Capito
Cárdenas
Carter
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Denham
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DeSantis
DesJarlais
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Duckworth
Duffy
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Ellmers
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Fleischmann
Fleming
Flores
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Fortenberry
Foxx
Franks (AZ)
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Gardner
Garrett
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Gibbs
Gibson
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Goodlatte
Gosar
Gowdy
Granger
Graves (GA)
Griffin (AR)
Griffith (VA)
Grimm
Guthrie
Hall
Hanna
Harper
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Lamborn
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Latta
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McAllister
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Salmon
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Shimkus
Shuster
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Sinema
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Smith (NE)
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Smith (TX)
Southerland
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Stutzman
Terry
Thompson (PA)
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Tiberi
Tipton
Turner
Upton
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Wagner
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Slaughter
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Takano
Thompson (CA)
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Tierney
Titus
Tonko
Tsongas
Van Hollen
Vargas
Veasey
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Miller, Gary
Radel
Reed
Rush
Sires
Stockman

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). There are 2 minutes remaining.

□ 1434

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. GINGREY of Georgia. Mr. Speaker, on rollcall No. 618 on ordering the previous question on H. Res. 429, providing consideration of the bills H.R. 1105—the Small Business Capital Access and Job Preservation Act—and H.R. 3309—the Innovation Act—I am not recorded due to a family medical emergency. Had I been present. I would have voted "yea."

Mr. Speaker, on rollcall No. 619 on adoption of H. Res. 429, providing consideration of the bills H.R. 1105—the Small Business Capital Access and Job Preservation Act—and H.R. 3309—the Innovation Act—I am not recorded due to a family medical emergency. Had I been present, I would have voted "yea."

SMALL BUSINESS CAPITAL ACCESS AND JOB PRESERVATION ACT

Mr. HENSARLING. Mr. Speaker, pursuant to House Resolution 429, I call up the bill (H.R. 1105) to amend the Investment Advisers Act of 1940 to provide a registration exemption for private equity fund advisers, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 429, an amendment in the nature of a substitute consisting of the text of Rules Committee Print 113–29 shall be considered as adopted, and the bill, as amended, shall be considered read.

The text of the bill, as amended, is as follows:

H.R. 1105

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Small Business Capital Access and Job Preservation Act''.

SEC. 2. REGISTRATION AND REPORTING EXEMPTIONS RELATING TO PRIVATE EQUITY FUNDS ADVISORS.

Section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3) is amended by adding at the end the following:

''(o) EXEMPTION OF AND REPORTING REQUIREMENTS BY PRIVATE EQUITY FUNDS ADVISORS.—

''(1) IN GENERAL.—Except as provided in this subsection, no investment adviser shall be subject to the registration or reporting requirements of this title with respect to the provision of investment advice relating to a private equity fund or funds, provided that each such fund has not borrowed and does not have outstanding a principal amount in excess of twice its invested capital commitments.

''(2) MAINTENANCE OF RECORDS AND ACCESS BY COMMISSION.—Not later than 6 months after the date of enactment of this subsection, the Commission shall issue final rules—

''(A) to require investment advisers described in paragraph (1) to maintain such records and provide to the Commission such annual or other reports as the Commission taking into account fund size, governance, investment strategy, risk, and other factors, as the Commission determines necessary and appropriate in the public interest and for the protection of investors; and

''(B) to define the term 'private equity fund' for purposes of this subsection.''.

The SPEAKER pro tempore. After 1 hour of debate on the bill, as amended, it shall be in order to consider the further amendment printed in part B of House Report 113–283, if offered by the gentlewoman from New York (Mrs. MALONEY), or her designee, which shall be considered read and shall be separately debatable for 10 minutes equally divided and controlled by the proponent and an opponent.

The gentleman from Texas (Mr. HENSARLING) and the gentlewoman from California (Ms. WATERS) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

GENERAL LEAVE

Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks and submit extraneous material for the RECORD on H.R. 1105, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. HENSARLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, since Congress was not in session last week, perhaps some of my colleagues missed the front page headline from The Washington Post. I read: ''Among American Workers, Poll

Finds Unprecedented Anxiety About Jobs and Economy.''

According to the report, American workers are living with ''unprecedented economic anxiety.'' More than six in 10 worry that they will lose their jobs. Nearly one in 3 say they worry a lot about losing their jobs.

The article goes on to mention an American named John Stewart who wakes up every morning at 1:30 a.m. for a 2-hour commute to catch two different buses in Philadelphia so he can get to work on time. In the newspaper, he said: ''I can't save money to buy the things I need to live as a human being.''

Mr. Speaker, we don't have to read The Washington Post. All we have to do is listen to our own constituents, since even today millions—millions—of our fellow countrymen remain unemployed and underemployed.

I hear these stories every week myself. Recently, I heard from Ida in Wills Point, Texas, in the Fifth Congressional District that I represent. She and her 79-year-old husband own a small trucking company. She wrote me that ''because of increasing regulations in taxes in the past 4 years, we have lost all but two of our trucks.'' She goes on to write me: ''My husband is the only driver right now because I can no longer drive. He drives full-time 3,500 miles a week most weeks because we can't live on his Social Security.'' She says: ''We are really stuck in a hole.''

Millions, Mr. Speaker, are ''stuck in a hole.''

Today, we have an opportunity, Mr. Speaker, to do something to help raise many of our fellow countrymen out of that hole of economic anxiety and economic hardship. Today, we have the opportunity to pass H.R. 1105, the Small Business Capital Access and Jobs Preservation Act.

I want to commend the bipartisan group of Members—two Republicans and two Democrats—who introduced the bill: Mr. HURT of Virginia, Mr. HIMES of Connecticut, Mr. GARRETT of New Jersey, and Mr. COOPER of Tennessee.

As chairman of the Financial Services Committee, Mr. Speaker, I want to thank all the members of the committee who came together across party lines to approve the bill. Mr. Speaker, nearly one-third of the Democrats who sit on our committee joined with 30 Republicans in supporting H.R. 1105. In short, Mr. Speaker, this is, indeed, a bipartisan jobs bill.

We know that small businesses face an incredible red tape burden. In fact, a recent survey of the National Federation of Independent Business said that ''government regulations and red tape are the single most important challenge that small businesses face in creating and preserving jobs.''

Mr. Speaker, I heard from another small business person in Grand Saline, Texas, in my district. He said because of overregulation ''our business has devolved from one that provides a service for a customer into one that provides that same service as an afterthought while our real efforts go into paperwork.''

□ 1445

Mr. Speaker, we can debate the relative merits or demerits of the Dodd-Frank Act; but even the primary author himself, former Chairman Frank, admitted that perhaps not every aspect of Dodd-Frank achieved perfection. And many of us would argue on a bipartisan basis that the part of the act that requires small business investors who are private equity advisers to register with the SEC is perhaps one of those provisions that is in need of reform.

This is a provision, Mr. Speaker, that many of us believe was aimed at Wall Street, but ends up hurting Main Street. Because of this provision embedded in Dodd-Frank, smaller firms that invest in entrepreneurs and in small businesses face yet one more significant regulatory cost, regulatory burden, more red tape.

As one of the small business investors testified before our committee, it is going to cost his company $200,000 every year to comply with the regulation. He went on to say:

> While for some larger firms this is an insignificant cost, for a medium-sized firm such as ours that offers capital to small businesses, it is a significant expense.

And pay attention to this, Mr. Speaker. He said:

> This money comes directly out of our funds intended for investment into Main Street.

In today's economy, to help pull these people out of this hole of economic anxiety, we need more private sector, more private equity investment into Main Street. Private equity equals small business jobs.

In fact, Mr. Speaker, between 1995 and 2010, 23,000 different companies across our Nation benefited from private equity investment, employing 3 million different people, and the investments that are made by private equity historically have grown jobs at three times the rate of other companies.

And so what does this look like? I have to tell you, Mr. Speaker, it look likes an outfit called New Mountain Capital that invested in a company named Inmar, a national coupon and reverse logistics processing company. By helping them update their IT with a $100 million investment, they now support 4,200 different employees.

The face of private equity looks like Capital South Partners that invested in a North Carolina firm, Vita Nonwovens, and now they have 95 employees in High Point, North Carolina, and I should add parenthetically, another 55 employees in my native Texas. This is the face of private equity. These are some of the small business jobs that are being created.

Now, we may hear from some that this is needed to somehow battle Wall Street, but let me tell you what private equity is not. Private equity it is not Wall Street. It is not complex derivatives trading. It is not currency swaps. Mr. Speaker, it is not about systemic risk. That is not what this is about. And so, again, this was a provision aimed at Wall Street that, unfortunately, is hitting Main Street.

It is time to make sure that Americans like John in Philadelphia can live like a human being. It is time to make sure that constituents like mine, Ida and her husband, don't have to drive 3,500 miles a week just so they can put food on the table.

Mr. Speaker, it is time, again, for this institution to put jobs first, not regulators first, but jobs first. I urge all of my colleagues to adopt H.R. 1105.

I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts (Mr. LYNCH) manage the time at this time.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from California?

There was no objection.

Mr. LYNCH. Mr. Speaker, I yield myself such time as I may consume.

I rise today in opposition to H.R. 1105, which will create a gaping loophole for private equity fund advisers and deprive investors and regulators of important information about the risk these funds pose.

The Dodd-Frank Act wisely required that advisers to all hedge funds, private equity funds, and other private funds register and file regular reports with the SEC. It did this for two reasons: one, to help regulators better understand the systemic risks that these funds pose to the overall financial system, and to provide investors in these funds with meaningful information about the funds' governance.

This bill would exempt nearly every private equity fund adviser from these important disclosure requirements. Some of my colleagues who support this bill will argue that because private equity funds were not the cause of the last crisis, we should not subject them to these modest transparency and accountability requirements.

But one of the most important lessons we did learn during the financial crisis is that systemic threats seem to always bubble up from the opaque and unregulated sectors of the market. Giving this exemption will allow threats to once again grow in the dark corners of our financial system, only showing themselves when it is too late to prevent serious harm to the American taxpayer.

Supporters of this bill, while well-intended, will point to the provision that ensures advisers to private equity funds with leverage ratios over 2:1 will still have to register. This may sound attractive on its surface until you realize that every private equity fund is basically within that parameter. Private equity funds invest in companies, and it is these portfolio companies that

load up on leverage and that have the potential to take on outside risk, piling on the leverage while the private equity fund itself appears on its surface to be modestly leveraged. A private equity fund could have a leverage ratio well below 2:1, while its portfolio companies are leveraged in excess of 30:1 masking the actual risk that these funds pose. Nearly every private equity fund in existence today would come in below the 2:1 leverage cap. This is a hollow limitation that provides no protection to the funds' investors or to the American taxpayer.

Mr. Speaker, we learned the hard way after the recent financial crisis that systemic risks grow in the dark corners of our financial markets and that the more information we can gather about how the markets work, the safer we will be. The registration and reporting requirements for private equity advisers are modest and narrowly tailored, but they provide investors and regulators with important information. Rolling back these reforms now moves us in the wrong direction. I urge my colleagues to oppose H.R. 1105.

I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I am now privileged to yield 5 minutes to the gentleman from Virginia (Mr. HURT), the primary author of this legislation, a real leader on our committee and in this Congress in creating jobs.

Mr. HURT. Mr. Speaker, I rise in support of H.R. 1105, the Small Business Capital Access and Job Preservation Act, a bipartisan bill that our colleagues, Representatives COOPER, HIMES, GARRETT, and I introduced earlier this year. I thank all of them for their leadership on this issue.

I would also like to thank Chairman HENSARLING and again Chairman GARRETT for their support and leadership on this bill, as we were able to achieve a bipartisan vote out of the Financial Services Committee.

Every Member of this body can agree that with millions of Americans out of work, our top focus in Congress should be, and it must be, enacting policies to spur job creation throughout our Nation.

Today, the House takes up another bill to encourage economic growth and job creation by increasing the flow of private capital to small businesses that are found on Main Streets all across America. At a time when the available avenues of capital and credit for small businesses continue to decrease, capital investments from private equity into our communities are more important than ever.

Unfortunately, Dodd-Frank has placed a costly and unnecessary regulatory burden of SEC registration on advisers to private equity while exempting advisers to similar investment funds. These registration requirements do not improve the stability of our financial system, and they restrict the ability of private equity to invest capital in our small businesses to spur job growth.

In Virginia's Fifth District, my district, there are literally thousands of jobs that exist because of the investment of private equity. These critical investments allow our small businesses to innovate, expand their operations, and create the jobs that our communities need. If enacted, the unnecessary burdens on advisers to private equity funds that do not have excessive leverage would be eliminated, and they would be given the same exemption from the SEC's registration requirements that venture capital advisers enjoy.

These registration requirements, which do not make the financial system any more stable, impose an undue burden on small and mid-sized private equity firms, and decrease the ability of their investment to create jobs.

During our Financial Services Committee hearing on the bill, witnesses discussed the cost these requirements have imposed on private equity firms. They force investment advisers to private equity to expend substantial resources that disproportionately affect small and mid-sized funds with costs of hundreds of thousands of dollars annually, or more, to comply with these requirements.

It is important to note that most people, including SEC Chair Mary Jo White, concede that private equity funds did not cause the 2008 financial crisis and are not a source of systemic risk, despite that argument being the impetus for the registration requirement under Dodd-Frank. These funds are not highly interconnected with other financial market participants; and, therefore, the failure of a private equity fund would be highly unlikely to trigger cascading losses that would lead to a similar financial crisis. Additionally, these funds invest primarily in illiquid assets, including small Main Street businesses found across our country. These businesses are diversified across multiple industries and therefore lack concentrated exposure to any single sector.

Furthermore, investors in private equity firms are all sophisticated investors who negotiate for the strongest investor protections. These sophisticated investors include public pension funds, university endowments, nonprofit foundations—many of whom are the primary beneficiaries of private equity successes. Those investors typically are represented by counsel and heavily negotiate fund terms in advance of investing, including reporting governance and conflicts of interest.

It should also be noted that H.R. 1105 does nothing to change current Federal law with respect to common law and statutory fiduciary protections owed by investors to advisers to private equity funds. There are already existing significant investor protections available both contractually and in the form of State and Federal fiduciary duties and antifraud protections—investor protections that exist whether or not the advisers are registered with the SEC.

In the end, the costs of unnecessary registration represent real capital that otherwise could be used to invest in companies such as Virginia Candle in our district—a company that, through private equity investment, expanded from a garage in Lynchburg, Virginia, to millions of homes across the world.

Beyond Virginia Candle in Virginia, private equity-backed companies employ over 7.5 million people. Let me say that again: private equity-backed companies employ over 7.5 million people nationwide in over 17,000 U.S. companies. The impact of the registration requirements stand to diminish job creation in each of the congressional districts represented on this floor today.

I ask all of my colleagues today to join me in voting ''yes'' on H.R. 1105 and pass this bill from the House in order to increase the flow of private capital to our small businesses so that they can innovate, grow, and create jobs for the American people.

SMALL BUSINESS INVESTOR ALLIANCE,
December 3, 2013.

Hon. JOHN A. BOEHNER,
Speaker, House of Representatives, Washington, DC.
Hon. NANCY PELOSI,
Democratic Leader, House of Representatives, Washington, DC.

DEAR SPEAKER BOEHNER AND DEMOCRATIC LEADER PELOSI: On behalf of the Small Business Investor Alliance (SBIA), the premier organization of lower middle market private equity funds and investors, we urge you to support passage of the bipartisan Small Business Capital Access and Job Preservation Act (H.R. 1105), sponsored by Representatives Robert Hurt (VA–5), Jim Himes (CT–4), Scott Garrett (NJ–5), and Jim Cooper (TN–5). Passage of H.R. 1105 would reduce expensive regulatory costs for small business investors enabling increased capital formation and job creation for growing small businesses.

Private equity funds are critical to the capital raising process for many small businesses. In fact, a Pepperdine University study found that private equity backed businesses generated 129 percent more revenue growth and 257 percent more employment growth than non-private equity backed businesses. America needs more private equity small business investing, not less.

It is commonly overlooked that small business investors are generally small businesses too. They are being held back by expensive regulatory costs as a result of new expanded SEC registration requirements put into place by the Dodd-Frank Act. Investment Adviser registration is very costly in both money and time, especially for smaller funds that do most of the small business investing. Most of our private equity funds do not have legal departments, compliance teams, and other forms of overhead that are required by the new regulatory system. Compliance costs are often $250,000 or more per year—a heavy expense to a small business investment fund. Many of the new burdens are caused by the fact that the SEC rules are designed to deal with publicly traded businesses and investing, not for investing in domestic, privately-held small businesses. Small business investors are not mutual funds, multi-national conglomerates, or giant financial institutions and should not be treated as such.

Private equity funds, particularly those supporting small businesses, are not a systemic risk and did not contribute to the financial crisis. H.R. 1105 would reduce regulatory costs, but would still maintain record

retention and information for regulators and thus maintain investor safeguards.

Congress can reduce unnecessary burdens for our private equity funds and allow them to do what they do best—invest in job creating small businesses to empower them to succeed, create jobs, and grow the economy. SBIA strongly supports passage of the bipartisan Small Business Capital Access and Job Preservation Act.

Sincerely,

BRETT PALMER,
President.

SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL,
December 2, 2013.

Hon. ROBERT HURT,
House of Representatives, Washington, DC.

DEAR CONGRESSMAN HURT: On behalf of the Small Business & Entrepreneurship Council (SBE Council), I am writing to support H.R. 1105, the Small Business Capital Access and Job Preservation Act. A late September 2013 survey by SBE Council found a disturbingly large percentage of entrepreneurs (62%) who said the outlook for their firms had not improved (or had worsened) since the financial crisis more than five years ago. For growth-oriented firms responding to the survey, access to capital remains a worrisome issue. That is why SBE Council continues to support initiatives such as H.R. 1105, which will help improve U.S. capital formation and access for small businesses.

The overly broad Dodd-Frank law imposed SEC registration and compliance rules on private equity when, quite simply, none were needed. There was and is no evidence of pervasive problems with private equity, or that it poses systemic risk to the marketplace. Irrelevant and time-consuming procedures as required by Dodd-Frank, only hamstring private equity's role in efficiently serving the many small businesses that benefit from the capital and expertise it provides.

Lifting the redundant and burdensome Dodd-Frank regulations on private equity—as H.R. 1105 proposes to do—will improve capital markets efficiency, and therefore make a meaningful difference for entrepreneurs. The (SEC) can also better meet its core responsibility of protecting markets and retail investors.

Please let SBE Council know how we can help advance H.R. 1105 into law.

Sincerely,

KAREN KERRIGAN,
President & CEO.

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA,
Washington, DC, December 2, 2013.

TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES: The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, supports H.R. 1105, the ''Small Business Capital Access and Job Preservation Act.'' This bill would amend the Investment Advisers Act of 1940 to exempt private equity fund investment advisers from its registration and reporting requirements, provided that each private equity fund has not borrowed and does not have outstanding a principal amount exceeding twice its invested capital commitments. This bill would additionally enhance the capital formation needed to build new businesses, expand existing businesses, and create jobs.

Businesses small and large, particularly new businesses, need a mix of capital sources to meet short-term and long-term growth needs. This diversity of capital has provided the liquidity needed for different sized firms to be able to have the opportunity to achieve success. Congress recognized these facts and the needs to increase diverse portals of capital access in passing the bipartisan Jumpstart Our Business Startups Act (''JOBS Act'') last year.

Private equity financing is an important form of financing for smaller businesses that are trying to grow. In fact, between 1995 and 2010 over 23,000 businesses, employing 3 million people, were backed by private capital. These businesses grew jobs at a rate of 64% compared to other businesses which only grew jobs at a rate of 18%. It should also be noted that private equity financing was not a cause of the financial crisis and that under its business model does not pose interconnected risk to the economy. Yet, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that private equity firms must register with the Securities and Exchange Commission.

These requirements are not only costly, but are also designed for public company investors and not investors in privately held companies. These requirements are a mismatch for the investment model and the costs involved may be prohibitive for smaller firms that specialize in investing in the middle markets. Accordingly, the failure to pass this bill could cut off funding sources for small businesses.

Passage of H.R. 1105 would serve as an important step forward towards promoting efficient capital markets conducive to long-term economic growth and job creation. The Chamber may consider including votes on, or in relation to, this bill in our annual How They Voted scorecard.

Sincerely,

R. BRUCE JOSTEN,
Executive Vice President, Government Affairs.

PRIVATE EQUITY GROWTH CAPITAL COUNCIL,
Washington, DC, December 2, 2013.

Hon. ROBERT HURT,
House of Representatives, Cannon House Office Building, Washington, DC.

Hon. SCOTT GARRETT,
House of Representatives, Rayburn House Office Building, Washington, DC.

Hon. JIM HIMES,
House of Representatives, Cannon House Office Building, Washington, DC.

Hon. JIM COOPER,
House of Representatives, Longworth House Office Building, Washington, DC.

DEAR CONGRESSMEN, Thank you for your leadership in advancing H.R. 1105, The Small Business Capital Access and Job Preservation Act. As you know, the bill is scheduled for a Floor vote this week. The Private Equity Growth Capital Council (PEGCC) strongly supports this legislation.

Private equity and growth capital investment drives economic activity and growth across the U.S. economy by investing in promising companies looking to grow and those in need of a turnaround. Last year alone, private equity and growth capital invested $347 billion in more than 2,000 U.S.-based businesses located in all 50 states and every congressional district. There are 17,700 companies based in the U.S. that are backed by private equity investment, and these companies employ more than 7.5 million people worldwide.

The stated goal of the Dodd-Frank Act is to reduce systemic risk in the U.S. financial system. Private equity and growth capital pose no systemic risk to the economy, did not contribute the financial crisis and, therefore, should not be subjected to enhanced SEC oversight. Choosing to increase regulation on private equity and growth capital will require a disproportionately large level of resources from the SEC's budget and divert focus from protecting retail investors and ensuring market integrity.

Furthermore, registration does not provide additional investor protections, and it significantly increases the cost of compliance for private equity and growth capital firms. These registration regulations treat private equity and growth capital firms like investment advisers with retail clients. In contrast, private equity works with sophisticated, accredited investors who mostly consist of pension funds, charitable foundations and university endowments. These investors are typically represented by legal counsel and heavily negotiate fund terms in advance of investing in a fund. Negotiated items often include reporting, governance and conflicts of interest. Investors obtain little if any benefit from the added SEC registration requirements, yet the time and resources needed to comply with SEC registration distracts from private equity's core mission of investing in, strengthening and growing great companies.

The private equity and growth capital industry strongly supports the passage of H.R. 1105, The Small Business Capital Access and Job Preservation Act. If you would like more information about the positive impact of private equity in your state, please visit www.PrivateEquityAtWork.com/state-by-state.

Thank you, again, for advancing this legislation. We look forward to working with you to get this proposal enacted.

Sincerely,

STEVE JUDGE,
President & CEO.

NATIONAL ASSOCIATION OF INVESTMENT COMPANIES,
Washington, DC, December 3, 2013.

Hon. JOHN A. BOEHNER,
Speaker, House of Representatives, Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives, Washington, DC.

DEAR SPEAKER BOEHNER AND MINORITY LEADER PELOSI: On behalf of the National Association of Investment Companies (NAIC), an advocacy association that represents private equity member firms, including women and ethnic minorities who remain significantly under-represented in private equity, we are writing to support passage of the Small Business Capital Access and Job Preservation Act (H.R. 1105). H.R. 1105 is bipartisan legislation sponsored by Representatives Robert Hurt (VA–5), Jim Nimes (CT–4), Scott Garrett (NJ–5), and Jim Cooper (TN–5).

The fastest growing sector of the U.S. economy is the $6 trillion annual market of minority consumers, who within decades will comprise the majority of consumers. NAIC member firms represent companies that invest in this growth sector of the U.S. economy. Passage of H.R. 1105 reduces compliance costs for private equity firms and would allow our member firms to increase capital investment in areas of the economy that are under-represented in their ability to access capital to create jobs.

The exorbitant cost of SEC registration can take resources away from making investments in Women- and minority-owned businesses. Annual SEC registration costs often run as high as $250,000, as SEC registered fund must spend precious resources on hiring compliance and legal services to be fully compliant with SEC rules. H.R. 1105 would reduce these costs by removing some of the inapplicable SEC investment adviser

rules that are unworkable for private equity funds.

NAIC strongly supports passage of the Small Business Capital Access and Job Preservation Act and we urge your support of this important bipartisan legislation.

Sincerely,

JENNELL F. LYNCH,
Vice President.

ASSOCIATION FOR CORPORATE GROWTH,
Chicago, IL, December 2, 2013.

RE Support the ''Small Business Capital and Job Preservation Act of 2013'' (H.R. 1105).

Hon. JOHN A. BOEHNER,
Speaker, House of Representatives, Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives, Washington, DC.

DEAR SPEAKER BOEHNER AND MINORITY LEADER PELOSI: On behalf of the Association for Corporate Growth (ACG) and our 14,500 members and the 26,000 ''Main Street'' businesses they operate, we urge Members of the House of Representatives to vote in favor of H.R. 1105, the Small Business Capital and Job Preservation Act when it comes before the full body later this week.

Founded in 1954, ACG is an organization with 46 chapters in the United States representing professionals from private equity firms, corporations and lenders that invest in middle-market companies, as well as from law, accounting, investment banking and other firms that provide advisory services. ACG represents more private equity firms than any other association in the United States—virtually all of which invest in smaller and middle-market companies.

It is important that the application of the Dodd-Frank Act uphold the original spirit and intent of the legislation without constraining capital. Yet, Dodd-Frank requires that virtually all private equity firms must register with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, despite the fact that private equity funds are structured and operate almost identically to venture capital funds, which under the Dodd-Frank Act are exempted from having to register.

This bipartisan legislation, introduced Representatives Robert Hurt (R–VA), Jim Himes (D–CT), Jim Cooper (D–TN) and Scott Garrett (R–NJ), would amend the Investment Advisers Act of 1940 to exempt private equity fund investment advisers from its registration and reporting requirements, so long as the fund has not borrowed and does not have an outstanding principal amount of debt exceeding twice its invested capital obligations. Since private equity funds were not a cause of the financial crisis and its business model does not pose any interconnected risk to the economy, ACG believes H.R. 1105 is a necessary piece of legislation that will help ensure the continued flow of capital to businesses. H.R. 1105 strikes a proper balance between access to capital and protection from systemic risk. H.R. 1105 also re-establishes regulatory parity between private equity and venture capital.

Private capital can be found in every corner of our nation and the bipartisan Small Business Capital Access and Job Preservation Act will preserve private equity funding as a pipeline of capital for growing businesses. ACG stands ready to assist and serve as a resource to Members of the U.S. House of Representatives as they aim to achieve sound financial policies and enhancements of the Dodd-Frank Act that accomplish continued growth in the middle-market.

We thank Representatives Robert Hurt (R-VA), Jim Himes (D-CT), Jim Cooper (D–TN) and Scott Garrett (R-NJ) for their leadership on this important issue. We urge all members of Congress to support their efforts and vote in favor of H.R. 1105.

Sincerely,

GARY LABRANCHE, FASAE, CAE,
President and CEO.

Mr. LYNCH. Mr. Speaker, I yield myself 1 minute.

I do want to respond to the gentleman's invoking of the SEC chair, Mary Jo White. Judging from the gentleman's remarks, you would think she might be in favor of this bill. Well, let me talk about what she says about this bill in particular:

Our markets would not be well served by narrowing the scope of the commission's jurisdiction in oversight of these advisers.

That is with respect to this bill. She also said:

Private equity investors are in need of the same protections as other private fund investors.

Lastly, she has also said that the commission has brought enforcement actions, talking about the advisability of having oversight over advisers and having these disclosures made:

The commission has brought enforcement actions against private equity funds and their advisory personnel involving unlawful pay-to-play schemes, insider trading, conflicts of interest, valuation, and misappropriation of assets.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. LYNCH. I yield myself another 30 seconds.

Now, when you think about the protections that are necessary for pension funds, especially where these workers have invested their whole lives in these pension funds, you understand the need for this disclosure.

At this time I yield 3 minutes to the gentleman from Minnesota (Mr. ELLISON).

□ 1500

Mr. ELLISON. Mr. Speaker, let me thank the gentleman from Massachusetts.

Before I launch into the substantive critique of this bill and I urge Members to vote ''no,'' I would like to make a preliminary observation, and that is that when our chairman of our committee begins his presentation, making a broad-based critique and attack on regulation, Members should be very careful about this because good regulation is good for the American people. We need health and safety protections. We need to be protected from unsafe water, unsafe products. And investors need to be protected, as well. Any time a Member of Congress or anyone comes up and says regulations are bad, this is obviously wrong and the American people know it. Therefore, when you are being told to do something just because regulations are always bad, you should be very suspicious of what is going on and dig deeper into the situation.

I urge Members to just consider how important good, solid, well-tailored regulation is to benefit the American people, and I push back on anybody who just makes a frontal assault on all regulation, no matter how good or how bad and just regulation in general. This has been a theme around here, and I urge Members to be suspicious of it.

It should also be considered that when this bill is in front of us, we should know that people have looked carefully at it. Members who are wondering what they want to do on this bill, they should consider that the Obama administration has strongly opposed this bill, with senior advisers recommending a veto. This is a bill that is not going to become law. There is no Senate companion. I just checked and have been advised that there is no Senate companion. So we are really here talking about a bill that is going to be a threatened veto by the President and has no Senate companion, but is also opposed by SEC Chair Mary Jo White and the Council of Institutional Investors, an organization which has investors' interests in mind as this bill is trying to make investor information more opaque, and Americans for Financial Reform, not to mention the Consumer Federation of America, the AFL–CIO, and State securities regulators.

So the people who work with these regulations all the time don't think they are the right thing to do. Even if some Members might consider that maybe this might get capital to somebody who wouldn't otherwise get it, the people who regulate and use these regulations every day have carefully considered H.R. 1105 and have come to the conclusion that it is bad for investors, that it creates less transparency, not more, and, therefore, is, in fact, a risk to our financial well-being.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. LYNCH. I yield the gentleman an additional 1 minute.

Mr. ELLISON. Americans are obviously looking for jobs. This is the big hook, the way to get anybody to vote for anything around here. It says it is going to create jobs. Of course, there has been no demonstration of how this is going to create jobs.

The point is that it will create a situation where there is less information for investors who need it, and it is important for Members to know that the SEC has taken enforcement actions against private equity firms.

For example, at Knelman Asset Management Group, the SEC found that registered private equity funds-to-funds adviser Knelman Asset Management Group, LLC, Irving Knelman, a managing director, chief executive officer and former CEO, violated the Advisers Act custody, antifraud compliance reporting, and books and records provisions. This is a case where you have the SEC using information to bring accountability in the private equity arena.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. LYNCH. I yield the gentleman an additional 20 seconds.

Mr. ELLISON. Let me wrap up by saying that we urge Members to vote ''no,'' to look out for advisers. Even private equity advisers need transparency, not less information. A ''no'' vote is urged here.

Mr. HENSARLING. Mr. Speaker, at this time I am very happy to yield 4 minutes to the gentleman from New Jersey (Mr. GARRETT), a coauthor of the legislation and the chairman of the Capital Markets and GSE Subcommittee.

Mr. GARRETT. Mr. Speaker, I thank the chair.

Before I give my remarks, I just want to say in response that I believe the chairman said that he is not opposed to all regulations. I think he said he is in favor of regulation, but make sure that it is smart and appropriate regulation—at least, that is my position, as well.

Understand, too, to the gentleman's point, that even when this legislation is passed, the SEC still will have significant authority, will still have its enforcement division, will still have its new asset management unit, which has recently recruited industry professionals with asset management experience to serve as specialists in this unit to do the investigations that the gentleman wants to have continue, and it will continue even after the passage of this legislation.

With that said, I want to again thank the chairman. I want to thank the gentleman from Virginia (Mr. HURT), and also the gentleman from Connecticut (Mr. HIMES), as well, for their hard work on this very important legislation, as well as all our cosponsors on both sides of the aisle. For that reason, I am pleased to support H.R. 1105. And do make no mistake about it; this is bipartisan legislation, and it is all about helping small businesses and helping to create more jobs in this country.

Today, more than 17,700 companies, backed by private equity employ over 7.5 million people. In my home State of New Jersey alone, 597 private equity-backed companies support more than 377,000 workers, while the New Jersey Division of Pensions and Benefits has invested billions on behalf of retirees and private equity firms. Hopefully, all those facts give you the facts you need to know how important it is to the creation of jobs. Yet despite their long track record supporting small business nationwide, the Dodd-Frank Act has imposed enormous and numerous burdens on private equity firms, forcing most fund advisers to spend literally millions of dollars complying with new SEC registration and reporting requirements.

While these burdensome regulations no doubt crimp the flow of much-needed investment dollars to America's small businesses, there is little or no evidence that they are needed to promote the stability of our financial system or to protect investors. Unlike, say, Federal housing policy and the government-sponsored enterprises Fannie Mae and Freddie Mac, private equity did not cause the financial crisis and is not—and never has been—a source of systemic risk.

As former SEC Chair Mary Schapiro admitted back in 2011: ''Private equity funds have less potential to pose systemic risk than any other type of private funds.'' Indeed, if the SEC is so concerned about the systemic risk of private equity funds, their recent examinations of private equity advisers certainly do not show it.

As Chair White recently said: Neither the SEC's examinations staff nor the Division of Investment Management ''has conducted examinations of an adviser to a private fund based primarily on systemic risk concerns.''

She also said: SEC examiners ''have not to date reviewed systemic risk issues as part of their examinations of private funds.''

Thirdly: None of the advisers to private funds that withdrew their registration in 2012 ''had systemic market impact.''

And so now we must ask ourselves this question: Do we really want the SEC, already saddled with a multitude of unfinished, nongermane Dodd-Frank mandates expending valuable resources on risks that don't even exist? In addition, because only sophisticated investors may invest in these private equity funds, the need to protect investors in this case is more limited compared to other areas of the security market.

While I wholeheartedly support the SEC's mission to protect investors, the agency with limited resources should be devoted, first and foremost, to protecting the less sophisticated, the retail mom-and-pop investors. They need the most protection.

It was Paul Kanjorski, who was in Congress when Dodd-Frank went through. He said:

> I, for one, could care less about high-wealth individuals who want to contribute their money to a group of investors. If they want to take the shot of losing it, it does not really affect the rest of society.

It also bears mentioning that this legislation in no way alters the many existing tools the SEC already has to prevent and punish fraud in the private equity industry for the benefit of sophisticated investors and the broader economy.

I urge support of H.R. 1105 at a time when most small businesses continue to have difficulty getting credit and need to grow. Passing this bipartisan legislation, commonsense legislation, should be no a no-brainer.

Mr. LYNCH. Mr. Speaker, I yield myself 1 minute to respond to some of these allegations.

In respect to sophisticated investors, the Council of Institutional Investors, which is an association representing corporate, union, and public pensions, foundations and endowments, largely very sophisticated investors with combined assets of $3 trillion, opposes this bill. They oppose this bill because of the record of enforcement actions of the SEC to go after risks that do actually exist.

I now yield 3 minutes to the gentleman from Connecticut (Mr. HIMES), a cosponsor of the bill.

Mr. HIMES. Mr. Speaker, I would like to thank my friend from Massachusetts for the time and Ranking Member WATERS for being willing to hear different perspectives on this bill from our side.

I want to start by saying that Dodd-Frank, which I think I can say I contributed more than my share to, was, on balance, a very good and very important thing. The dragging of derivatives into the light of day, trading on exchanges, clearing through clearinghouses, the creation of the CFPB, taking steps to eliminate too big to fail, there is lots of stuff in Dodd-Frank which is important and good.

But not everything in Dodd-Frank is important and good. Like all other works of mortals, there are things in this that are probably unintended and perhaps overreaching. I happen to believe that the requirement that private equity funds register with the SEC is one of those areas.

Why is that?

First, private equity funds, as has been pointed out on the floor today, were a million miles from the bad mortgages from Fannie Mae, from Freddie Mac, from the subprime mortgages, from all of those things that caused the failures in 2008. They weren't anywhere close.

Secondly, investor protection is important, but, by law, the only people who can invest in these funds are accredited investors or institutional investors who don't just sign up. They hire attorneys to negotiate partnership agreements. They negotiate with these private equity funds for disclosure, for the terms, and all of those sorts of things. So we are not talking about retail investors here.

Finally, the issue of leverage. We have finally gotten to the point where people acknowledge that these are not large leverage funds. The point is made that the leverage is at the investment company level. That is true. Private equity firms do buy companies, invest in them, and then those companies take on leverage. The average leverage across the entire universe of private equity-sponsored companies is less than 3 to 1. It is not 30 to 1, but 3 to 1. It is less than 3 to 1. By way of comparison, hedge funds, on average, are leveraged 15 to 1. Lehman Brothers, when it went down, was leveraged in excess of 30 to 1. We are talking about companies which are assuming the same kind of debt that any other small business assumes out there, less than 3 to 1.

What we have happening right now is we have examiners and the intention and the resources of the SEC, which has terribly important missions around real estate and mortgages and derivatives and finding the next Bernie Madoff, going to $175 million funds and

examining these funds on behalf of the sophisticated investors. That does not make sense.

Dodd-Frank exempted venture capital funds from this registration requirement. Venture capital funds do the exact same thing with the exact same investors that private equity funds do; they just do it in an earlier stage in the company's history. The only reason for that exemption is that we like venture capital funds more than we like private equity funds. They sound better. They make nice things in garages in Palo Alto. Private equity sounds more ominous; therefore, they have been subjected to registration.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. LYNCH. Mr. Speaker, I yield the gentleman an additional 1 minute.

Mr. HIMES. Mr. Speaker, we exempted venture capital funds from the Advisers Act of 1940 registration. The same set of investors, same types of investing. Actually, a more risky asset class than private equity. We exempted them for no other reason than that we like venture capital better than we like private equity. That is fine. But in statute and in regulation, we should be consistent.

So I think that you can argue that venture capitalists should be subject to the same kind of registration requirements that private equity is or you can argue, as I do, that probably both types of funds don't need to be registered under the Advisers Act of 1940, but you can't support Dodd-Frank and say venture capitalists are exempt and private equity is not and be consistent in policy.

So I urge my colleagues, in the interest of balancing a very good piece of legislation, to support H.R. 1105.

Mr. HENSARLING. Mr. Speaker, I am now pleased to yield 2 minutes to the gentleman from Illinois (Mr. HULTGREN).

□ 1515

Mr. HULTGREN. Thank you, Chairman HENSARLING.

Mr. Speaker, what we are trying to do here today is to get small business jobs growing again, and private equity helps do that. The infusion of private investment helps these small businesses create jobs so we can get the economy moving again.

Over the last 15 years, private capital has helped about 23,000 small businesses, employing approximately 3 million people. Businesses backed by private capital grew jobs 3.5 times faster than other businesses.

We need to encourage this kind of growth by bringing more opportunity, not more regulation. Capital is better spent getting people back to work and growing our small businesses than it is tied up in compliance costs.

In Illinois, my home State, more than $200 billion has been invested in local companies. Private equity is about skin in the game, and we need to keep these resources in the economy, not on the sidelines.

I ask my colleagues to support H.R. 1105. I am a proud cosponsor and believe we should pass this important bill.

Mr. LYNCH. Mr. Speaker, may I ask how much time is remaining for each side.

The SPEAKER pro tempore. The gentleman from Massachusetts has 16¾ minutes remaining. The gentleman from Texas has 12½ minutes remaining.

Mr. LYNCH. Mr. Speaker, at this time I yield 3 minutes to the gentleman from Tennessee (Mr. COOPER).

Mr. COOPER. I thank my friend, the gentleman from Massachusetts. We are seatmates on the Government Reform Committee, and it is a pleasure to serve with you. It is also a pleasure to support this bill.

Mr. Speaker, I want to address my remarks particularly to the new Democrats and Blue Dog Democrats because not everyone in this body is an expert on private equity or venture capital. This sounds like a complicated topic. It sounds technical, but it is really all about jobs.

There is nothing we are asked about more back home than about creating jobs. There is nothing we talk more about here than creating jobs. Passing this bill is a good way to do that.

It is easy to get wound up in the details, but the bottom line is this: private equity creates jobs. These are funds that have wealthy investors investing in them, and they lend their money, they invest in growth companies that create jobs.

My friend from New Jersey mentioned they have already helped create 7.5 million jobs in America, some 17,000 individual companies. These are the companies we try to recruit to our districts. These are the companies that we try to grow back home so that more of our good people back home can have good jobs.

The paperwork requirement that, unfortunately, and I think probably inadvertently, was put on them by the Dodd-Frank bill needs to be removed. SEC registration is not appropriate for these funds. It costs between three-quarters of a million dollars and $1 million a year for them just to do the paperwork. That is money taken away from job creation. That is money that is embalmed in red tape.

So this is a chance, and we do need to make sure there is a Senate companion to this bill once it passes the House. I am proud of my colleagues for being involved in a bipartisan job-creation effort because folks who really understand venture capital and private equity know this is a great way to help create more jobs in this country, by removing a little bit of the red tape that probably shouldn't have been there to begin with.

This bill passed the Financial Services Committee last session of Congress by voice vote. This shouldn't even be controversial. This year the vote was overwhelming, 38–18.

So I hope my colleagues, particularly among new Democrats and Blue Dogs, will understand this is a job-creation issue. This is a bipartisan job-creation opportunity.

H.R. 1105 should pass with overwhelming, bipartisan support. Let's get this through the Senate, and let's create more jobs in America.

I thank the chairman for yielding time, and I hope all my colleagues will vote for H.R. 1105.

Mr. HENSARLING. Mr. Speaker, I now yield 1½ minutes to the gentlewoman from Missouri (Mrs. WAGNER).

Mrs. WAGNER. Mr. Speaker, I want to thank Chairman HENSARLING of our Financial Services Committee and also the gentleman from Virginia (Mr. HURT), my friend, for their very hard work in bringing this important legislation to the floor today.

Mr. Speaker, today I rise in support of H.R. 1105, the Small Business Capital Access and Job Preservation Act. This legislation addresses yet another misguided provision of the Dodd-Frank Act that will help ensure that private equity maintains its critical role in our economy.

Private equity firms provide capital to Main Street businesses in Missouri and all across our country and, importantly, private equity often invests in companies when others are unwilling to do so. These investments support nearly 18,000 businesses in the United States that employ some 7.5 million workers.

Unfortunately, the Dodd-Frank Act seeks to make it more difficult for private equity to maintain this important economic role. To my knowledge, no evidence has been produced which shows that private equity was the cause of the 2008 financial crisis, or that it presents a systemic risk to our financial system.

It makes little sense, then, to impose unnecessary and costly red tape burdens on private equity investors which will only make it more difficult for them to invest in American businesses and create jobs.

H.R. 1105 is, therefore, a necessary response to an overreach of the Dodd-Frank Act and will help support Main Street businesses and jobs all throughout our country.

I am pleased to support this very bipartisan bill and urge my colleagues to vote in support of H.R. 1105.

Mr. LYNCH. Mr. Speaker, I yield myself such time as I may consume.

I do want to point out, in response to the gentleman from Tennessee's remarks about this bill going on voice vote in committee, I just want to remind the Members and the public that during that debate there was a need for further work on this bill.

I think, in a moment of bipartisanship, we agreed, both Democrat and Republican, to allow the bill to go by voice vote with the promise to work on some of those issues going forward. So it was an agreement to try to continue to agree and to work on the bill. It was

not a vote in favor of any particular provisions within this bill.

There has been a lot of talk here about the risks that don't exist, and I do want to just point out some of those. As a result of this bill, funds investing more than $300 billion a year, much of which is the retirement savings of workers like teachers, firefighters, police officers, they would no longer be required to provide basic investor protections.

Specifically, H.R. 1105 would deprive investors of basic disclosures about an employee of a fund adviser who, for instance, violated securities law, or the adviser's businesses practices, its fees, any conflict of interest on the part of that adviser.

It would also eliminate a compliance program and code of ethics within the bill, within Dodd-Frank, and would eliminate the need for a chief compliance officer for each fund manager.

H.R. 1105, the bill under consideration here, would also prevent the SEC from conducting compliance exams of private equity fund adviser, even though SEC Chairman Mary Jo White notes that the Commission has already uncovered issues such as unlawful pay-to-play schemes, insider trading that we have all read about recently, conflicts of interest, valuation issues, and misappropriation of assets.

I want to talk about some of these since there has been a complete dismissal of any risk here. I think the record speaks to the risk.

The SEC has brought several enforcement actions against private equity firms. While the defendants do not necessarily represent all private equity firms, they do highlight the need for a strong police officer with the authority to examine all private equity advisers.

Capital formation relies on investor confidence in the underlying assets; and without registration with the SEC, investors will no longer have a cop on the beat that can enforce the rule of law, reducing investor demand.

In Knelman, for example here, there have been broad violations related to fraud, custody, compliance, and reporting. In Knelman Asset Management Group, the SEC found that registered private equity fund-of-funds adviser Knelman Asset Management Group, LLC, and Irving P. Knelman, KAMG's managing director, chief executive officer, and former CCO, violated the Advisers Act's custody, antifraud, compliance, reporting, and books-and-records provisions.

In insider trading enforcement, the Gowrish insider trading case involved an individual who allegedly stole confidential acquisition information, TPG Capital, and sold that information to two friends who made $500,000 in illicit trading profits.

Valuation related enforcement actions, the Oppenheimer/Brian Williamson matters concern an investment adviser and portfolio manager who misrepresented material details about his valuation methodology to his investors.

Recently, the Commission filed a case against Yorkville Advisors, where Yorkville allegedly inflated the values of certain liquid assets. While Yorkville managed hedge funds, the valuation issues are very similar to ones we see in private equity.

Finally, the KCAP valuation case involved alleged overstatements of the value of certain debt securities and CLOs held in the investment portfolio, highlighting the division and AMU's emphasis on pursuing valuation cases.

And in the Ranieri Partners case, the SEC also found that an investment manager knowingly used a sanctioned, unregistered broker-dealer to solicit capital for a pooled investment vehicle.

So all of these illegal activities would be made unavailable to private equity investors under this bill. That is what the risk is. That is not fiction. Those are actual cases that the SEC has introduced enforcement actions on. So there is real risk here for investors and for the markets themselves.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield myself 30 seconds to say that the gentleman from Massachusetts sets up a straw man and then knocks it down. The activities that he describes as illegal continue to be illegal, and I would say that private equity funds provide extensive reporting to investors, including audited annual financial statements.

Private fund equity advisers are subject to the antifraud provisions of the Investment Advisors Act of 1940, whether they are registered or not, and fund offerings are subject to the antifraud provisions of the Securities Act of 1933.

The real choice becomes, are we going to get even greater protections for millionaire investors, or are we going to help struggling single moms trying to find a job in this economy?

Mr. Speaker, at this time I am happy to yield 2 minutes to the gentleman from Ohio (Mr. STIVERS).

Mr. STIVERS. Mr. Speaker, I would like to thank the gentleman from Texas for yielding time.

The Small Business Capital Access and Job Preservation Act is an important bill that I believe will allow more capital to go and flow to small business so they can create jobs.

You know, at a time when we have 7.3 percent unemployment, and underemployment over 10 percent, we have a need for more capital to flow into our businesses so they can create jobs.

Meanwhile, the Dodd-Frank Act created burdensome new SEC registration on private equity firms but, as the gentleman from Connecticut said earlier, not on venture capital firms that do exactly the same thing. So, in fact, I would argue that venture capital firms have more risk than private equity.

There already are important protections, consumer protections, around private equity. You have to be a sophisticated, accredited investor, and there is already important fraud detection and fraud enforcement actions that are available to the SEC in the cases of these investors being taken advantage of.

So at a time when private equity is helping provide over 6 million jobs in America, we should be doing everything we can to actually encourage more activity by private equity, to encourage more jobs in America, not burdening them with big regulations.

I want to just make four quick points. These middle-market private equity firms, like we have in towns like Columbus, Ohio, where I live, contribute a lot toward job creation, but not a lot toward systemic risk.

And the compliance costs for these smaller firms in towns like Columbus, Ohio, will be especially high as a percentage; and it could drive many of them out of business.

Many of these firms that manage both SBIC and non-SBIC funds already face multiple layers of regulation.

And the fourth point is many of these investment adviser rules are not really pertinent to private equity funds.

□ 1530

So I stand in support of the Small Business Capital Access and Job Preservation Act. I want to thank the gentleman from Virginia, Representative HURT, for his hard work on this. I think it is a win for job creation, and I urge all my colleagues to support it.

Mr. LYNCH. Mr. Speaker, I yield myself 2 minutes.

We need not worry about small firms in this. They are already exempt under this bill. They are already exempt. So the concerns about small firms being covered by this, they are already exempt, number one.

Number two, the other scenario that has been posited here is that somehow, by allowing private equity firms the right to keep secret—or to refuse to disclose that their employees have been prosecuted for violating securities laws, by allowing that to remain undisclosed, that somehow that is going to help some single mom go to work, I don't think that is a rational assumption.

Mr. Speaker, I will now enter into the RECORD letters from the following organizations who are all opposed to this bill: Americans for Financial Reform, the Council of Institutional Investors, the North American Securities Administrators Association, and a Statement of Administration Policy from the Obama administration.

I reserve the balance of my time.

AMERICANS FOR
FINANCIAL REFORM,
Washington, DC.

DEAR REPRESENTATIVE: On behalf of Americans for Financial Reform, we are writing to express our opposition to HR 1105. Contrary to its title, this bill is not designed to benefit small business. Instead, it would exempt private equity fund advisers—who include some of the wealthiest and most significant entities on Wall Street—from basic reporting requirements designed to help regulators

monitor systemic risk in the financial system and protect investors and the public.

Prior to the Dodd-Frank Act, hedge and private equity funds received almost no regulatory monitoring, despite the fact that combined they manage some $3 trillion in assets and played a significant intermediary role in the financial crisis. Section 404 of the Dodd-Frank Act created more transparency for this previously dark portion of the markets, by requiring advisers to hedge and private equity funds to report basic financial information relevant to systemic risk to the Securities and Exchange Commission (SEC). The experience of the 2008 crisis—where risks emerged from parts of the markets not being monitored by regulators—clearly demonstrates the importance of ensuring that regulators can track financial risks wherever they originate.

The Section 404 reporting requirements as implemented by the SEC are far from onerous. All advisers with below $150 million in assets under management are completely exempted, and advisers with up to $1.5 billion in assets under management must report only limited and basic information once per year. Advisers to large private equity funds are required to respond only once per year (advisers to other large funds report quarterly).

HR 1105 would exempt almost all private equity fund advisers from reporting requirements to the Securities and Exchange Commission. The sole requirement for the exemption is that the fund must not have outstanding borrowings that exceed twice the fund's invested capital. But this requirement places little if any real limitation on the exemption, since the great majority of borrowing connected with private equity activity is conducted through portfolio companies, not at the fund level. (That is, companies owned by private equity funds borrow large amounts as the direction of the fund, but the fund itself rarely borrows a great deal).

It is particularly distressing that Congress would consider granting this exemption at a time when concern is growing among regulators and market observers about risks created by a possible bubble in the leveraged loan market, which is dominated by loans sponsored by private equity firms. Several warnings have been issued recently by regulators concerning the risks being created in these markets. As Moody's investor's service has stated:

''Private equity firms have been exploiting investors'' willingness to lend to speculative-grade companies . . . Higher yields are drawing investors to riskier structures at a time when interest rates remain at historical lows.''

Since leveraged loans are also being sold to small retail investors, a bubble could impact both the stability of the broader financial system and the retirement savings of retail investors. The situation in the leveraged loan market clearly demonstrates the connection between private equity activity and important risks to financial stability and to investors.

An additional source of concern is the danger that the exemption granted in HR 1105 could too easily be exploited to reach beyond private equity firms alone. The distinction between a hedge fund and a private equity fund is not a formal legal distinction, it is simply a differentiation between general investment strategies. While HR 1105 grants the SEC the ability to define more precisely what a private equity fund is, if that definition is at all overbroad then it could be taken advantage of by a wide range of hedge funds in order to avoid oversight.

Private equity funds already receive significant subsidies through the tax system, as they are major beneficiaries of the favorable treatment for 'carried interest', as well as the general tax subsidy to debt costs. It is totally inappropriate to also grant such funds a blanket exemption from even the limited and basic Dodd-Frank regulatory reporting requirements. Such a blanket exemption would make it more difficult for regulators to monitor systemic risk and risks to investors, solely in order to exempt wealthy managers of large private equity funds from a minor administrative task. HR 1105 should be rejected.

Thank you for your consideration. For more information please contact AFR's Policy Director, Marcus Stanley.

Sincerely,

AMERICANS FOR FINANCIAL REFORM.

FOLLOWING ARE THE PARTNERS OF AMERICANS FOR FINANCIAL REFORM

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.;

A New Way Forward; AFL–CIO; AFSCME; Alliance For Justice; American Income Life Insurance; American Sustainable Business Council; Americans for Democratic Action, Inc; Americans United for Change; Campaign for America's Future; Campaign Money; Center for Digital Democracy; Center for Economic and Policy Research; Center for Economic Progress; Center for Media and Democracy; Center for Responsible Lending; Center for Justice and Democracy.

Center of Concern; Center for Effective Government; Change to Win; Clean Yield Asset Management; Coastal Enterprises Inc.; Color of Change; Common Cause; Communications Workers of America; Community Development Transportation Lending Services; Consumer Action; Consumer Association Council; Consumers for Auto Safety and Reliability; Consumer Federation of America; Consumer Watchdog; Consumers Union.

Corporation for Enterprise Development; CREDO Mobile; CTW Investment Group; Demos; Economic Policy Institute; Essential Action; Greenlining Institute; Good Business International; HNMA Funding Company; Home Actions; Housing Counseling Services; Home Defender's League; Information Press; Institute for Global Communications; Institute for Policy Studies: Global Economy Project.

International Brotherhood of Teamsters; Institute of Women's Policy Research; Krull & Company; Laborers' International Union of North America; Lawyers' Committee for Civil Rights Under Law; Main Street Alliance; Move On; NAACP; NASCAT; National Association of Consumer Advocates; National Association of Neighborhoods; National Community Reinvestment Coalition; National Consumer Law Center (on behalf of its low-income clients); National Consumers League; National Council of La Raza.

National Council of Women's Organizations; National Fair Housing Alliance; National Federation of Community Development Credit Unions; National Housing Resource Center; National Housing Trust; National Housing Trust Community Development Fund; National NeighborWorks Association; National Nurses United; National People's Action; National Urban League; Next Step; OpenTheGovernment.org; Opportunity Finance Network; Partners for the Common Good; PICO National Network.

Progress Now Action; Progressive States Network; Poverty and Race Research Action Council; Public Citizen; Sargent Shriver Center on Poverty Law; SEIU; State Voices; Taxpayer's for Common Sense; The Association for Housing and Neighborhood Development; The Fuel Savers Club; The Leadership Conference on Civil and Human Rights; The Seminal; TICAS; U.S. Public Interest Research Group; UNITE HERE.

United Food and Commercial Workers; United States Student Association; USAction; Veris Wealth Partners; Western States Center; We the People Now; Woodstock Institute; World Privacy Forum; UNET; Union Plus; Unitarian Universalist for a Just Economic Community.

LIST OF STATE AND LOCAL AFFILIATES

Alaska PIRG; Arizona PIRG; Arizona Advocacy Network; Arizonans For Responsible Lending; Association for Neighborhood and Housing Development NY; Audubon Partnership for Economic Development LDC, New York NY; BAC Funding Consortium Inc., Miami FL; Beech Capital Venture Corporation, Philadelphia PA; California PIRG; California Reinvestment Coalition; Century Housing Corporation, Culver City CA; CHANGER NY; Chautauqua Home Rehabilitation and Improvement Corporation (NY); Chicago Community Loan Fund, Chicago IL.

Chicago Community Ventures, Chicago IL; Chicago Consumer Coalition; Citizen Potawatomi CDC, Shawnee OK; Colorado PIRG; Coalition on Homeless Housing in Ohio; Community Capital Fund, Bridgeport CT; Community Capital of Maryland, Baltimore MD; Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ; Community Redevelopment Loan and Investment Fund, Atlanta GA; Community Reinvestment Association of North Carolina; Community Resource Group, Fayetteville A; Connecticut PIRG; Consumer Assistance Council; Cooper Square Committee (NYC).

Cooperative Fund of New England, Wilmington NC; Corporacion de Desarrollo Economico de Ceiba, Ceiba PR; Delta Foundation, Inc., Greenville MS; Economic Opportunity Fund (EOF), Philadelphia PA; Empire Justice Center NY; Empowering and Strengthening Ohio's People (ESOP), Cleveland OH; Enterprises, Inc., Berea KY; Fair Housing Contact Service OH; Federation of Appalachian Housing; Fitness and Praise Youth Development, Inc., Baton Rouge LA; Florida Consumer Action Network; Florida PIRG; Funding Partners for Housing Solutions, Ft. Collins CO; Georgia PIRG.

Grow Iowa Foundation, Greenfield IA; Homewise, Inc., Santa Fe NM; Idaho Nevada CDFI, Pocatello ID; Idaho Chapter, National Association of Social Workers; Illinois PIRG; Impact Capital, Seattle WA; Indiana PIRG; Iowa PIRG; Iowa Citizens for Community Improvement; JobStart Chautauqua, Inc., Mayville NY; La Casa Federal Credit Union, Newark NJ; Low Income Investment Fund, San Francisco CA; Long Island Housing Services NY; MaineStream Finance, Bangor ME.

Maryland PIRG; Massachusetts Consumers' Coalition; MASSPIRG; Massachusetts Fair Housing Center; Michigan PIRG; Midland Community Development Corporation, Midland TX; Midwest Minnesota Community Development Corporation, Detroit Lakes MN; Mile High Community Loan Fund, Denver CO; Missouri PIRG; Mortgage Recovery Service Center of L.A.; Montana Community Development Corporation, Missoula MT; Montana PIRG; Neighborhood Economic Development Advocacy Project; New Hampshire PIRG.

New Jersey Community Capital, Trenton NJ; New Jersey Citizen Action; New Jersey PIRG; New Mexico PIRG; New York PIRG; New York City Aids Housing Network; New Yorkers for Responsible Lending; NOAH Community Development Fund, Inc., Boston MA; Nonprofit Finance Fund, New York NY; Nonprofits Assistance Fund, Minneapolis M;

North Carolina PIRG; Northside Community Development Fund, Pittsburgh PA; Ohio Capital Corporation for Housing, Columbus OH; Ohio PIRG.

OligarchyUSA; Oregon State PIRG; Our Oregon; PennPIRG; Piedmont Housing Alliance, Charlottesville VA; Michigan PIRG; Rocky Mountain Peace and Justice Center, CO; Rhode Island PIRG; Rural Community Assistance Corporation, West Sacramento CA; Rural Organizing Project OR; San Francisco Municipal Transportation Authority; Seattle Economic Development Fund; Community Capital Development; TexPIRG.

The Fair Housing Council of Central New York; The Loan Fund, Albuquerque NM; Third Reconstruction Institute NC; Vermont PIRG; Village Capital Corporation, Cleveland OH; Virginia Citizens Consumer Council; Virginia Poverty Law Center; War on Poverty—Florida; WashPIRG; Westchester Residential Opportunities Inc.; Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI; WISPIRG.

SMALL BUSINESSES

Blu; Bowden-Gill Environmental; Community MedPAC; Diversified Environmental Planning; Hayden & Craig, PLLC; Mid City Animal Hospital, Pheonix AZ; The Holographic Repatteming Institute at Austin; UNETO.

COUNCIL OF INSTITUTIONAL INVESTORS,
Washington, DC, December 3, 2013.

Hon. JOHN BOEHNER,
Speaker of the House, House of Representatives, Washington, DC.

Hon. NANCY PELOSI,
House Minority Leader, House of Representatives, Washington, DC.

DEAR MR. SPEAKER AND MINORITY LEADER PELOSI: I am writing on behalf of the Council of Institutional Investors (Council), a nonprofit association of corporate, union, and public pension funds, foundations, and endowments, with combined assets that exceed $3 trillion. Most member funds are major shareowner with a duty to protect the retirement assets of millions of American workers. Significantly affected by the financial crisis, Council member funds have a strong interest in meaningful regulatory reform.

The purpose of this letter is to share with you the Council's views on The Small Business Capital Access and Job Preservation Act (H.R. 1105) that the House of Representatives is scheduled to consider in open session tomorrow, December 4, 2013. Our views are in part informed by the findings of the Investors' Working Group (IWG). The IWG was an independent nonpartisan commission of industry experts sponsored in 2009 by the CFA Institute and the Council to provide an investor perspective on ways to improve U.S. financial system regulation. As you may be aware, many of the IWG's findings and recommendations were adopted by the 111th Congress during the development of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

The Council opposes the Small Business Capital Access and Job Preservation Act. We strongly believe that all private equity advisors available to U.S. investors should be subject to oversight and registration with the Securities and Exchange Commission (SEC), and we concur with SEC Chairman White's letter to the House Financial Services Committee leadership in that ''our markets would not be well-served'' by such a decrease in the SEC's authority.

Private equity funds play a significant role in the economy as a source of capital, as an investment vehicle, and as a growing job provider. However, prior to the Dodd-Frank Act many private equity fund advisors operated unchecked—exempt from regulation, compliance examinations, disclosure requirements, and unencumbered by leverage limits.

By requiring private equity fund advisors to register with the SEC and abide by disclosure requirements, the Dodd-Frank Act adds a meaningful layer of protection for investors. Registration ensures that investors have access to basic information about the adviser's compensation, disciplinary history, and investment strategies; it safeguards against the possibility for an advisor's conflict of interest; it ensures that advisers establish formal compliance programs and act in the best interests of their clients; and it allows the SEC to collect data and examine advisers for compliance weaknesses and potential fraud. By eliminating the registration and reporting requirements on private fund advisors, H.R. 1105 would deny investors in private equity funds these important protections, and it would restrict the SEC from garnering regulatory information critical for assessing systemic risk in a comprehensive manner.

Furthermore, H.R. 1105 does not define what constitutes a ''private equity fund,'' but instead requires the SEC to develop specific parameters for an otherwise ambiguous asset class within a mere six months of passage. We believe it may be imprudent to exempt a broad asset class without first understanding the boundaries of such an exemption, especially considering the notion widely held by many industry experts that ''there is no fundamental legal distinction between private equity funds, hedge funds and venture capital funds . . . there is no telling how broad or narrow [the SEC's] definition will be.''

Finally, we note that the Dodd-Frank Act also creates a special exemption from SEC registration for venture capital funds under $150 million. H.R. 1105 attempts to create a similar exemption for private equity funds, yet the Bill fails to include size limits akin to those in place for venture capital funds. It is similarly imprudent to exempt large private equity funds from the protections typically afforded to investors via SEC registration.

Thank you for considering our members' views in connection with this critical financial regulatory issue. We look forward to continuing to work with you to restore confidence in our economy by improving the transparency and oversight of the U.S. financial system.

If you have any questions, or would like additional information regarding our views please feel free to contact me. Additionally, General Counsel Jeff Mahoney is available.

Sincerely,

JORDAN LOFARO.

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.,
Washington, DC, December 4, 2013.

Re The Small Business Capital Access and Job Preservation Act (H.R. 1105).

Hon. JOHN BOEHNER,
Speaker, House of Representatives, The Capitol, Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives, The Capitol, Washington, DC.

DEAR SPEAKER BOEHNER AND LEADER PELOSI: On behalf of the North American Securities Administrators Association (NASAA), I'm writing to reiterate concerns the association previously expressed regarding H.R. 1105, the ''Small Business Capital Access and Job Preservation Act,'' which the House is scheduled to consider later this week.

Prior to enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), investment advisers to private funds with fewer than 15 clients were not required to register with the U.S. Securities and Exchange Commission (SEC) and precious little was known about the capital market activities of these funds and other shadow banking actors.

Title IV of the Dodd-Frank Act closed this regulatory gap by requiring nearly all advisers to private funds with more than $150 million in regulatory assets under management (RAUM) within the United States to register with the SEC. Advisers to private funds with less than $150 million in RAUM were exempted from SEC registration but required to report basic data and risk metrics on a confidential basis. The SEC finalized the rules to implement the registration and reporting requirements in November 2011 and, for the two years since, advisers to private funds have been subject to the regulatory oversight of the SEC.

Private fund advisers wishing to return to the shadows of the unregulated financial services industry have argued that the new registration and reporting requirements are burdensome and provide little benefit in monitoring systemic risk within our financial markets. While any regulation entails some measure of cost, the costs in this context are specifically scaled to the size of the adviser-limited, basic disclosure on the Form ADV for exempt reporting advisers and scaled-down disclosure on the Form PF for certain registered private equity fund advisers. Only private fund advisers managing at least a billion dollars in specific asset class funds are required to complete the more detailed sections of Form PF. For those large firms handling billions of dollars, which is the case for approximately a third of all private equity funds, cost arguments become specious at best.

In terms of systemic risk, private equity fund advisers reported managing approximately $1.6 trillion as of May 2013. While individual fund outcomes are not expected to cause catastrophic loss, most would agree the market as a whole is sizeable enough to warrant some oversight. Those in doubt should consider a number of recent SEC enforcement actions that illustrate the kinds of misconduct that were occurring in the unregulated private equity space prior to the SEC oversight before taking any steps to cloak that market in darkness once more.

Investor confidence in our markets is strengthened through prudent regulations that bring transparency to the marketplace and promote accountability. Any concerns regarding the structure or costs associated with the SEC's regulation of advisers to private equity firms is best addressed to the SEC in rulemaking that can adjust the reporting, registration, and examination requirements accordingly.

For the reasons advanced previously and set forth above, we respectfully urge you to oppose H.R. 1105 in its present form. Should you have any questions, please feel free to contact me or Michael Canning, NASAA's Director of Policy.

Sincerely,

RUSS IUCULANO,
NASAA Executive Director.

STATEMENT OF ADMINISTRATION POLICY

H.R. 1105—SMALL BUSINESS CAPITAL ACCESS AND JOB PRESERVATION ACT

(Rep. Hurt, R–VA, and 12 cosponsors, Dec. 3, 2013)

The Administration strongly opposes passage of H.R. 1105, which would amend the Investment Advisers Act of 1940 to exempt nearly all private equity fund advisers from registration. The legislation effectively provides a blanket registration and reporting

exemption for private equity funds, undermining advances in investor protection and regulatory oversight implemented by the Securities and Exchange Commission (SEC) under Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform).

The Administration is committed to building a safer, more stable financial system. H.R. 1105 represents a step backwards from the progress made to date, given that private equity fund advisers have been filing reports with the SEC for over a year. The bill's passage would deny investors access to important information intended to increase transparency and accountability and to minimize conflicts of interest. Moreover, H.R. 1105 would exempt private equity funds from the disclosure requirements that the Congress laid out in Wall Street Reform to allow regulators to assess potential systemic risks.

Private equity funds are already subject to less stringent reporting requirements compared to other types of private funds and to an annual, rather than quarterly, filing requirement. In addition, private fund advisers with under $150 million in assets under management are exempted from registration and subject only to recordkeeping and reporting requirements.

If the President were presented with H.R. 1105, his senior advisors would recommend that he veto the bill.

Mr. HENSARLING. Mr. Speaker, I am very pleased now to yield 1 minute to the gentleman from Tennessee (Mr. FINCHER).

Mr. FINCHER. I thank the chairman for yielding.

Mr. Speaker, strong job creation is the foundation for a healthy economy, while overregulation kills jobs. Private equity provides much-needed capital and better investment returns to pension plans, university endowments, charitable foundations, and other investors than if they simply deposited their money in a bank. The various forms of capital provided by private equity in our economy result in more resources for companies to operate their firms, expand their facilities, and create more jobs.

H.R. 1105, sponsored by my good friend from Virginia (Mr. HURT), would help expand private equity by relieving certain advisers' private equity funds from the burdensome and unnecessary process of registering with the SEC. This bill would simply allow advisers and private equity firms to do what they do best: invest in promising companies in order to help them expand and create more jobs.

Let's support job growth in this country by voting in favor of H.R. 1105.

Mr. LYNCH. Mr. Speaker, could I ask how much time remains on each side.

The SPEAKER pro tempore. The gentleman from Massachusetts has 7¾ minutes remaining, and the gentleman from Texas has 7½ minutes remaining.

Mr. LYNCH. I yield 2 minutes to the gentlelady from New York (Mrs. MALONEY).

Mrs. CAROLYN B. MALONEY of New York. I thank the gentleman for yielding.

Mr. Speaker, I would like to remind my colleagues that we are still recovering from a massive financial crisis that cost this country $16 trillion, and I would venture to say that we should be more focused on protecting investors, not removing investor protections. And I would say that all investors deserve to be protected—sophisticated investors, retail investors, pension investors. All investors should be protected, which is why the Obama administration has come out so strongly in opposition to the underlying bill and why the Securities and Exchange Commission, whose mission is to protect investors, is so adamantly, strongly opposed to this bill.

Now, I am sympathetic to the point that my colleagues have raised on the other side of the aisle and on this side of the aisle that some of the reporting and registration requirements are onerous. So let's address that. Let's direct the SEC to come forward with simplified forms, to do it quickly, within 6 months. Let's save money. Let's simplify the process. But let's not remove important investors' protections, such as the fiduciary duty to act in the client's best interest. What is wrong with that? I think that is a moral responsibility, such as the obligation to disclose conflicts of interest.

Now, that is not onerous. How difficult is it to say, yes or no, I have not had any conflict of interest? Or if you are advising your client to invest in your business, then disclose your conflict of interest. What is so onerous about that? That is not onerous. That is easy.

And what is wrong with the obligation to disclose fees? Everyone talks about transparency. That is why we are opposing this bill. We want it to be transparent, and we want to protect investors.

The SPEAKER pro tempore. The time of the gentlewoman has expired.

Mr. LYNCH. I yield the gentlewoman an additional 1 minute.

Mrs. CAROLYN B. MALONEY of New York. I feel that there are many ways that we could address this that would come forward with a strong piece of legislation that President Obama could sign into law. Instead, he has got a lot of ink in his veto pen, and he has said right out front that he would veto this bill.

Now, if they want to simplify disclosure and registration requirements, then let's do that. Let's require the SEC to come forward with it. Let's simplify the process and save the cost for small businesses. We want to save that cost.

Honest private equity firms have grown jobs in this country, and it is important to grow jobs. It is important to support them in every single way. But removing all investor protections, according to the Obama administration, would literally assault the safety and soundness and the strong financial security that we are trying to build in this country.

What is wrong with protecting investors? That is what we are saying. I have an amendment which would do just that, protect the investors but simplify the forms and maintain the cost.

If their goal is to save money for the small firms, then let's do that, but let's not erase very important investor protections in the process.

Mr. HENSARLING. Mr. Speaker, I yield myself 1 minute.

Again, I want to address the gentleman from Massachusetts who, again, I believe, sets up a straw man only to knock it down.

I would urge all Members to actually read the bill. I know that many of my Democratic colleagues now have buyer's remorse from not reading the 2,000-page ObamaCare bill, but, Mr. Speaker, this is a two-page bill, 36 lines.

And I would say to my friend, the gentleman from Massachusetts, that on page 2, that the SEC can ''require investment advisers described in paragraph (1) to maintain such records and provide to the Commission such annual or other reports as the Commission taking into account fund size, governance, investment strategy, risk, and other factors, as the Commission determines necessary.''

So to make the assertion that these records of foul play could never exist is simply not true.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. I yield myself an additional 30 seconds.

I would say to my friend, the gentlelady from New York who made the assertion that the SEC is opposed to this bill, that the SEC has not opposed this bill. One member, Mary Jo White, has issued an opinion that she does not support the legislation, but the SEC has taken no official position.

With respect to a threatened veto, I don't recall that when my Democratic colleagues had the majority here that they refused to pass bills simply because President Bush threatened to veto. But I must admit, our committee has produced, I believe it is, at least 10 or 11 bipartisan bills which all received veto threats from a President who says he wants to work on a bipartisan basis. This is most regrettable.

Mr. LYNCH. I yield myself 2 minutes.

Mr. Speaker, I would now like to enter into the RECORD statements from the following organizations which all oppose H.R. 1105: the AFL–CIO, California Public Employees' Retirement System, and North American Securities Administrators Association.

And regarding reading the bill, I certainly did read the bill, and my point is that the bill does not require public disclosure of those matters, as the gentleman points out. It just goes to the Commission. So it doesn't go to the public. The public doesn't get the information. It stays within the custody of the Commission.

Mr. HENSARLING. Will the gentleman yield?

Mr. LYNCH. I yield to the gentleman from Texas.

Mr. HENSARLING. By definition, it is private equity. It is not a public fund.

Mr. LYNCH. Reclaiming my time, that is right. But those are public investors. They are the ones that need the information.

Mr. Speaker, I yield the balance of my time to the gentlelady from California (Ms. WATERS), our ranking member and a real champion of America's working families.

Legislative Proposals to Relieve the Red Tape Burden on Investors and Job Creators

UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES SUBCOMMITTEE ON CAPITAL MARKETS AND GOVERNMENT SPONSORED ENTERPRISES

(Statement of Anne Simpson Senior Portfolio Manager, Investments Director of Global Governance California Public Employees' Retirement System, May 23, 2013)

Chairman Garrett, Ranking Member Maloney, and Members of the Committee, on behalf of the California Public Employees' Retirement System (CalPERS), we thank you for convening this hearing. CalPERS is pleased to submit testimony for the record to reassert our strong support for efficient and effective financial regulation, as enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act (''Dodd-Frank'').

This statement includes a brief overview of CalPERS, including how we benefit from effective financial markets regulation and the role that shareowner rights and corporate governance play in building investor confidence. It also includes a discussion of our views on HR 1135, HR 1105, and HR 1564.

SOME BACKGROUND ON CALPERS

CalPERS is the largest public pension fund in the United States with approximately $266 billion in global assets and equity holdings in over 9,000 companies. CalPERS pays out over $14 billion annually in retirement benefits to more than 1.6 million public employees, retirees, their families and beneficiaries. This is not only an important source of daily income for those individuals; it also provides a positive economic multiplier to the local economy. We fully understand the virtuous circle between savings, investment and economic growth. That is at the heart of the CalPERS agenda.

As a significant institutional investor with a long-term investment time horizon, CalPERS fundamentally relies upon the integrity and efficiency of the capital markets. For every dollar that we pay in benefits to our members, 64 cents are generated by investment returns. The financial crisis hit us hard with $70 billion wiped from CalPERS assets. While we are pleased that we have been able to recover these losses over the last several years, we simply cannot afford another drawdown on our fund.

We rely upon the safety and soundness of capital markets, and more broadly, sustainable economic growth, to provide the long term returns that allow us to meet our liabilities. However, there is still much to be done to bring about smart regulation.

In our view, smart regulation should be structured as follows:

First, regulation needs to be complete and coordinated. Innovation in financial markets has led to the development of new financial instruments and pools. Regulation needs to keep pace with financial innovation and the attendant risks in order to be relevant. (Derivatives are an example of that innovation, but it is innovation that has been outside the reach of regulation historically.)

Second, regulation needs to allow market players to exercise their proper role and responsibilities. Capitalism was designed to allow the providers of finance a market role in allocating investment, and then holding boards accountable for their stewardship of those funds. This is why shareowner rights are vital to the functioning of markets, including the ability of investors to propose candidates to boards of directors (known in short as 'proxy access') and to remove directors who fail.

Third, regulation needs to ensure transparency, so that markets can play their vital role in pricing risk. Timely, relevant and reliable information is the currency of risk management. Those agencies which have a role in channeling that information need to be fit for that purpose. (Credit ratings agencies were found wanting in this regard.)

Fourth, regulation needs to address conflicts of interest and perverse incentives which can undermine the market's ability to allocate capital effectively. (Short term, risk-free compensation for executives has fueled poor decision taking, as one example of this).

Fifth, regulation needs to ensure it does not prevent institutional investors from financing legitimate strategies, and taking advantage of new opportunities. Regulation is not there to prevent risk taking, it is there to ensure that risks are disclosed, and can be managed.

Finally, regulation needs to be proportionate. For CalPERS, we balance the additional costs that are required with the potential for financial ruin. To those who question whether we can afford to invest in smart regulation, we reply, how can we afford not to? The financial crisis dealt a crippling blow to many investors, and the underlying sub-prime mortgage scandal triggered widespread loss for ordinary people throughout the country. The devastating impact on the real economy is still with us. The costs of regulation need to be weighed against this loss.

We see smart regulation as an investment in safety and soundness of financial markets which generate the vast bulk of the returns to our fund. Smart regulation is an investment in the effective functioning of capital markets, which is critical not just to our fund, but to the recovery of the wider economy.

H.R. 1135

It is widely acknowledged that the 2008 financial crisis represented a massive failure of oversight. Too many CEOs pursued excessively risky strategies or investments that bankrupted their companies or weakened them financially for years to come. Boards of directors were often complacent, failing to challenge or rein in reckless senior executives who threw caution to the wind. And too many boards approved executive compensation plans that rewarded excessive risk taking.

Accountability is critical to motivating people to do a better job in any organization or activity. An effective board of directors can help every business understand and control its risks, thereby encouraging safety and stability in our financial system and reducing the pressure on regulators, who, even if adequately funded, will be unlikely to find and correct every problem. Unfortunately, long-standing inadequacies in investor protection have limited shareowners' ability to hold boards accountable.

Fortunately, Dodd-Frank contains a number of reforms that when fully implemented and effectively enforced will provide long-term investors like CalPERS with better tools, including better information, to hold directors more accountable going forward. These included a provision that requires additional disclosure involving the ratio between the CEO's total compensation and the median total compensation for all the other company employees. To be clear, section 953(b) as currently enacted is unartful and its critics properly identify a number of potential ambiguities. However, we strongly support the spirit of the disclosure and believe that the SEC has the regulatory flexibility to provide companies with guidance on how to comply with this section.

However, if Congress believes the SEC is unable to implement section 953(b) as currently written, we would encourage Congress to amend the section and retain the requirement. HR 1135 seeks only to repeal this requirement and for the reasons discussed above, we would strongly discourage the committee from advancing this bill.

H.R. 1105

Prior to the enactment of Dodd-Frank, we testified that the fundamental risk posed by private pools of capital is that they can choose to operate outside the regulatory structure of the United States. CalPERS Chief Investment Officer Joe Dear warned the Senate Securities Subcommittee of the overall risks to the financial system ''when these entities operate in the shadows of the financial system'' and when ''regulatory authorities lack basic information about exposures, leverage ratios, counterparty risks and other information.'' Less than three years after the enactment of Dodd-Frank, these risks have been mitigated by the requirement for private fund advisors to register and be subject to reasonable regulation.

Although HR 1105 would only exempt funds with low leverage ratios, it would constitute a large step away from the comprehensive regulation of market participants that Dodd-Frank sought to impose. Dodd-Frank has already provided small private fund advisors an exemption to registration and regulation, and we believe it is therefore unnecessary for large, albeit unleveraged, fund advisors.

H.R. 1564

The issues surrounding auditor independence and audit firm rotation are of great importance to CalPERS.

Clearly, auditors play a vital role in the integrity of financial reporting and the efficiency of the capital markets. As a long-term investor, and a strong advocate of reform we believe independence of an auditor is critical to investor confidence and the stability and effective functioning of the capital markets. It is the important role of auditors that brings standardization and discipline to corporate accounting which in turn enhances investor confidence.

CalPERS Global Principles of Accountable Corporate Governance (Principles) highlight the importance of auditor independence requiring audit committees to assess the independence of their external auditor on an annual basis. Also, as part of the engagement we recommend that audit committees require written disclosure from the external auditor of:

all relationships between the registered public accounting firm or any affiliates of the firm and the potential audit clients or persons in a financial reporting oversight role that may have a bearing on independence;

the potential effects of these relationships on the independence in both appearance and fact of the registered public accounting firm; and

the substance of the registered accounting firm's discussion with the audit committee.

CalPERS expressly supported mandatory rotation in the wake of the scandals which led to the Sarbanes-Oxley Act of 2002. CalPERS communicated its view to the European Parliament Committee on Legal Affairs, that ''mandatory auditor rotation is an effective means of increasing auditor independence''. CalPERS Principles state that

''Audit Committees should promote the rotation of the auditor to ensure a fresh perspective and review of the financial reporting framework.''

We believe that audit committees should endorse expanding the pool of auditors for the annual audit to help improve market competition and minimize the concentration of audit firms from which to engage for audit services. We support audit committees having the ability to determine audit independence by requiring auditors to provide 3 prior years of activities, relationships and services (including tax services) with the company, affiliate of the company and persons in financial reporting oversight roles that may impact the independence of the audit firm.

Additionally, we would note that the Public Company Accounting Oversight Board's (PCAOB) Investor Advisory Group (IAG), of which I am a member, urged the agency to consider firm rotation in the context of lessons learned from the financial crisis. The PCAOB IAG indicated that the purpose of an audit is to provide confidence to investors that an independent set of eyes have looked at the numbers reported by management and objectively without bias determined they can indeed be relied upon. If investors' confidence in this process is diminished or lost, the benefits of the audit and its costs may be questioned.

Over the last two years, the PCAOB has thoughtfully reviewed auditor independence and mandatory rotation, holding a series of roundtables on the issues. We note the issue of mandatory rotation has been addressed by the European Commission (EC). The EC has voted to draft law to open up the European Union audit services market and improve audit quality and transparency including mandatory rotation of the auditor whereby an auditor may inspect a company's books for a maximum of 14 years. We believe that it is essential and beneficial for the PCAOB to collaborate with non-U.S. regulators and standard-setters on this matter.

Ultimately, we believe that audit committees are in the best position to select the auditor. However, we are strong supporters of the PCAOB and have faith in their thoughtful approach to the regulation of the audit profession. If they ultimately conclude that mandatory rotation is appropriate, we will support this judgment consistent with our support for the position taken by the EC. Accordingly, because HR 1564 would eliminate the PCAOB's discretion in this area, we cannot support the measure.

REGULATORY AGENCY FUNDING

Finally, although the hearing has not focused directly on the funding for the SEC, we would be remiss if we didn't highlight the vital role of the SEC and PCAOB in fostering capital formation and protecting investors in financial markets. CalPERS has long recognized that for financial regulators to achieve their stated objectives, they must be well-managed, well-staffed and that means they must be well-funded. Rules without enforcement are little better than useless. In 2001, CalPERS testified in support of legislation that would put SEC staff salaries on par with other financial regulators and was pleased that pay-parity provisions were enacted into law that year. More recently, we called for lawmakers to provide the SEC and U.S. Commodity Futures Trading Commission (CFTC) with stable, independent funding. Although no such mechanisms were included in Dodd-Frank, it remains imperative that the SEC and CFTC be given sufficient resources to effectively police the U.S. capital and futures markets.

We believe the SEC FY2014 funding request reflects the importance of their traditional core responsibility, as well as the new authority granted it in Dodd-Frank, and we urge you to support their funding requests.

Thank you in advance for considering the views of a long-term investor like CalPERS when you decide on how to proceed with these important issues.

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.,
Washington, DC, June 18, 2013.

Re H.R. 1105, the Small Business Capital and Job Preservation Act.

Hon. JEB HENSARLING,
Chairman, House Committee on Financial Services, Rayburn House Office Building, Washington DC.

Hon. MAXINE WATERS,
Ranking Member, House Committee on Financial Services, Rayburn House Office Building, Washington DC.

DEAR CHAIRMAN HENSARLING AND RANKING MEMBER WATERS: On behalf of the North American Securities Administrators Association (NASAA), I'm writing to express concerns with H.R. 1105, the Small Business Capital and Job Preservation Act. NASAA appreciates and shares the desire of the Committee to facilitate job creation. Investor confidence in our markets is strengthened through efforts that are designed to bring transparency to the marketplace and promote accountability. Unfortunately, H.R. 1105 could frustrate this goal by establishing an exemption from the registration requirements in federal law designed to promote transparency and accountability. Moreover, while NASAA considers the inclusion of fund leverage limits in the bill to be an improvement, we believe Congress would be remiss to ignore the question of the size of funds, in terms of assets, in making determinations about which private equity firms should be subject to the registration exemption.

The Dodd-Frank Act provided exemptions for advisers who solely advise ''venture capital funds'' as defined by the SEC and for advisers who solely advise private funds and have assets under management in the United States of less than $150 million; however, in each case such exempted advisers remain subject to SEC recordkeeping and reporting requirements. H.R. 1105 would insert an additional exemption for private equity fund advisers from registration or reporting requirements. Unlike the exemptions contained in Dodd-Frank, H.R. 1105 does not limit the exemption to advisers solely to private funds nor does it contain a cap that would limit the exemption to smaller advisers.

Furthermore, at least two fundamental components of the proposed legislation are so vague that they undermine any benefits the bill purports to confer on small business.

First, the bill is unclear as to what, if any, reporting requirements are required for private equity fund advisers. Section 2 provides that an adviser to a ''private equity fund,'' regardless of assets under management, would be exempt from both registration and reporting requirements. This proposed exemption from all registration and reporting requirements would seem to run contrary to the basic and obvious interest of investors in private equity funds, since registration under the Investment Advisers Act serves to protect investors from conflicts of interest and other risks associated with entrusting their assets to advisers. The exemption would to have the unintended consequence of depriving the SEC of important regulatory information critical for assessing systemic risk and protecting investors. The registration regimes long in place for advisers, and recently the reporting regimes established under Dodd-Frank for certain private fund advisers, are designed to help insure that regulators and investors have access to important information. The inclusion of fund leverage limits in the bill attenuate NASAA's concerns with respect to systemic risk, and we understand that private equity funds were not a catalyst of the financial crisis of 2008; however, this information is nevertheless critical to regulators and investors alike. Specifically, regulators use the information to measure risk and assess compliance; investors use the information to guide choices in picking advisers and understanding their operations.

Second, even if the language in H. R. 1105 were clarified, the legislation would remain significantly ambiguous as to the type and size of adviser to which it would apply. This is because the legislation does not define ''private equity fund'' but rather delegates this task to the SEC, which would be given six months to promulgate rules necessary to establish the record keeping and reporting obligations of these advisers. Though the bill appears to treat advisers to ''private equity funds'' similar to advisers to venture capital funds for the purposes of exemption, it fails to include the limits currently applicable to the exemption for advisers to venture capital funds. Without more specificity and a clear definition of what constitutes a ''private equity fund'', it is unknown what types of entities are covered by the exemption. This is problematic because without statutory clarification of the universe of ''private equity,'' any assessment of risk to financial stability posed by such capital investment would be invalid. Moreover, it seems unwise to establish an exemption before defining what is covered by the exemption; as AFL–CIO Policy Director Damon Silver testified to the Committee on May 23rd:

''There is no fundamental legal distinction between private equity funds, hedge funds and venture capital funds. These are terms that describe broad investment strategies, not legal structures. So the bill directs the SEC to define what a private equity fund is. And there is no telling how broad or narrow, or gameable, such a definition will be.''

Moreover, the enactment of the JOBS Act and the removal of the long-standing prohibition on general solicitation and advertising in Regulation D, Rule 506 offerings reinforces NASAA's belief that, as a general matter, the risk to investors and regulators that would accompany the exemptions contemplated by H.R. 1105 far exceed the bill's potential benefits as a tool for capital formation and job creation.

Thank you for your consideration of these concerns. We look forward to working with you as these bills move through the legislative process. If you have questions, or if NASAA can be of assistance, please contact me or Michael Canning, NASAA's Director of Policy.

Sincerely,

A. HEATH ABSHURE,
NASAA President and Arkansas Securities Commissioner.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, DC, June 19, 2013.

LEGISLATIVE ALERT

Hon. JEB HENSARLING,
Chairman, House Financial Services Committee, Rayburn House Office Building, Washington, DC.

Hon. MAXINE WATERS,
Ranking Minority Member, House Financial Services Committee, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN HENSARLING AND RANKING MINORITY MEMBER WATERS: The AFL–CIO, a labor federation of 57 unions representing 12 million working men and women with over

$4 trillion in assets in benefit plans, opposes the Small Business Capital Access and Job Preservation Act (H.R. 1105); the Burdensome Data Collection Relief Act (H.R. 1135); the Audit Integrity and Job Protection Act (H.R. 1564); and the Retail Investor Protection Act (H.R. 2374) scheduled for markup in committee this week. The AFL–CIO testified in May before this Committee in opposition to these bills and we reiterate, in brief, below our continued opposition. This package of bills is a clear indication that some in Congress have every intention to take us down the road of deregulation, yet again.

Since 1980, the United States has gone through several cycles of financial deregulation. The first of these episodes led to the savings and loan fiasco of the early 1990's, the second to the tech bubble collapse in 2000 and the wave of corporate scandals and bankruptcies that began with Enron in 2001. And the third, and by far the most devastating, was the residential real estate bubble driven by a deregulated banking sector through the use of mortgage backed securities, and the subsequent collapse of that bubble starting in 2007. Surely members of the Committee don't want to be associated with arguably the next and fourth devastating round of deregulation.

''THE SMALL BUSINESS CAPITAL ACCESS AND JOB PRESERVATION ACT.'' (H.R. 1105)

Despite its title, H.R. 1105 has nothing to do with small business and everything to do with ensuring some of the richest and most powerful, and most tax subsidized, Wall Street firms are allowed to continue to operate, and build up system-wide leverage, in secret. Specifically, H.R. 1105 would exempt all private equity fund advisers from the registration and reporting requirements in the Dodd-Frank Act, unless each fund has outstanding borrowings that exceed two times the fund's invested capital commitments.

The impact of H.R. 1105 would be to prevent the SEC from collecting the information necessary to monitor a significant source of systemic risk. Section 404 of the Dodd-Frank Act gave the Securities and Exchange Commission (SEC) authority to establish recordkeeping and reporting requirements ''as necessary and appropriate in the public interest and for the protection of investors, or for the assessment of systemic risk by the Financial Stability Oversight Council. H.R. 1105 would exempt private equity funds from this recordkeeping and reporting framework and direct the SEC to replace it with one that omits consideration of potential systemic risks and is exclusively for use by the SEC. The AFL–CIO continues to oppose any bill that weakens investor protections and increases systemic risk.

''THE BURDENSOME DATA COLLECTION RELIEF ACT'' (H.R. 1135)

H.R. 1135 seeks to keep secret the relationship between CEO pay and the median pay of other employees at public companies, by repealing section 953(b) of the Dodd-Frank Act, which requires such disclosure. It is a bill designed to hide material information from investors and boards which ultimately becomes detrimental in efforts to fight income inequality.

Investors have long had multiple concerns about CEO pay—starting with the raw numbers that come out of investors' 'pockets. Top executives at large public companies now keep for themselves an average of 10% of their companies' net profits, approximately double the rate in the early 1990s. The disclosure requirements of 953(b) would help reveal the true nature of disparities between CEO's and their employees enabling investors and boards to also consider and take action accordingly. As such, the AFL–CIO strongly opposes H.R. 1135 and the repeal of 953(b) disclosure requirements.

''THE AUDITOR INTEGRITY AND JOB PROTECTION ACT.'' (H.R. 1564)

H.R. 1564 seeks to prevent the Public Company Accounting Oversight Board (PCAOB) from placing limits on the length of time a public company can use the same audit firm, referred to as auditor rotation. H.R. 1564 amends Sarbanes-Oxley by adding a limitation on PCAOB authority which states, ''The Board shall have no authority under this title to require that audits conducted for a particular issuer in accordance with the standards set forth under this section be conducted by specific auditors, or that such audits be conducted for an issuer by different auditors on a rotating basis.''

H.R. 1564 both substantively weakens the ability of the PCAOB to play its role in protecting our economy against systemic risk, and it weakens the independence of auditor regulation. Both results are contrary to the public interest, and consequently the AFL–CIO opposes this bill.

''THE RETAIL INVESTOR PROTECTION ACT'' (H.R. 2374)

H.R. 2374 would require the SEC to identify whether the different standards of conduct that apply to broker-dealers and investment advisers result in harm to retail investors. In addition, the bill requires the SEC's Chief Economist to conduct a cost benefit analysis of such a change. make a formal finding that the rule would reduce investor confusion, and coordinate with other federal regulators. Finally, the bill would prohibit the SEC from proposing rules applicable to broker-dealers' standard of conduct without simultaneously proposing rules that would ''address any harm to retail customers resulting from differences in the registration, supervision, and examination requirements applicable to brokers, dealers, and investment advisers.''

H.R. 2374 suggests these changes despite the fact that the SEC is currently collecting data to support an economic analysis before any rulemaking is undertaken. The bill would significantly delay and perhaps derail these long overdue efforts of the SEC to raise the standard of conduct that applies to brokers when they give advice to retail investors and accordingly the AFL–CIO opposes H.R. 2374.

For the above reasons we urge you to vote against this cluster of bills that seek to undo much needed reforms enacted in the Dodd-Frank Act.

Sincerely,

WILLIAM SAMUEL,
Director Government Affairs Department.

CONSUMER FEDERATION OF AMERICA,
June 18, 2013.

Hon. JEB HENSARLING,
Chairman, Financial Services Committee, House of Representatives.

Hon. MAXINE WATERS,
Ranking Member, Financial Services Committee, House of Representatives.

DEAR CHAIRMAN HENSARLING, RANKING MEMBER WATERS AND MEMBERS OF THE COMMITTEE: The Financial Services Committee is scheduled to mark-up yet another set of bills this week that would weaken investor protection and undermine the transparency and integrity of our capital markets. I am writing on behalf of the Consumer Federation of America to urge you to oppose these bills. While CFA opposes each of the bills scheduled for mark-up for reasons described briefly below, our primary focus is the cynically titled ''Retail Investor Protection Act,'' which would undermine the ability of federal agencies to ensure that Americans receive appropriate protections in their dealings with financial/professionals who purport to offer investment advice.

OPPOSE BILL (H.R. 2374) TO UNDERMINE PROTECTIONS FOR VULNERABLE INVESTORS

H.R. 2374 launches a two-stage attack on federal regulators' attempts to improve protections for average, unsophisticated investors in their dealings with predatory and self-dealing investment professionals. First, it would throw new roadblocks in the way of the Securities and Exchange Commission (SEC) as it attempts to close a gaping regulatory loophole that permits broker-dealers to provide investment ''advice'' to retail investors that is not designed to serve the best interests of those investors. Second, it would inappropriately tie the ability of the Department of Labor (DOL) to update its fiduciary definition under ERISA to the SEC's successful completion of its separate rulemaking under the securities laws.

Over the years, brokers have been permitted to call themselves financial advisers and offer extensive advisory services without having to meet the best interest standard included as part of the fiduciary duty that applies to all other investment advisers. As a result, many investors are deceived into believing they are dealing with a trusted adviser when, in fact, they are dealing with a salesperson—a salesperson, moreover, who is free to put his or her own financial interests ahead of the interests of the investor and often receives financial incentives to encourage such practices. Investors who place their trust in these salesmen in advisers' clothing can end up paying excessively high costs for higher risk or poorly performing investments that satisfy a suitability standard, but not a fiduciary duty. That is money most middle income investors can ill afford to waste.

This legislation would make it more difficult for the SEC to address this problem by requiring further study of an issue that has already been studied extensively. Indeed, the SEC has been studying the issue of the standard of conduct that should apply to brokers' investment advice for over a decade. In the process, it has conducted focus group testing of disclosures designed (without success) to clarify the differing legal standards that apply to brokerage and advisory accounts, commissioned a comprehensive independent study intended to lay the foundation for further rulemaking, and conducted a staff study of the issues to be addressed by rulemaking. Over the years, the SEC has collected reams of comment from all interested parties with a stake in the issue, and it has recently issued an additional Request for Information to form the basis of a thorough economic analysis to accompany any rulemaking it might decide to undertake.

Clearly, the additional cost-benefit analysis requirements in H.R. 2374 are not designed to address any shortcomings in the SEC approach to economic analysis of this issue. Instead, their primary effect would be to create additional grounds for legal challenge by fringe industry groups that oppose any rulemaking that might force them to abandon predatory practices that allow them to profit at their customers' expense. The best outcome, if this legislation were adopted, would be further delay of a rule that is already years overdue. More likely is that the legislation would inhibit SEC rulemaking altogether or result in a rule so weak as to be entirely devoid of meaningful. new protections for investors. Middle income investors who need to make every dollar count would be the ultimate victims of these bureaucratic games.

But retail investors would not be the only victims of this legislation. Working Americans attempting to prepare for a secure retirement would also be denied appropriate protections, perhaps indefinitely. Loopholes

in the definition of investment advice under ERISA make DOL's fiduciary standard all but unenforceable. This bill would prevent DOL from acting to address that problem until after the SEC completes an entirely separate fiduciary rulemaking under the securities laws. It would impede DOL action despite repeated assurances that the SEC and DOL are coordinating their efforts and that any rules adopted will not conflict. DOL has responded to criticism of its original approach by withdrawing that proposal in order to conduct a thorough economic analysis, redraft the proposal, and clarify how the revised definition would interact with prohibited transaction exemptions. DOL deserves to have the resulting reproposal judged on its merits, not halted based on unsubstantiated fears about the form that rulemaking might take. For all these reasons, we urge you to vote NO on H.R. 2374.

OPPOSE ANTI-INVESTOR BILLS TO UNDERMINE MARKET TRANSPARENCY AND INTEGRITY

The Committee is also scheduled to mark up three other bills, each of which would in its own way undermine market transparency and integrity.

H.R. 1564, the ''Audit Integrity and Job Protection Act,'' would prevent the Public Company Accounting Oversight Board (PCAOB) from adopting a rule to require rotation of auditors at public companies even if it determines, based on a thorough review of the evidence, that doing so is necessary to address the persistent lack of independence and professional skepticism in the audits of public companies. The PCAOB has not yet decided on a regulatory approach and is instead engaged in carefully weighing the evidence. In contrast to the PCAOB's balanced and thoughtful approach, this legislation would decide the issue without any consideration of the evidence on audit failures tied to lack of auditor independence, a problem that has been highlighted by regulators both here and abroad. We urge you to protect the independence of the PCAOB and the audit process by voting NO on H.R. 1564.

H.R. 1105, the Small Business Capital Access and Job Preservation Act, would exempt a large swath of ''private equity'' funds from registration with the SEC without showing any reason why such an exemption is necessary or appropriate. The bill would leave it to the agency to define the scope of funds that might qualify for the exemption, setting up an inevitable regulatory race to the bottom as funds pressure the agency to write as expansive an exemption as possible. As such, the bill would limit the ability of the agency to provide effective oversight of a portion of the securities business with a proven capacity to spread risk through the financial system. We urge you to vote NO on H.R. 1105, which would undermine efforts to protect the financial system from systemic threats.

H.R. 1135, the ''Burdensome Data Collection Relief Act,'' would undermine market transparency by denying investors information about the relationship between CEO and worker pay at the companies in which they invest. Not only would this bill hide material information from the owners of public companies, but it would also undermine efforts to rein in out-of-control CEO pay. Opposition to this disclosure is clearly based not on any excessive costs or insurmountable burdens associated with making the disclosure, but on the fact that the information is likely to be embarrassing to many companies and could provide the impetus for reform. We urge you to stand up for market transparency and economic equality by voting NO on H.R. 1135.

Taken together, these bills would reduce oversight of potentially risky market segments (H.R. 1105), tie the hands of regulators seeking to address a persistent market failure (H.R. 1564), deprive investors of information that could provide a check on excessive CEO pay (H.R. 1135), and impede the ability of federal regulators to act to protect unsophisticated investors from predatory industry practices (H.R. 2374). We urge you to vote NO on each of these bills. Thank you for your attention to our concerns. You may contact me if you have any questions about our position on the issues.

Respectfully submitted,

BARBARA ROPER,
Director of Investor Protection.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,
Washington, DC, June 18, 2013.

Hon. JEB HENSARLING,
Chairman, Committee on Financial Services, House of Representatives, Rayburn House Office Building, Washington, DC.

Hon. MAXINE WATERS,
Ranking Member, Committee on Financial Services, House of Representatives, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN HENSARLING AND RANKING MEMBER WATERS: I understand that the House Committee on Financial Services is scheduled this week to consider several bills pending before it, including H.R. 1105 and H.R. 2374. I write to briefly express my views on these two bills. The views expressed in this letter are my own and do not necessarily reflect the views of the full Commission or any Commissioner.

The Small Business Capital Access and Job Preservation Act (H.R. 1105) would amend the Investment Advisers Act of 1940 (Investment Advisers Act) to generally exempt investment advisers to private equity funds from the registration requirements of the Investment Advisers Act, unless such funds have borrowed and have outstanding principal amounts in excess of twice their invested capital commitments. The Retail Investor Protection Act (H.R. 2374) would impose new restrictions on the Commission's ability to adopt a uniform fiduciary standard of conduct for investment advisers and broker-dealers.

REGISTRATION OF PRIVATE EQUITY ADVISERS

Regarding H.R. 1105, registration under the Investment Advisers Act serves to protect investors from conflicts of interest and other risks associated with investors' entrusting their assets to advisers. Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) mandated that advisers to private equity funds with assets under management above $150 million register with the Commission. Although private equity funds were not an underlying cause of the recent financial crisis, private equity fund advisers represent a significant and influential part of the financial landscape. In my view, our markets would not be well-served by narrowing the scope of the Commission's jurisdiction and oversight of these advisers.

Private equity fund investors are in need of the same protections as other private fund investors. As with other types of funds and advisers, the Commission has brought enforcement actions against private equity funds and their advisory personnel involving unlawful pay to play schemes, insider trading, conflicts of interest, valuation, and misappropriation of assets. Registration provides the Commission with tools to discover and prevent fraud and other violations of the securities laws, enhancing confidence in our capital markets and promoting fair dealing. It is important, therefore, that the Commission, as a capital markets regulator, have an appropriate level of oversight of these entities, for both investor protection and market efficiency purposes.

Beyond this, to base exemptions from registration on investment strategy or leverage would result in the securities laws generally favoring or disfavoring particular strategies, which should be avoided when the objective is a fair and level playing field.

UNIFORM FIDUCIARY STANDARD OF CONDUCT

Section 913 of the Dodd-Frank Act added new express authority for the Commission to adopt a uniform fiduciary standard of conduct and to consider other potential options for the harmonization of the regulation of broker-dealers and investment advisers. Although there are differing views on this issue, many investor advocates and industry participants support the establishment of a uniform fiduciary standard of conduct. The new restrictions on the Commission's authority that would be imposed under H.R. 2374, however, would make it difficult for the Commission to adopt such a rule should it determine to do so.

The Commission has pursued the consideration of possible rulemaking under section 913 with care and diligence. Section 913 required the Commission to conduct a study regarding obligations of broker-dealers and investment advisers. That study, published in 2011, contained two primary recommendations from Commission staff—one in favor of a uniform fiduciary standard of conduct and another calling for enhanced harmonization of the regulatory requirements for broker-dealers and investment advisers. Following publication of the study, Commissioners and Commission staff have met with relevant parties and maintained an open dialogue with those interested in these issues. To further its review, the Commission in March 2013 published a request for additional data and other information, in particular quantitative data and economic analysis. Any rulemaking under section 913 would include a rigorous economic analysis.

If, after such fact-finding and deliberations, the Commission should determine to propose a uniform fiduciary standard of conduct, H.R. 2374 would layer on new statutory requirements for the Commission to satisfy before finalizing any such rules, which could impede this investor-focused initiative in what already has been a multi-year process.

I hope that this information is helpful to you and to the other members of the Committee. Please do not hesitate to contact me or have your staff contact Tim Henseler, Acting Director of the Office of Legislative and Intergovernmental Affairs, if I can be of further assistance.

Sincerely,

MARY JO WHITE,
Chair.

Ms. WATERS. I thank the gentleman from Massachusetts for managing in my absence.

Mr. Speaker, I am pleased to have the opportunity to come back to the floor to add a few comments.

Prior to leaving, the chairman of this committee talked about this being a job creation bill. He wrapped this bill in jobs creation. And I must say that I don't think that the gentleman has much else he could say about why they are trying to exempt all of these private equity funds from registering with the SEC.

Wrapping it in this notion of they are creating all of these jobs and we should all be very appreciative is one way to deflect attention from the fact that here we have private equity funds. $180

million from the smaller private equity funds have been exempted already. Those firms that have $180 million in those funds or less are already exempted. That was done in the Dodd-Frank legislation. Now they are coming back and they are saying exempt everybody.

What is it you are trying to hide? Why is it you do not want these firms to register?

Well, first of all, they are registered at this point. The SEC is given the oversight and the regulation that they need, and they are finding that it is very important for them to do so because they are finding that there are unlawful pay-to-play schemes, insider trading, conflicts of interest, and misappropriations of assets, et cetera. That is not to say that all private equity funds are doing these things, but weeding out the bad actors is extremely important.

The SEC is our cop on the block. They are there to protect the investors. This is their number one responsibility, and we want them to do this. Just as you have CalPERS from California, which is against this bill, they should be against this bill. They have the retirement funds of policemen and firemen and all of the middle class people that make up the basis of this economy.

Well, let me just add to the ones that were mentioned by my friend from Massachusetts. We also have Americans for Financial Reform. We also have the Consumer Federation and all of the State regulators who are against this bill. And the President's advisers have said they are recommending a veto.

What do you have to hide? Why don't you want registration? That is the question that must be asked. That is the question that has really not been answered.

Mr. Speaker and Members, I would ask for a ''no'' vote on this bill because we endanger the investors that they claim they want to protect because they claim they want them to produce all of these jobs, and certainly that will never happen if we allow the kinds of situations to continue to happen that were described in the discussion about Bain Capital in the Presidential election debates.

Further, let me just say that we have worked very, very hard to try to make sure that we have protection. That is the role of the SEC. And again, they already have these registered private equity firms that they are taking a look at, and they are learning things about them. And this information will be used to make sure that we have the kind of private equity funds that can do the kind of jobs that we want them to do.

Yes, we appreciate investment. Yes, we want job creation. But why should we have private equity funds that somehow have no oversight, that don't have anybody scrutinizing what they are doing? Why is it we don't want any regulatory agencies looking at them? That just doesn't make good sense.

And I would say to my friends, you have to oppose this bill. There will be an amendment coming up that was mentioned by the gentlewoman from New York (Mrs. MALONEY) that makes good sense. And if they had gone to that simply as a way of trying to help out in this area, they could have gotten a lot of support, but they have stepped way over the line when they say no oversight, no scrutiny by the SEC or anybody else.

The SPEAKER pro tempore. The time of the gentlewoman has expired.

□ 1545

Mr. HENSARLING. Mr. Speaker, I am very happy to yield 2 minutes to the gentleman from New Jersey (Mr. GARRETT), a coauthor of the legislation and the chairman of our Capital Markets and GSE Subcommittee.

Mr. GARRETT. I thank the chairman for yielding.

Mr. Speaker, let's step back for a moment and just see where we may agree on certain points.

I guess at the 30,000-foot level we agree on the fact that we want to work together on legislation that will try to prevent the next financial crisis. We agree that we want to try to protect investors.

It is after that level, however, when we get into the details that we disagree.

As far as protecting and trying to make sure the next financial crisis does not occur, there has been no evidence either today on the floor or in the committee process during the discussion of this debate or in any of the debates when we discussed Dodd-Frank that the origin of the last financial crisis was from private equity. No evidence. Or from hedge funds. No evidence. Or from venture capital. No evidence whatever. So to say that we need to have extensive, overbearing, overlapping, extraneous regulation on private equity to prevent the next one, they have no evidence to say that was the cause in the past.

We say, just as the gentleman from Connecticut said before, venture capital is excluded from it. Why not private equity as well? And that is why we have come together in a bipartisan manner to make sure the next crisis doesn't occur in an area such as this.

In the second area, the point was made as far as the cost. The gentleman from Massachusetts said, Well, we're talking about the larger funds here. If he was at the hearing last night in the Rules Committee, he would have heard one of his colleagues, Mr. POLIS from Colorado, refute that point.

Why is that? This is what he said. When you are talking about firms, $150 million, $200 million sounds like large firms, right? But that is just how much money is under management. The actual money they are actually spending in the company is just a fraction of it. A little tiny fraction, as he pointed out. It is around 2 percent.

So if you are talking about a $150 million fund under management, it sounds big. Actually, that is around a $3 million business. And now you are asking that $3 million business to have to pay upwards of half a million dollars each year for all their compliance costs and the examination, which goes to the last point by the gentlelady from New York.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. I yield the gentleman an additional 30 seconds.

Mr. GARRETT. We would love to try to find some common ground on her amendment, but her amendment simply goes to the first point and the initial filing of the forms and what have you. After that, there is the extraneous additional examinations and all the other costs that are so overly burdensome that we have found both in a bipartisan manner, as Mr. HIMES from Connecticut has already pointed out, is overly burdensome and unnecessary.

If there was some other way to pull this together in a bipartisan manner more so than we have already done, I would do so, but I am glad that the gentleman from Virginia and also the gentleman from Connecticut have been able to come together on all the points to come to a final bill in a bipartisan manner. And I support the legislation.

Mr. HENSARLING. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, listening to some of my colleagues on the other side of the aisle, it is hard not to conclude that some of them have never met a regulation that they didn't like, regardless of what it does to the hopes, dreams, and aspirations of the unemployed and underemployed in America.

As I look over your chair, Mr. Speaker, and see the words, ''In God We Trust,'' I sometimes question whether some Members would like to take down the word ''God'' and replace it with ''regulators'': In Regulators We Trust.

The question has never been, Mr. Speaker, the question between regulation and deregulation. The question is between smart regulation and dumb regulation; and in order to make that determination, one needs to see what cost is being imposed, again, on the hopes and dreams and aspirations of the unemployed and the underemployed.

Why does this underlying regulation need to be there in the first place? Is it systemic risk? Well, even the chairman of the SEC has admitted that private equity played no role in the financial crisis.

We know in terms of the economy, private equity may represent somewhere on the order of 1.5 to 2 percent of GDP. There is no evidence of interconnectedness, which many maintain is at the root of systemic risk.

So what are they trying to protect? Well, investor protection. This is all about giving additional protection to millionaire investors at the expense of single moms trying to make ends meet. I am not really sure that meets the test of smart regulation.

We know already that private equity fund advisers are subject, as they well should be, to the antifraud provisions of the Investment Advisers Act of 1940, whether they are registered or not. Fund offerings are subject to the antifraud provisions of the Securities Act of 1933. The SEC still has the ability to ensure that proper documentation is maintained.

No, we do not want to see any investor, regardless of sophistication or income, be subject to coercion or fraud. But, at the same time, we don't want to deny small businesses—the job engine in America—the funding they need to put America back to work.

There are many companies today that we recognize—Dunkin' Donuts, Baskin-Robbins, Petco, Skype, J.Crew—that all have benefited from private equity. Where would the tens of thousands, if not hundreds of thousands, of jobs they represent be today if private equity had to face yet another burden that is going to cost these small investment firms half a million dollars, a million dollars?

Today, we haven't really heard that much about company likes Entrust or Universal Smart Comp, but maybe they are tomorrow's Petco or tomorrow's Toys ''R'' Us.

And so it really comes down to this, Mr. Speaker, again: Are there going to be additional protections for multimillionaire investors, or are there going to be additional protections and opportunities for unemployed single moms trying to make ends meet?

Our side of the aisle said, Let's help the single mom. Let's pass H.R. 1105, and put America back to work.

I yield back the balance of my time.

Mr. STUTZMAN. Mr. Speaker, I rise today in support of H.R. 1105, the Small Business Capital Access and Job Preservation Act. Washington can't regulate its way to the top while red tape puts American jobs at risk.

Too often big-government builds barriers to success but men and women in the real economy know how to get the job done. In nearly every sector of our economy, thousands of companies are backed by private equity and employ millions of hardworking Americans.

Unfortunately, Dodd-Frank places unnecessary and burdensome regulations on private firms that invest hundreds of billions of dollars each year to open doors for new opportunities. Instead of creating jobs, these requirements increase costs, divert capital, and consume time.

Private equity is critical to a strong recovery and works best when advisers look ahead for new opportunities, not when they're constantly forced to worry about red tape. Today, we have an opportunity to reduce Dodd-Frank's unfair burdens on responsible investment advisors.

It's time to pass this common-sense legislation and unleash new opportunities for job growth.

I thank my colleague Representative HURT for his work on this issue and Chairman HENSARLING for his leadership. I urge my colleagues to vote yes.

Mr. VAN HOLLEN. Mr. Speaker, today's legislation would amend the Investment Advisors Act of 1940 to generally exempt private equity fund investment advisors from its registration and reporting requirements, subject to certain conditions.

Proponents of this legislation argue that private equity funds were not the source of systemic risk during the most recent financial crisis and therefore that their investment advisors should not be subject to registration and reporting requirements under current law. While private equity funds can play an important role in capital formation, and I would agree that private equity funds were not the principal source of systemic risk during the last financial crisis, that does not mean it would be impossible for private equity firms to become a source of systemic risk at some point in the future.

Moreover, as Securities and Exchange Commission Chair Mary Jo White has pointed out, registration and reporting requirements are not used solely for systemic risk prevention. Just as importantly, they are also used for investor protection. In that regard, it is worth noting that the SEC has brought enforcement actions against unscrupulous private equity funds involving unlawful pay to play schemes, insider trading, conflicts of interest, valuation issues and misappropriation of assets. This investor protection function will become even more important once the SEC finalizes implementation of a provision in the recently enacted Jumpstart Our Business Startups (JOBS) Act permitting the general solicitation and advertising of private equity funds and private securities.

For these reasons, I will be opposing this bill.

The SPEAKER pro tempore. All time for debate has expired.

AMENDMENT NO. 1 PRINTED IN PART B OF HOUSE REPORT 113–283 OFFERED BY MRS. CAROLYN B. MALONEY OF NEW YORK

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, I have an amendment at the desk.

The SPEAKER pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Page 1, strike line 10 and all that follows through page 2, line 17, and insert the following:

''(o) SIMPLIFIED REGISTRATION AND DISCLOSURE FOR SMALL PRIVATE EQUITY FUND ADVISERS.—

''(1) IN GENERAL.—Subject to paragraph (2), the Commission shall promulgate rules providing for a simplified procedure for registration and disclosure under this section for any investment adviser acting as an investment adviser to a private equity fund or funds that, in the aggregate, have assets under management in the United States of between $150,000,000 and $1,000,000,000.

''(2) TAILORED APPLICATION.—The rules promulgated under paragraph (1) shall take into account compliance costs, fund size, governance, and any other factors that the Commission determines necessary.

''(3) PRIVATE EQUITY FUND DEFINED.—Not later than 6 months after the date of enactment of this subsection, the Commission shall issue final rules to define the term 'private equity fund' for purposes of this subsection.''.

The SPEAKER pro tempore. Pursuant to House Resolution 429, the gentlewoman from New York (Mrs. CAROLYN B. MALONEY) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentlewoman from New York.

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, I first want to commend the chairman and the ranking member for their hard and dedicated work on the Financial Services Committee.

I would also like to commend the vice-chairman, Congressman HURT, for his work on this bill. I agree with him that private equity funds did not cause the financial crisis.

I also agree that many private equity funds—and especially the small private equity funds that invest in middle-market businesses—support jobs across our country. I also agree that for many small equity funds, the cost of complying with every single requirement in the Investment Advisers Act can be burdensome and costly.

However, while I share the goal of reducing unnecessary regulatory burdens on small private equity funds with under $1 billion in assets, I believe that there are better ways to accomplish this goal to reduce the burden, to reduce costs without eliminating important investor protections.

I would say that we should have equality in this country—and equality of treatment for everyone, including investors. If you are a small investor, a large investor, a teacher, an unemployed worker, and you have invested, whoever you are, you should have protections. Aren't we a country of laws and equality of treatment? So my amendment would direct the SEC to create a simplified disclosure form for fund advisers between $150 million and $1 billion, while also retaining important investor protections.

We would reduce the burden, reduce the reporting, reduce the disclosure, simplify the forms, make it easier, but protect the fiduciary duty to act in a client's best interest. Isn't that the moral, right thing to do?

There is the obligation to disclose conflicts of interest and the obligation to disclose fees. I thought we all supported transparency. Well, let's have transparency in these investment funds, too.

I would ask my colleagues on the other side of the aisle who are objecting to this amendment how much of a burden is it to disclose whether or not you have a conflict of interest. You just have to check yes or no, I have a conflict of interest. Then maybe you have to disclose what that conflict is. But that is the fair and right thing to do.

How burdensome is it to disclose fees? Tell people what you are charging them. And how burdensome is it to have the necessary fiduciary duty to act in the client's best interest? Most people think that you are acting in their best interest. I think they would be horrified to know that some Members of this body want to roll back that protection for them.

I would also like to note that in August the SEC did provide relief for

smaller private equity funds from what the industry tells me is one of the most burdensome aspects of registration—the so-called custody rule—which requires that the funds use independent custodians for stocks that don't even trade. So private equity funds have already gotten relief, and I applaud the SEC for this commonsense decision.

The reforms in my amendment would build on this relief and would direct the SEC to act quickly on simplified forms—within 6 months—and save these small businesses money so that money can go out into the community.

The underlying bill grants a complete exemption to private equity fund advisers with under 2 to 1 leverage, which is pretty much the entire industry, because the funds themselves are not leveraged. It is the companies the funds invest in that are leveraged.

The underlying bill is opposed by the Securities and Exchange Commission, whose prime mission is to protect investors, and by President Obama's administration. He has even threatened a veto.

If the problem is the high cost of registry at the SEC and preparing the required disclosures, then the solution is to simplify the registration and disclosures for small equity funds. That is what my bill does. But it also protects investors.

It does not exempt the entire industry from investor protection, which is what the underlying bill does, and I do not believe that that is the intent of my colleagues on either side of the aisle.

So my amendment accomplishes the express goal of saving money and simplifying, but protects the integrity of our financial system and investors.

I urge everyone to support my amendment, and I yield back the balance of my time.

Mr. HENSARLING. Mr. Speaker, I rise in opposition to the amendment.

The SPEAKER pro tempore. The gentleman from Texas is recognized for 5 minutes.

Mr. HENSARLING. I yield myself such time as I may consume.

Mr. Speaker, the amendment, regardless of how well-intentioned it may be, functionally guts the bill and is essentially redundant of current law in Dodd-Frank.

And I grant the gentlelady, who is a very senior and thoughtful member of our committee, that her provision is perhaps more articulate than the underlying law, but section 408(n) of Dodd-Frank already says:

> In prescribing regulations to carry out the requirements of this section with respect to investment advisers acting as investment advisers to mid-sized private funds, the Commission shall take into account the size, governance, investment strategy of such funds.

It goes on to say:

> The Commission shall provide for registration and examination procedures with respect to the investment advisers of such funds which reflect the level of systemic risk.

So, again, it is essentially redundant of what is already in current law.

According to the Private Equity Growth Council, on average it is taking $1.8 million for the initial Dodd-Frank compliance cost and an additional $1.3 million each year in Dodd-Frank compliance costs. All for what? We already have underlying investor protections in place.

There is no evidence presented whatsoever that this has anything to do with systemic risk, all at the cost of jobs, at a time when, again, Mr. Speaker, tens of millions of our countrymen are struggling. They are underemployed, unemployed.

□ 1600

Again, who are we going to help? Are we going to help regulators? Are we going to help millionaire investors? Are we going to help struggling Americans trying to pay the bills? We should oppose this amendment, Mr. Speaker.

At this time, I would be very happy to yield 2 minutes to the gentleman from Virginia (Mr. HURT), again, the author of H.R. 1105.

Mr. HURT. I thank the chairman.

Mr. Speaker, I rise in opposition to the gentlelady's amendment.

I appreciate her work and interest on this important issue; but with all due respect, this amendment would defeat the entire purpose of the bill.

If adopted, all advisers to private equity who are currently undergoing the burdensome and unnecessary registration process would still be required to do so. Additionally, it would establish an entirely subjective, so-called ''simplified'' compliance standard that would have to be defined by the Securities and Exchange Commission. There is no reason to believe that such a so-called simplified standard would provide any meaningful relief for those private equity companies investing in small companies across this country.

As has been stated, small and mid-sized private equity firms are expending hundreds of thousands of dollars in annual compliance costs and would still have to be registered with the SEC. Instead of addressing this problem, this amendment, if adopted, would continue to restrict the ability of small and mid-sized private equity firms to invest in small businesses.

As Members of both parties have pointed out, there are not persuasive arguments that private equity generates systemic risk; and, indeed, to the extent that leverage at the fund level could potentially trigger such risk, we have already adopted a standard proposed by Mr. HIMES in committee that would require registration for advisers to firms with leverage that exceeds 2 to 1.

I know that the gentlelady understands that access to private capital is the lifeblood for small business. The current SEC registration requirements are unnecessary. They produce a significant burden on private equity firms and, therefore, restrict the flow of private capital to small businesses across the country.

I urge this body to defeat this amendment and to vote in favor of the underlying bill.

Mr. HENSARLING. Mr. Speaker, how much time do I have remaining?

The SPEAKER pro tempore. The gentleman from Texas has 1½ minutes remaining.

Mr. HENSARLING. I yield myself the balance of my time.

Mr. Speaker, again, historically, private equity has invested in tens of thousands of small businesses, and it has helped create millions of jobs in America.

The question today is: Are we going to put a roadblock in place of private equity—the small business investment engines—so that we can somehow help regulators?

With all due respect to our regulators—and there are many good ones and many great ones at the SEC—I have never met a regulator who turned down the opportunity to regulate more. I have never met him.

So the question is: Are we going to grant an even greater ability to take funds away from small businesses to create a work product that doesn't meet the commonsense test, the jobs test, the smell test—or any other test—at a time when people are still suffering and wondering how are they going to put gas in the tank; how are they going to take their kids to school; how are they going to afford their health care bills since, clearly, they cannot keep their health insurance even if they want to.

How are they going to do this?

We need private equity to fund small business to get America back to work. We need to defeat this amendment. We need to pass the underlying bill. It is time to be pro-jobs.

With that, Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. All time for debate has expired.

Pursuant to the rule, the previous question is ordered on the bill, as amended, and on the amendment offered by the gentlewoman from New York (Mrs. CAROLYN B. MALONEY).

The question is on the amendment by the gentlewoman from New York (Mrs. CAROLYN B. MALONEY).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 186, nays 225, not voting 20, as follows:

[Roll No. 620]

YEAS—186

Andrews	Brady (PA)	Carney
Barber	Braley (IA)	Carson (IN)
Bass	Brown (FL)	Cartwright
Beatty	Brownley (CA)	Castor (FL)
Becerra	Bustos	Castro (TX)
Bera (CA)	Butterfield	Chu
Bishop (NY)	Capps	Cicilline
Blumenauer	Capuano	Clarke
Bonamici	Cárdenas	Clay

Cleaver
Clyburn
Cohen
Connolly
Conyers
Courtney
Crowley
Cummings
Davis (CA)
Davis, Danny
DeFazio
DeGette
Delaney
DeLauro
DelBene
Deutch
Dingell
Doggett
Doyle
Duckworth
Edwards
Ellison
Engel
Eshoo
Esty
Farr
Fattah
Foster
Frankel (FL)
Fudge
Gabbard
Gallego
Garamendi
Garcia
Gibson
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hahn
Hanabusa
Hastings (FL)
Heck (WA)
Higgins
Himes
Hinojosa
Holt
Honda
Horsford
Hoyer
Huffman
Israel
Jackson Lee
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Keating
Kelly (IL)
Kennedy
Kildee
Kilmer
Kind
Kirkpatrick
Kuster
Langevin
Larsen (WA)
Larson (CT)
Lee (CA)
Levin
Lewis
Lipinski
Loebsack
Lofgren
Lowenthal
Lowey
Lujan Grisham (NM)
Luján, Ben Ray (NM)
Lynch
Maffei
Maloney, Carolyn
Maloney, Sean
Matsui
McCollum
McDermott
McGovern
McNerney
Meeks
Meng
Michaud
Miller, George
Moore
Moran
Murphy (FL)
Nadler
Napolitano
Neal
Negrete McLeod
Nolan
O'Rourke
Owens
Pallone
Pascrell
Pastor (AZ)
Payne
Pelosi
Perlmutter
Peters (CA)
Peters (MI)
Pingree (ME)
Pocan
Price (NC)
Quigley
Rahall
Rangel
Richmond
Roybal-Allard
Ruiz
Ruppersberger
Ryan (OH)
Sánchez, Linda T.
Sanchez, Loretta
Sarbanes
Schakowsky
Schiff
Schneider
Schwartz
Scott (VA)
Scott, David
Serrano
Sewell (AL)
Shea-Porter
Sherman
Sinema
Slaughter
Smith (WA)
Speier
Swalwell (CA)
Takano
Thompson (CA)
Thompson (MS)
Tierney
Titus
Tonko
Tsongas
Van Hollen
Veasey
Vela
Velázquez
Visclosky
Walz
Wasserman Schultz
Waters
Watt
Waxman
Welch
Wilson (FL)
Yarmuth

NAYS—225

Aderholt
Amash
Amodei
Bachmann
Bachus
Barletta
Barr
Barrow (GA)
Barton
Benishek
Bentivolio
Bilirakis
Bishop (UT)
Black
Blackburn
Boustany
Brady (TX)
Bridenstine
Brooks (AL)
Brooks (IN)
Broun (GA)
Buchanan
Bucshon
Burgess
Calvert
Camp
Capito
Carter
Cassidy
Chabot
Chaffetz
Coble
Coffman
Cole
Collins (GA)
Collins (NY)
Conaway
Cook
Cooper
Costa
Cotton
Crawford
Crenshaw
Cuellar
Daines
Davis, Rodney
Denham
Dent
DeSantis
DesJarlais
Diaz-Balart
Duffy
Duncan (SC)
Duncan (TN)
Ellmers
Farenthold
Fincher
Fitzpatrick
Fleischmann
Fleming
Flores
Forbes
Fortenberry
Foxx
Franks (AZ)
Frelinghuysen
Gardner
Garrett
Gerlach
Gibbs
Gohmert
Goodlatte
Gosar
Gowdy
Granger
Graves (GA)
Griffin (AR)
Griffith (VA)
Grimm
Guthrie
Hall
Hanna
Harper
Harris
Hartzler
Hastings (WA)
Heck (NV)
Hensarling
Holding
Hudson
Huelskamp
Huizenga (MI)
Hultgren
Hunter
Hurt
Issa
Jenkins
Johnson (OH)
Johnson, Sam
Jordan
Joyce
Kelly (PA)
King (IA)
King (NY)
Kingston
Kinzinger (IL)
Kline
Labrador
LaMalfa
Lamborn
Lance
Lankford
Latham
Latta
LoBiondo
Long
Lucas
Luetkemeyer
Marchant
Marino
Massie
Matheson
McAllister
McCarthy (CA)
McCaul
McClintock
McHenry
McIntyre
McKeon
McKinley
Meadows
Meehan
Messer
Mica
Miller (FL)
Miller (MI)
Mullin
Mulvaney
Murphy (PA)
Neugebauer
Noem
Nugent
Nunes
Nunnelee
Olson
Palazzo
Paulsen
Pearce
Perry
Peterson
Petri
Pittenger
Pitts
Poe (TX)
Polis
Pompeo
Posey
Price (GA)
Reichert
Renacci
Ribble
Rice (SC)
Rigell
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Rokita
Rooney
Ros-Lehtinen
Roskam
Ross
Rothfus
Royce
Runyan
Ryan (WI)
Salmon
Sanford
Scalise
Schock
Schrader
Schweikert
Scott, Austin
Sensenbrenner
Sessions
Shimkus
Shuster
Simpson
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (TX)
Southerland
Stewart
Stivers
Stutzman
Terry
Thompson (PA)
Thornberry
Tiberi
Tipton
Turner
Upton
Valadao
Wagner
Walberg
Walden
Walorski
Weber (TX)
Webster (FL)
Wenstrup
Westmoreland
Whitfield
Williams
Wilson (SC)
Wittman
Wolf
Womack
Woodall
Yoder
Yoho
Young (AK)
Young (IN)

NOT VOTING—20

Bishop (GA)
Campbell
Cantor
Cramer
Culberson
Enyart
Gingrey (GA)
Graves (MO)
Grayson
Herrera Beutler
Lummis
McCarthy (NY)
McMorris Rodgers
Miller, Gary
Radel
Reed
Rush
Sires
Stockman
Vargas

□ 1631

Messrs. NEUGEBAUER, GRIFFITH of Virginia, DUFFY, SAM JOHNSON of Texas, HUELSKAMP, GRIFFIN of Arkansas, BACHUS, RYAN of Wisconsin, and COSTA changed their vote from ''yea'' to ''nay.''

Mrs. CAPPS, Mr. MCDERMOTT, Ms. SLAUGHTER, Messrs. ELLISON, RAHALL, and KIND changed their vote from ''nay'' to ''yea.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. HECK of Nevada). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. HORSFORD. Mr. Speaker, I have a motion to recommit at the desk.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. HORSFORD. I am opposed in its current form.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. Horsford moves to recommit the bill H.R. 1105 to the Committee on Financial Services with instructions to report the same back to the House forthwith with the following amendment:

Page 2, line 17, strike the quotation marks and final period and insert after such line the following:

''(3) PROTECTING AMERICAN JOBS.—The exemption described under paragraph (1) shall only apply to an investment adviser providing investment advice to a fund that—

''(A) does not own a controlling interest in a company that outsources American jobs to other countries; and

''(B) publicly reports on a quarterly basis the number of jobs eliminated at each company owned and controlled by the fund.''.

Mr. HURT (during the reading). Mr. Speaker, I ask unanimous consent that the reading of the motion be dispensed with.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Nevada is recognized for 5 minutes in support of his motion.

Mr. HORSFORD. Mr. Speaker, this is the final amendment to the bill which will not kill the bill or send it back to committee. If adopted, the bill will immediately proceed to final passage, as amended.

The underlying bill would exempt almost every private equity fund from registration and reporting requirements under Dodd-Frank. It is another attempt by House Republicans to turn back the clock on progress that we have made to make sure Wall Street is helping Main Street.

This bill, despite being titled the Small Business Capital Access and Job Preservation Act, has nothing to do with small business or creating jobs, and everything to do with chipping away at the safeguards put in place when Congress passed financial sector reform.

Wall Street reform has made the financial system more transparent, reduced risk, and protected against systemic failure. Private equity fund advisers have been filing reports with the SEC for over a year now. We shouldn't be trying to gut the system of accountability and oversight, we should be building it up. We should be working together to make the reforms work and make them stronger.

H.R. 1105 would roll back the progress by providing blanket registration and reporting exemptions, seriously hampering oversight.

The motion to recommit I am offering would amend the underlying bill so that investment funds are only eligible if they do not own a controlling interest in companies that outsource American jobs to other countries. We would also require reporting about any downsizing at each company owned and controlled by the fund.

Instead of decreasing transparency by Wall Street, we should be demanding greater public disclosure to protect consumers. We should not be encouraging outsourcing of American jobs overseas. We should be incentivizing companies to keep jobs right here in America, or to bring them back. And we should not be encouraging downsizing or the elimination of jobs, but incentivizing companies to hire employees and to get the American public back to work.

Now, when I go home to my district in Nevada and meet with constituents, they want to know what Congress is doing to create jobs. They aren't asking me to roll back reforms that make

financial markets more stable. They aren't asking me to make life easier for Wall Street. They want this Congress focused on one street, Main Street, and on creating middle class jobs to help grow the economy and put Americans back to work.

And so it is telling that for this Congress, with so few legislative days remaining in this year, we are focusing our precious time on private equity fund advisers. This bill focuses the attention of Congress on the policy desires of an elite group that is doing just fine. They are asking for more secrecy. Why? That is not what we should be spending our time on.

Instead of bringing an infrastructure bill to the floor that would create middle class jobs, instead of passing comprehensive immigration reform, Mr. Speaker, to fix our broken system and to grow the economy, instead of passing workplace protections that prevent Americans from being fired because of who they love, instead of working to reduce food insecurity, instead of replacing the harmful sequester that is hurting everything from military contractors to economic activity for all Americans, instead of doing any of that, of doing what the American people are demanding of this Congress, the House GOP, through H.R. 1105, are focusing their energy on gutting Wall Street reform.

So we have serious business that this body could be focused on, business that many of our constituents on both sides of the aisle say they want us to address. But, instead, we have H.R. 1105, a focus to gut Wall Street reform; and it is a quiet, but concerted, effort to once again turn back the clock on the American people. Not to mention, the underlying bill is also a futile attempt because the President has already said he would veto the legislation.

I urge my colleagues to vote ''yes'' on the motion to recommit and for the House of Representatives to do the people's business, and I yield back the balance of my time.

Mr. HURT. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore. The gentleman from Virginia is recognized for 5 minutes.

Mr. HURT. Mr. Speaker, with all due respect to the gentleman from Nevada, the problem with his motion to recommit is that it would punish a company like Vitamin Shoppe. Vitamin Shoppe is a leading U.S.-based vitamin and supplements distributor. Earlier this year, Vitamin Shoppe went global, opening its first international franchise in Panama City, Panama. By partnering with a private equity fund, Vitamin Shoppe grew its business from a Northeast-based specialty retailer to a national chain, adding more than 400 stores and 2,500 new jobs.

With all due respect, this bill is not about overseas jobs. This bill is not about Wall Street. This bill is about Main Street American jobs to the tune of 7.5 million jobs working in 17,000 U.S. companies. This bill is about encouraging private capital investment in those Main Street jobs. This bill is about not adding $500,000 in compliance costs to Main Street job creation.

To put this in perspective, I dare say, of every congressional district represented on this floor, this bill is about a window manufacturer in Rocky Mount, Virginia, in Virginia's Fifth District, our district, which has operated there for the last 70 years. It has provided good jobs in our community. It has provided jobs for generations of people living in Franklin County, Virginia, and for families who have worked there for generations. In the last 10–20 years in Rocky Mount, Virginia, just like all across southside Virginia and so many congressional districts across this country, we have seen hard times because of the loss of thousands of manufacturing jobs. We have seen over the last 10–20 years double digit unemployment.

□ 1645

This window manufacturing plant was able to survive because of private equity investment, and now that window manufacturing company boasts 1,000 employees. Those jobs still exist today because of a private equity investment.

Last night we had a meeting of the Rules Committee, and one member of the committee asked a question. He said: If a big PE firm has to pay an extra $500,000 for compliance costs, what is the big deal?

It seems to me that it would be better, perhaps, to ask that question to an employee at that windows manufacturing firm in Rocky Mount. If asked, I suspect he would say, you know: I have a good job. I love my job. I work 60 hours a week to be able to pay my mortgage, to pay my bills and take care of my family. He would say, Please, to all of you in Washington, do everything that you can to make sure that 1 year from now I still have my job and make sure that my neighbor has a job, too.

That is a big deal, and that is what this bill is about. I urge the defeat of this motion to recommit, I urge the adoption of this good jobs bill, and I ask for your vote for H.R. 1105.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. HORSFORD. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—ayes 185, noes 227, not voting 19, as follows:

[Roll No. 621]

AYES—185

Andrews
Barber
Barrow (GA)
Bass
Beatty
Becerra
Bera (CA)
Bishop (NY)
Blumenauer
Bonamici
Brady (PA)
Braley (IA)
Brown (FL)
Brownley (CA)
Bustos
Butterfield
Capps
Capuano
Cárdenas
Carney
Carson (IN)
Cartwright
Castor (FL)
Castro (TX)
Chu
Cicilline
Clarke
Clay
Cleaver
Clyburn
Cohen
Connolly
Conyers
Costa
Courtney
Crowley
Cuellar
Cummings
Davis (CA)
Davis, Danny
DeFazio
DeGette
DeLauro
DelBene
Deutch
Dingell
Doggett
Doyle
Duckworth
Duncan (TN)
Edwards
Ellison
Engel
Eshoo
Esty
Farr
Fattah
Frankel (FL)
Fudge
Gabbard
Gallego
Garcia
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hahn
Hanabusa
Hastings (FL)
Heck (WA)
Higgins
Hinojosa
Holt
Honda
Horsford
Hoyer
Huffman
Israel
Jackson Lee
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Keating
Kelly (IL)
Kennedy
Kildee
Kilmer
Kind
Kirkpatrick
Kuster
Langevin
Larsen (WA)
Larson (CT)
Lee (CA)
Levin
Lewis
Lipinski
Loebsack
Lofgren
Lowenthal
Lowey
Lujan Grisham (NM)
Luján, Ben Ray (NM)
Lynch
Maloney, Carolyn
Maloney, Sean
Matsui
McCollum
McDermott
McGovern
McIntyre
McNerney
Meeks
Meng
Michaud
Miller, George
Moore
Moran
Nadler
Napolitano
Neal
Negrete McLeod
Nolan
O'Rourke
Owens
Pallone
Pascrell
Pastor (AZ)
Payne
Pelosi
Perlmutter
Peters (CA)
Peters (MI)
Pingree (ME)
Pocan
Price (NC)
Quigley
Rahall
Rangel
Richmond
Roybal-Allard
Ruiz
Ruppersberger
Ryan (OH)
Sánchez, Linda T.
Sanchez, Loretta
Sarbanes
Schakowsky
Schiff
Schneider
Schwartz
Scott (VA)
Scott, David
Serrano
Sewell (AL)
Shea-Porter
Sherman
Sinema
Slaughter
Smith (WA)
Speier
Swalwell (CA)
Takano
Thompson (CA)
Thompson (MS)
Tierney
Titus
Tonko
Tsongas
Van Hollen
Vargas
Veasey
Vela
Velázquez
Visclosky
Walz
Wasserman Schultz
Waters
Watt
Waxman
Welch
Wilson (FL)
Yarmuth

NOES—227

Aderholt
Amash
Amodei
Bachmann
Bachus
Barletta
Barr
Barton
Benishek
Bentivolio
Bilirakis
Bishop (UT)
Black
Blackburn
Boustany
Brady (TX)
Bridenstine
Brooks (AL)
Brooks (IN)
Broun (GA)
Buchanan
Bucshon
Burgess
Calvert
Camp
Capito
Carter
Cassidy
Chabot
Chaffetz
Coble
Coffman
Cole
Collins (GA)
Collins (NY)
Conaway
Cook
Cooper
Cotton
Cramer
Crawford
Crenshaw
Daines
Davis, Rodney
Delaney
Denham
Dent
DeSantis
DesJarlais
Diaz-Balart
Duffy
Duncan (SC)
Ellmers
Farenthold
Fincher
Fitzpatrick
Fleischmann
Fleming
Flores
Forbes
Fortenberry
Foster
Foxx
Franks (AZ)
Frelinghuysen
Garamendi
Gardner
Garrett
Gerlach
Gibbs
Gibson
Gohmert
Goodlatte
Gosar
Gowdy
Granger
Graves (GA)
Griffin (AR)

Griffith (VA)
Grimm
Guthrie
Hall
Hanna
Harper
Harris
Hartzler
Hastings (WA)
Heck (NV)
Hensarling
Himes
Holding
Hudson
Huelskamp
Huizenga (MI)
Hultgren
Hunter
Hurt
Issa
Jenkins
Johnson (OH)
Johnson, Sam
Jordan
Joyce
Kelly (PA)
King (IA)
King (NY)
Kingston
Kinzinger (IL)
Kline
Labrador
LaMalfa
Lamborn
Lance
Lankford
Latham
Latta
LoBiondo
Long
Lucas
Luetkemeyer
Maffei
Marchant
Marino
Massie
Matheson
McAllister
McCarthy (CA)
McCaul
McClintock
McHenry
McKeon
McKinley
Meadows
Meehan
Messer
Mica
Miller (FL)
Miller (MI)
Mullin
Mulvaney
Murphy (FL)
Murphy (PA)
Neugebauer
Noem
Nugent
Nunes
Nunnelee
Olson
Palazzo
Paulsen
Pearce
Perry
Peterson
Petri
Pittenger
Pitts
Poe (TX)
Polis
Pompeo
Posey
Price (GA)
Reichert
Renacci
Ribble
Rice (SC)
Rigell
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Rokita
Rooney
Ros-Lehtinen
Roskam
Ross
Rothfus
Royce
Runyan
Ryan (WI)
Salmon
Sanford
Scalise
Schock
Schrader
Schweikert
Scott, Austin
Sensenbrenner
Sessions
Shimkus
Shuster
Simpson
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (TX)
Southerland
Stewart
Stivers
Stutzman
Terry
Thompson (PA)
Thornberry
Tiberi
Tipton
Turner
Upton
Valadao
Wagner
Walberg
Walden
Walorski
Weber (TX)
Wenstrup
Westmoreland
Whitfield
Williams
Wilson (SC)
Wittman
Wolf
Womack
Woodall
Yoder
Yoho
Young (AK)
Young (IN)

NOT VOTING—19

Bishop (GA)
Campbell
Cantor
Culberson
Enyart
Gingrey (GA)
Graves (MO)
Grayson
Herrera Beutler
Lummis
McCarthy (NY)
McMorris Rodgers
Miller, Gary
Radel
Reed
Rush
Sires
Stockman
Webster (FL)

□ 1653

Mr. JONES changed his vote from ''no'' to ''aye.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Ms. WATERS. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 254, noes 159, not voting 18, as follows:

[Roll No. 622]

AYES—254

Aderholt
Amash
Amodei
Bachmann
Bachus
Barber
Barletta
Barr
Barrow (GA)
Barton
Benishek
Bentivolio
Bera (CA)
Bilirakis
Bishop (UT)
Black
Blackburn
Boustany
Brady (TX)
Bridenstine
Brooks (AL)
Brooks (IN)
Broun (GA)
Buchanan
Bucshon
Burgess
Butterfield
Calvert
Camp
Capito
Cárdenas
Carney
Carter
Cassidy
Chabot
Chaffetz
Coble
Coffman
Cole
Collins (GA)
Collins (NY)
Conaway
Cook
Cooper
Costa
Cotton
Cramer
Crawford
Crenshaw
Cuellar
Daines
Davis, Rodney
Denham
Dent
DeSantis
DesJarlais
Diaz-Balart
Duckworth
Duffy
Duncan (SC)
Duncan (TN)
Ellmers
Esty
Farenthold
Fincher
Fitzpatrick
Fleischmann
Fleming
Flores
Forbes
Fortenberry
Foxx
Franks (AZ)
Frelinghuysen
Gallego
Garcia
Gardner
Garrett
Gerlach
Gibbs
Gibson
Gohmert
Goodlatte
Gosar
Gowdy
Granger
Graves (GA)
Griffin (AR)
Griffith (VA)
Grimm
Guthrie
Hall
Hanna
Harper
Harris
Hartzler
Hastings (WA)
Heck (NV)
Hensarling
Himes
Holding
Hudson
Huelskamp
Huizenga (MI)
Hultgren
Hunter
Hurt
Israel
Issa
Jackson Lee
Jenkins
Johnson (OH)
Johnson, Sam
Jordan
Joyce
Kelly (PA)
Kind
King (IA)
King (NY)
Kingston
Kinzinger (IL)
Kirkpatrick
Kline
Labrador
LaMalfa
Lamborn
Lance
Lankford
Latham
Latta
LoBiondo
Long
Lucas
Luetkemeyer
Maffei
Maloney, Sean
Marchant
Marino
Massie
Matheson
McAllister
McCarthy (CA)
McCaul
McClintock
McHenry
McIntyre
McKeon
McKinley
Meadows
Meehan
Meeks
Messer
Mica
Miller (FL)
Miller (MI)
Mullin
Mulvaney
Murphy (FL)
Murphy (PA)
Neugebauer
Noem
Nugent
Nunes
Nunnelee
Olson
Owens
Palazzo
Paulsen
Pearce
Perry
Peterson
Petri
Pittenger
Pitts
Poe (TX)
Polis
Pompeo
Posey
Price (GA)
Quigley
Rahall
Reichert
Renacci
Ribble
Rice (SC)
Rigell
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Rokita
Rooney
Ros-Lehtinen
Roskam
Ross
Rothfus
Royce
Ruiz
Runyan
Ryan (WI)
Salmon
Sanford
Scalise
Schneider
Schock
Schrader
Schweikert
Scott, Austin
Sensenbrenner
Sessions
Sewell (AL)
Shimkus
Shuster
Simpson
Sinema
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (TX)
Southerland
Stewart
Stivers
Stutzman
Terry
Thompson (PA)
Thornberry
Tiberi
Tipton
Turner
Upton
Valadao
Vargas
Veasey
Wagner
Walberg
Walden
Walorski
Weber (TX)
Webster (FL)
Wenstrup
Westmoreland
Whitfield
Williams
Wilson (SC)
Wittman
Wolf
Womack
Woodall
Yoder
Yoho
Young (AK)
Young (IN)

NOES—159

Andrews
Bass
Beatty
Becerra
Bishop (NY)
Blumenauer
Bonamici
Brady (PA)
Braley (IA)
Brown (FL)
Brownley (CA)
Bustos
Capps
Capuano
Carson (IN)
Cartwright
Castor (FL)
Castro (TX)
Chu
Cicilline
Clarke
Clay
Cleaver
Clyburn
Cohen
Connolly
Conyers
Courtney
Crowley
Cummings
Davis (CA)
Davis, Danny
DeFazio
DeGette
Delaney
DeLauro
DelBene
Deutch
Dingell
Doggett
Doyle
Edwards
Ellison
Engel
Eshoo
Farr
Fattah
Foster
Frankel (FL)
Fudge
Gabbard
Garamendi
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hahn
Hanabusa
Hastings (FL)
Heck (WA)
Higgins
Hinojosa
Holt
Honda
Horsford
Hoyer
Huffman
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Keating
Kelly (IL)
Kennedy
Kildee
Kilmer
Kuster
Langevin
Larsen (WA)
Larson (CT)
Lee (CA)
Levin
Lewis
Lipinski
Loebsack
Lofgren
Lowenthal
Lowey
Lujan Grisham (NM)
Luján, Ben Ray (NM)
Lynch
Maloney, Carolyn
Matsui
McCollum
McDermott
McGovern
McNerney
Meng
Michaud
Miller, George
Moore
Moran
Nadler
Napolitano
Neal
Negrete McLeod
Nolan
O'Rourke
Pallone
Pascrell
Pastor (AZ)
Payne
Pelosi
Perlmutter
Peters (CA)
Peters (MI)
Pingree (ME)
Pocan
Price (NC)
Rangel
Richmond
Roybal-Allard
Ruppersberger
Ryan (OH)
Sánchez, Linda T.
Sanchez, Loretta
Sarbanes
Schakowsky
Schiff
Schwartz
Scott (VA)
Scott, David
Serrano
Shea-Porter
Sherman
Slaughter
Smith (WA)
Speier
Swalwell (CA)
Takano
Thompson (CA)
Thompson (MS)
Tierney
Titus
Tonko
Tsongas
Van Hollen
Vela
Velázquez
Visclosky
Walz
Wasserman Schultz
Waters
Watt
Waxman
Welch
Wilson (FL)
Yarmuth

NOT VOTING—18

Bishop (GA)
Campbell
Cantor
Culberson
Enyart
Gingrey (GA)
Graves (MO)
Grayson
Herrera Beutler
Lummis
McCarthy (NY)
McMorris Rodgers
Miller, Gary
Radel
Reed
Rush
Sires
Stockman

□ 1700

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. GINGREY of Georgia. Mr. Speaker, on rollcall No. 620 on the Maloney Amendment to H.R. 1105—the Small Business Capital Access and Job Preservation Act, I am not recorded due to a death in the family. Had I been present, I would have voted ''no.''

Mr. Speaker, on rollcall No. 621 on the Motion to Recommit to H.R. 1105—the Small Business Capital Access and Job Preservation Act—offered by Mr. HORSFORD of Nevada, I am not recorded due to a death in the family. Had I been present, I would have voted ''no.''

Mr. Speaker on rollcall No. 622 on Final Passage of H.R. 1105—the Small Business Capital Access and Job Preservation Act, I am not recorded due to a death in the family. Had I been present, I would have voted ''yea.''

PERSONAL EXPLANATION

Mrs. MCMORRIS RODGERS. Mr. Speaker, on rollcall No. 618 on Ordering the Previous Question, H. Res. 429, A resolution providing for the consideration of H.R. 1105—Small Business Capital Access and Jobs Preservation Act and H.R. 3309—Innovation Act, I am not recorded because I was absent due to the birth of my daughter. Had I been present, I would have voted ''yea.''

Mr. Speaker, on rollcall No. 619 on Agreeing to the Resolution, H. Res. 429, A resolution providing for the consideration of H.R. 1105—Small Business Capital Access and Jobs Preservation Act and H.R. 3309—Innovation Act, I am not recorded because I was absent due to the birth of my daughter. Had I been present, I would have voted ''yea.''

Mr. Speaker, on rollcall No. 620 on H.R. 1105, on Agreeing to the Amendment offered by Mrs. MALONEY of New York, I am not recorded because I was absent due to the birth of my daughter. Had I been present, I would have voted "nay."

Mr. Speaker, on rollcall No. 621 on H.R. 1105, on Motion to Recommit with Instructions, the Small Business Capital Access and Jobs Preservation Act, I am not recorded because I was absent due to the birth of my daughter. Had I been present, I would have voted "nay."

Mr. Speaker, on rollcall No. 622 on H.R. 1105, on Passage, the Small Business Capital Access and Jobs Preservation Act, I am not recorded because I was absent due to the birth of my daughter. Had I been present, I would have voted "yea."

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 3313

Mr. LAMALFA Mr. Speaker, I ask unanimous consent that Representative RUIZ, at his request, be removed as a cosponsor from my bill, H.R. 3313.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

HOUR OF MEETING ON TOMORROW

Mr. LAMALFA Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet at 9 a.m. tomorrow.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

THE PRESIDENT WILL DO AS HE PLEASES

(Mr. POE of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POE of Texas. Mr. Speaker, the President has taken an oath to uphold the Constitution, but this President has refused to follow and enforce certain laws.

He doesn't enforce all immigration laws. He doesn't enforce the mandatory minimum punishments. He doesn't enforce the work requirement for welfare recipients. He doesn't enforce the marijuana laws.

He illegally made recess appointments. He illegally changed ObamaCare by postponing implementation for Big Business, Small Business and individuals, and granting arbitrary waivers to special people.

He unconstitutionally took America to war in Libya.

All of these actions are unilateral, unlawful, and unconstitutional. The Constitution requires the President to execute and enforce law, not create his own laws or ignore the rule of law. However, this President, the former constitutional law professor, seems to think the Constitution is a mere suggestion, and he will do as he pleases.

And that's just the way it is.

TRIBUTE TO ROSA PARKS

(Mrs. BEATTY asked and was given permission to address the House for 1 minute.)

Mrs. BEATTY. Mr. Speaker, today I rise to pay tribute to a woman who is considered the modern mother of the civil rights movement, Rosa Parks. This past Sunday, we celebrated the 58th anniversary of Rosa Parks refusing to give up her seat on that bus in Montgomery, Alabama.

I am so proud to stand here from the great State of Ohio, because it was the great State of Ohio that was the first State in this Nation to name December 1 Rosa Parks Day.

On Thursday and Friday of this week, in our district, we will bring people from all over the State to pay tribute to her, and we will bring in more than 600 little children who will learn about civil rights and understand the value of working together.

That day in 1955, she started something larger than herself. She sat down so we could stand up. Mr. Speaker, it is my honor to be a part of the legislation that created December 1 in Ohio as Rosa Parks Day.

RESTORING MEDICARE ADVANTAGE CHOICE FOR OUR SENIORS

(Mr. ROTHFUS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROTHFUS. Mr. Speaker, Medicare Advantage provides quality coverage to many seniors in western Pennsylvania. It is popular because it provides more options and increased care coordination.

Until 2011, seniors were able to take advantage of an annual open enrollment period from January through March and make adjustments if the plan they chose did not meet their needs. Unfortunately, the Affordable Care Act eliminated this option.

The Wall Street Journal recently reported that one of the Nation's largest Medicare Advantage providers had dropped thousands of doctors from its network. As a result, seniors may be unsure about whether they need to switch plans to continue seeing their doctors when the current open enrollment period ends this Saturday.

This uncertainty underscores the importance of the Medicare Beneficiary Preservation of Choice Act, H.R. 2453, which Congressman KURT SCHRADER and I introduced earlier this year. This bill would restore seniors' freedom to try their plans and make changes.

I thank my 13 Republican and Democrat colleagues for joining me in advocating for our seniors, and I encourage Members on both sides of the aisle to support this commonsense and bipartisan legislation.

AFFORDABLE CARE ACT SUCCESS STORY

(Mr. VEASEY asked and was given permission to address the House for 1 minute.)

Mr. VEASEY. Mr. Speaker, I have risen before to talk about the fact that the congressional district that I represent has the highest uninsured rate out of any congressional district in the entire country.

About 40 percent of the constituents that I represent don't have health care insurance, and I wanted to talk today about how the Affordable Care Act is already helping many of those constituents in the very district that I represent.

Yesterday, I found out that a constituent who resides in the district I represent, Jason Roberts, had suffered from cancer and that he had been running out of options, but when the Affordable Care Act kicked in, he found out that his COBRA benefits would be saved.

Because of the options offered through the Affordable Care Act, Jason, who, again, had suffered from cancer, he actually dropped his monthly premiums by $251 and his deductible by $1,500. That is an overall savings of about $4,500 a year for what Jason describes as ''great coverage.''

The simple fact that he and so many others are actually able to keep their insurance, even if they have a preexisting condition like Jason had with cancer, is a true testament to the benefits of the health care law.

Let's work together to make sure that this health care law works for all of the uninsured like Jason and that it continues to work for all Americans.

THE INTERIM AGREEMENT WITH IRAN IS A BAD DEAL

(Mr. COFFMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. COFFMAN. Mr. Speaker, last month I was joined by my colleagues in sending a letter to Secretary of State Kerry to express concern about a potential interim agreement with Iran.

Two weeks ago, such a deal was reached. It is a bad deal. The world rolls back sanctions without Iran fully dismantling its nuclear weapons program.

Sanctions have impacted Iran's economy, leading its people to elect a less confrontational President. This recent political shift, in addition to pressure from sanctions, drove Iran to the negotiating table. Regardless, the Ayatollah, the real power in Iran, continues spewing hateful language at Israel and the West.

Now is not the time to ease sanctions that have been effective for a mere promise that Iran's nuclear weapons program will be temporarily suspended. The sanctions' intent was to prevent a nuclear Iran. Anything less than the