

Sewell (AL)	Tiberi	Waters, Maxine
Sherman	Tipton	Watson Coleman
Shimkus	Titus	Weber (TX)
Shuster	Tonko	Webster (FL)
Simpson	Torres	Welch
Sinema	Trott	Wenstrup
Sires	Tsongas	Westerman
Slaughter	Turner	Williams
Smith (MO)	Upton	Wilson (FL)
Smith (NE)	Valadao	Wilson (SC)
Smith (NJ)	Van Hollen	Wittman
Smith (WA)	Vargas	Womack
Speier	Veasey	Woodall
Stefanik	Vela	Yarmuth
Stewart	Velázquez	Yoder
Stivers	Visclosky	Yoho
Stutzman	Wagner	Young (AK)
Swalwell (CA)	Walden	Young (IA)
Takano	Walker	Young (IN)
Thompson (CA)	Walorski	Zeldin
Thompson (MS)	Walz	Zinke
Thompson (PA)	Wasserman	
Thornberry	Schultz	

## NAYS—6

Amash	Jones	Rohrabacher
Duncan (TN)	Massie	Smith (TX)

## NOT VOTING—15

Bishop (GA)	Huelskamp	Ross
Brown (FL)	Johnson, Sam	Sanchez, Loretta
DesJarlais	Nugent	Walberg
Frelinghuysen	Palazzo	Walters, Mimi
Gabbard	Reichert	Westmoreland

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

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

□ 1419

So (two-thirds being in the affirmative) the rules were suspended and the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ACCELERATING ACCESS TO  
CAPITAL ACT OF 2016

## GENERAL LEAVE

Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and submit extraneous materials on the bill, H.R. 2357, to direct the Securities and Exchange Commission to revise Form S-3 so as to add listing and registration of a class of common equity securities on a national securities exchange as an additional basis for satisfying the requirements of General Instruction I.B.1. of such form and to remove such listing and registration as a requirement of General Instruction I.B.6. of such form.

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

There was no objection.

The SPEAKER pro tempore. Pursuant to House Resolution 844 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R. 2357.

The Chair appoints the gentleman from Tennessee (Mr. DUNCAN) to preside over the Committee of the Whole.

□ 1423

## IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole

House on the state of the Union for the consideration of the bill (H.R. 2357) to direct the Securities and Exchange Commission to revise Form S-3 so as to add listing and registration of a class of common equity securities on a national securities exchange as an additional basis for satisfying the requirements of General Instruction I.B.1. of such form and to remove such listing and registration as a requirement of General Instruction I.B.6. of such form, with Mr. DUNCAN of Tennessee in the chair.

The Clerk read the title of the bill.

The CHAIR. Pursuant to the rule, the bill is considered read the first time.

The gentleman from Texas (Mr. HENSARLING) and the gentlewoman from New York (Mrs. CAROLYN B. MALONEY) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

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

Mr. Chairman, regrettably, we know that we continue to be mired in the slowest, weakest, and most tepid economic recovery in the history of the Republic, and our fellow citizens continue to suffer. The economy continues to not work for working people.

Now, we hear a lot of happy talk coming out of the administration, and they throw statistics at us telling us how happy we should be with this economy. But the economy is limping along at 1.5 to 2 percent of economic growth when the historic norm is 3.5 percent; and if you can't grow America's economy, you cannot grow the family economy.

So all this happy talk coming out of the administration, try to convince the 8 million Americans who don't have a job that this is a good economy. Try telling that to the 6 million Americans who want to work full time but only find part-time employment. Mr. Chairman, tell that to the 94 million Americans who are out of the workforce entirely. So many of them have just given up ever being able to find any type of gainful employment in this economy.

Again, it is falling so far short of its potential. All across America, American families are worrying: How are they going to pay the bills? How are they going to pay the mortgage? How are they going to be able to pay their skyrocketing healthcare premiums under ObamaCare?

We must—we must—get this economy moving again, but, Mr. Chairman, our great challenge is the job engine of America is broken, and the job engine is small business. One of the primary challenges for small business is they cannot access capital. Right now, bank lending to small businesses is at a 25-year low. Entrepreneurship, the launching of new business, and innovation, Mr. Chairman, is at a generational low. We have more small-business deaths than we do births in America today. This cannot be allowed to stand.

That is why, Mr. Chairman, I am so happy that today the House Financial Services Committee is putting together a package of bills that will help unleash capital for our innovators, for our entrepreneurs, and for our small businesses.

It is all part of the House Republican Better Way. We don't have to be stuck in this lackluster Obamanomics economy that is not working for working people. We can do better, and we must do better. So I am happy today that we will soon be voting on H.R. 2357, the Accelerating Access to Capital Act, sponsored by the gentlewoman from Missouri (Mrs. WAGNER), who has been a real leader in access to capital.

This is a bill which simply amends a registration form with the Securities and Exchange Commission to eliminate unnecessary cost for small private companies.

This overburdensome regulation that has nothing to do with consumer protection is strangling small businesses. We need to pass this bill, again, because the cost of securities registration is falling heaviest—heaviest—on our small companies.

Another bill in this package, Mr. Chairman, is H.R. 4850, the Micro Offering Safe Harbor Act sponsored by the gentleman from Minnesota (Mr. EMMER). This would give really small businesses and startups more flexibility to raise funds from existing relationships without having the added cost of having to register with the Securities and Exchange Commission.

The third bill in this package is H.R. 4852, the Private Placement Improvement Act sponsored by the chairman of our Capital Markets and Government Sponsored Enterprises Subcommittee, the gentleman from New Jersey (Mr. GARRETT), and it helps the bipartisan JOBS Act reach its full potential by maintaining a clear and commonsense approach to regulations for private offerings.

Again, it simply helps smaller companies raise capital. You cannot have the benefits of capitalism for American families without capital.

I commend each of my colleagues on the House Financial Services Committee for authoring these bills, for furthering these bills, and for what they will do to ensure that we can have economic growth for all, bank bailouts for none.

Now, we will soon hear from the other side of the aisle, Mr. Chairman, and if history is our guide, we will have great angst, wailing, and gnashing of teeth that somehow this is hurting consumers. Nothing—nothing—in this package does anything to detract from the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investors Advisers Act of 1940, the Sarbanes-Oxley Act of 2002, and the list goes on. Fraud is fraud. Fraud is illegal. You cannot have competitive, efficient markets with it.

□ 1430

But the SEC has a tri-part mission. Part of that mission is capital formation, and they have failed. They have failed. We must succeed on behalf of American families.

I reserve the balance of my time.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chair, I yield myself such time as I may consume.

I am going to oppose this bill because I think it rolls back too many investor protections. But I understand and appreciate the chairman's goals here. We all support the goal of increasing capital formation. We just disagree on the best way to accomplish it.

My view is that the best way to stimulate investment is to treat investors well and protect them, and that means strong investor protections. I firmly believe that markets run more, and better, on confidence than on capital.

Unfortunately, this bill goes in the wrong direction. It strips away protections that investors want in order to feel comfortable investing in startups and small companies.

I have particular concerns with title I of this bill, which would allow very small and thinly traded companies to sell securities using the faster shelf registration process. This raises serious market manipulation concerns. Let me explain why.

Shelf registration allows companies to register securities in advance and then sell them later on short notice, without getting SEC approval. Traditionally, shelf registration has been limited to larger, well-known companies, like GE or Apple, that are already widely followed by the markets, in other words, companies that investors are already very familiar with.

In 2007, the SEC decided to expand the number of companies who are eligible to use shelf registration. In doing so, however, the SEC was very careful to balance this against the need to maintain strong investor protection.

The SEC was comfortable allowing certain very small companies to have a limited ability to use shelf registration to offer securities, but only on the condition that the company have at least one class of securities listed on the exchange. This was because the exchanges have their own standards that companies must meet in order to get their securities listed on the exchange. These listing standards provide investors with sufficient assurance that the company is legitimate, has a reasonably wide investor base, and will have enough trading interest to assure a reasonable amount of liquidity in the stock.

Without the comfort provided by the exchange's initial screening procedures for these companies, however, I am not sure we should be comfortable allowing these very small companies to use shelf registration. But that is what this bill would do. It would allow very small companies that trade in over-the-counter markets to sell securities using shelf registration.

Allowing a small company, whose stock is very thinly traded to quickly sell a large amount of securities under the shelf registration raises real concerns about potential market manipulation. A company could easily bid up the price of its stock and then immediately dump a large amount of new stock to investors at the artificially inflated prices.

As Columbia Professor John Coffee noted in his testimony before the Financial Services Committee on this proposal last Congress: "Letting a small company with a modest \$50 million public float use shelf registration to attempt to sell \$150 million in securities invites potential disaster and investor confusion."

Mr. Chair, I include in the RECORD his entire, very critical testimony of the dangers of this legislation.

STATEMENT OF PROFESSOR JOHN C. COFFEE, JR., ADOLF A. BERLE PROFESSOR OF LAW, COLUMBIA UNIVERSITY LAW SCHOOL, APRIL 9, 2014

LEGISLATIVE PROPOSALS TO ENHANCE CAPITAL FORMATION FOR SMALL AND EMERGING GROWTH COMPANIES

Chairman Garrett, Ranking Member Waters, and Fellow Members of the Committee:

*Introduction*

I thank you for inviting me. I have been asked to comment on seven proposed bills, some of which appear to be a still early stage of drafting. Reasonable people can disagree about several of these provisions, but others are beyond the pale. Still, my overarching comment is that each of these bills represents a piecemeal attempt to "tweak" something in our existing system, but collectively they are uncoordinated and lack any consistent vision. If there is any common theme to these bills, it is that better integration and coordination is desirable between our twin disclosure regimes under the Securities Act of 1933 and the Securities Exchange Act of 1934. That could well be true. If so, the appropriate starting point might be to mandate a study by the SEC (within, say, a realistic two-year period) of how to better coordinate both (1) these two disclosure systems, and (2) public and private offerings. Absent such an attempt at coordination, we will obtain only piecemeal (and fumbling) reforms that resemble the seven blind men groping at the elephant. In particular, as these proposals suggest, private placements may soon overtake public offerings—without adequate attention being given to the appropriate role of each.

More generally, we seem to be moving from JOBS Act I to a JOBS Act II without any serious evaluation of the impact of the first round of changes. On balance, the JOBS Act may have had only modest impact, and the proposals that are being considered today will likely have less. Because my time is limited, I will analyze these proposals in terms of the intensity of my reaction, moving from those that I feel are likely to cause real harm to those that are understandable (but that probably do not require legislation). I will 509 begin with a provision (the definition of "well-known seasoned issuer") whose impact has not been adequately or candidly explained.

1. The Definition of "Well-Known Seasoned Issuer." This may be the most radically deregulatory of the seven proposals now before this Subcommittee, but it has not been adequately explained just how far reaching this proposal would be. The proposal derives from

the 2011 Report of the SEC Government-Business Forum on Small Business Capital Formation, where it was the 19th out of 25 recommendations made by that body. Frankly, it received only lukewarm support. The recommendation there made was to:

"Expand the availability of the special public offering provisions currently applicable only to 'well-known seasoned issuers' (WKSI) to all public companies, including smaller reporting companies and foreign private issuers. This would permit such companies to, among other things:

a. File a universal shelf registration statement;  
b. Test the waters;  
c. Pay as you go; and  
d. Use forward incorporation by reference for Form S-1 registration statements." (Emphasis added)

Each of these "benefits" can be debated. For example, a WKSI is exempt from the "gun jumping" and "quiet period" restrictions of Section 5(c) of the Securities Act of 1933, and there can be reasonable debate about the wisdom of freeing smaller companies from these rules. Still, the key implication of expanding the definition of "well-known seasoned issuer" has not been explained: it would permit the majority of public companies to qualify for "automatic shelf registration." This may not have been the intent, but it is the consequence.

Under Rule 405, a "Well-Known Seasoned Issuer" generally qualifies for "automatic shelf registration." Since 2005, the instant that a "well-known seasoned issuer" files a registration statement, the registration statement becomes "effective" and the securities can be sold under it—without any prior SEC review. As a practical matter, allowing a company to qualify for automatic shelf registration both (1) denies the SEC's staff any opportunity to review and correct the registration statement before sales are made, and (2) makes it much more difficult for the issuer, its investment bankers, and its other agents to conduct a pre-offering "due diligence" review of the registration statement's contents (because there no longer is a pre-offering period between the filing of the registration statement and its effectiveness). Further, the SEC has a substantial staff in its Division of Corporation Finance that conducts a pre-effectiveness review of the registration statement and engages in a dialogue with the issuer. This provision short-circuits that review and largely renders them irrelevant for such issuers.

At present, a "well-known seasoned issuer" (or "WKSI" in the parlance) basically must either (i) have a "public float" of at least \$700 million (that is, the worldwide market value of its common equity, voting and nonvoting, held by non-affiliates must equal or exceed \$700 million), or (ii) have issued over the last three years \$1 billion in non-convertible debt securities. These are high standards. By some estimates, only about a third of the issuers on the NYSE meet this standard.

Under the proposed legislation, the \$700 million standard would be reduced to \$250 million. At that point, probably a majority of the issuers on both the NYSE and Nasdaq could become WKSI—and in most cases could use "automatic shelf registration." Many of these issuers might be followed by only a single securities analyst, and do not necessarily trade in an efficient market. The SEC's staff that reviews registration statements would be unable to focus on these offerings and would be left to concentrate on IPOs and very smaller issuers. This seems a poor allocation of the SEC's resources.

Since 1933, prior review by the SEC's staff of the registration statement has been one of

the bedrock protections of our federal securities laws. Thus, I suggest to you that it is a fairly radical step to deny the SEC's staff any opportunity for a pre-offering review of the securities to be issued by most issuers. Yet, that is what this proposed expansion of the definition of WKSI does. This result may or may have been intended, but it both invites misbehavior (if an issuer knows it will not be subject to prior review) and encourages costly litigation (if errors are later discovered).

Even if this proposal were cut back so that it only permitted smaller issuers to use "universal shelf registration," I would still have some concerns. When shelf registration was first introduced in 1983, the issuer had to allocate the gross dollar value of its offering to specific types of securities (i.e., debt, equity, warrants, etc.). Then, in 1992, the SEC permitted unallocated shelf registration. In such a "universal" shelf registration, the issuer may pre-register debt, equity and other classes of securities in a single shelf registration statement without any allocation of offering amounts among these classes. In 509 1992, the SEC lowered the threshold for Form 5-3 and universal shelf registration to \$75 million (well below the \$250 level here proposed).

Thus, smaller issues can already make use of universal shelf registration. What then is achieved by expanding the definition of WKSI (other than entitling the issuer to use "automatic shelf registration")? A partial answer is that WKSI can uniquely register securities for sale for the account of selling shareholders without separately identifying "the selling security holders or the securities to be sold by such persons" until the time of the actual sale by such persons. See General Instruction ID(d) to Form 5-3. In short, by expanding the definition of WKSI, we facilitate not primary offerings by the issuer, but secondary sales by large shareholders. This does not raise capital for the issuer or create jobs, but essentially encourages a bailout by insiders. Such secondary sales, which do not have to be disclosed in the original registration statement, seem particularly problematic in the case of smaller companies.

To sum up, this provision is not what it seems. It does not simplify the issuer's access to capital, but it does both (i) strip the SEC of its pre-offering review authority, and (ii) facilitate secondary bailouts by insiders.

2. HR 2659 ("Accelerated Filer"). This provision would modify the definition of "accelerated filer" in SEC Rule 12b-2 (17 C.F.R. 240.12b-2), which today makes an issuer an "accelerated filer" if it has a "public float" of between \$75 million and \$700 million (that is, the value of its equity shares not held by affiliates). Under the proposed revision, the new test would be moved up to \$250 million (instead of \$75 million), and in addition the issuer would need to have "annual revenues of greater than \$100,000,000 during the most recently completed fiscal year for which audited financial statements are available" (see Section 2 of H.R. 2629). Thus, many issuers today deemed accelerated filers would escape that label under this revised test, including some with very large market capitalizations.

What is the consequence of this change? First, it will allow many companies to escape Section 404(b) of the Sarbanes-Oxley Act and its requirement of an annual audit of internal controls. The JOBS Act already did this with respect to "emerging growth companies" (at least for a five-year "on ramp"), but this provision would exempt older companies that did not qualify for that exemption. Also, the exemption could continue forever and not just for five years. Second, under the instructions to Form 10-Q, an

"accelerated filer" must file its Form 10-Q within 40 days after the end of the fiscal quarter, whereas all other issuers must file within 45 days after the end of the quarter. This is a further small step away from transparency.

If the goal is to cut back further on the scope of Section 404(b), this might best be done directly without causing any other collateral consequences. Still, some estimate should be made of just how many companies will escape Section 404(b) by this back door. Finally, the JOBS Act had a stronger rationale for its Section 404(b) exemption, (namely, that it permitted a temporary accommodation for young and emerging companies), whereas this bill's exemption covers old companies and potentially forever.

3. Raising the Disclosure Exemption Under Rule 701(e) from \$5 million to \$20 million. Currently, Rule 701 exempts from registration sales by non-reporting issuers of their securities to employees, consultants and advisors (and their family members) pursuant to a written compensatory benefit plan or compensatory contract. Effectively, this rule shelters non-reporting companies from the potentially expensive obligation to register stock options and similar equity compensation under the Securities Act of 1933. But under Rule 701(e), some minimal disclosure is required, including financial statements and "information about the risks associated with investment in the securities." This limited obligation to provide such information is not applicable if the issuer sells less than \$5 million of its securities under this exemption during any consecutive 12-month period. The proposed bill before this Committee would raise this \$5 million level to \$20 million.

Because the disclosure obligation under Rule 701 is minimal and does not require the preparation of any formal disclosure document, this proposal to raise the exemption by 400% to \$20 million seems hard to justify. First, there is no rationale advanced for the \$20 million threshold. Second, there is little hardship or burden in giving your financial statements to your own employees. This proposal did not even seem to win substantial support within the small business community (as it has not been regularly cited at the SEC's Government-Business Forum on Small Business Capital Formation).

Further, once the volume of sales under Rule 701 exceeds \$5 million and begins to approach \$20 million, the cost of providing minimal disclosure falls as a percentage of the total transaction. It may seem a nuisance to an issuer to provide disclosure when its Rule 701 sales are minimal, but if the sales fall into the \$5 to \$20 million range, this is a major (and probably recurring) activity for the issuer.

4. Expanding the Availability of Form S-3. Today, eligibility for use of Form S-3 (and thus the ability to use shelf-registration) generally requires that an issuer have a "public float" of at least \$75 million. See General Instruction IB(1) to Form S-3. In addition, other registrants can use Form S-3 if (i) the aggregate market value of securities sold by the registrant during the period of 12 calendar months immediately preceding and including the sale does not exceed one-third of its public float (i.e., the aggregate market value of its common equity held by non-affiliates—see General Instruction IB(6)(a) to Form S-3), (ii) the issuer is not a "shell company," and (iii) the registrant has at least one class of common equity registered on a national securities exchange (General Instruction IB(6)(c) to Form S-3). In effect, this alternative test allows listed companies with less than a \$75 million public float to use Form S-3, but places a ceiling on the size of the offerings that they may do using Form

S-3 that is equal to one-third of their public float. Letting a small company with a modest \$50 million public float use shelf registration to attempt to sell \$150 million in securities invites potential disaster and investor confusion.

Nonetheless, a bill before this Committee, known as the "Small Company Freedom to Grow Act of 2014" would permit this by eliminating most of these limitations. Effectively, it would allow any company, which is not a "shell company" (as defined in Rule 405) and that has not been a "shell company" for at least 12 calendar months, to use Form S-3. Under this provision, even microcap companies could thus use shelf registration and offer securities from time to time in any amount, at least if they were reporting companies and were current in their 1934 filings (to thereby satisfy General Instruction 1A).

This would represent a significant change in long-standing SEC policy, and I suggest that Committee consult the SEC to hear its view. Traditionally, shelf registration was limited to seasoned issuers with a sizable market capitalization and an established market following. Under this provision, even companies traded only on the Pink Sheets or the OTC Bulletin Board might use shelf registration and make a sizable offering with no prior notice. As a practical matter, I doubt that the market will accept such offerings or that reputable underwriters will feel comfortable with them, but the door is at least opened (and in a frothy market, anything can happen and has).

5. Blue Sky Preemption. The above-noted "Small Company Freedom to Grow Act of 2014" would also preempt state "Blue Sky" laws in the case of "smaller reporting companies" and "emerging growth companies." Currently, Section 18 of the Securities Act preempts only "nationally traded securities" that are either (i) listed on certain national securities exchanges (under SEC rules that look to their listing standards), or (ii) are issued in certain exempt transactions involving qualified purchasers. This proposal would extend the scope of Section 18's preemption of state blue sky law by an order of magnitude. Potentially, companies traded on the Pink Sheets (or not even traded at all) would be exempted if the issuer was a reporting company.

This makes little sense at a time when the SEC is resource-constrained and cannot Challenge every transaction. The cases most likely to sneak under the SEC's radar screen are precisely those involving local or regional companies that are traded over-the-counter, on the OTC Bulletin Board, or on the Pink Sheets. Unfortunately, these are exactly the low visibility companies that this statute would exempt from the scrutiny of state regulators.

Perhaps, the sponsors of this bill see state "Blue Sky" regulators as difficult, overly suspicious, bureaucratic, or prone to delay. I believe such a characterization is unfair. State regulators are hard-working, have more than enough to do, and typically focus their attention on precisely those smaller companies that the SEC is most likely to overlook. Preempting state law simply because an issuer files reports with the SEC places excessive reliance on the SEC and invites fraud and misconduct.

6. Form S-1 and Forward Integration. For some time, the SEC's Government-Business Forum on Small Business Capital Formation has called for changes to permit smaller reporting companies that have filed a Form S-1 to incorporate by reference documents filed with the SEC. Effectively, this would make the Form S-1 "evergreen" in the sense that it would not become stale. Of the various proposals before this Committee, I believe this one does have real efficiency justifications and could help smaller issuers.

Again, I believe the Committee should seek the views of the SEC on this matter, and I do not suggest that Form S-1 should be expanded to become a vehicle for shelf registration (which should instead require that the issuers qualify for the use of Form S-3). But I do see merit in this proposal.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chair, I share Professor Coffee's concerns about this proposal.

I also oppose title II of this bill, which would create another exemption for the securities law for certain microcap offerings of less than \$500,000.

Unfortunately, history has proven that there is a good deal of petty fraud in microcap offerings. So ensuring that there is proper oversight of microcap offerings—ideally, by State securities regulators—is important if your goal is to protect retail investors from fraud.

Finally, title III of the bill would strip away even the most modest investor protections that the SEC has proposed for unregistered, private securities. It is important to note that we are already seeing a trend toward much greater use of unregistered, private securities rather than publicly registered securities. In fact, the private securities market is now larger than the public securities market. In 2014, companies raised \$2.1 trillion through the private securities market compared to only \$1.35 trillion through the public securities market.

What this means is that more securities are being sold with fewer investor protections. Title III of this bill would take away yet another investor protection by allowing companies to sell unregistered, private securities without having to file any information with the SEC first.

I think this bill goes in the wrong direction. We should be talking about strengthening investor protections, not weakening them.

I would also like to note that President Obama has issued a veto threat on this bill and states that all three titles are dangerous for investors. He states that markets function more efficiently when they are transparent, well regulated, and trusted by investors and insurers alike.

These bills would reduce transparency, inhibit effective regulatory oversight of our capital markets by the SEC, and would undermine not only the health and integrity of our markets, but the very capital formation process they claim to promote.

Mr. Chair, I include in the RECORD this veto.

#### STATEMENT OF ADMINISTRATION POLICY

H.R. 2357—ACCELERATING ACCESS TO CAPITAL ACT OF 2016—REP. WAGNER, R-MO)

The Administration strongly opposes H.R. 2357, the Accelerating Access to Capital Act. The Rules Committee Print of H.R. 2357 contains the text of H.R. 2357 as reported (Title I), as well as texts of H.R. 4850, the Micro Offering Safe Harbor Act, as reported (Title II), and H.R. 4852, the Private Placement Improvement Act, as reported (Title III). Markets function most efficiently when they are transparent, well-regulated, and trusted by investors and issuers alike. These bills would

reduce transparency and inhibit effective regulatory oversight of our capital markets by the Securities and Exchange Commission (SEC). These bills would undermine not only the health and integrity of our markets, but the very capital formation process they claim to promote.

H.R. 2357 (Title I) would weaken investor protections by reducing the quality or availability of information needed to make informed investment decisions. By compelling the SEC to amend Form S-3, the bill would: (1) allow microcap companies traded on an exchange to issue an unlimited number of shares using shelf registration within a 12-month period; and (2) permit unlisted microcap companies, including those listed on the "pink sheets," with less than \$75 million in common equity to sell up to 1/3 of the market value of their common equity using shelf registration in a 12-month period. This bill would harm investors by reducing disclosure requirements and infringe on the SEC's ability to appropriately respond to market developments. Such changes would increase the risks posed by accounting fraud, market manipulation, insider trading, and the sale of artificially-inflated stock.

H.R. 4850 (Title II) would similarly undermine investor protections and the integrity of capital formation for small businesses. Specifically, the bill eliminates all existing investor protections for crowdfunding and Regulation A offerings, provided that the securities: (1) are sold to purchasers with a substantive pre-existing relationship with individuals affiliated with the company, including controlling investors; (2) involve 35 or fewer purchasers; (3) do not exceed more than \$500,000, annually; and (4) do not involve a person who has violated the securities laws. These criteria do not negate the need for consumer protections embedded in current regulations.

This legislation would create yet another unnecessary and unwarranted exemption from the Securities Act of 1933 to enable the sale of microcap offerings (those involving sales of securities valued at \$500,000 or less in a single year) without appropriate regulatory protections. While the legislation would limit the total number of investors in such offerings, it lacks a requirement that those investors have the financial sophistication to understand potential risks of the offering or the financial means to withstand losses. It requires only that they have a "preexisting relationship" with an officer, director, or major shareholder of the issuer, a condition that provides no meaningful protections.

Finally, H.R. 4852 (Title III) runs counter to SEC efforts to enhance disclosure requirements, limiting the SEC's ability to finalize previously proposed investor protections, and would weaken other key consumer protections and provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additionally, H.R. 4852 bars the SEC from taking appropriate actions to provide needed oversight of the financial markets, encourages widespread non-compliance with existing SEC filing requirements, and undermines the SEC's informed policymaking.

If the President were presented with H.R. 2357, his senior advisors would recommend that he veto the bill.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chair, I would just like to close by reminding our colleagues on both sides of the aisle why these investor protections were put in place. We still have not recovered from the 2008 crisis where literally millions of Americans lost their homes, lost their jobs,

and, depending on which economist you listen to, \$15 to \$18 trillion of wealth in this country lost and down the drain.

I just came from a hearing of the Joint Economic Committee where testimony included a statement that this was the first financial crisis in the history of our country that could have been prevented by better regulation and oversight of our markets. I do not understand why anyone in this body would want to support rolling back investor protections. This merely keeps in place protections that have worked well for this country and for investors.

I urge all of my colleagues to vote against this bill.

I reserve the balance of my time.

Mr. HENSARLING. Mr. Chair, I yield 3½ minutes to the gentlewoman from Missouri (Mrs. WAGNER), the author of H.R. 2357, the Accelerating Access to Capital Act.

Mrs. WAGNER. Mr. Chair, I thank the chairman of the Financial Services Committee.

I am proud to sponsor the Accelerating Access to Capital Act, H.R. 2357. I would also like to thank and congratulate my colleagues, Representative EMMER and Chairman GARRETT, for their legislation as well.

Regulatory burden is one of the reasons why we are still in the slowest recovery of our lifetime since the financial crisis. Small businesses are finding it more and more difficult to find financing in order to grow and expand their business.

Dodd-Frank has made traditional bank lending for small businesses more scarce. Smaller companies that wish to go to the capital markets are finding compliance and regulatory requirements too extensive and far too costly.

This legislation builds upon other efforts by this committee to provide simplified disclosure and reduce burdens for smaller companies in order to lower the cost of raising capital.

Specifically, this would extend to smaller reporting companies the ability to utilize Form S-3, a much more simplified registration for companies that have already met prior reporting requirements with the SEC. Allowing small companies to use this form would provide significant benefits with its shorter length, allowing forward incorporation by reference and the ability to offer securities off the shelf, which are all things that larger companies are currently able to enjoy.

Streamlining disclosure will lower compliance costs associated with filing redundant paperwork, which will in turn allow companies to direct more resources to growing their business. Fuel Performance Solutions, which is a fantastic company based in my hometown of St. Louis, has spent the last 10 years working on exciting fuel products that could potentially save Americans money at the pump and reduce harmful emissions.

In order to fund this research in breakthrough technology, Fuel Performance Solutions eventually decided

to register with the SEC and go public to raise more capital and expand their business.

The company conducted a study, Mr. Chair, and found that, instead of filling out a 100-page registration form which takes about 4 to 6 weeks to complete, this legislation would allow them to fill out a 20-page form which only takes 2 days to complete. As a result, they would have incurred less legal fees, less accounting, and less investment banking fees and saved close to \$225,000.

Additionally, under this job growth legislation, they could have received SEC approval in days, rather than months, and thereby obtain certainty in regard to funding their business.

I am proud that the greater Metropolitan St. Louis region is the fastest growing startup scene in the country. But we must provide opportunities for these businesses and many others to grow and drive and thrive in the marketplace.

Extending these cost-saving provisions to smaller companies that large companies are currently able to enjoy is absolutely critical and can make the difference in their ability to issue an additional offering, expand their business, and create more jobs. The Accelerating Access to Capital Act will do just that.

I urge the passage of this legislation. Mrs. CAROLYN B. MALONEY of New York. Mr. Chair, I yield 3½ minutes to the gentleman from Maryland (Mr. SARBANES).

Mr. SARBANES. Mr. Chair, I thank the gentlewoman for yielding.

I rise in opposition to H.R. 2357, the Accelerating Access to Capital Act.

Mr. Chair, 7 weeks ago, the Republican majority recessed the House for the summer district work period—7 weeks. Seven weeks is a long time, time that we in Congress could have spent addressing the many pressing issues that are facing the country right now.

The 7 weeks did, however, provide me and my colleagues an opportunity to go back to our districts, meet with our constituents, and learn about what their priorities are, what the priorities are that the American people have for the remainder of the 114th Congress.

I, for one, heard from my constituents on a number of things. They are concerned about the arrival of Zika in the United States, and they want a more comprehensive Federal response to that outbreak.

□ 1445

They were shocked by the devastation in Flint, Michigan, and worried about their own water quality.

They were bewildered that the gun lobby continues to block sensible gun safety reforms in the face of increasingly routine mass shootings and senseless gun violence on our streets.

Incredibly now, Mr. Chairman, we have returned; and what are we doing in our first days? What are we doing? What are some of the first things that

we are bringing up in spite of what the public has said its priorities are?

Yet again, we are voting on a bill that is designed to roll back the important oversight of our financial markets and to eliminate critical consumer protections that guard against unscrupulous securities sales. This bill, H.R. 2357, the Accelerating Access to Capital Act—or, as I call it, the “Wolf of Wall Street Enhancement Act”—would jump-start fraud in our capital markets. Each of the bill’s three titles would reduce transparency, weaken consumer disclosure, and fuel fraud in our financial markets.

I want to ask my colleagues: Who are the people out there who are asking for these changes in our securities law? Did anyone hear in a town hall that they did? Did anyone hear at those meetings this summer about the need to expand shelf registration for unproven companies? Who back home is clamoring for unregistered, undisclosed security offerings? Who wants to further tie the hands of the SEC’s in adopting even the most modest disclosure requirements?

Yet again, Congress’ agenda has been warped by the undue influence of narrow special interests. Yet again, we are ignoring the real priorities of the American people. Mr. Chairman, we have more important business than this. I urge my colleagues to vote against this legislation.

Mr. HENSARLING. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. MCCARTHY), the Republican leader and the leader of our Innovation Initiative.

Mr. MCCARTHY. I thank the gentleman for yielding.

Mr. Chairman, innovation is the key to America’s future. With it, America can continue to be the economic and cultural leader of the world while providing important and good-paying jobs here at home. With it, our government can spend more time and money in helping Americans who need it and less in supporting a wasteful, ineffective, and outdated bureaucracy. I have seen firsthand the power of innovation in America, and it is not just in Silicon Valley. Centers of innovation are growing across our country and are bringing with them new opportunities and second chances.

I recently visited a company called ZeroFOX in south Baltimore. They provide social media security and they gather intelligence on the threats that are facing employees, businesses, and other organizations online. ZeroFOX is a bright spot in a city, like so many others in America, that was hit hard by a recession but that was struggling long before then. These communities were centers of industry—they manufactured and thousands were employed. Then some companies closed up shop; manufacturing declined; and people lost their livelihoods.

But America is not a story of decline. Even today, you can see communities rising again, not by trying to recreate

the past, but by looking to the future. New centers of innovation from south Baltimore to San Antonio and from North Carolina to Louisiana are spreading across America and are bringing with them new economic activity, new construction, new jobs, and, especially, new hope. That is what our country needs. That is what working people across America need.

The package of bills we have before us today is part of the Innovation Initiative—our legislative project to bring innovation into government and to allow innovation to thrive in the private sector. What this package of bills does is to help innovators gain access to capital. You can ask any business owner or dreamer out there. They know that ideas and work ethic are fundamental but that it takes capital to be able to make those ideas a reality—to make even more success stories in communities across our country like in south Baltimore.

I thank those Members who worked on these bills: ANN WAGNER, TOM EMMER, SCOTT GARRETT, and, especially, Chairman JEB HENSARLING. We need more practical solutions like these to create new opportunities for the American people, not in theory, but in their everyday lives.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I yield myself such time as I may consume.

I am really underscoring that my colleagues should vote against this bill because it rolls back investor protections.

Why in the world do we want to roll back investor protections?

We have heard some of my Republican colleagues suggest that, because the bill does not alter the securities laws regarding fraud, it has no bearing on fraud and will only help small businesses. This is wrong for a number of reasons. Let me try to explain this with a real life example.

Robbie Dale Walker was a former police officer who was living with his mother in Dripping Springs, Texas. Mr. Walker approached his mother’s best friend, Dolores “Pokey” Conn, and offered to sell her an investment in an oil and gas drilling program. Mrs. Conn was a 96-year-old widow at the time of the solicitation. After gaining her trust, Mr. Walker sold Mrs. Conn an investment of \$100,000 in an oil and gas drilling program. Later, he convinced her to invest another \$100,000. Mr. Walker convinced two other individuals to invest an additional \$55,000.

In this case and in similar instances, State securities regulators often get calls asking whether an issuer or a dealer is selling legitimate securities. If the securities are not registered and have not filed a Form D with the SEC, the State securities regulators can warn investors about a potential red flag. In addition, the regulators’ enforcement divisions can open investigations into the matters.

If title II of H.R. 2357 is enacted, the Texas regulator in this case would not

be able to quickly provide a red flag to a concerned investor like Mrs. Conn because Mr. Walker would not have to provide any disclosures to investors or regulators.

Although I don't doubt that the Texas regulator eventually would have caught Mr. Walker, the most likely outcome would have been that he and fraudsters like him would have been able to have run their schemes for several more years, further defrauding other seniors like Mrs. Conn. Today, Mr. Walker is serving a 25-year prison sentence for this fraud, and Congress should not be making it easier for the next Mr. Walker to defraud another grandmother.

Again, I urge a "no" vote on this bill.

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

Mr. HENSARLING. Mr. Chairman, I yield myself 30 seconds just to say, with regard to the gentlewoman's anecdote, if the gentleman engaged in fraud, apparently, he went to prison. Fraud is against the law, and people who perpetrate it should be in prison. Apparently, they are, and nothing in this bill changes that.

I was also struck by the previous speaker from the Democratic side who cited all of these constituent priorities and who didn't once mention the plight of middle-income workers, who are falling behind, whose paychecks are stagnant, and whose savings have been decimated. The National Small Business Association has found that 20 percent of small businesses had to reduce the number of employees as a result of tight credit. That is why we are working to get access to capital for small businesses.

Mr. Chairman, I yield 3 minutes to the gentleman from New Jersey (Mr. GARRETT), the chairman of the Capital Markets and Government Sponsored Enterprises Subcommittee of the Financial Services Committee, and who also happens to be the author of H.R. 4852, the Private Placement Improvement Act.

Mr. GARRETT. I thank the chairman.

Mr. Chairman, I rise in support of H.R. 2357, the Accelerating Access to Capital Act of 2015.

I also want to thank Mrs. WAGNER, Mr. EMMER, and all of my colleagues on the Financial Services Committee who have continued to support legislation that will allow our economy to grow and to expand opportunities for all Americans across this country.

Mr. Chairman, as I spend time with my constituents in the Fifth District, the message I hear from them is largely the same one I have been hearing for the last 8 years. People are concerned about jobs. They are concerned about their economic security and retirements. Perhaps, most importantly, they are concerned about whether their kids—their children—are going to have the same kinds of opportunities that they have enjoyed.

You see, there is no more ambiguity remaining about the economic legacy

of the Obama administration. Last month's news that the economy grew at an abysmal 1.1 percent during the second quarter merely confirms what we already knew: we are mired in the weakest economic recovery since World War II. Some economists now think we are heading into another recession. It appears that all of the promises that came with the passage of Dodd-Frank, ObamaCare, the \$800 billion stimulus package, and the thousands of regulations in the last 8 years were just that: promises.

Fortunately, for the last 5 years, the Financial Services Committee has been an oasis in a desert of bad ideas. Our committee has been at the forefront of putting forth job-creating, bipartisan legislation—most notably, the JOBS Act of 2012, as well as a number of other important measures that were signed into law in 2015.

Here we have H.R. 2357. It is a compilation of bills, if you will, that have passed our committee and would help empower entrepreneurs and small businesses, not bureaucrats and Washington insiders.

First, we have Mrs. WAGNER's bill, which would expand the number of companies that could take advantage of the short form registration. Allowing more companies to use the form would significantly reduce paperwork and man-hours. As she has indicated, last year, it would have saved 70,000 man-hours and over \$84 million in compliance costs. Allowing expanded use has been a frequent recommendation of something called the SEC's Government-Businesses Forum on Small Business Capital Formation; but it is not surprising that the SEC has ignored those ideas year, after year, after year.

H.R. 2357 also includes Mr. EMMER's ideas, under the Securities Act of 1933, to allow the so-called micro offerings. What this means in layman's terms is that a business would be allowed to stand up before a local Chamber of Commerce or Kiwanis Club and solicit an investment without running afoul of all of the securities laws. This really is an innovative idea, and it requires Congress to step in and facilitate it.

Finally, you have mine. You have the Private Placement Improvement Act, which I authored. This is part of the package, and it would prohibit the SEC from implementing onerous, new regulations or requirements on companies that raise capital—how?—through private channels that they proposed back in 2013. As several experts have testified before our committee, the mere existence of these amendments by the SEC is preventing more job creation.

Taken together, finally, Mr. Chairman, all of these bills continue the good work of the Financial Services Committee, under our chairman, JEB HENSARLING, over the last 5 years, to bring our capital markets into the 21st century and create opportunities for American businesses and their families.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I yield myself such time as I may consume.

I would like to respond to the chairman of the Financial Services Committee in that the point of these investor protections is to enable regulators to stop the abusive practices and fraud, as was being perpetrated on the friend of Mr. Walker's mother. Because they had disclosure requirements and he had not disclosed or filed with the SEC, they knew it was a fraud securities and were able to intercede and stop the fraud and arrest Mr. Walker.

I feel that these rollbacks are really very dangerous to investors, and I cannot understand why anyone would want to make it easier for a "Mr. Walker" to defraud grandmothers in this country.

Mr. Chairman, I yield such time as she may consume to the gentlewoman from California (Ms. MAXINE WATERS), the distinguished ranking member.

□ 1500

Ms. MAXINE WATERS of California. Mr. Chairman, I certainly appreciate Congresswoman MALONEY holding down the fort while I was away today, and I appreciate the work that she has put in this committee on these issues. I am very pleased to be here with her today.

Mr. Chairman, I rise today in strong opposition to H.R. 2357, a toxic package of bills that would outright encourage fraud in our financial markets and put retail investors and small businesses at risk. Instead of addressing a host of critical issues facing the American people, including helping the people of Baton Rouge, for example, where there has been a loss of 160,000 homes, instead of helping to come together with this side of the aisle to deal with Zika, instead of helping to deal with the problem we have of water up in Flint, or dealing with the idea that we need to expand Social Security, here we are.

Those people in Baton Rouge, who have just suffered all these devastating losses following the historic flooding last month, are looking to us for help and support. Here we are under the leadership of our Republicans prioritizing a bill that would make it easier for companies to scam investors by escaping regulatory scrutiny.

In particular, H.R. 2357 would allow small companies that are not listed on a national stock exchange to publicly offer their stock as an accelerated filer, without first alerting the Securities and Exchange Commission or gaining its approval.

Currently, this accelerated filer status is reserved for larger companies that meet the standards of and are traded on a national stock exchange. They also are closely followed by analysts, giving investors more insight into their activities. Small companies traded off exchange simply don't have the same safeguards in place.

Providing this type of quick access to our securities markets without sufficient oversight and transparency would



lead to accounting fraud, market manipulation, insider trading, and sales of unofficially inflated stock. Anyone who has seen the movie, "The Wolf of Wall Street," can tell you just how bad this would be for our investors and their savings.

Next, the bill would recreate a private securities offering that would be exempt from Federal and State securities laws. The bill would carve out a scenario where a private company could sell stock to certain investors without providing them or the SEC with any information. This stock could then be distributed to the public at large without restriction and, again, without any information.

What is more troubling is that the SEC previously eliminated this exact type of offering exemption after concluding that it, in fact, facilitated fraud. Specifically, the exemption had been used frequently in fraudulent pump-and-dump schemes where these early investors aggressively promoted the stock to artificially inflate its price and then dump their shares on unsuspecting investors.

The provision also ignores the fact that the JOBS Act created similar, yet responsible, exemptions to facilitate small company offerings under the crowdfunding rules in regulation A. As a result, this bill would simply create a big loophole for companies to secretly conduct public offerings and swindle investors.

Lastly, the bill would stop the SEC dead in its tracks in advancing important investor protections in the trillion-dollar private securities market. In particular, it would block the Commission from requiring companies to file a short, simple notice of a sale to alert the SEC and State regulators to possible fraud.

It also would prevent the SEC from stopping private equity funds and hedge funds from using misleading advertising materials. This would essentially allow bad actors to run wild and sell stock to unknowing investors about their true intentions.

Mr. Chairman, it is clear that this bill represents reckless shortsightedness and woeful disregard for the history of fraud in the securities market by undoing much-needed disclosure requirements and investor protections. The administration has threatened to veto this bill saying it would "undermine not only the health and integrity of our markets, but the very capital formation process they claim to promote."

I therefore strongly urge my colleagues to join me, investor advocates, and State securities regulators in opposing H.R. 2357.

I close by raising the questions: Why is it, coming back from break, with all of these important issues facing the American public, do we move so quickly to protect Wall Street, to protect private equity, to protect hedge funds? Who are we looking out for in the Congress of the United States of America?

Do we have to go back and remind people what happened in this country in 2008 when we put so many families and communities at risk because we didn't have the oversight, we didn't have the transparency, we didn't have the watchful eye of the cop on the block really doing the work we needed to protect our investors and our citizens? Why are we doing this? Why are we spending this time?

I am hopeful that my colleagues will join me and vote against this bill and send a message to our citizens and our constituencies that we are on the side of Main Street, not Wall Street.

Mr. HENSARLING. Mr. Chairman, I yield myself 30 seconds to answer the ranking member's question. We are here because we care about the plight of the working poor. We care about the fact that middle-income families are falling behind. The other side of the aisle has had 8 years of their economics, and we don't have a healthy economy. So we are growing the economy through this bill, and that is why it is so vitally important.

I must say, Mr. Chairman, I think it is the first time since coming here as a Member of Congress that I have heard a Hollywood film cited as an authority. If I recall the film, the guy went to jail, as he well should have.

I yield 3 minutes to the gentleman from Minnesota (Mr. EMMER), the author of H.R. 4850, the Micro Offering Safe Harbor Act which would give our very small businesses and startups more flexibility to raise funds and create jobs for a better economy.

Mr. EMMER of Minnesota. Mr. Chairman, with real unemployment at almost 10 percent, labor force participation at an all-time low, and a mere 1 percent economic growth last quarter, it is clear that the American economy is just not working.

Contributing to the problems are the regulatory burdens caused by the Dodd-Frank Wall Street Reform Act, which has reduced the number of credit unions and community banks in my State of Minnesota by nearly 25 percent over the past 6 years.

Because of this, it is increasingly difficult for entrepreneurs to find the capital they need to start a new business or expand an existing one. In fact, today there are 3 million fewer small business loans made annually than prior to the 2008 crisis.

This is particularly alarming because small business creates roughly 70 percent of the new jobs. And today's small businesses, as we all know, are tomorrow's Fortune 500 companies. Just think of all the great businesses in this country that started with a dream in a garage: Amazon, Apple, Microsoft, Disney, Harley Davidson, and Minnesota's own Medtronic.

I fear that with our current lack of access to capital, many of them would not have gotten off the ground today. Who knows what future American success story we may not be able to witness due to these issues. In fact, ac-

cording to the Kauffman Index, a measure that tracks business startups in each State, America has dropped from prerecession highs when it comes to starting new businesses.

Our legislation, the Micro Offering Safe Harbor Act, which is included in this proposal before us, will fix the access to capital problem that is limiting sustainable growth in our communities. It will make it easier for entrepreneurs to borrow money from their friends and family. Minnesotans will be able to launch their business ideas and encourage the creation of jobs, wealth, and opportunity for everyone.

Specifically, this legislation allows Americans to do a private security offering, free from any hoops to jump through by the SEC if they meet these three simple criteria: the investor has a substantive preexisting relationship with the owner; there are fewer than 35 investors; and the aggregate amount from all investors is no more than \$500,000.

Not only will this help Americans, but the other two bills we are considering today are equally important. The Accelerating Access to Capital Act will make it easier for certain companies to register securities, and the Private Placement Improvement Act will make it less complicated to issue securities under regulation D.

Together, these bills will generate economic prosperity, boost wages, and help Americans from all walks of life find good paying and rewarding jobs.

I want to thank Congresswoman WAGNER, Congressman GARRETT, and Chairman HENSARLING for their leadership on these issues.

I urge all of my colleagues to support these proposals.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I yield myself such time as I may consume.

Again, I want to underscore that this bill is bad for investors, bad for the financial industry, and bad for our country. It moves us in the wrong direction. It treats investors terribly. They were treated awfully in the financial crisis where millions lost their jobs, millions lost their homes, and well over \$15 trillion of private money evaporated from the economy of this great country.

Now, investor protections are there to protect investors. I cannot understand any valid reason why anyone would want to roll back protections, some of which have been on the books since the Great Depression.

Again, I urge a "no" vote on it.

I would like to inform the chairman of the Financial Services Committee that I have no further speakers.

I reserve the balance of my time.

Mr. HENSARLING. Mr. Chairman, I yield 2½ minutes to the gentleman from Ohio (Mr. CHABOT), the chairman of the House Small Business Committee who knows how desperately these bills are needed to aid our small business growth.

Mr. CHABOT. Mr. Chairman, I rise today in support of H.R. 2357, the Accelerating Access to Capital Act of

2015. I especially want to voice my strong support for the Micro Offering Safe Harbor Act, which is now an integral part of this bill and which I was happy to cosponsor when it was first introduced.

I want to thank Chairman HENSARLING and all of the folks on the Financial Services Committee for working on behalf of small businesses all across the country. I happen to chair the House Small Business Committee, as was mentioned.

Small businesses are hurting across America. There is no question about that. Access to capital is a critical issue for America's 28 million small businesses.

At the Small Business Committee, we like to acknowledge that every small business started with an idea. Those ideas can become jobs. In fact, those ideas create about 7 out of every 10 new jobs created in this country every year, but access to capital is the key ingredient.

A lot of our existing laws and far too many Federal regulations make access to capital harder for small business. It is harder for them than it is for larger companies, larger corporations, and hedge funds. H.R. 2357 takes an important step in addressing this problem. By clarifying the law in a way that allows small businesses to raise capital through limited, smaller scale, non-public offerings, we are cutting through the red tape that has kept far too many new investors just out of reach from a lot of our small businesses.

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This legislation also addresses the unfair share of the Federal regulatory burden that our small businesses carry. At the Committee on Small Business, we hear countless examples of businesses that have to decide between meeting regulatory costs and meeting their payroll, and that affects many, many families, American families all across the country that depend on these small businesses.

That is what happens when regulators don't consider the impact of what they are imposing on businesses of every size. A regulation that might be workable for a large company can prove devastating for a small business. The Small Business Regulatory Flexibility Improvements Act, which the House passed last year, addresses this problem. Today's legislation also fully recognizes that the Federal Government's regulatory approach cannot be a one-size-fits-all, especially where small businesses are concerned, and that is why I am here to support it.

I again want to thank Mr. HENSARLING and all the folks on the Committee on Financial Services for their hard work in this area. We have to do something about helping small businesses all across the country. The regulatory burdens that come out of this city, out of Washington, D.C., are killing companies all across America.

They are killing jobs. Thank you very much for working hard on this legislation.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I continue to reserve the balance of my time.

Mr. HENSARLING. Mr. Chairman, I am very pleased to yield 3½ minutes to the gentleman from Virginia (Mr. HURT), vice chairman of our Subcommittee on Capital Markets and Government Sponsored Enterprises.

Mr. HURT of Virginia. Mr. Chairman, I rise today in support of the Accelerating Access to Capital Act. Like many of us here, when I first ran for Congress, I ran because I believed that Washington had become too far removed from the people it is supposed to represent. I was concerned then, as I am today, that Washington's policies are negatively impacting Fifth District Virginians and the future for our children and grandchildren.

I represent a sweeping district along the Blue Ridge Mountains that spreads from Fauquier County south to the North Carolina border. Within our district, there are few areas with robust economic activity. In fact, most of our district is comprised of rural countryside and Main Street courthouse towns. Unfortunately, much of our district has suffered devastating unemployment, at times reaching double digits. That is why I am pleased with the work that we have done on the Committee on Financial Services under the leadership of Chairman HENSARLING, as it has a real impact on the economic growth of our small companies and their access to our capital markets. Our Nation's small businesses are our most dynamic job creators, and helping them grow and expand ultimately creates jobs.

This bill is not about Wall Street. This bill is, indeed, about Main Street. H.R. 2357 is comprised of three titles, the first being authored by Representative WAGNER. This measure would amend the Securities and Exchange Commission's Form S-3 registration statement to expand eligibility to small reporting companies. The cost of securities regulation falls heaviest upon smaller companies, and title I eliminates unnecessary costs by expanding the use of Form S-3 to smaller reporting companies. This would lower compliance costs and would not eliminate the SEC's ability to bring enforcement actions. Every one of the investor protection provisions in Federal securities laws would remain unchanged.

Title II of the legislation is Mr. EMMER's Micro Offering Safe Harbor Act. This measure would amend the Securities Act of 1933 to provide an exemption for small, private offerings of securities known as micro offerings. For this exemption to apply, each investor has to have a preexisting relationship with the owner, there must be 35 or fewer purchasers, and the amount cannot exceed \$500,000. Again, the SEC still has the authority to bring enforcement actions, and every investor pro-

tection provision in the Federal securities laws remains intact.

Finally, title III, Mr. GARRETT's Private Placement Improvement Act, would direct the SEC to revise reg D to eliminate the SEC's harmful proposed rule that is hindering small businesses' ability to raise cash. As we all recall, the purpose of the bipartisan JOBS Act we passed in 2012 was to make it easier for startups to market their securities; but when the SEC implemented the new law, the SEC proposed a separate rule that would impose new regulatory requirements on small companies seeking to use the rule 506 to raise capital. This is not consistent with Congress' intent, and now companies seeking to raise capital using rule 506 would be required to submit additional form D filings on an ongoing basis. The SEC has not acted on this proposed rule, which is why it is incumbent upon Congress to prevent it from doing so.

In closing, the SEC has the responsibility to facilitate capital formation while remaining true to its duty to protect investors. The legislative package before this body today is about ensuring that our Nation's small businesses are in the best position possible to do what they do best: to innovate, grow their businesses, and create jobs. These commonsense proposals will help them do just that.

I urge my colleagues to support this good bill, and I thank the chairman for the time.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I yield myself such time as I may consume.

I include in the RECORD a letter from the North American Securities Administrators Association, where they come out strongly against this bill. They say that it shifts "policies in the wrong direction, weakening the oversight of our capital markets and placing retail investors needlessly at risk."

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

Washington, DC, September 8, 2016.

Hon. PAUL RYAN,  
Speaker, House of Representatives,  
Washington, DC.

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

Re H.R. 2357—Accelerating Access to Capital Act of 2016

DEAR SPEAKER RYAN AND LEADER PELOSI: On behalf of the North American Securities Administrators Association (NASAA), I write to express strong concern regarding H.R. 2357, the Accelerating Access to Capital Act, which may be considered by the House of Representatives this week. State securities regulators have taken steps to help expand opportunities for small businesses to access investment capital including implementation of intrastate crowdfunding regimes and support of the SEC's recent proposal to modernize Rule 147 and increase the offering limits of Rule 504. We are, however, very concerned that the provisions of the H.R. 2357 that are discussed below would shift policies in the wrong direction, weakening oversight of our capital markets and placing retail investors needlessly at risk.



## SECTION 2: (THE MICRO-OFFERING SAFE HARBOR ACT OF 2016)

Section 2 of the Accelerating Access to Capital Act would amend Section 4 of the Securities Act to create a new transactional exemption from registration for certain securities offerings, including offers to retail investors. As presently constituted, the bill would permit the offering of private or unregistered securities to an unlimited number of unaccredited investors that may lack financial sophistication or wherewithal. For reasons that NASAA has already discussed extensively in comments to the Financial Services Committee regarding this legislation, state securities regulators continue to question the practical necessity of this proposed exemption and the nature of the issuers it is intended to serve. We note that there are already several provisions at the state and federal level that small, microcap issuers can rely upon for limited offerings to unaccredited investors, including intrastate crowdfunding and other limited offering exemptions.

Further, Section 2 would preempt state authority to review securities offerings that are by their nature local, state-based offerings. Preemption for this type of localized offering is inconsistent with investor protections afforded by state review, and would handcuff the regulators best positioned to regulate the marketplace for these offerings.

## SECTION 3: (THE PRIVATE PLACEMENT IMPROVEMENT ACT OF 2016)

Section 3 of H.R. 2357 would prohibit the Securities and Exchange Commission ("SEC") from adopting proposed rules to implement common-sense reforms for Regulation D, Rule 506 offerings.

Title II of the Jumpstart Our Business Startups ("JOBS") Act repealed the long-established prohibition on general solicitation and advertising of securities under Rule 506. When the SEC adopted rules to implement Title II, on July 10, 2013, it also voted to propose rules that could mitigate the risk to ordinary investors from 506 offerings, including by requiring a pre-filing of "Form D" when issuers intend to advertise Rule 506 securities to the general public, and by imposing meaningful penalties on issuers who fail to file a Form D. Section 3 of H.R. 2357 would effectively prohibit the SEC from adopting these rules.

State securities regulators, pursuant to their antifraud authority, are the primary regulators of offerings under Regulation D, Rule 506, and fraudulent offerings involving Rule 506 offerings are routinely among the most frequent violations reported by state securities regulators. The SEC's proposal to require the timely filing of Form D and establish consequences for issuers who fail to file a Form D when conducting a Regulation D, Rule 506 offering, is a common-sense step that is long overdue.

Form D is a short form that captures basic information about the issuer including the issuer's business address, officers, directors, business type, and minimal information about the securities being offered. The information contained in a Form D is crucial to state securities regulators, who regularly encourage investors to "investigate before you invest." When investors contact their state regulators, particularly after learning about an offering through an advertisement or solicitation, Form D is often the only information available about an issuer when an investor calls. In addition to furnishing information that may allow regulators to look for "red flags" indicative of a fraudulent offering, Form D provides regulators with the only direct source of information about the "private placement" market generally. The modest burden that Form D may impose on

issuers is vastly outweighed by the essential role that it plays in state and federal efforts to understand and police the Rule 506 marketplace.

State securities regulators oppose Section 3 of H.R. 2357 or any action by Congress that would further diminish the ability of regulators to effectively regulate the private placement marketplace, effectively address investor protection concerns associated with these offerings, or gather important data that provides minimal transparency of this otherwise opaque market.

Thank you for your consideration of NASAA's views. Please do not hesitate to contact me or Michael Canning, NASAA's Director of Policy, if we may be of any additional assistance.

Sincerely,

JUDITH M. SHAW,  
NASAA President and Marine  
Securities Administrator.

Mrs. CAROLYN B. MALONEY of New York. Again, I urge a "no" vote on this. I feel it is a very dangerous bill, but I would also like to point out to my good friends on the other side of the aisle that keep talking about the economy, and I would like to point out that when President Obama took office, this country was shedding 700,000 jobs a month, and because of his leadership and Democratic policies, we have climbed out of that deep red valley of job loss and we are gaining jobs. Since March of 2010, this country has gained 14.6 million private sector jobs. That is a lot better than losing 700,000 jobs a month.

When President Obama walked into office, we were at 10 percent unemployment. We are now at 4.9 percent unemployment. I can assure you, no Democrat will be satisfied until every American who wants a job has a good American job, but this is a shift in the right direction of an improved economy. We have had well over 74 months of private sector job growth and, again, we are climbing—we would like to be doing better, but, again, it is a lot better than shedding 700,000 jobs a month.

One of the ways that we grow an economy is by having safety and soundness in our financial institutions, trust in our financial institutions, trust that investors will be protected, and that is why I feel so strongly that this bill is going in the wrong direction. We should be protecting investors, not putting them more at risk.

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

Mr. HENSARLING. Mr. Chairman, I would like to inquire how much time is remaining on each side, please.

The CHAIR. The gentleman from Texas has 6½ minutes remaining. The gentlewoman from New York has 3 minutes remaining.

Mr. HENSARLING. Mr. Chairman, I yield 2 minutes to the gentleman from Arizona (Mr. SCHWEIKERT), a distinguished member of our Committee on Financial Services.

Mr. SCHWEIKERT. Mr. Chairman, I was just listening to my friend from New York, and I would like just sort of a little consistency. At one point we talk about job growth and the des-

perate need for more job growth, but then how many have come behind the microphones today and talked about a little technical problem we have. We are shedding—closing—more small businesses than we are opening, and this has been going on for years now.

So those of us who were involved in the JOBS Act a few years ago—and remember, it was a bipartisan discussion saying we desperately need to find ways to move capital to the little businesses that are just trying to find some cash, some way to grow, some way to expand. And then you look at a piece of legislation like this, and let's be brutally honest with each other, these are little tiny things that do good, but this isn't necessarily a revolution of Dodd-Frank. It is not a revolution of the capital markets. These are silly—excuse me, these are simple—simple—logical, obvious steps.

Let's take a look at some of the small offerings. If I am reaching out to people who know me, know my business, it is limited to, what, 35? That is somehow a risk to the financial stability of the country that I am a small entrepreneur and I may be able to reach out to people who know me and my business and ask them to invest in my capital formation so I can grow and create those jobs and expand the business as I desperately need?

How about cleaning up what we all agreed to, what, 4 or 5 years ago in regards to reg D offerings of how it mechanically was going to work? Remember, we sat there over and over for weeks discussing how reg Ds were going to work, and then the SEC decides they are going to change what we all thought the understanding was. How is that a danger to capital markets, fixing where we already thought we were?

The CHAIR. The time of the gentleman has expired.

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

Mr. SCHWEIKERT. In some ways it breaks my heart, and I wish we could get over this game we play around here where it is a Republican piece of legislation, and a couple of my friends on the left feel obligated to stand up and oppose it, even though you and I know when we had the conversations of building parts of this just 4 years ago, 5 years ago, these were the very things we talked about we were agreeing to.

We desperately need economic expansion if we are going to keep the social entitlement promises of this society, and to stand in front of even the small attempts to expand the economy—we need to get on the same page here.

Mrs. CAROLYN B. MALONEY of New York. Mr. Chairman, I yield myself such time as I may consume to respond to my good friend on the other side of the aisle.

Democrats certainly support expanding and growing capital markets and liquidity in the markets. I was one of the lead sponsors on portions of the

JOBS Act, and I supported the JOBS Act, but I do not support rolling back protections for investors.

The protections that are in the law now, that they are attempting to roll back—which they will not be able to because the President has said he will veto it—these protections are not Dodd-Frank. These have nothing to do with Dodd-Frank, although I understand there will be a markup totally repealing it next week, so I have been told. But these are protections that have been on the books for decades. Title III, in particular, concerns a \$2.1 trillion market. Now, that is not a small deal. \$2.1 trillion is a lot of money.

We just are recovering from massive rollbacks of regulations which economists say led to the worst economic downturn in the history of this country. Christina Romer testified before this Congress that the economic shocks at the time she was the head of the President's Council of Economic Advisers were three times deeper and stronger than the Great Depression. So I am mystified why anyone would want to roll back protections for investors that have worked well for people in this country.

We have the strongest markets in the world. More people invest here, come here because they trust our markets. Why in the world do we want to undermine that trust? I would say that the best way to stimulate investment is to treat investors well, and that means strong investor protections.

I yield such time as she may consume to the gentlewoman from California (Ms. MAXINE WATERS), the distinguished ranking member of the Committee on Financial Services.

Ms. MAXINE WATERS of California. Mr. Chairman, I simply want a little colloquy with the gentlewoman from New York about what she just alluded to. I think she said something about we will be faced with legislation very soon that would roll back all of the work we have done with Dodd-Frank? Did I hear her say something like that?

Mrs. CAROLYN B. MALONEY of New York. As the ranking member knows, there is a bill before the Committee on Financial Services which would completely roll back Dodd-Frank. I was clarifying that these rollbacks have nothing to do with Dodd-Frank.

□ 1530

These are protections that have been on the books since we recovered from the Great Depression. But, apparently, that is on the agenda, or so I have been told. I am not in charge. The gentleman across is the chairman. He knows the schedule, but I have been told that that will be before the committee next week.

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

Mr. HENSARLING. Mr. Chair, I yield 2 minutes to the gentleman from Georgia (Mr. LOUDERMILK).

Mr. LOUDERMILK. I thank the gentleman from the great State of Texas for yielding.

Mr. Chair, we are at a time when the American people are forced to comply with crushing regulations that stifle business growth and strip Americans of their livelihood. At this time, Congress must take steps to reduce the red tape in the private sector.

Earlier this year, the American Action Forum reported that the Dodd-Frank Act is costing Americans and consumers more now than any time since it was enacted. What ObamaCare has done to the cost of health care, Dodd-Frank has done to our financial sector.

Since it was enacted, this law has resulted in 73 million hours of paperwork and \$36 billion of harmful costs riding on the backs of taxpayers. In fact, The Wall Street Journal reports that regulatory compliance is now the fastest growing job field in the financial services sector.

To put that in perspective, Dodd-Frank takes 37,000 full-time employees just to comply with the law for 1 year. These statistics are evidence of Ronald Reagan's warning that "government is not the solution to our problem; government is the problem."

H.R. 2357, the Accelerating Access to Capital Act, would expand the number of companies that are eligible to use a simplified registration form for public offerings, which will allow companies to obtain SEC approval in a matter of days instead of months.

For too long, the SEC has been a barrier to investment capital, which is contrary to its mission. This change would allow private companies to focus more on growing their businesses and creating jobs and less on complying with excessive regulations.

Mr. Chair, at a time when our Nation is in the slowest economic recovery since the Great Depression, we must take bold and decisive steps to reduce the excessive reach of government in our lives and foster a healthy economy. H.R. 2357 achieves these goals, and I encourage my colleagues to support the legislation.

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

Mr. Chairman, the American people continue to suffer in this lackluster economy.

I don't care what happy talk there is from Washington politicians, the American people know the economy is not working for them. They have anxiety about how they are going to pay their bills. Their paychecks are stagnant. Their savings have been decimated. And they look around, and where is the economic opportunity? Small business has been decimated in America. The job engine of America has been decimated.

As one of my constituents from Henderson County told me, when regulations get out of control, they put many small businesses out of business. And that is what we are seeing today, Mr. Chairman. People aren't getting ahead.

We need to unlock capital for our innovators, for our entrepreneurs, for

our small businesses. We have three modest bills today that are doing just that. And yet we are being fought tooth and nail by those who want to grow Washington's economy and not the Main Street economy; those who believe that Washington bureaucrats always know what is best.

This House must enact the Accelerating Access to Capital Act. You can't have capitalism without capital. Small businesses can't get it, innovators can't get it, entrepreneurs can't get it.

So it is time that we move forward. And there is great news for the minority, who must not realize—I wish they would study and see this—we still have the Securities Act of 1933, the Securities Exchange Act of 1934, Investment Company Act of 1940, and it goes on.

You can't have an effective market without consumer protection. But guess what? We also must have capital formation if we are going to have a healthy economy for working families that are falling behind after 8 years of Obamanomics. We must pass H.R. 2357, the Accelerating Access to Capital Act.

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

Mr. HILL. Mr. Chair, today I rise in support of H.R. 2357, the Accelerating-Access to Capital Act, which continues to build on the successes of the JOBS Act to stimulate capital formation for small businesses to help grow the economy and create good-paying jobs.

Last week, I visited the Venture Center in Little Rock, Arkansas, with my good friend Mrs. WAGNER, the lead sponsor of this bill.

The Venture Center has been working with the public financial services IT company, Fidelity Information Systems (FIS) to launch the VC FinTech Accelerator, a program that will bring innovators and entrepreneurs from across the world to Little Rock.

I had the pleasure of attending their Demo Day last month, where FIS and the Governor of Arkansas announced a two-year partnership with the program.

This exciting program has only been active for a short time, but has already proven its ability to assist in our efforts to grow new technology jobs across the region.

These start-ups, however, often face significant and costly hurdles to obtain funding in the capital markets that is necessary to continue to grow or go public, as the cost of securities regulation disproportionately falls on small companies.

H.R. 2357 helps reduce some of this regulatory burden by making it easier for small companies to register with the Securities and Exchange Commission and creates a cost-effective way for small companies to raise capital through "micro-offerings," so long as the sale meets certain criteria.

It also prevents the SEC's costly and complex proposed Regulation D rules from taking effect, which are inconsistent with the JOBS Act and Congress' intent to make it easier for small businesses to raise capital.

We need regulation in our capital markets, but we need smart regulation that does not unduly burden startups across the nation, who are at the forefront of innovation and job creation.

I thank my colleagues on the Committee—Mrs. WAGNER, Mr. EMMER, and Capital Markets Subcommittee Chairman GARRETT—for

their work on this thoughtful legislation, and I urge my colleagues to support.

The CHAIR. All time for general debate has expired.

Pursuant to the rule, the bill shall be considered for amendment under the 5-minute rule.

It shall be in order to consider as an original bill for the purpose of amendment under the 5-minute rule an amendment in the nature of a substitute consisting of the text of Rules Committee Print 114-62. That amendment in the nature of a substitute shall be considered as read.

The text of the amendment in the nature of a substitute is as follows:

H.R. 2357

*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 “Accelerating Access to Capital Act of 2016”.*

#### TITLE I—ACCELERATING ACCESS TO CAPITAL

##### SEC. 1. EXPANDED ELIGIBILITY FOR USE OF FORM S-3.

*Not later than 45 days after the date of the enactment of this Act, the Securities and Exchange Commission shall revise Form S-3—*

*(1) so as to permit securities to be registered pursuant to General Instruction I.B.1. of such form provided that either—*

*(A) the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant is \$75,000,000 or more; or*

*(B) the registrant has at least one class of common equity securities listed and registered on a national securities exchange; and*

*(2) so as to remove the requirement of paragraph (c) from General Instruction I.B.6. of such form.*

##### TITLE II—MICRO-OFFERING SAFE HARBOR

##### SEC. 2. EXEMPTIONS FOR MICRO-OFFERINGS.

*(a) IN GENERAL.—Section 4 of the Securities Act of 1933 (15 U.S.C. 77d) is amended—*

*(1) in subsection (a), by adding at the end the following:*

*“(8) transactions meeting the requirements of subsection (f).”; and*

*(2) by adding at the end the following:*

*“(f) CERTAIN MICRO-OFFERINGS.—*

*“(1) IN GENERAL.—Except as provided in paragraph (2), the transactions referred to in subsection (a)(8) are transactions involving the sale of securities by an issuer (including all entities controlled by or under common control with the issuer) that meet all of the following requirements:*

*“(A) PRE-EXISTING RELATIONSHIP.—Each purchaser has a substantive pre-existing relationship with an officer of the issuer, a director of the issuer, or a shareholder holding 10 percent or more of the shares of the issuer.*

*“(B) 35 OR FEWER PURCHASERS.—There are no more than, or the issuer reasonably believes that there are no more than, 35 purchasers of securities from the issuer that are sold in reliance on the exemption provided under subsection (a)(8) during the 12-month period preceding such transaction.*

*“(C) SMALL OFFERING AMOUNT.—The aggregate amount of all securities sold by the issuer, including any amount sold in reliance on the exemption provided under subsection (a)(8), during the 12-month period preceding such transaction, does not exceed \$500,000.*

*“(2) DISQUALIFICATION.—*

*“(A) IN GENERAL.—The exemption provided under subsection (a)(8) shall not be available for a transaction involving a sale of securities if any person described in subparagraph (B) would have triggered disqualification pursuant*

*to section 230.506(d) of title 17, Code of Federal Regulations.*

*“(B) PERSONS DESCRIBED.—The persons described in this subparagraph are the following:*

*“(i) The issuer.*

*“(ii) Any predecessor of the issuer.*

*“(iii) Any affiliated issuer.*

*“(iv) Any director, executive officer, other officer participating in the offering, general partner, or managing member of the issuer.*

*“(v) Any beneficial owner of 20 percent or more of the issuer’s outstanding voting equity securities, calculated on the basis of voting power.*

*“(vi) Any promoter connected with the issuer in any capacity at the time of such sale.*

*“(vii) Any investment manager of an issuer that is a pooled investment fund.*

*“(viii) Any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities.*

*“(ix) Any general partner or managing member of any such investment manager or solicitor.*

*“(x) Any director, executive officer, or other officer participating in the offering of any such investment manager or solicitor or general partner or managing member of such investment manager or solicitor.”.*

*(b) EXEMPTION UNDER STATE REGULATIONS.—Section 18(b)(4) of the Securities Act of 1933 (15 U.S.C. 77r(b)(4)) is amended—*

*(1) in subparagraph (F), by striking “or” at the end;*

*(2) in subparagraph (G), by striking the period and inserting “; or”; and*

*(3) by adding at the end the following:*

*“(H) section 4(a)(8).”.*

#### TITLE III—PRIVATE PLACEMENT IMPROVEMENT

##### SEC. 3. REVISIONS TO SEC REGULATION D.

*Not later than 45 days following the date of the enactment of this Act, the Securities and Exchange Commission shall revise Regulation D (17 C.F.R. 501 et seq.) in accordance with the following:*

*(1) The Commission shall revise Form D filing requirements to require an issuer offering or selling securities in reliance on an exemption provided under Rule 506 of Regulation D to file with the Commission a single notice of sales containing the information required by Form D for each new offering of securities no earlier than 15 days after the date of the first sale of securities in the offering. The Commission shall not require such an issuer to file any notice of sales containing the information required by Form D except for the single notice described in the previous sentence.*

*(2) The Commission shall make the information contained in each Form D filing available to the securities commission (or any agency or office performing like functions) of each State and territory of the United States and the District of Columbia.*

*(3) The Commission shall not condition the availability of any exemption for an issuer under Rule 506 of Regulation D (17 C.F.R. 230.506) on the issuer’s or any other person’s filing with the Commission of a Form D or any similar report.*

*(4) The Commission shall not require issuers to submit written general solicitation materials to the Commission in connection with a Rule 506(c) offering, except when the Commission requests such materials pursuant to the Commission’s authority under section 8A or section 20 of the Securities Act of 1933 (15 U.S.C. 77h–1 or 77t) or section 9, 10(b), 21A, 21B, or 21C of the Securities Exchange Act of 1934 (15 U.S.C. 78i, 78j(b), 78u–1, 78u–2, or 78u–3).*

*(5) The Commission shall not extend the requirements contained in Rule 156 to private funds.*

*(6) The Commission shall revise Rule 501(a) of Regulation D to provide that a person who is a “knowledgeable employee” of a private fund or*

*the fund’s investment adviser, as defined in Rule 3c-5(a)(4) (17 C.F.R. 270.3c-5(a)(4)), shall be an accredited investor for purposes of a Rule 506 offering of a private fund with respect to which the person is a knowledgeable employee.*

The CHAIR. No amendment to that amendment in the nature of a substitute shall be in order except those printed in part A of House Report 114-725. Each such amendment may be offered only in the order printed in the report, by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

The Chair understands that amendment No. 1 and amendment No. 2 will not be offered.

The question is on the amendment in the nature of a substitute.

The amendment was agreed to.

The CHAIR. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. LOUDERMILK) having assumed the chair, Mr. DUNCAN of Tennessee, Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 2357) to direct the Securities and Exchange Commission to revise Form S-3 so as to add listing and registration of a class of common equity securities on a national securities exchange as an additional basis for satisfying the requirements of General Instruction I.B.1. of such form and to remove such listing and registration as a requirement of General Instruction I.B.6. of such form, and, pursuant to House Resolution 844, he reported the bill back to the House with an amendment adopted in the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

The question is on the amendment in the nature of a substitute.

The amendment was agreed to.

The SPEAKER pro tempore. 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. KILMER. Mr. Speaker, I have a motion to recommit at the desk.

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

Mr. KILMER. I am opposed.

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

The Clerk read as follows:

Mr. Kilmer moves to recommit the bill H.R. 2357 to the Committee on Financial Services with instructions to report the same back to the House forthwith with the following amendment:

Add at the end of title III the following:

(7) CYBERSECURITY RISK DISCLOSURE.—The Commission shall revise Rule 506 of Regulation D to condition the availability of the

exemption under such Rule on an issuer's disclosure to the Commission of the issuer's cybersecurity risks. The Commission is authorized to tailor such disclosure requirement based on the size of the issuer making the disclosure.

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

Mr. KILMER. 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.

Mr. Speaker, I rise today to encourage my colleagues to support the motion to recommit, which is about protecting the personal information of the American people. It would require that those who are soliciting investments directly from individuals to develop a plan to ensure their personal financial data is protected against cyberattacks.

Before coming to Congress, I spent a decade working in economic development professionally, and before that, I was a business consultant advising some of the Nation's leading technology companies. I actually agree with my Republican colleagues that we need to help small, innovative companies raise additional capital so that they can grow, bring their ideas to market, and create jobs. However, we need to make sure that these new companies are taking seriously the risk of cybersecurity to ensure that those who are putting up capital to fund these companies aren't subject to identity theft or other cybercrimes.

Last month, I met with a group of cyber professionals from my State who told me that the threat of cybercrime is growing exponentially. According to these experts, every single business that has access to confidential personal data should have a plan in place to protect that data and to quickly respond in the event of a cyber attack.

This isn't just anecdotal. We can look at the statistics. In 2005, cybercrime cost the average business just \$24,000. By 2015, that number had jumped to over \$1.5 million for the average American business.

We all want small and emerging companies to succeed. We also need to be sure that they are prepared to deal with the growing threat of cybercrime so that the personal information of their investors is protected.

We also know that the financial services industry is a particularly ripe target for cybercriminals. The Securities and Exchange Commission is already taking action on a case that resulted in the private records of more than 100,000 individuals being compromised. Commission Chair Mary Jo White has called cybersecurity the biggest risk to the financial system.

We also know the impacts of cybercrime can be real. For an individual, a stolen identity can be devastating. It can lead to financial losses, lost time at work or with family dedicated to the stressful and extensive ef-

fort of clearing up financial records. These impacts are even greater when the victim is a senior citizen, who are often targets of cybercrimes.

We need action for the future growth of our economy and to give investors confidence that their personal information will remain secure. The motion to recommit would do that. It would require companies taking advantage of rules that allow them to solicit investments directly from wealthy individuals to disclose their cybersecurity risks to the Securities and Exchange Commission. This will provide the SEC with a better approach to helping smaller companies deal with the threat of cybercrime.

The MTR is sensitive to the needs of smaller companies by allowing them to develop a plan that can be tailored to the size and risk profile of the company.

Mr. Speaker, this is a sensible approach to addressing a real and growing threat. It allows small companies to continue to take advantage of expedited procedures while protecting investors from identity theft and other crimes.

I encourage my colleagues to adopt the motion to recommit.

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

Mr. HENSARLING. Mr. Speaker, I claim the time in opposition.

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

Mr. HENSARLING. Mr. Speaker, I have some good news for my colleague from Washington. The Financial Services Committee has already passed a robust cybersecurity bill, and passed it on a strong bipartisan basis: 46-9. We look forward to working with all of our colleagues in the House to forwarding this bill, working with our colleagues on House Energy and Commerce Committee and others. It is a serious topic.

But I would also point out, Mr. Speaker, with respect to this extra disclosure, if cybersecurity is material, it already must be disclosed under current law. And I would add that, yet again, this is just one more burden, the subject matter of the motion to recommit, when we are trying to ease burdens on capital formation.

I would remind all of my colleagues again that a recent report from the National Small Business Association released just this week showed that 41 percent of small businesses said that the lack of capital is hindering their ability to grow their business. If they can't grow their business, they can't give raises, they can't expand, they can't promote. Twenty percent said they had to reduce—actually lay off employees—as a result of tighter credit. That is the whole purpose, Mr. Speaker, of why we are passing this bill today. It is to grant greater access to capital.

We have heard from so many small businesses and angel investors across the Nation about the need for capital

formation for our entrepreneurs, for our small businesses, for our innovators. We have heard from the co-founder and CEO of NextSeed: "Obtaining traditional financing from banks is still a tall order for many small businesses, especially for smaller amounts."

Well, we want to respond to that.

□ 1545

We don't need yet one more hurdle from the motion to recommit to get in the way of small businesses' end capital. It is also one more out-of-pocket cost. We heard from the senior partner at Centerfield Capital: "These out-of-pocket costs and time spent by our professionals on SEC registration and compliance detract from our mission of empowering small businesses to grow."

We want to empower small businesses on Main Street to grow, yet the motion to recommit would do just the opposite.

Nothing could be more obvious than a quote from the gentleman, the CEO of Wilde & Company: "When corporations access capital, they hire people."

We want people hired. We want people promoted. We want people on good career tracks. We want middle-income people to rise. We want the working poor to become members of middle-income America, and they can't do that unless we access capital.

The choice again is: Are we going to have another top-down, Washington-grown economy, or are we going to build our economy from Main Street up?

House Republicans say it is time to build it from Main Street up. So it is time that we reject the motion to recommit and assure that our small businesses can access capital so that we can grow this economy, grow the family economy, and have a better America.

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 yeas appeared to have it.

Mr. KILMER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were 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 the passage of the bill.

The vote was taken by electronic device, and there were—yeas 180, nays 233, not voting 18, as follows:

[Roll No. 492]

YEAS—180

Adams	Becerra	Boyle, Brendan
Aguilar	Bera	F.
Ashford	Beyer	Brady (PA)
Bass	Blumenauer	Brownley (CA)
Beatty	Bonamici	Bustos

Butterfield	Heck (WA)	Pascarell	Knight	Noem	Shimkus	Clawson (FL)	Hunter	Pompeo
Capps	Higgins	Payne	Labrador	Nunes	Shuster	Coffman	Hurd (TX)	Posey
Cárdenas	Himes	Pelosi	LaHood	Olson	Simpson	Cole	Hurt (VA)	Price, Tom
Carney	Hinojosa	Perlmutter	LaMalfa	Palmer	Smith (MO)	Collins (GA)	Issa	Ratcliffe
Carson (IN)	Honda	Peters	Lamborn	Paulsen	Smith (NE)	Collins (NY)	Jenkins (KS)	Reed
Cartwright	Hoyer	Peterson	Lance	Pearce	Smith (NJ)	Comstock	Jenkins (WV)	Renacci
Castor (FL)	Huffman	Pingree	Latta	Perry	Smith (TX)	Conaway	Johnson (OH)	Ribble
Castro (TX)	Israel	Pocan	LoBiondo	Pittenger	Stefanik	Cook	Jolly	Rice (SC)
Chu, Judy	Jackson Lee	Polis	Long	Pitts	Stewart	Costello (PA)	Jordan	Rigell
Cicilline	Jeffries	Price (NC)	Loudermilk	Poe (TX)	Stutzman	Cramer	Joyce	Roby
Clark (MA)	Johnson (GA)	Quigley	Love	Poliquin	Thompson (PA)	Crawford	Katko	Roe (TN)
Clarke (NY)	Johnson, E. B.	Rangel	Lucas	Pompeo	Thornberry	Crenshaw	Kelly (MS)	Rogers (AL)
Clay	Kaptur	Rice (NY)	Luetkemeyer	Posey	Tiberi	Cuellar	Kelly (PA)	Rogers (KY)
Cleaver	Keating	Richmond	Lummis	Price, Tom	Tipton	Culberson	King (IA)	Rohrabacher
Clyburn	Kelly (IL)	Roybal-Allard	MacArthur	Ratcliffe	Trott	Curbelo (FL)	King (NY)	Rokita
Cohen	Kennedy	Ruiz	Marchant	Reed	Turner	Davidson	Kinzinger (IL)	Ros-Lehtinen
Connolly	Kildee	Ruppersberger	Marino	Renacci	Upton	Davis, Rodney	Kline	Roskam
Conyers	Kilmer	Rush	Massie	Ribble	Valadao	Denham	Knight	Rothfus
Cooper	Kind	Ryan (OH)	McCarthy	Rice (SC)	Wagner	Dent	Labrador	Rouzer
Costa	Kirkpatrick	Sánchez, Linda T.	McCaul	Rigell	Walberg	DeSantis	LaHood	Royce
Courtney	Kuster		McClintock	Roby	Walden	Diaz-Balart	LaMalfa	Russell
Crowley	Langevin		McHenry	Roe (TN)	Walker	Dold	Lamborn	Salmon
Cuellar	Larsen (WA)	Sarbanes	McKinley	Rogers (AL)	Walorski	Donovan	Lance	Sanford
Cummings	Larson (CT)	Schakowsky	McMorris	Rogers (KY)	Weber (TX)	Duffy	Latta	Scalise
Davis (CA)	Lawrence	Schiff	Rodgers	Rohrabacher	Webster (FL)	Duncan (SC)	LoBiondo	Schweikert
Davis, Danny	Lee	Schrader	McSally	Rokita	Westrup	Duncan (TN)	Long	Scott, Austin
DeFazio	Levin	Scott (VA)	Meadows	Ros-Lehtinen	Westerman	Ellmers (NC)	Loudermilk	Sensenbrenner
DeGette	Lewis	Scott, David	Meehan	Roskam	Williams	Emmer (MN)	Love	Sessions
Delaney	Lieu, Ted	Serrano	Messer	Rothfus	Wilson (SC)	Farenthold	Lucas	Shimkus
DeLauro	Lipinski	Sewell (AL)	Mica	Rouzer	Wittman	Fincher	Luetkemeyer	Shuster
DelBene	Loebach	Sherman	Miller (FL)	Royce	Womack	Fitzpatrick	Lummis	Simpson
DeSaulnier	Lofgren	Sinema	Miller (MI)	Russell	Woodall	Fleischmann	MacArthur	Smith (MO)
Deutch	Lowenthal	Sires	Moolenaar	Salmon	Yoder	Fleming	Marchant	Smith (NE)
Dingell	Lowe	Slaughter	Mooney (WV)	Sanford	Yoho	Flores	Marino	Smith (NJ)
Doggett	Lujan Grisham	Smith (WA)	Mullin	Scalise	Young (AK)	Forbes	Massie	Smith (TX)
Doyle, Michael F.	(NM)	Speier	Mulvaney	Schweikert	Young (IA)	Fortenberry	McCarthy	Stefanik
Duckworth	Luján, Ben Ray	Takano	Murphy (PA)	Scott, Austin	Young (IN)	Fox	McCaul	Stewart
Edwards	(NM)	Takano	Neugebauer	Sensenbrenner	Zeldin	Franks (AZ)	McClintock	Stivers
Ellison	Maloney,	Thompson (CA)	Newhouse	Sessions	Zinke	Frelinghuysen	McHenry	Stutzman
Engel	Carolyn	Thompson (MS)				Garrett	McKinley	Thompson (PA)
Eshoo	Maloney, Sean	Titus				Gibbs	McMorris	Thornberry
Esty	Matsui	Tonko	Bishop (GA)	Katko	Ross	Gibson	Rodgers	Tiberi
Farr	McCollum	Torres	Brown (FL)	Lynch	Sanchez, Loretta	Gohmert	McSally	Tipton
Foster	McDermott	Tsongas	Capuano	Nugent	Stivers	Goodlatte	Meadows	Trott
Frankel (FL)	McGovern	Van Hollen	DesJarlais	Palazzo	Swalwell (CA)	Gosar	Meehan	Turner
Fudge	McNerney	Vargas	Guinta	Reichert	Walters, Mimi	Gowdy	Messer	Upton
Gabbard	Meeks	Veasey	Johnson, Sam	Rooney (FL)	Westmoreland	Granger	Mica	Valadao
Gallego	Meng	Vela				Graves (GA)	Miller (FL)	Wagner
Garamendi	Moore	Velázquez				Graves (LA)	Miller (MI)	Walberg
Graham	Moulton	Visclosky				Graves (MO)	Moolenaar	Walden
Grayson	Murphy (FL)	Walz				Griffith	Mooney (WV)	Walker
Green, Al	Nadler	Wasserman				Grothman	Mullin	Walorski
Green, Gene	Schultz	Schultz				Guthrie	Weber (TX)	Webster (FL)
Grijalva	Neal	Waters, Maxine				Hanna	Murphy (PA)	Wenstrup
Gutiérrez	Nolan	Watson Coleman				Hardy	Neugebauer	Westerman
Hahn	Norcross	Welch				Harper	Newhouse	Williams
Hastings	O'Rourke	Wilson (FL)				Harris	Noem	Wilson (SC)
	Pallone	Yarmuth				Hartzler	Nunes	Wittman

## NAYS—233

Abraham	Conaway	Granger
Aderholt	Cook	Graves (GA)
Allen	Costello (PA)	Graves (LA)
Amash	Cramer	Graves (MO)
Amodei	Crawford	Griffith
Babin	Crenshaw	Grothman
Barletta	Culberson	Guthrie
Barr	Curbelo (FL)	Hanna
Barton	Davidson	Hardy
Benishek	Davis, Rodney	Harper
Bilirakis	Denham	Harris
Bishop (MI)	Dent	Hartzler
Bishop (UT)	DeSantis	Heck (NV)
Black	Diaz-Balart	Hensarling
Blackburn	Dold	Herrera Beutler
Blum	Donovan	Hice, Jody B.
Bost	Duffy	Hill
Boustany	Duncan (SC)	Holding
Brady (TX)	Duncan (TN)	Hudson
Brat	Ellmers (NC)	Huelskamp
Bridenstine	Emmer (MN)	Huizenga (MI)
Brooks (AL)	Farenthold	Hultgren
Brooks (IN)	Fincher	Hunter
Buchanan	Fitzpatrick	Hurd (TX)
Buck	Fleischmann	Hurt (VA)
Bucshon	Fleming	Issa
Burgess	Flores	Jenkins (KS)
Byrne	Forbes	Jenkins (WV)
Calvert	Fortenberry	Johnson (OH)
Carter (GA)	Fox	Jolly
Carter (TX)	Franks (AZ)	Jones
Chabot	Frelinghuysen	Jordan
Chaffetz	Garrett	Joyce
Clawson (FL)	Gibbs	Kelly (MS)
Coffman	Gibson	Kelly (PA)
Cole	Gohmert	King (IA)
Collins (GA)	Goodlatte	King (NY)
Collins (NY)	Gosar	Kinzinger (IL)
Comstock	Gowdy	Kline

## NOT VOTING—18

Bishop (GA)  
Brown (FL)  
Capuano  
DesJarlais  
Guinta  
Johnson, Sam

Katko  
Lynch  
Nugent  
Palazzo  
Reichert  
Rooney (FL)

Ross  
Sanchez, Loretta  
Stivers  
Swalwell (CA)  
Walters, Mimi  
Westmoreland

□ 1608

Messrs. DENHAM, ZINKE, Mrs. BLACK, Messrs. ROSKAM, AUSTIN SCOTT of Georgia, WEBSTER of Florida, NEWHOUSE, Mrs. LOVE, and Mr. POLIQUIN changed their vote from “yea” to “nay.”

Ms. JACKSON LEE changed her vote from “nay” to “yea.”

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

Mrs. CAROLYN B. MALONEY of New York. 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 236, noes 178, not voting 17, as follows:

[Roll No. 493]

## AYES—236

Abraham	Bishop (MI)	Brooks (IN)
Aderholt	Bishop (UT)	Buchanan
Allen	Black	Buck
Amash	Blackburn	Bucshon
Amodei	Blum	Burgess
Babin	Boast	Byrne
Barletta	Boustany	Calvert
Barr	Brady (TX)	Carter (GA)
Barton	Brat	Carter (TX)
Benishek	Bridenstine	Chabot
Bilirakis	Brooks (AL)	Chaffetz

## NOES—178

Adams	Clyburn	Foster
Aguilar	Cohen	Frankel (FL)
Bass	Connolly	Fudge
Beatty	Conyers	Gabbard
Becerra	Cooper	Gallego
Bera	Costa	Garamendi
Beyer	Courtney	Graham
Blumenauer	Crowley	Grayson
Bonamici	Cummings	Green, Al
Boyle, Brendan F.	Davis (CA)	Green, Gene
Brady (PA)	Davis, Danny	Grijalva
Brownley (CA)	DeFazio	Gutiérrez
Bustos	DeGette	Hahn
Butterfield	Delaney	Hastings
Capps	DeLauro	Heck (WA)
Capuano	DelBene	Himes
Cárdenas	DeSaulnier	Hinojosa
Carney	Deutch	Honda
Carson (IN)	Dingell	Hoyer
Cartwright	Doggett	Huffman
Castor (FL)	Doyle, Michael F.	Israel
Castro (TX)	Duckworth	Jackson Lee
Chu, Judy	Edwards	Jeffries
Cicilline	Ellison	Johnson (GA)
Clark (MA)	Engel	Johnson, E. B.
Clarke (NY)	Eshoo	Jones
Clay	Esty	Kaptur
Cleaver	Farr	Keating
		Kelly (IL)

Kennedy	Moore	Schrader
Kildee	Moulton	Scott (VA)
Killmer	Murphy (FL)	Scott, David
Kind	Nadler	Serrano
Kirkpatrick	Napolitano	Sewell (AL)
Kuster	Neal	Sherman
Langevin	Nolan	Sinema
Larsen (WA)	Norcross	Sires
Larson (CT)	O'Rourke	Slaughter
Lawrence	Pallone	Smith (WA)
Lee	Pascrell	Speier
Levin	Payne	Takano
Lewis	Pelosi	Thompson (CA)
Lieu, Ted	Perlmutter	Thompson (MS)
Lipinski	Peters	Titus
Loebach	Pingree	Tonko
Lofgren	Pocan	Torres
Lowenthal	Polis	Tsongas
Lowey	Price (NC)	Van Hollen
Lujan Grisham	Quigley	Vargas
(NM)	Rangel	Veasey
Lujan, Ben Ray	Rice (NY)	Vela
(NM)	Richmond	Velázquez
Maloney,	Roybal-Allard	Visclosky
Carolyn	Ruiz	Walz
Maloney, Sean	Ruppersberger	Wasserman
Matsui	Rush	Schultz
McCollum	Ryan (OH)	Waters, Maxine
McDermott	Sánchez, Linda	Watson Coleman
McGovern	T.	Welch
McNerney	Sarbanes	Wilson (FL)
Meeks	Schakowsky	Yarmuth
Meng	Schiff	

## NOT VOTING—17

Ashford	Johnson, Sam	Ross
Bishop (GA)	Lynch	Sanchez, Loretta
Brown (FL)	Nugent	Swalwell (CA)
DesJarlais	Palazzo	Walters, Mimi
Guinta	Reichert	Westmoreland
Higgins	Rooney (FL)	

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

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

□ 1616

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## CELEBRATING 50TH ANNIVERSARY OF WAUBONSEE COMMUNITY COLLEGE

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

Mr. HULTGREN. Mr. Speaker, I rise today to honor Waubensee Community College, which is celebrating 50 years of service to northern Illinois.

Founded in August of 1966, it was named after a Native American chief, whose name means “early dawn,” and provides innovative education to its students. Offering career programs, business training, and professional learning, the college has stayed true to its mission of fostering a literate, democratic society through accessible, quality, and innovative institutions.

This month, Waubensee will reopen its Aurora Fox Valley Campus, dedicated to health programs. Critical to Waubensee's success is President Dr. Christine Sobek.

As a member of my Higher Education Advisory Committee, she regularly provides me with advice and wisdom on the needs of community colleges and guidance on improving education policy at the Federal level. I am grateful

for her friendship and leadership in offering students high-quality education.

Congratulations, Waubensee, on your 50th anniversary. Your hard work helps our community's students succeed.

## DEMOCRATIC NATIONAL COMMITTEE HACKING

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

Mr. LANGEVIN. Mr. Speaker, 2016 is shaping up to be a banner year for cybersecurity, and not in a good way. From attacks on the Ukrainian power grid to attempts to undermine American electoral confidence through the dissemination of hacked documents from the Democratic National Committee, cyber tools are fully emerging as instruments of state power.

If these incidents seem to be disproportionately affecting us and our allies, it is because our cybersecurity posture has not yet matched the threat we face. That being said, we recognize, of course, it is easier to attack than to defend.

Thankfully, there are steps we can take to protect our networks. We can invest in our cyber defenses, we can clarify cybersecurity roles and responsibilities within government, we can build our workforce to take on these new challenges, and we can also build our resilience.

The goal of our adversaries is not necessarily just to leak emails, but it is to shake faith in our electoral system. We cannot allow that to happen.

## PENNSYLVANIA WILDS CENTER FOR ENTREPRENEURSHIP

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

Mr. THOMPSON of Pennsylvania. Mr. Speaker, in August, I was proud to announce a grant of \$500,000 from the Appalachian Regional Commission to the Pennsylvania Wilds Center for Entrepreneurship, located in Warren County in Pennsylvania's Fifth Congressional District.

The Pennsylvania Wilds region includes 2 million acres of land in the north central and northwestern portion of Pennsylvania and includes 12 counties. Tourism in that area has increased dramatically in recent decades, with plenty of opportunities for fishing, hunting, kayaking, and canoeing, not to mention plenty of forestland for hiking.

This grant will be dedicated to the Center's Nature Tourism Cluster Development in the Pennsylvania Wilds, which is intended to develop a network of small businesses to support the increased need for products and services in the Pennsylvania Wilds region.

The Pennsylvania Wilds Center for Entrepreneurship currently offers two business development programs, assist-

ing prospective businessowners one on one to connect them with lenders, technical assistance providers, marketers, public lands managers, and other resources needed to start a business.

Mr. Speaker, tourism is one of Pennsylvania's largest and most vibrant industries. I look forward to seeing what this initiative can do to help grow the industry in the communities of the Pennsylvania Wilds.

## GUN VIOLENCE IN NEW YORK CITY

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

Mr. MEEKS. Mr. Speaker, Tiarah Poyau was young and full of life, like my daughters. She was the same age as many of the interns in my office. Like them, she had big dreams and she was full of promise. She completed her bachelor of science at St. John's University in my district and was pursuing a master's degree. She dreamt of being an accountant.

At 22, she had the promise of being a successful young woman and an outstanding and upstanding member of society. But those dreams and that promise, they ended this past weekend. They ended when Tiarah's life was cut short by a bullet in New York City.

That same night, less than a block away from where she was shot, 17-year-old Tyreke Borel was gunned down—less than a block away.

Behind every gun death is a person like Tiarah and Tyreke, a person with dreams and with promise. These victims of gun violence and their families and friends have received thoughts and prayers from this Congress, but because of the Republican majority, they haven't received action.

Victims and their loved ones deserve better. They deserve a debate and a vote on commonsense gun reform on the House floor.

In this Nation, we encourage our kids to dream big. We tell them that with hard work, they can transform their potential into success. We let them down if we fail to protect them, and so far, that is exactly what we have done.

## HONORING HOWARD “RED” MCCARRICK

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

Mr. BISHOP of Michigan. Mr. Speaker, I rise today to honor Howard “Red” McCarrick, a World War II veteran from Lake Orion, Michigan.

On a whim, Mr. McCarrick signed up for the United States Army Air Corps in 1942. He had to wait until his 18th birthday in 1943 before officially joining. Initially, Mr. McCarrick trained to be a pilot, but he changed his focus and volunteered to be a ball turret gunner.

After graduating gunner training as a corporal, he flew B-24s on national