any other way you can restore your credibility.

NATIONAL DIABETES AWARENESS MONTH

(Ms. ADAMS asked and was given permission to address the House for 1 minute.)

Ms. ADAMS. Mr. Speaker, each November, communities across the country observe National Diabetes Awareness Month. We come together to educate our neighbors and to bring attention to the impact that diabetes has in the lives of millions of Americans.

As a diabetic, I know the challenges faced by people with this condition.

In 2015, diabetes was the seventh leading cause of death for Americans, and diagnosis rates continue to grow each year.

To live a long and prosperous life with this disease, it is imperative that people with diabetes receive proper nutrition and access to healthcare. Thanks to the Affordable Care Act, preexisting conditions such as diabetes are covered by health insurance. Thanks to SNAP, the poorest in our communities have access to nutrition.

ACA and SNAP are under attack, and as a member of the Diabetes Caucus and as your Representative in Congress, I will continue to vigorously protect the ACA and fight to increase SNAP benefits for those in need.

My life is a living testament to the opportunities that exist when diabetes is properly treated. We must ensure these opportunities are available for the next generation.

NOVEMBER IS DIABETES AWARENESS MONTH

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

Mr. BILIRAKIS. Mr. Speaker, November is Diabetes Awareness Month.

Over 30 million children and adults, including myself, suffer from diabetes. Another 84 million have prediabetes, and 90 percent of them don't even know it.

Diabetes can cause stroke, blindness, kidney disease, heart disease, loss of toes, feet, or even legs.

In addition to the personal toll this disease takes on the lives of those affected, healthcare costs for diabetic patients are 2.3 times greater than for those without diabetes. This awful disease costs the healthcare system an estimated $322 billion.

Rates of diabetes have risen dramatically, unfortunately, in recent years. We must do something to stop it. The U.S. Congress is working towards that end.

I was proud to have worked on the 21st Century Cures Act, which invests in research for a cure. The bill streamlines the FDA approval process and provides more money for research to the NIH.

There is much more we can do, Mr. Speaker, to tackle this serious public health issue.

□ 0915

MICRO OFFERING SAFE HARBOR ACT

Mr. HENSARLING. Mr. Speaker, pursuant to House Resolution 609, I call up the bill (H.R. 2201) to amend the Securities Act of 1933 to exempt certain micro-offerings from the registration requirements of such Act, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. ROGERS of Kentucky). Pursuant to House Resolution 609, the bill is considered read.

The text of the bill is as follows:

H.R. 2201

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 ''Micro Offering Safe Harbor Act''.

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.—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:

''(1) 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.

''(2) 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.

''(3) 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.''.

(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).''.

The SPEAKER pro tempore. After 1 hour of debate on the bill, it shall be in order to consider the amendment printed in House Report 115–401, if offered by the gentleman from Minnesota (Mr. EMMER) or his designee, which shall be considered read and shall be separately debatable for 10 minutes equally divided and controlled by the proponent and an opponent.

The gentleman from Texas (Mr. HENSARLING) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

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

Mr. Speaker, we know that, unfortunately, after 8 years of bad economic policies from the Obama administration, working people did not receive a pay increase. We know that we had one of the lowest labor participation rates in modern history. We know that the economy was limping along at 1½ to 2 percent economic growth.

But, fortunately, Mr. Speaker, a new day has dawned and now, all of a sudden, we see that, with the policies of Republicans in Congress, with the policies of the Trump administration, we are seeing promising signs. What we are seeing all of a sudden now is 2 quarters, Mr. Speaker, of 3-plus percent economic growth. This means a difference to working families. They are finally seeing increases in their paychecks, increases in their take-home pay.

That is why one of the most exciting policies that are being worked upon today that we hope to see soon is fundamental, pro-growth tax reform for the entire American economy; one that would grow our economy and that makes a Tax Code fairer, flatter, simpler, more competitive; one that would lower rates for families and allow 90 percent of Americans to fill out their forms on something akin to a postcard; something that would help our small businesses and entrepreneurs.

I look forward, Mr. Speaker, to having that legislation on the floor soon. But we have legislation today that is also important to our small businesses and our entrepreneurs, H.R. 2201, by the gentleman from Minnesota.

What is so important about this legislation, Mr. Speaker, is that it would allow our entrepreneurs and our small businesses to more effectively be able to reach out to family and friends to get the needed capital to start their businesses.

A 2014 survey by the Kauffman Foundation found out that over 28 percent of startups raise their funding from their personal network. Mr. Speaker, we have a challenge, and that is the Securities Act does not clearly define what is a public offering or, conversely, a nonpublic offering. So this makes it very difficult for our early-stage entrepreneurial growth companies to go out and do any kind of private placement to raise funds from friends and family.

Now, we know that a private placement is already something that is established in law. But what isn't established is a bright line, safe harbor for these business enterprises to go out and raise these funds.

So what we also know, unfortunately, from our Securities and Exchange Commission is that a registered offering is simply not economically

feasible for a small business, an entrepreneur, an issuer who is seeking to raise less than $1 million.

So too often, Mr. Speaker, we have a number of these enterprises that, frankly, just never get jump-started because they don't have the opportunity for a private offering. That is why it is so important.

I want to thank the gentleman from Minnesota (Mr. EMMER) for his leadership in bringing this legislation to the House floor today.

So it is a simple piece of legislation. Again, it simply allows a bright line, safe harbor for very small offerings. It requires that each purchaser has a substantive preexisting relationship with an officer, director, or shareholder of the issuer.

The issuer must reasonably believe that there are no more than 35 purchasers of the securities, and the aggregate amount of all securities sold by the issuer cannot exceed $500,000 in a 12-month period.

So, Mr. Speaker, we are talking about a very small portion of startups, but a very vitally important section of our startups that need capital.

Mr. Speaker, a few decades ago there was a company where a gentleman borrowed money from his father to import Japanese sports shoes, and he purchased 200 pairs of these Japanese sports shoes. He started a business called Blue Ribbon Sports, and today we know it as Nike.

A few decades ago there was an investor out in Omaha, Nebraska, who borrowed money from seven friends and family members, including his sister Doris and Aunt Alice. Over the next 9 years, this initial investment grew, and this gentleman purchased something called Berkshire Hathaway, the textile company that has now led to the Berkshire Hathaway empire.

In 1994, there was a gentleman who took a loan from his parents, moved to a two-bedroom, small apartment, and launched a company called Amazon.

We want to make sure that the next Berkshire Hathaway, the next Amazon get launched, and that is why it is so critical we enact H.R. 2201.

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

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

Mr. Speaker, H.R. 2201 would create an unnecessary and potentially dangerous loophole in Federal and State securities laws by allowing companies to sell unregistered securities without important safeguards that normally apply to such transactions. Specifically, the bill would allow a company to raise up to $500,000 from 35 or fewer investors, subject only to the requirement that each of these investors has a substantive preexisting relationship with the company.

Currently, before a company can offer or sell its securities, it must either register the offering with the Securities and Exchange Commission—that is the SEC—or qualify for at least one of several existing exemptions from registration. These exemptions provide reduced regulatory requirements for businesses conducting the offerings, but are limited to investors who have the financial sophistication to understand the risks, or enough assets to bear losses without the full protections of the securities laws.

Additionally, unlike H.R. 2201, these existing exemptions include several critical investor protections, such as notice to regulators, limitations on advertising, and restrictions on resale. For example, securities offered pursuant to rule 506 of regulation D are restricted, meaning they cannot be resold for at least a year without registering them; that is, re-registering them.

Additionally, the re-registration exemptions available under the crowdfunding rules and regulation A impose limitations on the amounts an individual can invest in a year, thereby placing a cap on potential losses.

H.R. 2201's lack of basic safeguards would leave investors vulnerable to an array of investment scams. For example, a purchaser of securities offered pursuant to H.R. 2201 would be able to immediately resell the securities in secondary transactions. In the past, the failure to restrict the resale of unregistered securities has exposed secondary investors to ''pump and dump'' schemes, a form of fraud that involves hyping up cheap junk stock in order to resell it at a higher price to unwitting investors.

Additionally, investor and consumer advocates, like Americans for Financial Reform, Center for American Progress, and Public Citizen, oppose H.R. 2201 because it would enable a particularly deceptive scam known as ''affinity fraud.'' Bad actors perpetrating affinity fraud could use H.R. 2201 to prey upon religious communities, ethnic groups, and the elderly.

Just a few years ago, the SEC shut down a scheme targeting the Hispanic community in southern California. The perpetrators raised more than $800,000 by representing to close friends and family members that their investment would be used to develop a financial services firm serving the Hispanic community.

The SEC found that, instead of developing the purported business, the scammers ''used a large part of the investors' money to engage unsuccessfully in high risk 'day-trading' of stocks; pay personal living, travel, and entertainment expenses; or make other unexplained expenditures with no connection to the purported startup business activities.''

H.R. 2201 would provide a roadmap for bad actors to similarly rip off investors. The bill's $500,000 cap on offerings does not eliminate the need for robust safeguards against fraud and abuse. In fact, these protections are even more important for offerings of this size, given the proliferation of investment schemes in the smaller offering space.

The SEC has found that ''fraud in the micro cap stock markets is of increasing concern to regulators, as such markets have proven to be fertile grounds for fraud and abuse.''

While $500,000 may not seem like a lot on Wall Street, for Main Street Americans, losing even a fraction of that amount would destroy the hope of one day retiring with dignity. Existing exemptions such as those available under the SEC's regulation D, regulation A, and crowdfunding rules provide ample opportunities for companies to raise capital while also protecting investors.

H.R. 2201 would only expose hard-working Americans to a new and wholly unnecessary risk. For these reasons, I urge my colleagues to vote ''no'' on H.R. 2201, and I reserve the balance of my time.

GENERAL LEAVE

Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and submit extraneous material on the bill under consideration.

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

There was no objection.

Mr. HENSARLING. Mr. Speaker, I yield 5 minutes to the gentleman from Minnesota (Mr. EMMER), the sponsor of the legislation and an outstanding member of the Financial Services Committee.

Mr. EMMER. Mr. Speaker, while government isn't meant to create jobs, with the help of the President, Congress can set Federal policies that establish a pro-worker, pro-business environment that lifts people out of poverty, helps families, and drives our country forward.

One problem today that is impeding job growth is access to capital for small businesses. American businessmen and -women are often unable to get the loans they need to start a new enterprise or to grow an existing one.

Additionally, if a firm would like to publicly sell stock to raise money, it must register with the Securities and Exchange Commission, which costs $2.5 million, on average; an amount most small businesses simply cannot afford.

Small and emerging businesses are a key to the economic engine in America. The Small Business Administration found that these businesses create over half of the new jobs on an annual basis in this country. More importantly, today's small businesses are tomorrow's success story.

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. We want to empower the entrepreneurs in this country to dream, innovate, and create jobs that grow our economy.

That is why I introduced the Micro Offering Safe Harbor Act. This bill will make it easier for entrepreneurs and

small businesses to raise money from family, friends, and their personal network without running afoul of the vague and undefined ''private offering'' safe harbor provisions in the Securities Act of 1933.

Thus, the Micro Offering Safe Harbor Act helps bring clarity to existing law so that our current and future job creators can easily raise capital within the confines of an easy-to-understand provision without the help of an expert.

□ 0930

This legislation requires three specific criteria to be met simultaneously in order to trigger a safe harbor exemption for a security offering instead of just one or more. These criteria ensure that: one, each purchaser has a substantive preexisting relationship with an owner; two, there are no more than 35 purchasers of securities from the issuer that are sold in reliance on the exemption during the 12 months proceeding; and, three, the aggregate amount of all securities sold by the issuers does not exceed $500,000 during the 12-month period preceding the offering. The bill also exempts any of the aforementioned security offerings from blue-sky laws, while maintaining antifraud provisions at the Federal and State level.

These provisions protect Americans from criminals trying to swindle them out of their hard-earned money, while making capital more accessible to businesses by investors from around the country.

In fact, I will be offering an amendment to enhance these antifraud provisions. This amendment, which incorporates the suggestions made by my colleagues on the other side of the aisle during a legislative hearing in the last Congress, will ensure that individuals who have been disqualified under the ''bad actor'' disqualification standard, as is listed under current law, are prohibited from using the exemption provided under H.R. 2201, establishing yet an additional layer of investor protection.

Entrepreneurs and small-business owners need access to capital in order to achieve the American Dream. Although small businesses accounted for 99.7 percent of all the businesses in the United States last year, only half of them will survive longer than 5 years, according to our Bureau of Labor Statistics.

Lack of capital or difficulty accessing capital is one of the main causes of failure for many of these small businesses. A 2015 survey conducted by BlueVine found that 75 percent of small and emerging businessowners reported their primary source of funding comes from their own personal finances, followed by banks at 16 percent and family and friends at 6 percent.

While banks and credit unions do their best to offer the funding these businesses need to grow and thrive, there are still 3 million fewer small business loans made annually, today, than there were before the 2008 financial crisis. H.R. 2201 seeks to build off the success of the Jumpstart Our Business Startups Act of 2012, better known as the JOBS Act, and will continue to spur capital formation for the true job creators and drivers of our country's economy.

The Micro Offering Safe Harbor Act helps small and emerging companies add another tool to the toolkit, enabling them to confidently find alternative ways of raising these funds without having to pay for costly securities experts and without the fear of lawsuits if they operate within these easy-to-understand parameters.

That is why the Micro Offering Safe Harbor Act is endorsed by the National Small Business Association; the Small Business & Entrepreneurship Council; the National Federation of Independent Business; the Chamber of Commerce; Heritage Action; and Engine, ''The Voice of Startups in Government.''

The House approved an identical version of this legislation during the 114th Congress as part of the Accelerating Access to Capital Act, and language similar to H.R. 2201 was included in the Financial CHOICE Act, which was adopted by this Chamber in June.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Minnesota.

Mr. EMMER. Mr. Speaker, the time has come for Congress to come together and help small businesses help themselves by making this important update and improvement to the Securities Act of 1933.

I want to thank Chairman HENSARLING; Capital Markets, Securities, and Investment Subcommittee Chairman HUIZENGA; and all of the staff on the Financial Services Committee for their hard work on this legislation.

Mr. Speaker, I urge my colleagues to support this legislation and hope that both parties will use H.R. 2201 as a way to show their support for more opportunities and better lives for our job creators.

Mr. Speaker, I include in the RECORD letters from the National Small Business Association, the Small Business & Entrepreneurship Council, the United States Chamber of Commerce, Heritage Action for America, and Engine.

NATIONAL SMALL BUSINESS ASSOCIATION.
Hon. TOM EMMER,
House of Representatives,
Washington, DC.

DEAR REPRESENTATIVE EMMER: On behalf of the National Small Business Association (NSBA), the nation's first small-business advocacy organization, with more than 65,000 small-business members representing every state and every industry across the country, I commend your leadership for introducing the Micro Offering Safe Harbor Act (H.R. 2201) as it will have an immediate and direct impact on small businesses looking to raise capital. NSBA has long supported the kind of simplification this legislation would bring for small businesses.

Capital is the lifeblood of any small business, and often small-business owners need capital at various stages; some at their startup and others later when they are looking to expand. Despite this ongoing need, small-business lending from banks has decreased over the last decade and many small businesses have few options for obtaining capital. According to NSBA's 2016 Year-End Economic Report, small-business access to capital remains stubbornly unchanged since the previous year, with just 69 percent of small firms reporting they are able to get adequate financing. This drop has real-world implications: 41 percent said lack of capital is hindering their ability to grow their business or expand operations, and 20 percent said they had to reduce the number of employees as a result of tight credit.

Therefore, raising capital though securities is an attractive alternative option for many small-business owners. However, the current regulatory requirements are quite onerous for small businesses, often requiring expensive specialized counsel for even very small securities offerings.

NSBA supports this targeted legislation that creates a safe harbor for small securities offerings which meet requirements clearly identified in the legislation. Under the legislation, these exemptions include offerings in which each purchaser has a substantive pre-existing relationship with the owners, where the issuer has less than 35 purchasers utilizing the exemption in the preceding 12 month period, or where the total amount raised during the preceding 12 month period is less than $500,000. By creating three safe harbor exemptions for ''non-public offerings,'' businesses can operate with clarity and a clear conscience knowing that they would be exempted from registering with the Securities and Exchange Commission (SEC). Additionally, the legislation also exempts transactions meeting the specified requirements from state registration requirements, commonly referred to as ''blue sky laws.''

Raising capital for small businesses from friends and family already takes place on a regular basis, except those transactions often lack the legal protections and structure of securities law. In addition to expanding access to capital for small businesses, this legislation will bring those transactions under a recognized legal framework, and make resolving disputes that arise much more efficient. Finally, bringing these existing transactions under an existing legal framework will provide a sound legal basis for subsequent larger offerings requiring registration with the SEC.

Access to capital continues to be one of the most pressing issues facing the small-business community. All small businesses need an injection of capital at one point or another, unfortunately in the past several years it has become difficult for small businesses to get the funds they need to grow and expand. NSBA is pleased to support the Micro Offering Safe Harbor Act as it will help small businesses around the country expand and create new jobs in their communities.

Sincerely,

TODD MCCRACKEN,
President & CEO.

SMALL BUSINESS &
ENTREPRENEURSHIP COUNCIL,
Vienna, VA, October 10, 2017.

Hon. TOM EMMER,
House of Representatives,
Washington, DC.

DEAR REPRESENTATIVE EMMER: On behalf of the Small Business & Entrepreneurship Council (SBE Council) and our nationwide membership of entrepreneurs and small business owners, I am writing to voice our support for the Micro Offering Safe Harbor Act, H.R. 2201.

When it comes to raising capital, the existing regulatory system is onerous and complex. Even for small securities offerings, compliance and navigating the rules are very expensive. H.R. 2201 is a needed solution that makes smart changes to existing law, providing certainty and an effective option for small businesses that need to raise capital.

H.R. 2201 would exempt from registration requirements with the Securities and Exchange Commission (SEC) offerings made only to the entrepreneur's friends and family, to less than 35 purchasers, and when $500,000 or less is raised. The offering would be exempt from state registration and qualification rules, thus reducing costs and complexity. H.R. 2201 would appropriately scale SEC rules and regulatory compliance for our nation's small businesses, which in turn will provide another practical option for entrepreneurs to raise the capital they need to start or grow their firms.

The United States has much work to do when it comes to fostering capital formation and encouraging investment and entrepreneurship. The Micro Offering Safe Harbor Act is a smart solution that will help many entrepreneurs successfully start and grow their businesses. Thank you for your leadership.

Sincerely,

KAREN KERRIGAN,
President & CEO.

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA,
Washington, DC, October 10, 2017.

Hon. JEB HENSARLING,
Chairman, Committee on Financial Services, House of Representatives, Washington, DC.
Hon. MAXINE WATERS,
Ranking Member, Committee on Financial Services, House of Representatives, Washington, DC.

DEAR CHAIRMAN HENSARLING AND RANKING MEMBER WATERS: The U.S. Chamber of Commerce strongly supports several bills the Committee is scheduled to markup on October 11, 2017. The Chamber appreciates the Committee's ongoing work to enhance capital formation, hold regulators accountable, and reduce red tape burdens upon American businesses and consumers. The Chamber supports the following bills.

H.R. 477, the ''Small Business Mergers, Acquisitions, Sales, and Brokerage Simplification Act of 2017,'' would simplify Securities and Exchange Commission (SEC) registration requirements for certain mergers and acquisitions (M&A) brokers who perform services related to the transfer of ownership of smaller private companies. The legislation properly balances regulatory relief for brokers and businesses involved in such transactions with important investor protections to prevent abuse. H.R. 477 would require disclosure of relevant information to investors and would not exempt M&A brokers from existing rules designed to prevent those who violate the law from continuing to work in the securities business.

H.R. 1116, the ''Taking Account of Institutions with Low Operation Risk (TAILOR) Act of 2017,'' would direct federal banking regulators to scale rulemakings in order to properly reflect the various risk profiles of financial institutions. One of the unfortunate developments in recent years has been ''one size fits all'' regulation in the banking sector. This legislation would ensure that community and regional financial institutions are not forced to comply with regulatory regimes more suited for global, interconnected institutions.

H.R. 1585, the ''Fair Investment Opportunities for Professional Experts Act,'' would expand the definition of ''accredited investor'' under securities laws by allowing those who can demonstrate relative education or work expertise to invest in certain private offerings, regardless of their income or net worth. In addition to providing Main Street households with greater opportunities to build wealth, H.R. 1585 would expand the pool of capital available to private businesses.

H.R. 1645, the ''Fostering Innovation Act of 2017,'' would extend the Sarbanes-Oxley 404(b) internal controls exemption for certain emerging growth companies (EGCs) from five years to ten. This change would prevent the premature phase out of one of the more popular provisions of the 2012 Jumpstart our Business Startups (''JOBS'') Act, and would provide a further incentive for companies to enter public markets.

H.R. 2201, the ''Micro Offering Safe Harbor Act,'' would provide a means for businesses to solicit and raise limited amounts of capital without running afoul of securities laws. Private businesses would be permitted to seek community-based financing of up to $500,000 per year in order to expand or hire new employees. Importantly, the bill includes a number of robust investor protections that would help prevent fraud and abuse in the market.

H.R. 2396, the ''Privacy Notification Technical Clarification Act,'' would amend the 1999 Gramm-Leach-Bliley Act by clarifying that financial institutions are only required to send customers annual privacy notifications if there have been changes in the institution's privacy policies. It also clarifies that such notices need not be physically provided to a customer if they are made available online at the customer's request. These provisions would save costs for consumers and mitigate confusion related to privacy notices.

H.R. 2706, the ''Financial Institution Customer Protection Act of 2017,'' would help prevent another ''Operation Chokepoint'' by prohibiting federal agencies from directing a financial institution to terminate an account without a material, documented reason for doing so. This bill would ensure that agencies do not unjustifiably discriminate against certain industries. The bill would also clarify liability under the Financial Institutions Reform, Recovery, and Enforcement Act. A House investigation of Operation Choke Point revealed the Obama administration Department Of Justice had radically and inappropriately reinterpreted the law.

H.R. 3299, the ''Protecting Consumers Access to Credit Act of 2017,'' would codify the ''valid-when-made'' doctrine, which states that the characteristics of a loan are valid at origination, and are not unenforceable when assigned to another party. The recent Second Circuit decision in the Madden vs. Midland Funding, LLC case has undermined this doctrine and threatens to impose a chilling effect on credit markets nationwide. H.R. 3299 would restore the longstanding ''valid-when-made'' legal principle and protect consumers and businesses that rely on robust credit markets.

H.R. 3312, the ''Systemic Risk Designation Improvement Act of 2017,'' would replace Dodd-Frank's arbitrary asset threshold for labeling a bank ''systemically important'' with a multi-factor, tailored assessment that considers size, interconnectedness, substitutability, complexity, and cross-jurisdictional. Mid-size and regionals banks do not generate systemic risk and are critical to small business lending. By tailoring regulation and rejecting a one-size-fits-all approach, H.R. 3312 would promote Main Street access to credit and unlock economic growth.

H.R. 3857, the ''Protecting Advice for Small Savers (PASS) Act of 2017,'' would repeal the misguided ''fiduciary rule'' issued by the Department of Labor (DOL) in 2016. The DOL rule was built upon a fundamentally flawed and theoretical analysis that has been refuted by real life experience. A recent Chamber survey demonstrated the harm that DOL's rule is already inflicting upon investors, and we have long called for the SEC to assert its jurisdiction regarding standards of conduct for broker-dealers and investment advisers. H.R. 3857 would rightly direct SEC to craft a rulemaking under the securities laws to protect investors and preserve access to investment choice.

H.R. 3903, the ''Encouraging Public Offerings Act of 2017,'' would allow any company—regardless of size or EGC status—to take advantage of the popular provisions under Title I of the 2012 JOBS Act, which include allowing investors to submit confidential draft registration statements with the SEC and to ''test the waters'' before filing an IPO. Title I of the JOBS Act has proven to be a true policy success, and Congress and the SEC should continue to explore how more companies can take advantage of its provisions.

H.R. 3911, the ''Risk-Based Credit Examinations Act of 2017,'' would authorize the SEC to utilize 'risk-based' examinations of Nationally Recognized Statistical Rating Organizations (NRSROs), which would allow the SEC to focus its limited resources and prioritize its examination agenda, while reducing unnecessary compliance burdens on regulated entities.

H.R. 3948, the ''Protection of Source Code Act,'' would amend the Securities Act of 1933 to require that the SEC actually issue a subpoena before requiring a person or entity to produce trading ''source code.'' Source code is the intellectual property of certain market participants, and there is no reason for the SEC to put into place a broad collection mechanism for such sensitive information. This legislation is necessary after past attempts by the Commodity Futures Trading Commission (CFTC) to collect source code without a subpoena.

H.R. 3972, the ''Family Office Technical Correction Act of 2017,'' would provide certainty for ''family offices'' defined under securities laws by clarifying that such offices are accredited investors. This bill would preserve the ability of family offices to invest in certain private offerings and help them remain an important source of capital for growing businesses.

H.R. 3973, the ''Market Data Protection Act of 2017,'' would delay any reporting to the consolidated audit trail (CAT) until the SEC, Financial Industry Regulatory Authority (FINRA), and CAT operators develop sufficient cybersecurity protocols to protect the information that is set to be collected under the CAT. Recent cyberattacks have demonstrated that vulnerabilities exist within our capital markets, and H.R. 3973 would help safeguard the personal and sensitive information of market participants. The SEC should also explore alternatives to using personally-identifiable information as part of its data collection efforts under the CAT.

Collectively, these bills would modernize capital markets, preserve consumer choice and access to credit, and require more transparency and accountability of the federal financial regulators. We look forward to working with the Committee and Congress as these bills advance through the legislative process.

Sincerely,

NEIL BRADLEY.

HERITAGE ACTION FOR AMERICA.

To: Interested Parties
From: Heritage Action for America
Date: November 7, 2017
Subject: Micro-Offering Safe Harbor Act (H.R. 2201)

The Micro-Offering Safe Harbor Act (H.R. 2201) would remove unnecessary regulatory impediments for the smallest businesses seeking to raise capital to launch, to grow and to create jobs. It would create an exemption to the Securities Act registration requirement for businesses that make a securities offering to 35 or fewer people with whom they have a pre-existing relationship and that raise $500,000 or less. This will reduce the need for main street businesses to retain sophisticated securities counsel and improve their access to capital.

Heritage Action supports this legislation.

ENGINE,
San Francisco, CA, October 11, 2017.

Hon. JEB HENSARLING,
Chairman, House Committee on Financial Services, House of Representatives, Washington, DC.

Hon. MAXINE WATERS,
Ranking Member, House Committee on Financial Services, House of Representatives, Washington, DC.

DEAR CHAIRMAN HENSARLING AND RANKING MEMBER WATERS: On behalf of Engine and our community of startups, entrepreneurs, investors, and innovators, I write to express support for several bills scheduled for consideration before the House Committee on Financial Services tomorrow. Specifically, Engine reiterates its support for H.R. 2201, the ''Micro Offering Safe Harbor Act,'' which will facilitate capital access for promising startups.

Engine is a nonprofit and advocacy group that supports high-growth, high-tech startups through research, advocacy, and policy analysis. We work to foster and promote forward-looking government policies and a regulatory environment in which entrepreneurs can launch innovative, new companies that grow and thrive. Through conversations with diverse startups across the country, we know that capital access remains a top challenge in getting a business off the ground.

A large portion of startups rely on small, nonpublic offerings (also known as a ''private placements''), such as a ''friends and family'' round, to raise seed capital. In fact, a 2014 survey by the Kauffman Foundation found that over 28 percent of startups raised some amount of funding from their personal network. However, the Securities Act does not clearly define what constitutes a public offering, or conversely, a nonpublic offering, making it easy for early stage companies to unintentionally run afoul of the law when doing a private placement.

H.R. 2201 would create three bright line safe harbor exemptions for non-public offerings. Under the legislation, offerings would be exempt from registration with the Securities and Exchange Commission (SEC) if each purchaser has a substantive pre-existing relationship with the issuer, there are 35 or fewer purchasers, or the amount being raised does not exceed $500,000. These exemptions would bring much needed clarity for startups and ensure that a company doing a small, private placement is not forced to complete burdensome paperwork or spend precious resources on an expensive lawyer in order to comply with ambiguous regulatory requirements.

Finally, H.R. 2201 would exempt these micro-offerings from state blue sky registration and qualification laws, decreasing the regulatory complexity for startups doing a small raise.

Engine appreciates the Committee's consideration of this bill and its continued work on capital access issues for emerging firms. We look forward to further engagement with the bills' sponsors and Committee members on these important issues.

Sincerely,

EVAN ENGSTROM,
Executive Director.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield such time as he may consume to the gentleman from Rhode Island (Mr. CICILLINE).

Mr. CICILLINE. Mr. Speaker, I thank the gentlewoman for yielding.

I want to begin, Mr. Speaker, by responding to the gentleman from Texas, who began this debate by saying how this was a continuation of an ongoing effort by Republicans to promote progrowth tax reform in particular.

I want to be very clear, Mr. Speaker. The proposal that is currently before this House with respect to the tax changes is a tax scam. It is not a tax plan. It is a scam. It gives $1.5 trillion in tax cuts to the wealthiest Americans, the biggest corporations, and the millionaires and billionaires. It increases taxes on tens of millions of middle class families. It pays for this big gift back to corporations and billionaires and millionaires by deep cuts in Medicare, Medicaid, infrastructure spending, education—the things that actually create jobs.

It creates additional incentives to ship American jobs overseas, creates incentives for American companies to take jobs here and ship them overseas, not to keep them here in our own country. It is another maybe more robust example of trickle-down economics. It has failed before. It will fail again.

The American people might have the benefit of understanding this more completely if there were actually a process where this was debated, witnesses testified, and experts came in to talk about the implications of this. But this is being done in the dark of night, at the speed of light so the American people won't find out what is about to happen to them. So the idea of describing this as progrowth in this context, both with the provisions and the process, seems, to me, laughable.

Let me just give the American people a couple of examples:

It denies individuals the right to deduct State and local taxes but preserves that right for corporations;

It denies the worker who is forced to leave his home and move because his employer is moving—either do that or he loses his job—from deducting the cost of moving, but it preserves the right of a company who is offshoring jobs overseas to take a deduction for the cost of moving those American jobs overseas.

Those are just two examples. So this isn't a progrowth tax policy. This is trickle-down economics designed to let the people at the very top hold onto more of their money and corporations to keep more of their profits in the hope that it will trickle down to the rest of the American people.

It doesn't work. It doesn't represent a progrowth tax policy. It is a tax scam, and so I want to just correct the record, Mr. Speaker, with all due respect to the gentleman from Texas.

Mr. Speaker, I rise, in addition to that, to express my strong opposition to H.R. 2201, the Micro Offering Safe Harbor Act.

In light of the devastating 2008 financial crisis and the regulatory weaknesses revealed by the Wells Fargo and Equifax scandals, we should be considering legislation that will bolster consumer and investor protections; but today, instead, we are considering H.R. 2201, which will enable abusive financial practices.

Generally, a company that seeks to make public offerings must register them with the Securities and Exchange Commission or must fit into one of several exceptions that are designed to balance investor protections with regulatory burdens on smaller companies. This legislation would allow so-called microcap offerings, offerings valued at $500,000 or less in a single year to be sold to 35 or fewer investors, subject only to the requirement that each investor have a substantive preexisting relationship with the company.

Despite the similarity of these provisions to some restrictions currently imposed on unregistered security offerings, H.R. 2201 omits several critical investor protections that are characteristic of existing exemptions. In particular, microcap offerings would be exempt from important regulatory protections set up in the 1933 Securities Act, including registration, disclosure, and fraud protections.

Oversight in the smaller offering space such as the one proposed in H.R. 2201 is important because the SEC has found fraud in the microcap stock markets is of increasing concern to regulators, as such markets have proven to be fertile grounds for fraud and abuse.

Without core protections, H.R. 2201 would leave investors vulnerable to an array of investment scams and abuses, with unsophisticated investors particularly at risk. For example, the bill has no restriction on resale. In the past, failure to restrict the resale of unregistered securities has exposed secondary investors to fraudulent pump-and-dump schemes, as the gentlewoman from California mentioned.

Additionally, groups like Americans for Financial Reform, Center for American Progress, and Public Citizen oppose H.R. 2201 because it would enable a type of investment scam known as affinity fraud. In these schemes, scam artists prey upon members of identifiable groups, such as ethnic or religious communities or the elderly, often by enlisting respected community or religious members to help convince victims that a dubious investment is legitimate. The proliferation of affinity fraud in low-income communities demonstrates that H.R. 2201's preexisting relationship requirement would not provide safeguards against such abuse.

Given existing exemptions for smaller companies would provide ample opportunity for companies to raise capital while also protecting investors, H.R. 2201 is, at best, unnecessary. This bill would simply create a loophole that undermines protections against the kind of financial abuses and recklessness that we have already seen damage our financial system and hurt people.

Mr. Speaker, I urge my colleagues to oppose H.R. 2201.

I thank the gentlewoman again for yielding.

Mr. HENSARLING. Mr. Speaker, I yield myself 30 seconds, just to say, as I listen to the gentleman from Rhode Island and the ranking member, their comments are very interesting, but everything they described is already illegal. Their remarks acknowledge that the SEC can and does bring actions to enforce the securities laws and shut down fraud when they discover the fraud.

Nothing in H.R. 2201 eliminates the DOJ's ability to pursue criminal prosecutions or fraud. Nothing in it impacts the SEC's ability to pursue civil actions against issuers who engage in fraud under section 17(a) of the Securities Act of 1933. It is just a red herring. It is one of the reasons we have had such poor economic growth under the Democratic regime.

Mr. Speaker, I yield 3 minutes to the gentleman from Missouri (Mr. LUETKEMEYER), chairman of the Financial Institutions and Consumer Credit Subcommittee of our committee.

Mr. LUETKEMEYER. Mr. Speaker, I thank Chairman HENSARLING for his leadership on this issue. I also want to thank the gentleman from Minnesota (Mr. EMMER) for taking a lead on this important legislation.

As an elected official, I have the opportunity to interact with individuals across my district who strive to create new or expand existing small businesses. These are folks who work hard to provide for their families and serve as the backbones of their communities.

Unfortunately, for many entrepreneurs, overregulation has stifled their ability to innovate and grow. The National Federation of Independent Business published a recent study showing that 30 percent of small business respondents cited taxes, regulations, and red tape as their most significant business problem.

While certain sectors are reaping the benefits of a strong economy, the reality is that startups and small businesses are sitting on the sidelines with limited access to credit. It is something I hear about from businessmen and -women every single day, be they bankers, retailers, farmers, doctors, and every profession in between.

We also know that many startups and businesses have historically turned to local financial institutions for initial financing. In the years after passage of Dodd-Frank, small bank lending is down dramatically, leaving many commercial customers scrambling to find other forms of reasonably priced financing.

Across the board, we are enabling a burdensome system that penalizes entrepreneurship. We need to reverse course if we want to see a resurgence of small business creation and growth.

H.R. 2201 is commonsense legislation that seeks to reverse one impediment to entrepreneurship. Mr. EMMER's bill offers a thoughtful approach to a problem that has hindered and, in some cases, prevented small offerings across the Nation. It will appropriately scale Federal rules and regulatory compliance and will allow small businesses to access the capital necessary for growth.

More specifically, this legislation will exempt certain nonpublic micro offerings from the SEC requirements. The bill features guardrails that allow for investor protection and subjects any and all exempted micro offerings to the full suite of Federal and State antifraud laws.

The result will be a less burdensome regulation that stifles innovation and increases access to capital for startups and small businesses that comply with the parameters included in the bill. This bill is about Main Street, about the small-business men and women in each of our districts.

Mr. Speaker, I want to again thank and applaud the gentleman from Minnesota for his hard work on this legislation, and I ask my colleagues to join me in voting in favor of the legislation.

Ms. MAXINE WATERS of California. Mr. Speaker, may I inquire as to how much time I have remaining.

The SPEAKER pro tempore. The gentlewoman has 18½ minutes remaining. The gentleman from Texas has 16 minutes remaining.

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

Mr. Speaker, we have laid out this morning exactly how vulnerable groups and individuals can be taken advantage of with legislation like this. I don't know exactly where this legislation originated, but I can almost guarantee you that we are creating opportunities for individuals who don't have the best interest of our constituents at heart to literally get small groups together, 35, I guess, or less, and sell them on ideas where they are raising funds that probably will not result in profits as expected by those who are investing in these schemes.

□ 0945

No, there are no protections. There is no notice. The SEC will not know when and where these schemes are arising. So I would say to my colleagues on the opposite side of the aisle: When are we going to act as if we have the best interests of our constituents at heart? When are we going to be about protecting consumers rather than opening up opportunities for them to be the victims of fraud?

We have fraudulent schemes that are directed at the most vulnerable people. I know where those people who are organizing these schemes will go. They will go to our churches where well-meaning ministers and parishioners will be taken advantage of.

In these vulnerable communities that are always taken advantage of, we have people who are the victims of payday loans where they are paying 400 percent for moneys that they are borrowing when they are desperate in between paychecks. We have rent-to-own schemes. We have all kinds of schemes where these convenience stores, in places where we have food deserts, are charging extremely high prices for food that is basically being sold for regular, ordinary, good prices in other communities.

In some communities, even in California, the gas taxes are rising. We have the rental market that is going off the scale all over this country with people not being able to afford a decent lease or a decent rental space, and so here we are just opening up another opportunity for folks to be ripped off.

It is going to happen; I can guarantee you that. When you have something like this that is passed by the Congress of the United States, it is going to be taken advantage of, and the way that this is constructed, it almost begs to be taken advantage of.

So do you know what happens when this kind of thing takes place and Members of Congress put their reputations on passing this kind of legislation? When the rip-offs start and people are harmed a few years later, then they are going to come back with legislation talking about how they are correcting the fraud and the rip-offs that we caused in the first place.

When is this going to stop? We have a Consumer Financial Protection Bureau that is struggling every day to protect our consumers. Prior to Dodd-Frank, we had our oversight agencies with the responsibility of protecting consumers, but they didn't have any real protection. So Dodd-Frank reforms helped to create opportunities for Members of Congress to be able to protect their consumers and not to be involved in these kinds of schemes.

But the opposite side of the aisle has spent an inordinate amount of time trying to kill off the Consumer Financial Protection Bureau, and they have done it in so many ways. Not only do they come up with amendments time and time again to try and shut down the Consumer Financial Protection Bureau, they treat the Director of the Consumer Financial Protection Bureau so badly that they almost deny him the opportunity to come before our committee and to be heard.

So I don't know whose side legislators are on who create this kind of crap. I don't understand why it is deemed to be important to open up the opportunity for schemes and to not give the SEC the ability to know when they are getting started, to have the

kind of disclosures, and to have the kind of oversight that would protect the most vulnerable people in our society.

Mr. Speaker, yes, this legislation will probably pass today. The Republicans have the majority votes in this Congress, and I suppose they are going to get all of their people to vote for this bill that is going to rip off some of their constituents, and, again, we won't be able to stop it because, again, they have the majority votes.

But I want the people of this country to know and understand what is happening, who is doing it to them, and why they are having a difficult time. At a time when the rental market is going off the scale and they can't afford to pay the first and the last month's rent to get into a place, I want them to know who is creating the difficulties in their lives when their jobs have not increased their pay, they are still trying to have a decent quality of life for their families, despite the fact that the pay does not match the job that they are doing, and they haven't had the pay increases.

When are we going to show that we stand up for the least of these? When your churches get ripped off—and we are working on some of those schemes now where, even with the responsibilities that the SEC has, we have people who are getting ripped off, and here we come with another piece of legislation. Then what we do is we shade it in terms of this is for small business development. Then we hear from the opposite side about all the other companies who started as little-bitty companies in their garage. Well, they all started without this bill. They didn't need this bill to start.

So why are you doing this? Yeah, you are right; there are a lot of companies, and you have named them, particularly in the high tech industries that started, and they had some of their own money to get started with, and maybe the family helped them, I don't know, but they didn't have this legislation. They didn't need this legislation. Nobody needs this legislation.

This legislation is harmful, and I would ask my colleagues to vote against the bill. If there are any Members on the opposite side of the aisle who really are concerned about their constituents, I would ask them to defy their leadership and vote against this bill.

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

Mr. HENSARLING. Mr. Speaker, number one, I was very pleased to hear one of the most compelling indictments of 8 years of the Obama administration I have ever heard on the House floor, and I thank the ranking member for it.

Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. ROTHFUS), who is the vice chairman of the Financial Institutions and Consumer Credit Subcommittee.

Mr. ROTHFUS. Mr. Speaker, I thank the chairman for yielding.

Jobs, jobs, jobs. That is why, Mr. Speaker, I rise today to express my support for the Micro Offering Safe Harbor Act.

Whose side am I on? The tens of millions of folks who don't have jobs out there who want job opportunities. We know from some studies that, over the last 8 years of wrong regulation, 650,000 small businesses have not been created. That means 6½ million jobs, 6½ million people who are not paying Medicare tax, and 6½ million people who are not paying Social Security tax. We need these people in the game, Mr. Speaker, and this act can help them get into the game.

This is an important piece of pro-jobs legislation, and I thank my colleague, Mr. EMMER, for introducing it.

We all want our economy to become vibrant once again so it can generate opportunity and prosperity for all Americans. Unfortunately, regulatory burdens—both new and preexisting—often get in the way of raising capital and building a business.

At hearing after hearing at the Financial Services Committee, we have heard from financial institutions that are unable to lend to small businesses or are afraid to do so. We have also heard from businesses that cannot find the capital they need to expand or to retool. All of this has an impact on jobs and wages as well as on our overall economy.

The Micro Offering Safe Harbor Act is a targeted, commonsense bill that will make it easier for small businesses to access capital that they need to grow.

Specifically, H.R. 2201 will permit businesses to issue a limited number of securities to individuals with whom principals have a preexisting relationship. This would include family and friends who are often early investors in startups.

Businesses will only be able to issue a small amount of securities—$500,000 a year—but that is a step in the right direction toward helping businesses that need funding.

This is good policy that will make it easier for small businesses to get off the ground, grow, and add jobs.

At the same time, this bill ensures that our regulators can continue to police fraud and abuse, and to do so aggressively. On that point, there is no ambiguity. Fraud is illegal, and it will not be tolerated or excused.

Again, I strongly support the Micro Offering Safe Harbor Act. It is good for the economy and good for hardworking Americans. It is good for jobs, jobs, jobs.

Mr. Speaker, I urge my colleagues to support this legislation.

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

Mr. Speaker, by allowing entities to sell unregistered securities based solely on a preexisting relationship with the investor, H.R. 2201 would create a road map for affinity fraud.

Affinity fraud is a type of investment scam where swindlers prey upon members of identifiable groups such as ethnic or religious communities or the elderly. Often, affinity fraudsters take advantage of preexisting relationships to engender trust and convince victims that a dubious investment is legitimate.

The Securities and Exchange Commission has found that such frauds pose heightened risks to investors because they can be difficult for regulators or law enforcement officials to detect, particularly where the fraudsters have used respected community or religious leaders to convince others to join the investment.

The following cases represent a sampling of recent affinity fraud actions from around the United States.

In August, 2013, the SEC halted an offering fraud scheme where Steven Bruce Heinz, a Utah resident purporting to be an investment adviser, sold phony investment contracts to more than 15 of his former clients, family members, and friends. According to the SEC's complaint, Heinz raised $4 million in investor funds he used to engage in high-risk trading of future contracts and to pay his own personal expenses such as family vacations to Mexico and a $600,000 loan.

Among the investors taken in by Heinz scam was ''the recent widow of a church associate of Heinz who invested with Heinz after he volunteered to assist her with her finances and investments after her spouse died.''

In 2012, the SEC stopped a $7.5 million fraud operation targeting the Persian-Jewish community in Los Angeles. The SEC's assistant regional director stated that Shervin Neman ''deceived members of his own community to raise money in this fraudulent Ponzi scheme. By exploiting investors' trust in him, Neman was continually able to raise more money to pay back existing investors and finance an extravagant lifestyle.''

According to the SEC's complaint, among other things, Neman spent investor funds to pay for his wedding and honeymoon, his wife's engagement ring, luxury cars, and VIP tickets to entertainment venues.

In 2015, the SEC permanently barred John Allan Russell from the securities industry after Russell pled guilty to securities fraud in Colorado State court. The SEC's administrative law judge found that Russell obtained almost $300,000 by selling debt securities to an elderly victim who suffered from dementia and Alzheimer's disease. The ALJ also determined that ''Russell's scheme may have involved affinity fraud because the misconduct began a few years after the victim acted as Russell's godfather at his baptism.''

These cases demonstrate that H.R. 2201's preexisting relationship requirement would not provide any meaningful deterrent against abuse. On the contrary, it would encourage opportunistic conduct targeting communities.

Mr. Speaker, I urge my colleagues to join me in voting ''no'' for this bill.

Given all that the SEC is able to do, they can't keep up with these schemes, and now you are going to open up the door for them to have to wrestle with trying to help people who are victims of these kinds of schemes.

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

Mr. HENSARLING. Mr. Speaker, I yield 3 minutes to the gentleman from Colorado (Mr. TIPTON), who is the vice chairman of the Oversight and Investigations Subcommittee.

□ 1000

Mr. TIPTON. Mr. Speaker, I rise today to join my colleagues in support of the gentleman from Minnesota's legislation, the Micro Offering Safe Harbor Act.

As I have traveled through my district back in Colorado, I have often been dismayed by the ever-increasing number of storefronts, once thriving businesses, which now have ''for sale'' and ''for lease'' signs out front.

Small businesses are essential to job creation and job innovation, but they have been so hamstrung by the burden of compliance with regulations intended for large public companies that their ability to be able to create jobs and innovate has been stifled.

The Micro Offering Safe Harbor Act will exempt certain micro offerings from the registration requirements of the Securities Act of 1933, thereby removing obstacles to obtaining funding in capital markets for Main Street businesses. It is hard for capitalism to work, Mr. Speaker, without capital.

This legislation tackles that problem and creates opportunities for hardworking small businesses to be able to go public to raise that initial capital in the early stage and to be able to develop that seed capital that is needed. Growth is often contingent on capital. Without investment, it is easy for small businesses to falter.

By defining the ''nonpublic offering'' exemption under the Securities Act, this legislation will provide small businesses with much-needed clarity and a renewed confidence in what the proper procedure is for a nonpublic offering that does not violate the law and helps to be able to grow businesses.

Removing this confusion will provide small businesses with much-needed certainty and allow them to be able to focus their resources on growth, rather than on compliance.

For this reason, I support the measure that is before us today, and I would encourage my colleagues to do the same. I commend Mr. EMMER for introducing this legislation to alleviate the burdensome compliance environment that is imposed on small businesses. Again, I encourage my colleagues to support this legislation.

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

Mr. Speaker, the North American Securities Administrators Association sent this letter of concern. They said that H.R. 2201 would result in an overly broad Federal exemption that would allow public solicitation and sales to any investor, regardless of sophistication or financial wherewithal, subject only to the requirement that there be a previously existing relationship, a standard that is not difficult to establish.

In practical terms, this means that Main Street investors could be solicited and sold up to $500,000 in private security by bad actors, including persons having been convicted of crimes or subject to one or more previous State enforcement actions, without any disclosure to the investor and without any notice to State or Federal regulators.

There is no valid basis for Congress to prevent State officials charged with protecting their constituents from making decisions about purely local or regional issues that would rely on the exemption established by H.R. 2201.

Further, preemption of State review or even notification for the type of small, localized offerings contemplated by H.R. 2201 would effectively handcuff the regulators best positioned to oversee such offerings.

Public Citizen said this bill ''would permit small offerings with no investor protections, such as notice of the offerings. It will enable a type of affinity fraud, where the seller can unload dubious securities, provided there is some relationship between seller and purchaser. This bill assumes that a preexisting relationship will deter abuse, which is a tenuous foundation, at best. Further, the relationship can begin with the offer.''

They don't have to have a previous relationship. It would start when the offer takes place.

Public Citizen further stated that ''the bill says the relationship must only exist before the purchase.''

Mr. Speaker, I include in the RECORD letters from these groups, as well as a letter from Americans for Financial Reform.

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.,
Washington, DC, November 7, 2017.

Re H.R. 2201—The Micro-Offering Safe Harbor Act.

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

DEAR SPEAKER RYAN AND LEADER PELOSI: On behalf of the North American Securities Administrators Association (''NASAA''), I write to express concern and raise specific objections to certain provisions of H.R. 2201, The Micro-Offering Safe Harbor Act, which is scheduled to be considered by the House of Representatives this week. The legislation would amend securities laws in ways that could be profoundly detrimental to investors, and detract from the viability of the marketplace for offerings from new or smaller issuers that are compliant with securities law.

The Micro-Offering Safe Harbor Act amends Section 4 of the Securities Act of 1933 to create a new exemption from registration. To qualify for the exemption, an offering would have to meet certain criteria regarding the number of purchasers, their relationship to the issuer, and the amount of capital raised. However, as more fully discussed below, the legislation fails to include critical investor protection measures and would preempt state regulatory authority.

State securities regulators understand the need of small businesses to efficiently raise capital and the role strong investor protection plays in facilitating this goal. Unfortunately, the changes embodied in H.R. 2201, while well intended, are ill-advised and potentially quite dangerous. For example, unregistered securities purchased under the exemption established by H.R. 2201 would not be ''restricted,'' and could thus be sold immediately, exposing investors to classic ''pump and dump'' schemes. Furthermore, NASAA is aware of no evidence to support the proposition that Congress should create a ''safe harbor'' to permit unregistered securities offerings to be offered and sold, including through general solicitation, regardless of investor sophistication or financial wherewithal. Even as the bill stands to introduce new and totally unnecessary risk into securities markets—failing to even disqualify ''bad actors'' from these markets—the goal of the legislation remains unclear and its necessity is, at best, not well-established. It is clear, however, from the terms of the exemption, and its failure to impose even the modicum of regulatory oversight that exists for similar ''private'' offerings under SEC Regulation D Rule 506, that offerings made under the new exemption are likely to be disproportionately risky and illiquid. This fact alone should be cause for concern by Congress.

Beyond stark new risks to investors, this legislation threatens to jeopardize the continued viability of established markets geared to smaller issuers, many of which operate lawfully within existing federal and state securities laws. Such markets include securities sold pursuant to SEC Rule 506, new federal exemptions established by the JOBS Act, and exemptions adopted in many states to permit intrastate crowdfunding. Without effective investor protection measures a potential effect of H.R. 2201 could be to cause investors to abandon the markets for smaller issues.

In closing, NASAA reiterates strong opposition to the preemption of state registration and notice filing authority in H.R. 2201. There is no valid basis for Congress to prevent states from making decisions about the local or regional issues that H.R. 2201 seeks to encourage. Failure to register or at the very least, to notice file with state regulators results in unknown sales, by unknown actors of unknown enterprises and result in no gatekeeper function to protect retail investors whose only source of recourse for fraudulent sales are the state securities regulators. At a minimum H.R. 2201 should:

1) Include bad actor disqualifications;

2) Establish a holding period to reduce the likelihood of ''pump and dump'' schemes;

3) Provide at least a notice filing with state regulators so that in the event of a fraudulent offering, state regulators can begin an investigation to try and protect retail investors;

4) Limit the sale amount to retail investors so that investors are not ''encouraged'' to place all their eggs in one basket; and

5) Prohibit or restrict general solicitation of what are clearly high risk securities.

Thank you for your consideration of NASAA's views.

Sincerely,

JOSEPH P. BORG,
NASAA President and Alabama Securities Director.

PUBLIC CITIZEN,
November 7, 2017.

Hon. MEMBER,
House of Representatives,
Washington, DC.

DEAR HONORABLE MEMBER: On behalf of more than 400,000 members and supporters of Public Citizen, we urge you to vote ''NO'' on three bills coming to the floor this week that would weaken financial protections that were put in place to protect American consumers. HR 3911 and HR 2148 will be considered under suspension. HR 2201 will be considered under regular order.

H.R. 2148, CLARIFYING COMMERCIAL REAL ESTATE LOANS

This bill would reduce the capital requirements for High Volatility Commercial Real Estate (HVCRE). During the recent financial crisis, this sector caused major losses, especially at smaller banks. The U.S. Government Accountability Office (GAO) found that failures of small banks ''were largely driven by credit losses on commercial real estate (CRE) loans, particularly loans secured by real estate to finance land development and construction.'' Further, this sector has grown rapidly in recent years, raising further concerns about prudential lending standards. We must assure that this type of lending remains properly capitalized to prevent against failures that could become economic contagions.

H.R. 2201, MICRO OFFERING SAFE HARBOR ACT

This bill removes basic protections from offering securities provided that the purchasers have a preexisting relationship with an officer, director, or shareholder with 10 percent or more of the shares of the issuer, and the aggregate amount of all securities sold by the issuer does not exceed $500,000 during a 12-month period. This would permit small offerings with no investor protections, such as a notice of the offering. It will enable a type of affinity fraud, where the seller can unload dubious securities provided there is some relationship between seller and purchaser. The bill assumes that a pre-existing relationship will deter abuse, which is a tenuous foundation, at best. Further, the relationship can begin with the offer. The bill says the relationship must only exist before the purchase. Finally, the bill pre-empts state regulatory oversight. Removing supervisors closest to potential problems is unwise and leaves small investors exposed to exploitation.

H.R. 3911, RISK-BASED CREDIT EXAMINATIONS ACT OF 2017

This bill would allow the Securities and Exchange Commission (SEC's) Office of Credit Ratings (OCR) to reduce its oversight of nationally recognized statistical rating organizations (NRSROs), also known as credit rating agencies. Credit rating agencies essentially sold their high marks to large banks that were securitizing loans, a major factor leading to the financial crash of 2008. In response to the inflated credit ratings for otherwise toxic securitizations, Congress mandated creation of the OCR and directed it to conduct annual examinations of each NRSRO and make its reports public. It must examine eight areas: (i) whether the NRSRO conducts business in accordance with its policies, procedures, and rating methodologies; (ii) the management of conflicts of interest by the NRSRO; (iii) the implementation of ethics policies by the NRSRO; (iv) the internal supervisory controls of the NRSRO; (v) the governance of the NRSRO; (vi) the activities of the Designated Compliance Officer (DCO) of the NRSRO; (vii) the processing of complaints by the NRSRO; and (viii) the policies of the NRSRO governing the post-employment activities of its former personnel. This bill would allow the SEC to reduce these categories of inspection to save staff resources. The answer is not to reduce inspections, but to increase the funding for the SEC.

These bills fail to advance investor interests or the safety of the market. Instead, they move in the opposite direction, ignoring the financial trauma from which Main Street is still recovering.

Sincerely,

PUBLIC CITIZEN.

AMERICANS FOR FINANCIAL REFORM,
Washington, DC, November 8, 2017.

DEAR REPRESENTATIVE: On behalf of Americans for Financial Reform (AFR), we are writing to urge you to vote against H.R. 2201, which is being considered on the House floor today. This legislation would remove crucial investor protections and open the door to affinity fraud in private securities offerings.

The registration requirement under the Securities Act of 1933 has two basic objectives: to allow investors access to information they need to evaluate the securities being offered and ''to prohibit deceit, misrepresentations, and other frauds in the sale of securities.''

H.R. 2201 would create needless exemptions from those key protections for so-called ''micro-cap offerings''—i.e., offerings valued at $500,000 or less in a single year. This legislation would allow micro offerings to be sold to financially unsophisticated and lower income investors, provided only that the investors have a ''pre-existing relationship'' with an officer, director, or major shareholder of the issuer. These conditions alone do not represent any protection for investors, nor do they guarantee access to minimum essential information to evaluate a private offering and make an informed decision about it.

H.R. 2201 would dismantle the protections afforded to small-dollar-amount investors by the Securities Act of 1933. Those protections include some minimal disclosures, transparency standards, and access to the information necessary to evaluate potentially risky and illiquid private offerings. The legislation would also eliminate restrictions on rapid sale of the securities, exposing investors in the small offerings market to potential ''pump and dump'' schemes.

As the state securities administrators (NASAA) point out in their opposition letter to this bill, H.R. 2201 also obstructs primary regulators by preempting state regulatory authorities. This legislation does not include any: limits on purchaser sophistication (e.g. the securities could be sold to non-accredited investors), measures to prevent offerings by bad actors, restrictions on secondary sales, or prohibition on general solicitation. This disturbing lack of protections would permit bad faith actors to direct shady private securities to investors.

Affinity frauds and Ponzi schemes are typically carried out by individuals who are members of the group or community they are trying to defraud—i.e., those with a ''pre-existing relationship'' with others in their group. Similarly, the SEC's red flags for Ponzi schemes include secretive investments and ''investments that are not registered with the SEC or with state regulators.'' By permitting the sale of unregistered securities not subject to state regulation within groups of investors with a ''pre-existing relationship'', H.R. 2201 would facilitate affinity fraud and Ponzi schemes.

Congress should not support statutory exemptions that loosen restraints on fraudsters. We urge you to reject this bill.

Sincerely,

AMERICANS FOR FINANCIAL REFORM.

Ms. MAXINE WATERS of California. Mr. Speaker, I don't understand why Members of Congress would disregard what the State regulators are saying. State regulators are saying: Don't do this. Don't preempt us. Don't pass legislation that would undermine our ability to protect your constituents.

Yet they are ignoring this altogether. I know that they received this information. I know that they know that the association had cautioned against this legislation. Let me just make sure that everybody knows. It is the North American Securities Administrators Association. They represent all of the States in cautioning against this legislation.

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

Mr. HENSARLING. Mr. Speaker, I yield myself 10 seconds just to say I heard the word ''protection'' often used by my friend, the ranking member, but she and her friends on the other side of the aisle had 10 years to protect paychecks, protect savings, and protect economic opportunity and the American Dream, and they failed miserably.

Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. DAVIDSON), a member of the Financial Services Committee.

Mr. DAVIDSON. Mr. Speaker, I thank Mr. EMMER for his leadership on this bill.

As a small businessman, prior to coming to Congress, I have raised capital for startups, and I can tell you that one option is no option.

I can tell you that the regulatory framework, particularly made worse by Dodd-Frank, is crippling access to capital for small- and medium-sized businesses. This is a very important thing.

One option is no option, and it is great to have this for small, early-stage companies that are trying to raise capital in private placements. Right now, most of this is done for accredited investors.

Effectively, this protects deal flow for people that are already wealthy. It locks people out of access to capital. Importantly, for the entrepreneur, sometimes in disadvantaged communities, they don't have this vast network of accredited investors to go to. They don't know how to access the SEC. They certainly don't have the time or money to spend working with the SEC on regulation. They have a business to grow. They need to have access to their friends and family and this early-stage capital to come in. $500,000 isn't much, but it is a start.

I hope that we can not just secure this win, but grow the protections, so that we can raise even more capital in this way.

Mr. Speaker, I urge my colleagues to support this bill.

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

Mr. HENSARLING. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana (Mr. HOLLINGSWORTH), another member of the Financial Services Committee.

Mr. HOLLINGSWORTH. Mr. Speaker, I thank the chairman for yielding.

I, too, stand in strong support of this legislation.

A recent poll out by Ernst & Young showed that millennials are starting businesses at a rate that is only one-third of prior generations. When asked why they are not starting businesses, those millennials responded that they have insufficient financial means in order to start businesses, despite a deep desire and will to start businesses. Over 78 percent said that they wanted to start a small business eventually, but they had insufficient means to do so. This bill starts to rectify that problem.

Those millennials could go to expensive and fancy investment bankers, but that is prohibitively expensive. Who they are going to turn to are their friends and family, those who most believe not only in the product, but in themselves.

I want to see us enable small businesses to get started back home. That is what I continue to hear as I go door to door in the district and as I talk to people. They want to be in control of their financial future. They want to have all of the opportunities that were afforded to their parents and their grandparents.

This bill begins to push back against a regulatory environment that has for too long smothered opportunity in Indiana in favor of more opportunity in D.C. We must rectify that. This legislation goes a long way towards that.

I am supportive of the legislation, supportive of small businesses back home, and supportive of the many Hoosiers who want to start small businesses.

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

Mr. HENSARLING. Mr. Speaker, I yield 2 minutes to the gentleman from South Carolina (Mr. NORMAN), he is not a member of the Financial Services Committee, but we would be proud if he were.

Mr. NORMAN. Mr. Speaker, as I listen to my liberal colleagues, the answer to every business is more government, more regulations. The American people are rejecting that.

As a small-business owner, I can tell you the stifling effects of overregulation. That is what this bill takes away. That is what this bill accomplishes.

So I strongly support H.R. 2201, the Micro Offering Safe Harbor Act. This bill is a critical step to reduce unnecessary burdens on economic growth and ensure that small businesses have access to the capital they need. I applaud Representative EMMER for championing this legislation.

As a member of the House Small Business Committee and a businessman myself, I understand the need of the number of challenges faced by small businesses, especially if that business wants to grow through tapping into the capital markets. Due to onerous SEC regulations, the cost of registration is expensive and out of reach for so many of the businesses wanting to expand.

We all know that the SEC provides an important function, which is to prevent securities fraud and protect the integrity of the market. However, we must be wary of a regulatory regime that fails to provide sufficient flexibility for businesses to raise capital while not providing any additional protection for investors.

The central purpose of H.R. 2201 is to strike the proper balance between protection and investment. The bill achieves this objective through empowering businesses to sell a limited number of securities to a limited numbers of investors without needing to comply with a number of SEC registration requirements.

Also, it is important to note that this narrowly tailored exemption only applies to investors that have substantive preexisting relationships with businesses.

Finally, nothing in this bill undermines existing investor protections. Fraud is still illegal and the SEC and the Department of Justice has the authority to prosecute bad actors.

I urge my colleagues to support this important legislation to implement a commonsense solution and stimulate small business growth.

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

Mr. HENSARLING. Mr. Speaker, I yield 1 minute to the gentleman from Wisconsin (Mr. DUFFY), the chairman of the Housing and Insurance Subcommittee.

Mr. DUFFY. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I thank Mr. EMMER, my colleague and friend from the neighboring State of Minnesota, for offering such a commonsense piece of legislation.

I frequently hear horror stories of fraud and abuse. All of us stand against fraud and abuse. I have a news flash for everybody: This law doesn't change that fraud is illegal. It was illegal before this bill and it will be illegal after this bill. Fraud is illegal.

All we are doing is saying we are going to keep the promise that all of us say that we have to small entrepreneurs and startups to make sure that they get seed capital and make sure they can thrive and grow and create jobs in our community.

All we are trying to do is give clarity to what constitutes a nonpublic offering. What is wrong with clarity? What is wrong with bright lines that they know that they can operate in between without violating the rule?

This is simple. It is straightforward, it is common sense, and it supports everything we say we support, which is small businesses, and I think this is a great piece of legislation.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Wisconsin.

Mr. DUFFY. I would ask all of my colleagues to stand together. Let's not play partisanship with the smallest businesses in our communities, the ones that we both agree create jobs. This is a time for unity. Let's work together, especially when it is common sense.

I love the passion from the ranking member, but on this one, it is passion without a cause. It makes sense. It gives bright lines.

Let's stand up for small businesses that create jobs in our community. Mr. EMMER's bill does that. I ask us all to stand up and support small businesses and this bill.

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

For my colleagues on the opposite side of the aisle who are bemoaning the fact that small businesses don't have access to capital, they have these relationships with all of these big banks.

Why don't they get to the big banks and tell them they ought to be making loans to small businesses?

□ 1015

I don't hear them, as a part of, you know, their rhetoric, talking about how many of the big banks are not being responsible. And so my colleague on the opposite side of the aisle and my friend talk about what is common sense. I tell you what is common sense. Common sense is not to place vulnerable people in a position where they are going to get ripped off.

Mr. Speaker, H.R. 2201 is a harmful bill that would simply serve as an invitation for investment scams. The bill fails to take into account the numerous other exemptions we have for small-dollar offerings, including under regulation D, regulation A, and crowdfunding rules. These exemptions already permit small businesses to raise capital while also protecting against fraud.

In light of these exemptions, there seems to be no reasonable explanation for the amount of legislative effort that has been wasted on this bill. Instead of H.R. 2201, which is unwarranted and may actually harm investors and the integrity of our markets, the House should be focused on passing legislation that can actually improve the lives of the Americans whom we serve.

Mr. Speaker, I urge my colleagues to vote ''no'' on H.R. 2201. Don't be a part of enacting one more scheme that is going to rip off our constituents, and then, you know, a few years later, come back here and talk about what a terrible thing it is that people are being ripped off by these investors, some of them who are criminals, but nobody knows it. The disclosure does not have to take place. They don't know that they have people who have already been involved in crimes who are coming to them talking about: let me help you earn some profits on this investment.

We know better. Common sense tells us better. If, in fact, we are committed to the proposition that we have a responsibility to protect our constituents from rip-offs, from fraud, from being taken advantage of, we will not support this bill. And I would hope that my friends on the opposite side of the aisle, despite how far they have gone in trying to represent that this bill is something that it is not, would at least change their minds today and support their constituents and vote ''no'' on this bill.

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

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

Mr. Speaker, as always, I listen very carefully to my friend, the ranking member. I know that she started off her closing remarks by saying: We don't need this bill, H.R. 2201, because the big banks can loan to the small businesses.

Well, that is fascinating to me, Mr. Speaker, because of the Dodd-Frank Act, which she so jealously supports, all of a sudden, the risk-based capital standards say that the banks have to reserve more for small business loans than they do for sovereign debt and municipal debt.

So all of a sudden, it is because of Dodd-Frank. In addition, we know that the ranking member supports the Federal Reserve policy of paying interest on excess reserves where the Federal Reserve takes taxpayer money to pay the big banks not to loan money. So if the ranking member was curious why the big banks aren't loaning to the small businesses, which they aren't—and prior to the Trump administration, we know that small business lending by banks was at a 25-year low—it is the very reason, Mr. Speaker, that we need the bill, the legislation of the gentleman from Minnesota (Mr. EMMER) so that we can unlock this.

Again, there is no surprise why, after 8 years of Obamanomics and the thinking from my friends on the other side of the aisle, small businesses have languished and why the economy has dropped down to a 1½ to 2 percent GDP growth. In fact, I think President Obama is one of the few Presidents in American history never to enjoy a year of 3 percent economic growth.

Now, he may personally have enjoyed it, but the American people didn't, Mr. Speaker. But the good news is that there is a change in administration and a change of attitude. That is why it is so important that we be able to get capital to our entrepreneurs, to our small businesses. Let them thrive again on Main Street.

We hear so often the ranking member decry Wall Street. We are talking about offerings of a half a million dollars. No on in Wall Street would touch that with a 10-foot pole. This is about Main Street, not Wall Street, Mr. Speaker.

It is interesting, as I listen to my friend, the ranking member, decry the fact that someone might be able to raise capital under this particular set of circumstances. Well, I have a news flash for all my colleagues. Already the SEC can grant a private offering for exactly the set of circumstances that my friend, the gentleman from Minnesota, puts into his bill. All the gentleman is doing is creating a bright line, safe harbor, so that the next Nike or the next Amazon isn't stopped from launching their enterprise by having to spend a million dollars on lawyers and accountants trying to navigate this uncertain murky labyrinth of SEC waters trying to determine what is a private offering and what is a public offering. That is all he is doing.

Again, this is already legal. It simply is discretionary to decide what is a private offering and what is a public offering by the Securities and Exchange Commission.

We now, Mr. Speaker, have had two quarters of 3-plus percent economic growth. We are seeing working Americans. We are seeing their paychecks increase yet again. We are seeing hope and resilience in the American Dream yet again, but we have so much more work to do, and that is why H.R. 2201 is so critical.

It takes small businesses today to be the big businesses of tomorrow. They are the creators. They are the job engine of America. They are the drivers of increased paychecks, greater economic opportunity, and a bigger, bolder American Dream. I thank the gentleman from Minnesota for this great legislation. I encourage all of my colleagues to adopt it.

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

The SPEAKER pro tempore. All time for debate on the bill has expired.

AMENDMENT OFFERED BY MR. EMMER

Mr. EMMER. Mr. Speaker, I have an amendment at the desk.

The SPEAKER pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Page 3, line 14, strike ''The transactions'' and insert the following:

''(1) IN GENERAL.—The transactions''.

Page 3, line 19, strike ''(1)'' and insert ''(A)'' and adjust the margin 2 ems to the right.

Page 3, line 24, strike ''(2)'' and insert ''(B)'' and adjust the margin 2 ems to the right.

Page 4, line 5, strike ''(3)'' and insert ''(C)'' and adjust the margin 2 ems to the right.

Page 4, line 10, strike the quotation mark and final period and insert after such line the following:

''(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.''.

The SPEAKER pro tempore. Pursuant to House Resolution 609, the gentleman from Minnesota (Mr. EMMER) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Minnesota.

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

Mr. Speaker, the amendment I am offering today will enhance antifraud and consumer protections for small businesses and startups seeking to take advantage of the micro offering exemption outlined in the underlying bill.

While the legislation itself requires three specific criteria to be met simultaneously in order to trigger a safe harbor exemption for a security offering, my amendment adds an additional layer of protection to further safeguard investors from bad actors.

Specifically, my amendment prohibits the exemption from being available for those who have been disqualified under the bad actor disqualification standard established by the SEC. This language was included with the support of my colleagues from both sides of the aisle during consideration in committee in the 114th Congress, and I am hopeful they will support its inclusion again in the 115th.

I want to reiterate that nothing in the base text of this bill erodes or limits the ability of Federal or State regulators to prosecute fraud, nor would it prevent private common law causes of action for fraud or breach of contract between the interested parties.

This amendment builds upon these existing protections and drives home the point that the Micro Offering Safe Harbor Act is purely focused on helping our small businesses and entrepreneurs access the tools they need to grow and create jobs in an orderly and legal manner.

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

Ms. MAXINE WATERS of California. Mr. Speaker, I claim the time in opposition to the amendment, even though I am not opposed.

The SPEAKER pro tempore. Without objection, the gentlewoman is recognized for 5 minutes.

There was no objection.

Ms. MAXINE WATERS of California. Mr. Speaker, under the current language of H.R. 2201, investors could be sold private securities by persons who have committed fraud or have violated security laws. Representative EMMER's amendment purports to add a layer of investor protections by adding a provision to so-called disqualify certain bad actors from utilizing the exemption.

While I applaud Mr. EMMER's attempt to add this most basic guardrail to a bill that otherwise creates an unmitigated safe harbor for fraudsters, I wonder why this provision was dropped from a similar bill that Mr. EMMER introduced last Congress.

Unfortunately, this amendment is woefully inadequate to address the otherwise dangerous new exemption created by H.R. 2201. Because the underlying bill requires no disclosure to investors and imposes no obligation to notify regulators of the offering, even if amended, H.R. 2201 would lead convicted fraudsters and lawbreakers to police themselves.

Moreover, the bill ties the hands of State securities regulators, who are the primary watchdogs over small, local securities offerings. If enacted, H.R. 2201 would leave a gaping hole in oversight of the very offerings it permits.

H.R. 2201 is a misguided attempt to support small businesses that is not meaningfully improved by the meager protections of this amendment. For these reasons, I continue to oppose this bill, and I urge all of my colleagues to vote ''no'' on H.R. 2201.

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

Mr. EMMER. Mr. Speaker, I will close at this point.

Mr. Speaker, I want to thank the ranking member for her encouragement and her compliments, and I want to just point out that the Micro Offering Safe Harbor Act was actually improved as a direct result of the ranking member's suggestions.

So, again, I want to thank her for her compliments here today, her encouragement in helping us make this an even better bill for entrepreneurs and small businesses across the country. At this point, I would encourage support for the amendment.

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

Ms. MAXINE WATERS of California. Mr. Speaker, I would like to warn the Members of this House not to take the compliments seriously that are being given by the gentleman who would have you believe that somehow I have totally embraced this amendment because I think it is going to change the fact that there is no disclosure to those who would be investing and no notice to the SEC.

So don't take him seriously when he talks about thanking me for encouraging and embracing. I have not done that. I am going to tolerate this amendment. It is late. It doesn't do what he says it is going to do. The bill is still a bad bill. It is a bill that is going to harm people. It is a bill that targets the most vulnerable people in our society. It is a bill where fraudsters are going to go into churches and convince ministers and parishioners that they are out to help them.

Members of Congress, do the right thing. Today, stand up against another attempt by misguided folks who would have you believe that they are helping people when, in fact, they are opening up opportunities for them to be ripped off one more time, ripped off in ways that could have been avoided.

Mr. Speaker, I oppose this bill. I ask everybody to vote against this bill.

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

The SPEAKER pro tempore. Pursuant to the rule, the previous question is ordered on the bill and on the amendment offered by the gentleman from Minnesota (Mr. EMMER).

The question is on the amendment by the gentleman from Minnesota (Mr. EMMER).

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.

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.

Ms. MAXINE WATERS of California. 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 question will be postponed.

MESSAGE FROM THE SENATE

A message from the Senate by Ms. Byrd, one of its clerks, announced that the Senate has passed without amendment bills of the House of the following titles:

H.R. 194. An act to ensure the effective processing of mail by Federal agencies, and for other purposes.

H.R. 3243. An act to amend title 40, United States Code, to eliminate the sunset of certain provisions relating to information technology, to amend the National Defense Authorization Act for Fiscal Year 2015 to extend the sunset relating to the Federal Data Center Consolidation Initiative, and for other purposes.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess for a period of less than 15 minutes.

Accordingly (at 10 o'clock and 30 minutes a.m.), the House stood in recess.

□ 1044

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. COLLINS of Georgia) at 10 o'clock and 44 minutes a.m.

MICRO OFFERING SAFE HARBOR ACT

The SPEAKER pro tempore. The unfinished business is the vote on passage of the bill (H.R. 2201) to amend the Securities Act of 1933 to exempt certain micro-offerings from the registration requirements of such Act, and for other purposes, on which the yeas and nays were ordered.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the passage of the bill.

The vote was taken by electronic device, and there were—yeas 232, nays 188, not voting 12, as follows:

[Roll No. 622]

YEAS—232

Abraham	Faso	Loudermilk
Aderholt	Ferguson	Love
Allen	Fitzpatrick	Lucas
Amash	Fleischmann	Luetkemeyer
Amodei	Flores	MacArthur
Arrington	Fortenberry	Marchant
Babin	Foxx	Marino
Bacon	Franks (AZ)	Marshall
Banks (IN)	Frelinghuysen	Massie
Barletta	Gaetz	Mast
Barr	Gallagher	McCarthy
Barton	Garrett	McCaul
Bergman	Gianforte	McClintock
Biggs	Gibbs	McHenry
Bilirakis	Gohmert	McKinley
Bishop (MI)	Goodlatte	McMorris Rodgers
Bishop (UT)	Gosar	McSally
Black	Gowdy	Meadows
Blackburn	Graves (GA)	Meehan
Blum	Graves (LA)	Messer
Bost	Graves (MO)	Mitchell
Brady (TX)	Griffith	Moolenaar
Brat	Grothman	Mooney (WV)
Brooks (AL)	Guthrie	Mullin
Brooks (IN)	Handel	Newhouse
Buchanan	Harper	Noem
Buck	Harris	Norman
Bucshon	Hartzler	Nunes
Budd	Hensarling	Olson
Burgess	Herrera Beutler	Palmer
Byrne	Hice, Jody B.	Paulsen
Calvert	Higgins (LA)	Pearce
Carter (GA)	Hill	Perry
Carter (TX)	Holding	Pittenger
Chabot	Hollingsworth	Poe (TX)
Cheney	Hudson	Poliquin
Coffman	Huizenga	Posey
Cole	Hultgren	Ratcliffe
Collins (GA)	Hunter	Reed
Collins (NY)	Issa	Reichert
Comer	Jenkins (KS)	Renacci
Comstock	Jenkins (WV)	Rice (SC)
Conaway	Johnson (LA)	Roby
Cook	Johnson (OH)	Roe (TN)
Costello (PA)	Johnson, Sam	Rogers (AL)
Cramer	Jordan	Rogers (KY)
Crawford	Joyce (OH)	Rohrabacher
Culberson	Katko	Rokita
Curbelo (FL)	Kelly (MS)	Rooney, Francis
Davidson	Kelly (PA)	Ros-Lehtinen
Davis, Rodney	King (IA)	Roskam
Denham	King (NY)	Ross
Dent	Kinzinger	Rothfus
DeSantis	Knight	Rouzer
DesJarlais	Kustoff (TN)	Royce (CA)
Diaz-Balart	Labrador	Russell
Donovan	LaHood	Rutherford
Duffy	LaMalfa	Sanford
Duncan (SC)	Lamborn	Scalise
Duncan (TN)	Lance	Schweikert
Dunn	Latta	Scott, Austin
Emmer	Lewis (MN)	Sensenbrenner
Estes (KS)	LoBiondo	Sessions
Farenthold	Long	