

ANNOUNCEMENT BY THE SPEAKER  
PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote incurs objection under clause 6 of rule XX.

Record votes on postponed questions will be taken later.

RULEMAKING DEADLINE  
EXEMPTING CERTAIN SECURITIES

Mr. McHENRY. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 701) to amend a provision of the Securities Act of 1933 directing the Securities and Exchange Commission to add a particular class of securities to those exempted under such Act to provide a deadline for such action, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 701

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

## SECTION 1. RULEMAKING DEADLINE FOR EXEMPTING CERTAIN SECURITIES.

Section 3(b)(2) of the Securities Act of 1933 (15 U.S.C. 77c(b)(2)) is amended in the matter preceding subparagraph (A) by striking “The Commission” and inserting “Not later than October 31, 2013, the Commission”.

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

The Chair recognizes the gentleman from North Carolina.

## GENERAL LEAVE

Mr. McHENRY. Madam Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks and to submit extraneous materials for the RECORD on H.R. 701, as amended, currently under consideration.

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

There was no objection.

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

My colleagues, this is a bipartisan, straightforward bill, and it had unanimous support within the Financial Services Committee.

This bill codifies an intended deadline within the JOBS Act. This legislation simply puts a reasonable date for the deadline for an improved Regulation A, which came out of a bipartisan bill before the House of Representatives just over a year ago and then the JOBS Act the President signed more than a year ago. The deadline is very achievable, setting an October 31 deadline for the SEC to write regulations. It is nearly 19 months after the JOBS Act was signed into law, and it is, in

fact, 5 months before the due date of the SEC’s recurring review of a renewed Regulation A.

Regulation A is a very interesting provision within securities regulation. It is a sensible and philosophically sound exemption that should help millions of small- and moderate-sized businesses, but it’s actually unused by all small businesses. The JOBS Act language includes raising the cap on Regulation A securities offerings from \$5 million to \$50 million, which is existent in the law; but the act also requires that we have meaningful regulatory improvements to Regulation A so it can, in fact, be utilized by small businesses as it was intended.

Stakeholders and academics have testified that Regulation A should be a covered security or that the SEC should radically simplify Reg A’s registration and qualifications if small businesses are to ever use and utilize this well-intentioned exemption again. For proof of whether State exemption matters, merely look at the dominance of rule 506, even for issuances of \$1 million, compared to those other exemptions; and let’s just face it—the numbers speak for themselves.

Additionally, other areas of critical consideration include quiet periods, testing-the-waters activities, comment period turnaround, and even the number of Securities and Exchange Commission staff dedicated to small business exemptions. We’ve made that very clear to the Securities and Exchange Commission the concerns we have on those issues. The SEC must conduct a holistic review of Federal and State regulations on these matters to learn which have impeded entrepreneurs from accessing external capital, which is really the intention of Regulation A.

If you look back at a GAO report, it asserted that, from 1997 to 2011, the number of Regulation A filings decreased from 116 annually to 19, and that’s only the number of filings. To go to the next step of an offering, it’s even further reduced. It reduced from 57 in 1998 to just one offering, under this important regulation, in 2011. Now, that’s very disturbing. The same GAO report maintains that the SEC has never evaluated the abandonment of Regulation A, an exemption solely created to capitalize small- and moderate-sized businesses and to empower everyday investors. That’s absurd. It’s high time the SEC gets around to this and gets it done. That’s what this bill is all about.

The Small Business Administration asserts that there are more than 5 million small businesses in the U.S. with fewer than 20 employees, representing 20 percent of our national employment, and that firms with fewer than 100 employees employ more than 36 percent of our national employment. These millions of small businesses do not utilize Reg. A or other exemptions actually intended for them. There are bad consequences for this because they are not able to get the capital they need to grow and prosper and to perhaps go

from being small businesses to big businesses or from small businesses to more successful small businesses. They are the ones that are at a loss, and at a time of high unemployment we need to make sure that we are able to get those capital-starved businesses access to the moneys they need to grow and to prosper in these tough economic times.

This is a bipartisan bill that has garnered the support of my colleagues from across the aisle, Ms. ESHOO and Mr. SCOTT, as well as the support of my colleagues on this side of the aisle, Mr. SCHWEIKERT and Mr. GARRETT, who have long been proponents of these reforms and necessary changes.

With that, I reserve the balance of my time.

CHAMBER OF COMMERCE  
OF THE UNITED STATES OF AMERICA,

Washington, DC, May 13, 2013.

TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES: The U.S. Chamber of Commerce, the world’s largest business federation representing the interests of more than three million businesses and organizations of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting and defending America’s free enterprise system, strongly supports H.R. 701, which would amend a provision of the Securities Act of 1933 to help ensure the success of the JOBS Act, which became law last year.

H.R. 701 is a bi-partisan bill which would place a deadline of October 31, 2013, for the Securities and Exchange Commission to complete the changes to Regulation A as required under the Jumpstart Our Business Startups Act (“JOBS Act”). The bi-partisan JOBS Act mandates the modernization of certain regulations critical to the capital formation of emerging growth companies. The Chamber is concerned that the pace of regulatory implementation is too slow, and H.R. 701 would help ensure the timely implementation of this legislation important to new businesses.

The Chamber believes H.R. 701 would help speed the implementation of the JOBS Act, thereby assisting the capital formation needed for robust economic growth and job creation. The Chamber strongly supports H.R. 701.

Sincerely,

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

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NASDAQ OMX,  
Washington, DC, May 7, 2013.

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

DEAR CHAIRMAN HENSARLING: Rep. Patrick McHenry has proposed legislation, H.R. 701, which seeks to impose a deadline on the Securities and Exchange Commission (SEC) for completion of an important section of the JOBS Act signed into law on April 5, 2012. Specifically, the legislation requires the SEC to issue its rules with respect to Regulation A by October 31st of this year.

NASDAQ OMX supports this legislation’s goal to induce timely action on a key feature of the JOBS Act. As rules are finalized, small businesses should have the regulatory certainty necessary to make critical capital funding decisions that can allow them to grow and create jobs—the purpose behind the JOBS Act and NASDAQ OMX’s support of that legislation.