

MEMORANDUM

To: Members of the Committee on Financial Services

From: Financial Services Committee Majority Staff

Date: July 6, 2018

Subject: July 11, 2018 Full Committee Markup

The Committee on Financial Services will meet to mark up the following measures, in an order to be determined by the Chairman, at 10:00 am on Wednesday, July 11, and subsequent days if necessary, in room 2128 of the Rayburn House Office Building:

H.R. 1611, the *Gender Diversity in Corporate Leadership Act of 2017*

Introduced on March 17, 2017, by Representative Carolyn Maloney, H.R. 1611, the “Gender Diversity in Corporate Leadership Act of 2017,” establishes a gender diversity advisory group at the U.S. Securities and Exchange Commission (SEC) to study and report to the SEC and to Congress on strategies to increase gender diversity among the members of the board of directors of issuers. It also directs the SEC to establish a rule to require each issuer to disclose in any proxy or consent solicitation material for an annual shareholders meeting the gender composition of the issuer’s board of directors and board nominees.

H.R. 3555, the *Exchange Regulatory Improvement Act*

Introduced on July 28, 2017, by Representative Barry Loudermilk, H.R. 3555, the “Exchange Regulatory Improvement Act”, as proposed to be modified by an amendment in the nature of a substitute by Rep. Loudermilk, acknowledges that over time national securities exchanges have expanded their businesses beyond listing and trading to include the sale of additional products and services to their members and listed companies. This bill enhances transparency regarding how exchanges are regulated by requiring the SEC to set forth the facts and circumstances it considers in determining what is or is not a facility of an exchange and to apply those in determining whether any proposed rule by a national securities exchange is or is not required to be submitted as a proposed rule filing.

H.R. 6021, the *Small Business Audit Correction Act of 2018*

Introduced on June 6, 2018, by Representatives French Hill and Vicente Gonzalez, H.R. 6021, the “Small Business Audit Correction Act of 2018”, narrowly tailors an exception for privately-held, small non-custodial brokers and dealers in good standing from the requirement to hire a Public Company Accounting Oversight Board (PCAOB)-registered audit firm in order to meet the annual SEA Rule 17a-5 reporting obligation. Current regulations require all investment brokers and dealers—irrespective of size or whether they take custody of client funds or securities—to hire a PCAOB-registered audit firm to conduct audits using more complex guidelines designed for larger, public companies.

H.R. 6177, the *Developing and Empowering Our Aspiring Leaders Act*

Introduced on June 21, 2018, by Representative Trey Hollingsworth, H.R. 6177, the “Developing and Empowering Our Aspiring Leaders Act”, as proposed to be modified by an amendment in the nature of a substitute by Rep. Hollingsworth, would require the SEC to revise the definition of a qualifying investment to include equity securities acquired in a secondary transaction. This would allow venture funds to continue to provide necessary growth capital to companies without having to register as a registered investment adviser, and the bill will continue to require a private fund to be predominantly comprised of qualifying investments that were acquired directly instead of in a secondary acquisition.

H.R. ____, the *Expanding Investment in Small Businesses Act*

To be introduced on July 10, 2018, by Representative Randy Hultgren, H.R. ____, the “Mutual Fund Diversified Limits Modernization Act”, requires the SEC to study the current diversified fund limit threshold for mutual funds of 10 percent of the voting shares in an individual company and determine whether such threshold limits capital formation. The SEC must report its findings to Congress and recommend whether a statutory change should be enacted. Mutual funds historically have played an important role in helping to provide liquid markets for the shares of newly public companies, and mutual funds currently classified as “diversified” may own no more than 10% of an issuer’s outstanding securities.

H.R. ____, the *Promoting Transparent Standards for Corporate Insiders Act*

To be introduced on July 10, 2018, H.R. ____, the “Promoting Transparent Standards for Corporate Insiders Act”, requires the SEC to carry out a study of whether Rule 10b5-1 should be amended and, if so, to amend Rule 10b5-1, subject to notice and comment, in a manner consistent with the results of such study. Under Rule 10b5-1, directors and other major insiders in the company—large shareholders, officers, and

others who are able to access material nonpublic information—are able to establish a written plan that details when they will be able to buy or sell shares at a predetermined time on a scheduled basis. The bill requires the SEC to consider certain types of amendments to Rule 10b5-1 and directs the SEC to consider how any amendments to Rule 10b5-1 would clarify and enhance existing prohibitions against insider trading while also considering the impact of any such amendments on attracting candidates for insider positions, capital formation, and a company’s willingness to operate as a public company.

H.R. ____, the *Investment Adviser Regulatory Flexibility Improvement Act*

To be introduced on July 10, 2018, by Representative Gwen Moore, H.R. ____, the “Investment Adviser Regulatory Flexibility Improvement Act”, requires the SEC to revise the definitions of a “small business” and “small organization” for purposes of assessing the impact of the SEC’s rulemakings under the Investment Advisers Act of 1940. Revising these definitions could result in a better understanding of regulatory costs on small advisers, which could lead to more tailored regulations and reduced burdens.

H.R. ____, the *Middle Market IPO Underwriting Cost Act*

To be introduced on July 10, 2018, by Representative Jim Himes, H.R. ____, the “Middle Market IPO Underwriting Cost Act”, requires the SEC, in consultation with the Financial Industry Regulatory Authority, to study the direct and indirect underwriting fees, including gross spreads and pricing practices, for mid-sized Initial Public Offerings and to report to Congress with its findings and recommendations.

H.R. ____, the *National Senior Investor Initiative Act of 2018*

To be introduced on July 10, 2018, by Representative Josh Gottheimer, H.R. ____, the “National Senior Investor Initiative Act of 2018”, creates an interdivisional task force at the SEC, composed of staff from the Division of Enforcement, Office of Compliance, Inspections and Examinations, and Office of Investor Education and Advocacy, to examine and identify challenges facing senior investors. Every two years, in consultation with other SEC offices, State securities and law enforcement authorities, State insurance regulators, and Federal agencies, the Taskforce will report its findings to Congress and recommend any regulatory or statutory changes. Further, within one year of enactment, the U.S. Government Accountability Office shall study and report on the economic costs of the financial exploitation of senior citizens.

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H.R. _____, the *Enhancing Multi-Class Stock Disclosures Act*

To be introduced on July 10, 2018, by Representative Gregory Meeks, H.R. _____, the “Enhancing Multi-Class Stock Disclosures Act”, amends the Securities Exchange Act of 1934 to require issuers with multi-class stock structures to make certain disclosures in any proxy or consent solicitation material with respect to each person who is a director or executive officer of the issuer or who, directly or indirectly, holds five percent or more of the total combined voting power of all classes of stock entitled to vote in the election of directors.