the China Securities Regulatory Commission,
23 which is also an instrumentality of the Chinese Com-
24 munist Party, and securities so listed are commonly
25 referred to as “A-Shares”;

1 (10) in addition to Chinese military industrial-
2 complex companies, those exchanges are replete with
3 listings of securities of—

4 (A) Chinese military industrial-complex
5 companies not included on United States sanc-
6 tions lists;

7 (B) subsidiaries of such companies that
8 are not included on United States sanctions
9 lists;

10 (C) companies denied access to United
11 States technology and equipment because those
12 entities support the development, production,
13 and deployment of military items for use by
14 military end-users, including the Chinese armed
15 forces, national guard, national police, and gov-
16 ernment intelligence organizations;

17 (D) companies specializing in advanced
18 weapons technologies that represent an unusual
19 and extraordinary threat to the national secu-
20 rity of the United States;

21 (E) companies managing the People's Re-
22 public of China's nuclear weapons program and
23 the expansion of that program;

1 (F) companies building the People's Lib-
2 eration Army Air Force's next-generation fight-
3 ers and bombers;

4 (G) companies central to the People's Re-
5 public of China's naval buildup of aircraft car-
6 riers, surface ships, and submarines;

7 (H) companies conducting the construction
8 and militarization of artificial islands in the
9 South China Sea; and

10 (I) companies involved in the development
11 and use of surveillance technology to facilitate
12 repression and egregious human rights abuses
13 and advance the ideology and strategic goals of
14 the Chinese Communist Party domestically and
15 internationally;

16 (11) investment of United States capital by
17 United States investors in the securities of compa-
18 nies listed on those exchanges has increased dra-
19 matically through the inclusion of those securities in
20 indices published by major index providers and in in-
21 vestment products tracking those indexes offered by
22 the most prominent asset managers in the United
23 States;

24 (12) investment of United States capital by
25 United States investors through those exchanges in

1 the securities of those companies, which directly sup-
2 port the efforts of the military, intelligence, and
3 other security apparatuses of the People’s Republic
4 of China, and in other entities indirectly contrib-
5 uting to the development of these apparatuses by
6 their contribution to the country’s economy, presents
7 an unusual and extraordinary threat to the national
8 security, foreign policy, United States investor com-
9 munity, and economy of the United States, consti-
10 tuting a national emergency;

11 (13) investment of United States capital by
12 United States investors in securities listed on those
13 exchanges also supports, both indirectly through
14 general economic support, and directly through the
15 operations of specific companies, the Chinese Com-
16 munist Party’s ongoing engagement of widespread,
17 systematic, and egregious violations of human
18 rights, including—

19 (A) pursuit of a relentless campaign
20 against the Uyghurs in the Xinjiang Uyghur
21 Autonomous Region in the western People’s Re-
22 public of China, characterized by the United
23 States Department of State as one of genocide,
24 involving forced labor, rape, compulsory steri-
25 lization, and organ harvesting, all of which con-

1 tinue, despite the enactment of the Act entitled
2 “An Act to ensure that goods made with forced
3 labor in the Xinjiang Autonomous Region of the
4 People’s Republic of China do not enter the
5 United States market, and for other purposes”,
6 approved December 23, 2021 (Public Law 117–
7 78; 135 Stat. 1525) (commonly referred to as
8 the “Uyghur Forced Labor Prevention Act”),
9 which was intended to block goods made with
10 Uyghur forced labor from entering the United
11 States;

12 (B) continued pursuit of the decades-long
13 campaign to eradicate Tibet’s unique religious,
14 ethnic, cultural, and linguistic identity, with Ti-
15 betans living in a virtual police state and facing
16 severe restrictions of their human rights and
17 fundamental freedoms, including freedom of re-
18 ligion or belief;

19 (C) pursuit of a 5-year plan to bring all re-
20 ligious doctrine and practice in line with Com-
21 munist Party doctrine, including forbidding
22 youth from participating in religious activities
23 and implementation of mass detention camps
24 that indoctrinate detainees in Chinese Com-
25 munist Party ideology and force renunciation of

1 faith and subjecting individuals found violating
2 the laws and regulations controlling religion to
3 harassment, surveillance, interrogation, arrest,
4 beatings, sentences to prison, detention, or dis-
5 appearance;

6 (D) strict control of all domestic news re-
7 porting and the telecommunications infrastruc-
8 ture, ensuring that only information matching
9 the Chinese Communist Party's desired nar-
10 rative is shared, through the blocking of
11 websites, mass deletion of posts and user ac-
12 counts, and imposition of severe punishment on
13 those who dare speak out;

14 (E) arbitrary arrest of those who do not
15 conform to Chinese Communist Party ideology,
16 with those brave enough to speak out subject to
17 prolonged and secret detention without access
18 to legal counsel or the ability to communicate
19 with their families, and the use of such arrests
20 and the terror they deliberately instill as tools
21 in the Chinese Communist Party's arsenal to
22 maintain unchallenged power over people;

23 (F) operation of a factory system in which
24 occupational safety and health violations are
25 prevalent and working and living conditions in

1 factories with adjacent dormitories are tanta-
2 mount to forced labor camps, including, in the
3 Xinjiang Uyghur Autonomous Region, the sub-
4 sidization by the Chinese Communist Party of
5 Chinese companies to set up factories near de-
6 tention camps in the region and to transfer
7 camp victims and others from rural areas to
8 factories in other parts of the region and
9 throughout the People’s Republic of China to
10 work as forced labor under the guise of “voca-
11 tional training” and “poverty alleviation” pro-
12 grams; and

13 (G) imposition of a similar regime of sys-
14 temic repression on the people of Hong Kong,
15 in violation of promises to the contrary, includ-
16 ing enactment of draconian national security
17 legislation that provides for up to life in prison
18 for the ambiguously defined crimes of secession,
19 subversion, terrorism, and collusion with foreign
20 powers, removal of books critical of the Chinese
21 Communist Party from bookstore and library
22 shelves, banning democratic political slogans,
23 and requiring schools to enforce censorship of
24 teachers and students;

1 (14) investment of United States capital by
2 United States investors in securities listed on ex-
3 changes described in paragraph (9) also benefits
4 companies engaged in or benefitting from the Chi-
5 nese Communist Party's implementation, through
6 instrumentalities it controls, of unfair and malicious
7 economic and commercial practices, including—

8 (A) intellectual property theft and coerced
9 transfer of intellectual property in exchange for
10 market access;

11 (B) abuse of international trade rules and
12 fora;

13 (C) campaigns to monopolize targeted in-
14 dustries and destroy competitors via state sub-
15 sidization of capital and inputs, import protec-
16 tions and export incentives, and exploitation of
17 labor and the environment;

18 (D) appropriation of fishery and mineral
19 rights of other countries through means of in-
20 timidation and coercion by military and para-
21 military actors; and

22 (E) international exploitation and destruc-
23 tion of mineral and fishery resources, and asso-
24 ciated labor abuses; and

1 (15) investment of United States capital by
2 United States investors in securities listed on those
3 exchanges also poses a substantial, and intolerable,
4 risk to United States investors arising from—

5 (A) the refusal of the China Securities
6 Regulatory Commission to accept normal ac-
7 counting standards in its capital markets for
8 any securities, preventing third-party auditors
9 from knowing whether a Chinese company is
10 adhering to the generally accepted accounting
11 principles guidelines required of securities trad-
12 ed on United States stock exchanges; and

13 (B) the failure of Chinese publicly traded
14 companies to engage in adequate material risk
15 disclosure, publish their financial information,
16 implement the rule of law, and adopt accepted
17 corporate governance standards.

18 (c) PURPOSES.—The purposes of this Act are to miti-
19 gate and, to the extent feasible, to eliminate the conditions
20 described in subsection (b), which adversely affect the pub-
21 lic interest of the United States and the interests of
22 United States investors.

23 **SEC. 3. PROHIBITED ACTS.**

24 (a) DEFINITIONS.—In this section:

1 (1) ACTING IN A PROFESSIONAL CAPACITY.—

2 The term “acting in a professional capacity” in-
3 cludes acting as—

4 (A) a member (as defined in section
5 3(a)(3)(A) of the Securities Exchange Act of
6 1934 (15 U.S.C. 78c(a)(3)(A))) of a national
7 securities exchange;

8 (B) a member (as defined in section
9 3(a)(3)(B) of the Securities Exchange Act of
10 1934 (15 U.S.C. 78c(a)(3)(B))) of a registered
11 securities association; or

12 (C) an associated person of a member (as
13 defined in section 3(a) of the Securities Ex-
14 change Act of 1934 (15 U.S.C. 78c(a))) de-
15 scribed in subparagraph (A) or (B).

16 (2) ASSIGNMENT.—The term “assignment” has
17 the meaning given the term in section 2(a) of the In-
18 vestment Company Act of 1940 (15 U.S.C. 80a-
19 2(a)).

20 (3) COMMERCE.—The term “commerce” has
21 the meaning given the term in section 4 of the Fed-
22 eral Trade Commission Act (15 U.S.C. 44).

23 (4) COVERED EXCHANGE.—The term “covered
24 exchange” means—

1 (A) the Shanghai Stock Exchange (or any
2 subsidiary of that exchange);

3 (B) the Shenzhen Stock Exchange (or any
4 subsidiary of that exchange);

5 (C) the Beijing Stock Exchange (or any
6 subsidiary of that exchange); or

7 (D) any other national exchange, or sub-
8 sidiary of such an exchange, that is subject to
9 the influence or control of the Party Committee
10 of the China Securities Regulatory Commission,
11 other than the Stock Exchange of Hong Kong.

12 (5) COVERED SECURITY.—The term “covered
13 security” means a security that—

14 (A) as of the date on which a covered
15 transaction is executed with respect to the secu-
16 rity, is listed on a covered exchange;

17 (B) is derivative of a security described in
18 subparagraph (A); or

19 (C) is designed to provide investment expo-
20 sure to a security described in subparagraph
21 (A).

22 (6) COVERED TRANSACTION.—The term “cov-
23 ered transaction” means a purchase, sale, or assign-
24 ment.

1 (7) ENGAGE IN.—The term “engage in”, with
2 respect to a transaction, means to order, approve, or
3 otherwise perform any act in furtherance of that
4 transaction.

5 (8) PURCHASE; SALE; SECURITY.—The terms
6 “purchase”, “sale”, and “security” have the mean-
7 ings given those terms in section 3(a) of the Securi-
8 ties Exchange Act of 1934 (15 U.S.C. 78c(a)).

9 (9) U.S. PERSON.—The term “U.S. person”
10 has the meaning given the term in section 120.62 of
11 title 22, Code of Federal Regulations, or any suc-
12 cessor regulation.

13 (10) WILLFULLY.—The term “willfully”, with
14 respect to an action, means that the action is taken
15 voluntarily and intentionally in violation of a known
16 legal duty.

17 (b) PROHIBITION.—

18 (1) IN GENERAL.—Except for the purposes of
19 complying with paragraph (2), beginning on the date
20 of enactment of this Act, it shall be unlawful for any
21 U.S. person to make use of the mails or any means
22 or instrumentality of commerce to engage in a cov-
23 ered transaction with respect to a covered security.

24 (2) DIVESTMENT REQUIRED.—Not later than
25 180 days after the date of enactment of this Act,

1 each U.S. person shall divest of all covered securities
2 held by the U.S. person.

3 (c) PENALTIES.—A U.S. person that violates, at-
4 tempts to violate, conspires to violate, or causes a violation
5 of this section shall be subject to any of the following pen-
6 alties:

7 (1) A civil penalty in an amount not to exceed
8 the greater of—

9 (A) \$250,000; or

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

14 (2) With respect to a U.S. person that willfully
15 violates, willfully attempts to violate, willfully con-
16 spires to violate, or willfully aids or abets in the
17 commission of a violation of this section, a criminal
18 penalty as follows:

19 (A) If that U.S. person is an individual not
20 acting in a professional capacity, a fine of not
21 more than \$1,000,000, a term of imprisonment
22 of not more than 5 years, or both.

23 (B) If that U.S. person is an individual
24 acting in a professional capacity, a fine of not

1 more than \$5,000,000, a term of imprisonment
2 of not more than 20 years, or both.

3 (C)(i) If that U.S. person is an organiza-
4 tion, including any entity described in clause
5 (ii), a fine of not more than \$25,000,000.

6 (ii) An entity described in this clause is
7 any of the following:

8 (I) An investment company, as de-
9 fined in section 3 of the Investment Com-
10 pany Act of 1940 (15 U.S.C. 80a-3).

11 (II) A bank, broker, dealer, exchange,
12 insurance company, investment banker, un-
13 derwriter, savings and loan association,
14 business development company, commodity
15 pool, commodity pool operator, commodity
16 trading advisor, major swap participant,
17 swap dealer, or swap execution facility, as
18 those terms are defined in section 2(a) of
19 the Investment Company Act of 1940 (15
20 U.S.C. 80a-2(a)).

21 (III) An investment adviser, as de-
22 fined in section 202(a) of the Investment
23 Advisers Act of 1940 (15 U.S.C. 80b-
24 2(a)).

1 (IV) A market intermediary, as de-
2 fined in section 3(c)(2)(B)(i) of the Invest-
3 ment Company Act of 1940 (15 U.S.C.
4 80a-3(c)(2)(B)(i)).

5 (V) A fund described in section
6 3(c)(10)(B) of the Investment Company
7 Act of 1940 (15 U.S.C. 80a-3(c)(10)(B)).

8 (VI) A qualified pension, profit-shar-
9 ing, or stock bonus plan described in sec-
10 tion 401 of the Internal Revenue Code of
11 1986.

12 (VII) An individual retirement ac-
13 count, as defined in section 408(a) of the
14 Internal Revenue Code of 1986.

15 (VIII) A tax credit employee stock
16 ownership plan, as defined in section
17 409(a) of the Internal Revenue Code of
18 1986.

19 **SEC. 4. REPORTS TO CONGRESS.**

20 (a) IN GENERAL.—In accordance with subsection (b),
21 the Secretary of the Treasury, in consultation with the
22 Secretary of Commerce, the Secretary of State, the Sec-
23 retary of Defense, the Assistant to the President for Na-
24 tional Security Affairs, and the Director of National Intel-

1 lidence, shall submit to Congress a report on, for the pe-
 2 riod covered by the report—

3 (1) the extent of mitigation and elimination of
 4 the conditions described in section 2(b); and

5 (2) the extent of the occurrence of the condi-
 6 tions described in section 2(b) with respect to securi-
 7 ties listed on the Stock Exchange of Hong Kong.

8 (b) FREQUENCY OF SUBMISSION.—The Secretary of
 9 the Treasury shall submit to Congress a report described
 10 in subsection (a)—

11 (1) not later than 90 days after the date of en-
 12 actment of this Act;

13 (2) not later than 180 days after the date of
 14 enactment of this Act; and

15 (3) once every 180 days after the date on which
 16 the Secretary submits the report required under
 17 paragraph (2) of this subsection.

18 **SEC. 5. ANNUAL REPORT ON UNITED STATES PORTFOLIO**
 19 **INVESTMENTS IN THE PEOPLE’S REPUBLIC**
 20 **OF CHINA.**

21 (a) DEFINITIONS.—In this section:

22 (1) CHINESE ENTITY.—The term “Chinese en-
 23 tity” means an entity organized under the laws of
 24 the People’s Republic of China or otherwise subject

1 to the jurisdiction of the Government of the People’s
2 Republic of China.

3 (2) UNITED STATES PERSON.—The term
4 “United States person” means—

5 (A) a United States citizen or an alien law-
6 fully admitted for permanent residence to the
7 United States; or

8 (B) an entity organized under the laws of
9 the United States or any jurisdiction within the
10 United States, including a foreign branch of
11 such an entity.

12 (b) REPORT.—Not later than 1 year after the date
13 of enactment of this Act, and annually thereafter, the Sec-
14 retary of the Treasury shall submit to Congress a report
15 on portfolio investments by United States persons in the
16 People’s Republic of China, including such investments
17 routed through a jurisdiction outside the United States.

18 (c) ELEMENTS.—Each report required by subsection
19 (b) shall include an assessment of the involvement of the
20 following in portfolio investments in the People’s Republic
21 of China:

22 (1) United States persons making such invest-
23 ments, including an assessment of—

1 (A) the types of United States persons
2 making such investments, including State pen-
3 sion funds; and

4 (B) United States persons making more
5 than 2 percent of the total of such investments
6 in a year.

7 (2) Chinese entities receiving such investments,
8 including an assessment of—

9 (A) such entities in individual sectors of
10 the economic of the People’s Republic of China,
11 including the housing sector;

12 (B) any Chinese entities subject to sanc-
13 tions imposed by the United States receiving
14 such investments; and

15 (C) Chinese entities that receive more than
16 \$100,000,000 from such investments.

17 (d) PERIOD COVERED.—The period covered by a re-
18 port required by subsection (b) shall be—

19 (1) in the case of the first such report, the pe-
20 riod beginning on January 1, 2008, and ending on
21 the date of the report; and

22 (2) in the case of each subsequent such report,
23 the 1-year period preceding submission of the report.

1 **SEC. 6. COORDINATION.**

2 (a) IN GENERAL.—The Secretary of the Treasury
3 and the Securities and Exchange Commission may coordi-
4 nate to carry out this Act.

5 (b) COORDINATION ON IMPOSITION OF CRIMINAL
6 PENALTIES.—For the purposes of carrying out section
7 3(c)(2), the Secretary of the Treasury and the Securities
8 and Exchange Commission may coordinate with the Attor-
9 ney General.

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