

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

Mr. KATKO. Mr. Speaker, I appreciate the comments of my colleague from the District of Columbia.

H.R. 5729 is a very straightforward bill. It fixes something that needs to be fixed quickly, and I urge Members to support it.

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

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New York (Mr. KATKO) that the House suspend the rules and pass the bill, H.R. 5729, as amended.

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

A motion to reconsider was laid on the table.

IMPROVING INVESTMENT RESEARCH FOR SMALL AND EMERGING ISSUERS ACT

Mr. HUIZENGA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 6139) to require the Securities and Exchange Commission to carry out a study to evaluate the issues affecting the provision of and reliance upon investment research into small issuers.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 6139

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 “Improving Investment Research for Small and Emerging Issuers Act”.

SEC. 2. RESEARCH STUDY.

(a) STUDY REQUIRED.—The Securities and Exchange Commission shall conduct a study to evaluate the issues affecting the provision of and reliance upon investment research into small issuers, including emerging growth companies and companies considering initial public offerings.

(b) CONTENTS OF STUDY.—The study required under subsection (a) shall consider—

(1) factors related to the demand for such research by institutional and retail investors;

(2) the availability of such research, including—

(A) the number and types of firms who provide such research;

(B) the volume of such research over time; and

(C) competition in the research market;

(3) conflicts of interest relating to the production and distribution of investment research;

(4) the costs of such research;

(5) the impacts of different payment mechanisms for investment research into small issuers, including whether such research is paid for by—

(A) hard-dollar payments from research clients;

(B) payments directed from the client's commission income (i.e., “soft dollars”); or

(C) payments from the issuer that is the subject of such research;

(6) any unique challenges faced by minority-owned, women-owned, and veteran-owned small issuers in obtaining research coverage; and

(7) the impact on the availability of research coverage for small issuers due to—

(A) investment adviser concentration and consolidation, including any potential impacts of fund-size on demand for investment research of small issuers;

(B) broker and dealer concentration and consolidation, including any relationships between the size of the firm and allocation of resources for investment research into small issuers;

(C) Securities and Exchange Commission rules;

(D) registered national securities association rules;

(E) State and Federal liability concerns;

(F) the settlement agreements referenced in Securities and Exchange Commission Litigation Release No. 18438 (i.e., the “Global Research Analyst Settlement”); and

(G) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as implemented by the European Union (“EU”) member states (“MiFID II”).

(c) REPORT REQUIRED.—Not later than 180 days after the date of the enactment of this Act, the Securities and Exchange Commission shall submit to Congress a report that includes—

(1) the results of the study required by subsection (a); and

(2) recommendations to increase the demand for, volume of, and quality of investment research into small issuers, including emerging growth companies and companies considering initial public offerings.

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

The Chair recognizes the gentleman from Michigan.

GENERAL LEAVE

Mr. HUIZENGA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous materials on this bill.

The SPEAKER pro tempore (Mr. KATKO). Is there objection to the request of the gentleman from Michigan?

There was no objection.

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

Mr. Speaker, initial public offerings, or IPOs, have historically been one of the most meaningful steps in the lifecycle of a company.

Going public was the ultimate goal for many entrepreneurs. You start a business from scratch, build it into a successful enterprise, and then open up an opportunity for the public to share in your success. Going public not only affords companies many benefits, including access to the capital markets, but IPOs are also important to the investing public. By completing an IPO, a company is able to raise much-needed capital for job creation and expansion opportunities, while allowing Main Street investors an opportunity to have an economic piece of the action and the ability to participate in the growth phase of a company.

However, over the past two decades, our Nation has experienced a 37 percent decline in the number of U.S.-listed companies. Equally troubling, we have

seen the number of public companies fall to around 5,700. These statistics are concerning because they are similar to the data we saw in the 1980s when our economy was less than half of its current size.

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

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

That is from SEC Chairman Jay Clayton.

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

One way that Congress worked to lift burdensome regulations and help small companies gain access to these capital markets was the bipartisan Jumpstart Our Business Startups Act, commonly known as the JOBS Act. Section 105 of the JOBS Act changed the “gun-jumping rules” to provide an exception from the definition of an offer to allow for the publication or distribution by a broker or dealer of a research report about an emerging growth company that is the subject of a proposed public offering.

However, few investment banks have published any pre-IPO research since passage of the JOBS Act, and research coverage, in general, on small issuers continues to be an issue. This negatively affects investor interest and awareness in a company as well as its trading liquidity and, therefore, does not allow the company to launch the way that it properly could.

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This provision is intended to increase research, but, unfortunately, it has had the opposite effect, and, instead, there has been a significant decline—we have seen a significant decline over recent years in analyst research covering small public companies.

According to the U.S. Chamber, “61 percent of all companies listed on a major exchange with less than \$100 million market capitalization have no research coverage at all.”

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

in market cap have an average of 12 research analysts covering the stock.

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

In fact, one study published in June of 2017 in *The Journal of Finance* found that an increase in the number of analysts covering an industry improved the quality of analyst forecasts and information flow to investors. For that reason, it is important to examine current SEC rules and regulations affecting the ability of investment research coverage regarding these small issuers.

The Treasury report on Capital Markets recommended a holistic review of the rules and regulations regarding research, including the global settlement, to determine which provisions should be retained, amended, or removed.

Our bipartisan bill, the Improving Investment Research for Small and Emerging Issuers Act would direct the SEC to study and evaluate issues affecting the ability of emerging growth companies and other small issuers in obtaining research coverage, including SEC rules, FINRA rules, State and Federal liability concerns, the 2003 Global Research Analyst Settlements, and MiFID II.

And not later than 180 days after enactment of that, the SEC will be required to submit to Congress a report that includes the results of the study and recommendations to assist these emerging growth companies, or EGCs, and other small issuers to obtain research coverage.

Among the issues the SEC must consider are factors related to the demand for such research by institutional and retail investors, cost considerations for such research, and the impact on the availability of research coverage for small issuers due to a variety of market and regulatory conditions.

The SEC's report must include recommendations to increase the demand for, volume of, and quality of investment research into small issuers, including EGCs. This legislation is supported by Biotechnology Industry Organization, also known as BIO; the U.S. Chamber of Commerce; Nasdaq; the Securities Industry and Financial Markets Association, also known as SIFMA; and the National Venture Capital Association.

I thank the ranking member, Ms. WATERS, for recognizing the importance of this research in our capital markets and working with me to address this issue and being a cosponsor of this.

So I urge all of my colleagues to support this bill, and 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, I rise in support of H.R. 6139, the Improving Investment Research for Small and Emerging Issuers Act.

I first would like to thank Mr. HUIZENGA for working with me to develop a bipartisan approach to identifying and addressing gaps in investment research coverage for small issuers.

Investment research helps to raise investor awareness, understanding, and interest about a company, which can, in turn, promote liquidity and overall trading in the company's securities. Unfortunately, research of small public companies has been on the decline in recent years.

According to a report from Capital IQ, nearly two-thirds of companies with less than \$100 million in market capitalization have no research coverage at all. At a recent Capital Markets, Securities, and Investment Subcommittee hearing, Tyler Gellasch, executive director of the Healthy Markets Association, testified about some of the factors contributing to low research coverage of small issuers.

According to Mr. Gellasch, one such factor is the bundling of research and execution services by investment banks, which "increases cost for investors and competitively disadvantages smaller independent research providers versus their larger peers."

H.R. 6139 directs the SEC to study competition in the research market and other factors affecting the availability of research coverage for small issuers, including emerging growth companies and companies considering an initial public offering. It also directs SEC to consider any unique challenges faced by minority women and veteran-owned businesses in obtaining research coverage.

Finally, the bill directs the SEC to report its findings to Congress within 6 months, along with recommendations to improve the quality and availability of investment research for small issuers. This bipartisan effort will help identify the barriers small businesses face when attempting to get their story out to investors in our public capital markets.

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

Mr. HUIZENGA. Mr. Speaker, I want to, again, thank the ranking member for her work on this and being able to move forward on this very important issue. And I, again, want to encourage all of our friends on all sides, on both sides of the aisle, to be supportive of this. It is a very important thing as we figure out the situation with the IPOs here in the United States.

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

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Michigan (Mr.

HUIZENGA) that the House suspend the rules and pass the bill, H.R. 6139.

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

A motion to reconsider was laid on the table.

THE LARRY DOBY CONGRESSIONAL GOLD MEDAL ACT

Mr. HUIZENGA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1861) to award a Congressional Gold Medal in honor of Lawrence Eugene "Larry" Doby in recognition of his achievements and contributions to American major league athletics, civil rights, and the Armed Forces during World War II.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1861

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 "The Larry Doby Congressional Gold Medal Act".

SEC. 2. FINDINGS.

Congress finds that—

(1) Larry Doby was born in Camden, South Carolina, on December 13, 1923, and moved to Paterson, New Jersey, in 1938, where he became a standout 4 sport athlete at Paterson Eastside High School;

(2) Larry Doby attended Long Island University on a basketball scholarship before enlisting in the United States Navy during World War II;

(3) upon his honorable discharge from the Navy in 1946, Larry Doby played baseball in the Negro National League for the Newark Eagles;

(4) after playing the 1946 season, Larry Doby's contract was purchased by the Cleveland Indians of the American League on July 3, 1947;

(5) on July 5, 1947, Larry Doby became the first African-American to play in the American League;

(6) Larry Doby played in the American League for 13 years, appearing in 1,533 games and batting .283, with 253 home runs and 970 runs batted in;

(7) Larry Doby was voted to 7 All-Star teams, led the American League in home runs twice, and played in 2 World Series;

(8) in 1948, Larry Doby helped lead the Cleveland Indians to a World Series Championship over the Boston Braves and became the first African-American player to hit a home run in a World Series game;

(9) after his stellar playing career ended, Larry Doby continued to make a significant contribution to his community;

(10) Larry Doby was a pioneer in the cause of civil rights and received honorary doctorate degrees from Long Island University, Princeton University, and Fairfield University;

(11) in 1978, Larry Doby became the manager of the Chicago White Sox, only the second African-American manager of a Major League Baseball team;

(12) Larry Doby was the Director of Community Relations for the New Jersey Nets of the National Basketball Association, where he was deeply involved in a number of inner-city youth programs; and

(13) Larry Doby was inducted to the National Baseball Hall of Fame in 1998.