

report on issues affecting the ability of emerging growth companies and other small issuers to obtain research coverage, including SEC rules, FINRA rules, State and Federal liability concerns, the 2003 Global Analyst Research Settlements, and MiFID II.

Again, I thank Congressman HUIZENGA and Congressman MCADAMS for this commonsense and bipartisan legislation, which I support.

Mr. Speaker, we have no further speakers, so at this time, I will close. Let me once again urge my colleagues to support this commonsense legislation, and I yield back the balance of my time.

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

Mr. Speaker, I am pleased that Mr. HUIZENGA and Mr. MCADAMS worked in a bipartisan manner to bring forth H.R. 2919. Markets work best when there is adequate public information, and the study on additional research provided for in this bill will help ensure that this is the case.

I urge my colleagues to join me in supporting this important legislation, and I yield back the balance of my time.

Mr. HUIZENGA. Mr. Speaker, initial public offerings, or IPOs, have historically been one of the most meaningful steps in the lifecycle of a company. "Going public" was the ultimate goal for entrepreneurs. You start a business from scratch, build it up into a successful enterprise, and then open up an opportunity for the public to share in your success.

By completing an IPO, a company is able to raise much-needed capital for job creation and expansion opportunities, while allowing main street investors the opportunity to have an economic piece of the action and ability to participate in the growth phase of a company.

However, over the past two decades, our nation has experienced a 37 percent decline in the number of U.S. listed companies. Equally troubling, we have seen the number of public companies fall to around 5,700. These statistics are concerning because they are similar to the data we saw in the 1980's when our economy was less than half its current size.

For myriad reasons, the public model is no longer viewed as an attractive means of raising capital. Instead, small and emerging growth companies are choosing to go public much later in their lifecycle or choosing not to go public at all.

We must work to change the trajectory. In speaking to the New York Economic Club, SEC Chairman Clayton stated that "Regardless of the cause, the reduction in the number of U.S.-listed public companies is a serious issue for our markets and the country more generally. To the extent companies are eschewing our public markets, the vast majority of Main Street investors will be unable to participate in their growth. The potential lasting effects of such an outcome to the economy and society are, in two words, not good."

I share Chairman Clayton's concerns. We need to ensure that our capital markets are open for innovators and job creators and we must work to right-size regulations for smaller companies as well.

One way that Congress worked to lift burdensome regulations and help small compa-

nies gain access to capital markets was the bipartisan Jumpstart Our Business Startups Act—popularly known as the JOBS Act.

Section 105 of the JOBS Act changed the "gun-jumping rules" to provide an exception from the definition of an offer to allow for the publication or distribution by a broker or dealer of a research report about an emerging growth company that is the subject of a proposed public offering. However, few investment banks have published any pre-IPO research since passage of the JOBS Act, and research coverage in general on small issuers continues to be an issue. This negatively affects investor interest and awareness in a company as well as trading liquidity.

This provision was intended to increase research but unfortunately it has had the opposite effect and instead, there has been a significant decline over recent years in analyst research covering small public companies. According to the U.S. Chamber, "61% of all companies listed on a major exchange with less than a \$100 million market capitalization have no research coverage at all."

For equities with a market cap below \$750 million, the average number of research analysts covering that stock is one, while equities above \$750 million in market cap have an average of 12 research analysts covering the stock.

Additionally, the amount of research written on small companies has declined even as the percentage of individual ownership in small cap companies has increased. Little to no research coverage generally corresponds with lower stock liquidity, and reduced research coverage may be particularly disadvantageous to individual investors who have limited research capabilities on their own.

In fact, one study published June 2017 in the Journal of Finance found that an increase in the number of analysts covering an industry improved the quality of analyst forecasts and information flow to investors. For that reason, it is important to examine current SEC rules and regulations affecting the ability of investment research coverage regarding small issuers. The Treasury Report on Capital Markets recommended a holistic review of rules and regulations regarding research, including the Global Settlement, to determine, which provisions should be retained, amended, or removed.

Our bipartisan bill, the Improving Investment Research for Small and Emerging Issuers Act, would direct the SEC to study and evaluate issues affecting the ability of emerging growth companies and other small issuers in obtaining research coverage, including SEC rules, FINRA rules, state and federal liability concerns, the 2003 Global Research Analyst Settlements, and MiFID II. Not later than 180 days after enactment, the SEC will be required to submit to Congress a report that includes the results of the study and recommendations to assist EGCs and other small issuers in obtaining research coverage.

Among the issues the SEC must consider are factors related to the demand for such research by institutional and retail investors, cost considerations for such research, and the impact on the availability of research coverage for small issuers due to a variety of market and regulatory conditions. The SEC's report must include recommendations to increase the demand for, volume of, and quality of investment research into small issuers, including EGCs.

I'd like to thank the Financial Services Chairwoman, Mrs. WATERS, and Rep. BEN MCADAMS, for recognizing the importance of research in our capital markets and working with me to address this issue.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from California (Ms. WATERS) that the House suspend the rules and pass the bill, H.R. 2919.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### EXPANDING INVESTMENT IN SMALL BUSINESS ACT OF 2019

Ms. WATERS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3050) to require the Securities and Exchange Commission to carry out a study of the 10 per centum threshold limitation applicable to the definition of a diversified company under the Investment Company Act of 1940, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 3050

*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 "Expanding Investment in Small Businesses Act of 2019".

#### SEC. 2. SEC STUDY.

(a) IN GENERAL.—The Securities and Exchange Commission shall carry out a study of the 10 per centum threshold limitation applicable to the definition of a diversified company under section 5(b)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-5(b)(1)) and determine the impacts of such threshold limits upon the protection of investors, efficiency, competition, and capital formation.

(b) CONSIDERATIONS.—In carrying out the study required under subsection (a), the Commission shall consider the following:

(1) The size and number of diversified companies that are currently restricted in their ability to own more than 10 percent of the voting shares in an individual company.

(2) How the investing preferences of diversified companies have shifted over time with respect to companies with smaller market capitalizations and companies in industries where competition may be limited.

(3) The expected impact to small and emerging growth companies regarding the availability of capital, related impacts on investor confidence and risk, and impacts on competition, if the threshold is increased or otherwise changed.

(4) The ability of registered funds to manage liquidity risk.

(5) Any other consideration that the Commission considers necessary and appropriate for the protection of investors.

(c) SOLICITATION OF PUBLIC COMMENTS.—In carrying out the study required under subsection (a), the Commission may solicit public comments.

(d) REPORT.—Not later than the end of the 180-day period beginning on the date of enactment of this Act, the Commission shall issue a report to the Congress, and make such report publicly available on the website of the Commission, containing—

(1) all findings and determinations made in carrying out the study required under subsection (a); and

(2) any legislative recommendations of the Commission.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from California (Ms. WATERS) and the gentleman from Kentucky (Mr. BARR) each will control 20 minutes.

The Chair recognizes the gentlewoman from California.

GENERAL LEAVE

Ms. WATERS. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks on this legislation and to insert extraneous material thereon.

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

There was no objection.

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

Our capital markets are the envy of the world. This is due, in part, to the fact that once a company goes public, it can efficiently raise money for mom-and-pop investors who, in turn, can easily buy and sell shares.

However, there is some evidence that initial public offerings, or IPOs, of smaller companies, known as microcap companies, have declined since the dot-com bubble in 2001. This decline accounts for the main reason that the total number of stocks has declined.

I think it is important that we look into why this is the case and find out what policies we should be working on in Congress to ensure that our Nation's small businesses are able to access the public markets.

I support the gentleman from Wisconsin's bill, the Expanding Investment in Small Business Act of 2019, for doing just that. This bill would require the Securities and Exchange Commission to study and solicit public comment on the existing rules restricting a diversified mutual fund's exposure to a single company. It would also require the SEC to determine whether that requirement limits capital formation considering current investing trends and other factors the SEC determines are necessary and appropriate to protect investors.

The SEC would have to issue a report to Congress with its findings and determinations made in carrying out the study and any legislative recommendations, including any recommendation to update the current thresholds.

This bill helps ensure that we have the facts and data necessary to make an informed decision on whether we should change the current diversification limits for mutual funds and whether doing so will provide additional investment in small company IPOs.

I thank Representative STEIL for working with me this Congress to ensure that the revised text of the bill also seeks to promote competition in our capital markets, and Mr. GONZALEZ for cosponsoring this bill.

I urge all Members to vote "yes," and I reserve the balance of my time.

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

Mr. Speaker, I rise in strong support of H.R. 3050, the Expanding Investment in Small Business Act.

I commend my colleague, an outstanding new member of the Financial Services Committee, Congressman STEIL from Wisconsin, for his hard work on this important bill that will help us make our capital markets stronger and more attractive. Because of his personal experience and his background in public markets as a counsel for a publicly traded company, he has brought to bear particular expertise in forwarding this legislation for our consideration.

Mutual funds have historically played an important role in providing liquidity to newly public companies. Since 1990, the total number of registered mutual funds has grown approximately 10 times; mean fund size has more than doubled; and open-end fund holdings of U.S. corporate equities have reached approximately 24 percent of the entire market. This growth means the investment decisions of mutual funds today are an important aspect of our public capital markets.

As the size of mutual funds has increased in recent years, the diversified fund limit rules, specifically the 10 percent cap on a diversified fund's ownership of an issuer's outstanding shares, have limited funds' ability to take meaningful positions in small-cap companies, according to industry experts.

The current 10 percent cap on mutual fund positions limits interest in small-cap IPOs because as large funds' assets under management grow, the 10 percent cap means that any investment in a small IPO will have a negligible impact on overall fund return.

Declining mutual fund interest in small IPOs also materially weakens the trading environment for small-cap stocks and likely deters small, private firms from joining our public markets, something we should not be discouraging.

H.R. 3050 would require the SEC to study whether the current diversified fund limit threshold for mutual funds to 10 percent constrains their ability to take meaningful positions in small-cap companies.

As part of its report, the SEC shall recommend to Congress any statutory changes that should be undertaken to address the SEC's findings.

This is an important bill for helping us make our capital markets as attractive as possible, especially for smaller companies.

For these reasons, I support H.R. 3050. I commend my colleague, the gentleman from Wisconsin, for his leadership and his experience on this issue, and I urge my colleagues to support this bill.

I reserve the balance of my time.

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

Mr. BARR. Mr. Speaker, I yield such time as he may consume to the gen-

tleman from Wisconsin (Mr. STEIL), the author of this legislation.

Mr. STEIL. Mr. Speaker, I thank my colleague from Kentucky.

Mr. Speaker, I rise to support my bill today, the Expanding Investment in Small Business Act.

Small businesses and entrepreneurs are vital to our economy. More than 60 percent of new jobs are created by small businesses, and almost half of our private-sector workforce is employed by firms with fewer than 500 employees.

Small businesses are also an engine for innovation. According to the Small Business Administration, small businesses account for an outsized percentage of patents granted in the most innovative industries.

I see this ingenuity in Wisconsin in Racine, Janesville, Kenosha, and everywhere in-between. Entrepreneurs and startups create good-paying jobs for workers.

It is important that we continue giving job creators the ability to invest in our communities. But in order to grow, hire, and invest in innovation, small businesses need access to capital.

Unfortunately, rules and regulations have made it harder for companies to gain access to capital, made it harder for them to go public, and made it harder for them to stay public. This hurts small companies, and this hurts the broader economy.

In particular, this hurts American workers and their retirement security. Just under half of all households are invested in mutual funds. Many Americans are invested in these funds through 401(k)'s and pension plans. Their retirement security depends upon the ability to invest in a diverse set of growing, innovative companies.

Our rules, though, are burdensome. They shrink the number of publicly traded companies, either by deterring companies from going public or by encouraging them to stay private. In doing so, they limit the opportunities for Americans saving for retirement.

Members of both parties and a wide range of stakeholders and experts have identified the existing mutual fund rules as an area for potential improvement. I thank my colleague, Congressman GONZALEZ from Texas, for joining me in this across-the-aisle effort to support this bill.

This isn't a new idea, but until now, it hasn't gotten done. I am glad to see bipartisan support for taking this important step forward to improving our capital markets.

The Expanding Investment in Small Business Act directs the SEC to consider whether existing mutual fund rules make it harder for small and emerging companies to raise money, so they can grow and invest.

Under the Investment Company Act, a diversified mutual fund may not own more than 10 percent of an issuer's outstanding securities. As mutual funds have grown both in number and in size, they become an important source of

capital, in particular for small businesses.

A substantial mutual fund investment in a small-cap company can easily exceed the 10 percent cap. This likely deters mutual fund investments into growing and innovative companies.

My bill asks the SEC to consider four key items: one, how many mutual funds are currently affected by the 10 percent cap; two, how the investing preferences of diversified mutual funds have shifted over time with respect to smaller companies; three, the potential impact of a change in the 10 percent threshold; and, four, the ability of diversified funds to manage liquidity risk.

This information is necessary so that we can continue to work in a non-partisan manner to ensure that small businesses have access to capital, so they can grow and invest.

Smart, targeted reforms can give us more vibrant capital markets; growing, innovative small businesses; better outcomes for American investors; and, ultimately, a stronger economy.

I look forward to continuing to work with my colleagues toward this goal. I thank Chair WATERS and Ranking Member MCHENRY for their support of this bill, and I urge my colleagues to support its passage.

This bill is an important step forward toward a stronger economy, more dynamic small businesses, and more jobs for American workers.

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Ms. WATERS. Mr. Speaker, I have no further speakers, and I reserve the balance of my time.

Mr. BARR. Mr. Speaker, I yield 2 minutes to the gentleman from Virginia (Mr. RIGGLEMAN), who is an outstanding new member of the House Financial Services Committee. He is another gentleman who comes to Congress not as a politician, but as an entrepreneur, someone who has built businesses and created jobs himself and understands intimately the need for small businesses and entrepreneurs to have the ability to access capital.

Mr. RIGGLEMAN. Mr. Speaker, I have to support my good friend from Wisconsin as we go forward. I am also in a very small business type of atmosphere in Virginia. I own a small business, a distillery, and for us, small businesses are one of the most important things we can support as we go forward.

I am here today to support my colleagues and to support Democrats in a bipartisan fashion. This is something that we need to do, we have to do, and I urge my colleagues to support this bill.

Mr. Speaker, I don't need the 2 minutes to actually make sure that this happens. I urge my colleagues to support this bill and make sure we support small businesses in everything that we do.

Mr. BARR. Mr. Speaker, I urge my colleagues to support the legislation,

and I yield back the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself the balance of my time. I want to, again, thank the sponsors of H.R. 3050 and the gentleman from Wisconsin for working with my side on the text of this legislation. I think it is a good bill and will, along with other measures that we are considering today, improve the access of small businesses to U.S. capital markets.

Mr. Speaker, I urge my colleagues to join me in supporting this important piece of legislation, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from California (Ms. WATERS) that the House suspend the rules and pass the bill, H.R. 3050, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

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

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

#### EXPANDING ACCESS TO CAPITAL FOR RURAL JOB CREATORS ACT

Ms. WATERS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2409) to amend the Securities Exchange Act of 1934 to expand access to capital for rural-area small businesses, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2409

*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 "Expanding Access to Capital for Rural Job Creators Act".

##### SEC. 2. ACCESS TO CAPITAL FOR RURAL-AREA SMALL BUSINESSES.

Section 4(j) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(j)) is amended—

(1) in paragraph (4)(C), by inserting "rural-area small businesses," after "women-owned small businesses,"; and

(2) in paragraph (6)(B)(iii), by inserting "rural-area small businesses," after "women-owned small businesses,".

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from California (Ms. WATERS) and the gentleman from Kentucky (Mr. BARR) each will control 20 minutes.

The Chair recognizes the gentlewoman from California.

GENERAL LEAVE

Ms. WATERS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on this legislation and to insert extraneous material thereon.

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

There was no objection.

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

Mr. Speaker, I would like to thank Representatives AXNE and MOONEY for working together to put forth this bipartisan piece of legislation to require the Advocate for Small Business Capital Formation at the Securities and Exchange Commission to pay particular attention to the unique challenges rural-area small businesses face in accessing the funds they need to grow and thrive.

This important bill has gained broad bipartisan support because it is aimed at understanding and addressing real problems faced by Americans all across our country: the capital needs of rural startups and entrepreneurs.

When we created the Advocate for Small Business Capital Formation we recognized that our Nation's small businesses are proven job creators which require special attention from the SEC. However, it is also important for the advocate to recognize that different types of small businesses face unique challenges. For example, as a result of my amendment to the legislation creating the position, the advocate is required to specifically consider the challenges facing minority-owned and women-owned small businesses.

H.R. 2409 would recognize another important category: small businesses in rural areas and require the advocate to pay special attention to and report to Congress on the unique challenges and issues they face.

According to a recent survey by the Small Business Majority, roughly one in five rural small businesses rated access to capital as one of the top three challenges to maintaining or growing their business in their community. What is more, these businesses largely get their funds from personal savings, and only 13 percent said that they received investments or gifts from friends or family. So I think it is time for the SEC to look into why that is and see what, if anything, we can be doing to encourage capital formation for our Nation's rural small businesses.

Mr. Speaker, I urge all of my colleagues to support this important bill, and I reserve the balance of my time.

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

Mr. Speaker, I rise in support of H.R. 2409, the Expanding Access to Capital for Rural Job Creators Act. As a Member of Congress who represents a rural area, I want to commend the work of Congresswoman AXNE and Congressman MOONEY for their bipartisan commitment to help rural small businesses access capital.

In the House Financial Services Committee, we continue to highlight the importance of capital formation for individuals in underbanked rural communities.

Small and rural communities in Kentucky and other places are extremely vulnerable during recessions and during recovery, and their subsequent recoveries are often slower due to a lack of access to capital.