

115TH CONGRESS
1ST SESSION

S. 1031

To amend provisions in the securities laws relating to regulation crowdfunding to raise the dollar amount limit and to clarify certain requirements and exclusions for funding portals established by such Act.

IN THE SENATE OF THE UNITED STATES

MAY 3, 2017

Mr. DAINES introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend provisions in the securities laws relating to regulation crowdfunding to raise the dollar amount limit and to clarify certain requirements and exclusions for funding portals established by such Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Crowdfunding En-
5 hancement Act”.

1 **SEC. 2. CROWDFUNDING VEHICLES.**

2 (a) AMENDMENTS TO THE SECURITIES ACT OF
3 1933.—The Securities Act of 1933 (15 U.S.C. 77a et
4 seq.) is amended—

5 (1) in section 4A(f)(3) (15 U.S.C. 77d–1(f)(3)),
6 by inserting “by any of paragraphs (1) through (14)
7 of” before “section 3(c)”; and

8 (2) in section 4(a)(6)(B) (15 U.S.C.
9 77d(a)(6)(B)), by inserting “, other than a
10 crowdfunding vehicle (as defined in section 2(a) of
11 the Investment Company Act of 1940 (15 U.S.C.
12 80a–2(a))),” after “any investor”.

13 (b) AMENDMENTS TO THE INVESTMENT COMPANY
14 ACT OF 1940.—The Investment Company Act of 1940 (15
15 U.S.C. 80a–1 et seq.) is amended—

16 (1) in section 2(a) (15 U.S.C. 80a–2(a)), by
17 adding at the end the following:

18 “(55) The term ‘crowdfunding vehicle’ means a
19 company—

20 “(A) whose purpose (as set forth in its or-
21 ganizational documents) is limited to acquiring,
22 holding, and disposing securities issued by a
23 single company in one or more transactions and
24 made pursuant to section 4(a)(6) of the Securi-
25 ties Act of 1933 (15 U.S.C. 77d(a)(6));

26 “(B) that issues only 1 class of securities;

1 “(C) that receives no compensation in con-
2 nection with such acquisition, holding, or dis-
3 position of securities;

4 “(D) no associated person of which re-
5 ceives any compensation in connection with
6 such acquisition, holding or disposition of secu-
7 rities unless such person is acting as or on be-
8 half of an investment adviser registered under
9 the Investment Advisers Act of 1940 (15
10 U.S.C. 80b–1 et seq.) or registered as an in-
11 vestment adviser in the State in which the in-
12 vestment adviser maintains its principal office
13 and place of business;

14 “(E) the securities of which have been
15 issued in a transaction made pursuant to sec-
16 tion 4(a)(6) of the Securities Act of 1933 (15
17 U.S.C. 77d(a)(6)), if both the crowdfunding ve-
18 hicle and the company whose securities it holds
19 are co-issuers;

20 “(F) that is current in its ongoing disclo-
21 sure obligations under section 227.202 of title
22 17, Code of Federal Regulations;

23 “(G) the company whose securities it holds
24 is current in its ongoing disclosure obligations

under section 227.202 of title 17, Code of Federal Regulations; and

“(H) is advised by an investment adviser registered under the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.) or registered as an investment adviser in the State in which the investment adviser maintains its principal office and place of business.”; and

(2) in section 3(c) (15 U.S.C. 80a–3(c)), by adding at the end the following:

“(15) Any crowdfunding vehicle.”.

SEC. 3. CROWDFUNDING EXEMPTION FROM REGISTRATION.

Section 12(g)(6) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(6)) is amended—

(1) by striking “The Commission” and inserting the following:

“(A) IN GENERAL.—The Commission”;

(2) by striking “section 4(6)” and inserting “section 4(a)(6)”; and

(3) by adding at the end the following:

“(B) TREATMENT OF SECURITIES ISSUED BY CERTAIN ISSUERS.—An exemption under subparagraph (A) shall be unconditional for securities offered by an issuer that had a public

1 float of less than \$75,000,000 as of the last
2 business day of the issuer's most recently com-
3 pleted semiannual period, computed by multi-
4 plying the aggregate worldwide number of
5 shares of the issuer's common equity securities
6 held by non-affiliates by the price at which such
7 securities were last sold (or the average bid and
8 asked prices of such securities) in the principal
9 market for such securities or, in the event the
10 result of such public float calculation is zero,
11 had annual revenues of less than \$50,000,000
12 as of the issuer's most recently completed fiscal
13 year.”.

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