

# The American Financial Markets Integrity and Security Act

## Senator Marco Rubio (R-FL)

**The American Financial Markets Integrity and Security Act protects American investors and the health of U.S. capital markets by prohibiting Chinese military companies and firms on the Department of Commerce Entity List from accessing U.S. capital markets.**

In June 2020, the United States Department of Defense publicly released an initial list of 20 Chinese companies operating in the United States with ties to the People's Liberation Army (PLA). In August, DOD expanded on this list by including additional companies. These lists include Chinese state-owned and controlled companies with extensive military ties, including weapons manufacturing and proliferation, building and militarizing artificial islands in the South China Sea, and other malicious behavior. Several of the firms listed are also involved in repression and human rights abuses, such as the Chinese government's state-sponsored ethnic cleansing of the Turkic Muslim populations in Xinjiang. These firms directly access U.S. capital markets through listings on American securities exchanges, inclusion in index and retirement funds, and various other means. This legislation will defend American national and industrial security, the integrity of our capital markets, and the interests of U.S. investors by cutting access to American capital markets for these malign actors, as well as companies on the Department of Commerce Entity List.

- 1. Definition of a covered company:** The parent, subsidiary, affiliate of, or an entity controlled by, a company listed on the Department of Defense list of Communist Chinese military companies or the Department of Commerce Entity List.
- 2. Prohibitions related to covered companies:** The legislation enacts the following prohibitions subject to grace periods for compliance.
  - **Listing and trading on a U.S. securities exchange-** A covered company may not or trade on a U.S. security exchange or through any other method that is within the regulatory jurisdiction of the Securities and Exchange Commission (SEC), including through "over-the-counter" trading of securities.
  - **Investment companies-** Prohibits investment companies, as well as "private investment companies," as defined in the Investment Act of 1940, from investing in covered companies. This includes index funds, mutual funds, and others.
  - **Use of federal funds-** No federal funds may be used to enter into, extend, or renew a contract or purchasing agreement with a covered entity.
    - Includes a limited national security waiver.
  - **Investments by insurance companies-** Prohibits insurance companies from investing in covered companies.
    - Includes a requirement for annual certification of compliance to Treasury.
    - Charges the Secretary of Treasury with minimizing the reporting burden.
  - **Retirement funds-** Removes the tax-exempt status for qualified trusts that invest in covered entities and prohibits IRAs from investing in covered entities. Clarifies that no fiduciary shall invest a plan's assets in a covered entity.
- 3. Updates the process for addition and removal of firms to list of covered companies:** Allows the Secretary of Commerce and Director of National Intelligence in addition to the Secretary of Defense to add entities to the list of Communist Chinese military companies and requires agreement from all three to remove a company from the list.
- 4. DoD study on the financial ambitions of the People's Republic of China:** Requires the Office of Commercial and Economic Analysis of the Air Force to analyze the financial ambitions of the Government of the People's Republic of China related to U.S. capital markets and U.S. dollar inflows.