

HR 6427

Creating Financial Prosperity for Businesses and Investors Act

Congress: 114 (2015–2017, Ended)

Chamber: House

Policy Area: Finance and Financial Sector

Introduced: Dec 2, 2016

Current Status: Received in the Senate.

Latest Action: Received in the Senate. (Dec 6, 2016)

Official Text: <https://www.congress.gov/bill/114th-congress/house-bill/6427>

Sponsor

Name: Rep. Garrett, Scott [R-NJ-5]

Party: Republican • **State:** NJ • **Chamber:** House

Cosponsors (10 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Carney, John C., Jr. [D-DE-At Large]	D · DE		Dec 2, 2016
Rep. Duffy, Sean P. [R-WI-7]	R · WI		Dec 2, 2016
Rep. Huizenga, Bill [R-MI-2]	R · MI		Dec 2, 2016
Rep. Hurt, Robert [R-VA-5]	R · VA		Dec 2, 2016
Rep. Luetkemeyer, Blaine [R-MO-3]	R · MO		Dec 2, 2016
Rep. McHenry, Patrick T. [R-NC-10]	R · NC		Dec 2, 2016
Rep. Neugebauer, Randy [R-TX-19]	R · TX		Dec 2, 2016
Rep. Poliquin, Bruce [R-ME-2]	R · ME		Dec 2, 2016
Rep. Schweikert, David [R-AZ-6]	R · AZ		Dec 2, 2016
Rep. Velazquez, Nydia M. [D-NY-7]	D · NY		Dec 2, 2016

Committee Activity

Committee	Chamber	Activity	Date
Financial Services Committee	House	Referred To	Dec 2, 2016

Subjects & Policy Tags

Policy Area:

Finance and Financial Sector

Related Bills

Bill	Relationship	Last Action
114 HR 5983	Related bill	Dec 20, 2016: Placed on the Union Calendar, Calendar No. 693.
114 HR 3784	Related bill	Dec 16, 2016: Became Public Law No: 114-284.
114 S 3467	Related bill	Sep 29, 2016: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
114 S 3453	Related bill	Sep 28, 2016: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (Sponsor introductory remarks on measure: CR S6238; text of measure as introduced: CR S6238)
114 HR 5322	Related bill	Jul 12, 2016: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
114 HR 5485	Related bill	Jul 12, 2016: Received in the Senate. Read twice. Placed on Senate Legislative Calendar under General Orders. Calendar No. 557.
114 HR 4854	Related bill	Jul 6, 2016: Received in the Senate.
114 HR 4855	Related bill	Jul 6, 2016: Received in the Senate.
114 S 2867	Related bill	Jun 14, 2016: Committee on Banking, Housing, and Urban Affairs. Hearings held. Hearings printed: S.Hrg. 114-450.
114 HR 4168	Related bill	Feb 3, 2016: Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 361.
114 HR 2187	Related bill	Feb 2, 2016: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

(This measure has not been amended since it was introduced. The summary has been expanded because action occurred on the measure.)

Creating Financial Prosperity for Businesses and Investors Act

TITLE I--SMALL BUSINESS CAPITAL FORMATION ENHANCEMENT

(Sec. 101) This bill amends the Small Business Investment Incentive Act of 1980 to require the Securities and Exchange Commission (SEC) to issue a public statement, and disclose any actions it intends to take, each time its annual government-business forum submits findings or recommendations regarding the current status of problems and programs relating to small business capital formation.

TITLE II--SEC SMALL BUSINESS ADVOCATE

(Sec. 201) This title amends the Securities Exchange Act of 1934 to establish within the SEC an Office of the Advocate for Small Business Capital Formation and a Small Business Capital Formation Advisory Committee.

The Advocate for Small Business Capital Formation shall:

- assist small businesses and small business investors in resolving significant problems they may have with the SEC or with self-regulatory organizations;
- identify areas in which such businesses and investors would benefit from changes in SEC regulations or the rules of such organizations;
- identify problems that small businesses have with securing access to capital, including any unique challenges to minority-owned and women-owned small businesses;
- analyze the potential impact on such businesses and investors of proposed SEC regulations and proposed rules that are likely to have a significant economic impact on small businesses and small business capital formation;
- conduct outreach to such businesses and investors to solicit views on relevant capital formation issues;
- propose to the SEC changes in its regulations or orders, and propose to Congress legislative, administrative, or personnel changes, to mitigate problems identified and to promote the interests of such businesses and investors;
- consult with the Investor Advocate on such proposals and advise the Investor Advocate on small business-related issues;
- submit annual reports on its activities to specified congressional committees; and
- be responsible for planning, organizing, and executing the annual government-business forum on small business capital formation.

The Small Business Capital Formation Advisory Committee shall provide the SEC with advice on SEC rules, regulations, and policies regarding its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as they relate to:

- capital raising by emerging, privately held small businesses and publicly traded companies with less than \$250 million in public market capitalization through securities offerings;
- trading in the securities of such businesses and companies; and
- public reporting and corporate governance requirements of such businesses and companies.

The SEC shall assess the committee's recommendations and disclose any action it intends to take with respect to such recommendations.

TITLE III--SUPPORTING AMERICA'S INNOVATORS

(Sec. 301) This title amends the Investment Company Act of 1940 to increase from 100 to 250 the limit on the number of people who may own securities in certain venture capital funds before the issuer is required to register as an investment company.

Under current law, an issuer is exempt from requirements to register as an investment company if its outstanding securities (other than short-term paper) are beneficially owned by not more than 100 persons and it is not making a public offering. The bill revises this exemption to allow a special category of venture capital funds (with no more than \$10 million in invested capital, adjusted annually for inflation) to remain exempt from these registration requirements until they have more than 250 persons who own their securities.

TITLE IV--FIX CROWDFUNDING

(Sec. 401) This title amends the Securities Act of 1933 and the Investment Company Act of 1940 to allow crowdfunding issuers to sell shares through a special purpose entity known as a crowdfunding vehicle, and exempt them from registering as investment companies, if their crowdfunding vehicle is a company that:

- has purposes limited to acquiring, holding, and disposing securities issued by a single company in one or more transactions and made pursuant to crowdfunding exemption transaction requirements;
- issues only one class of securities;
- receives no compensation for such acquisition, holding, or disposition of securities;
- is a co-issuer with the company whose securities it holds; and
- meets specified requirements related to disclosure obligations and the use of investment advisers.

(Crowdfunding is a method of capital formation in which groups of people pool money, typically composed of small individual contributions, and often via Internet platforms, either to invest in a company or to support an effort by others to accomplish a specific goal.)

(Sec. 402) The bill amends the Securities Exchange Act of 1934 to revise the conditions upon which the SEC shall exempt securities issued in crowdfunding transactions from SEC registration requirements.

Under current law, holders of crowdfunded shares do not count toward the shareholder threshold beyond which an issuer is required to register its securities with the SEC, provided that the issuer: (1) is current in its annual reporting obligations, (2) retains the services of a registered transfer agent, and (3) has less than \$25 million in assets. The bill maintains this exemption but removes and replaces the conditions upon which it applies. Specifically, holders of crowdfunded shares shall not count toward the shareholder threshold if the issuer has: (1) a public float of less than \$75 million, and (2) annual revenues of less than \$50 million.

TITLE V--FAIR INVESTMENT OPPORTUNITIES FOR PROFESSIONAL EXPERTS

(Sec. 501) This title amends the Securities Act of 1933 to qualify as accredited investors four categories of natural persons:

- whose individual net worth, or joint net worth with his or her spouse, exceeds \$1 million (adjusted every five years

for inflation);

- whose individual income exceeded \$200,000 in each of the two most recent years, or whose joint income with spouse exceeded \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year;
- who are currently licensed or registered as a broker or investment adviser by the SEC, the Financial Industry Regulatory Authority (FINRA) (or an equivalent self-regulatory organization), or a state division responsible for licensing or registration of individuals in connection with securities activities; or
- whose demonstrable education or job experience qualifies as professional knowledge of a subject related to a particular investment, and whose education or job experience is verified by the FINRA or an equivalent self-regulatory organization.

For purposes of the first category of net worth qualifications, a person's net worth shall exclude:

- the person's primary residence; and
- as a liability any indebtedness secured by the primary residence, up to the estimated fair market value of the residence at the time of the sale of securities.

Indebtedness secured by the person's primary residence in excess of the residence's estimated fair market value at the time of the sale of securities, however, shall be included in net worth as a liability.

TITLE VI--U.S. TERRITORIES INVESTOR PROTECTION

(Sec. 601) This title amends the Investment Company Act of 1940 to repeal the exemption from its coverage of investment companies created under the laws of Puerto Rico, the Virgin Islands, or any other U.S. possession.

Actions Timeline

- **Dec 6, 2016:** Received in the Senate.
- **Dec 5, 2016:** Mr. Garrett moved to suspend the rules and pass the bill.
- **Dec 5, 2016:** Considered under suspension of the rules. (consideration: CR H7152-7156)
- **Dec 5, 2016:** DEBATE - The House proceeded with forty minutes of debate on H.R. 6427.
- **Dec 5, 2016:** At the conclusion of debate, the Yeas and Nays were demanded and ordered. Pursuant to the provisions of clause 8, rule XX, the Chair announced that further proceedings on the motion would be postponed.
- **Dec 5, 2016:** Considered as unfinished business. (consideration: CR H7176-7177)
- **Dec 5, 2016:** Passed/agreed to in House: On motion to suspend the rules and pass the bill Agreed to by the Yeas and Nays: (2/3 required): 391 - 2 (Roll no. 602). (text: CR H7152-7154)
- **Dec 5, 2016:** On motion to suspend the rules and pass the bill Agreed to by the Yeas and Nays: (2/3 required): 391 - 2 (Roll no. 602). (text: CR H7152-7154)
- **Dec 5, 2016:** Motion to reconsider laid on the table Agreed to without objection.
- **Dec 2, 2016:** Introduced in House
- **Dec 2, 2016:** Referred to the House Committee on Financial Services.