

issue. This bill is a small step forward to start canceling that.

At its simplest, this bill works to modernize Federal law to treat e-cigarettes the same as any other nicotine product, and that is a good thing.

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

Ms. BASS. Mr. Speaker, I urge my colleagues to join me in supporting this bipartisan legislation, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from California (Ms. BASS) that the House suspend the rules and pass the bill, H.R. 3942, 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.

### CROWDFUNDING AMENDMENTS ACT

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4860) to amend the Securities Act of 1933 to subject crowdfunding vehicles to the jurisdiction of the Securities and Exchange Commission, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 4860

*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 “Crowdfunding Amendments Act”.

#### SEC. 2. CROWDFUNDING VEHICLES.

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

(1) in section 2(a) (15 U.S.C. 77b(a)), by adding at the end the following:

“(20) The term ‘crowdfunding vehicle’ has the meaning given the term in section 3(c)(15)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)(15)(B)).”;

(2) in section 4(a)(6) (15 U.S.C. 77d(a)(6))—

(A) in subparagraph (A)—

(i) by inserting “, other than a crowdfunding vehicle,” after “sold to all investors”; and

(ii) by inserting “other than a crowdfunding vehicle,” after “the issuer.”; and

(B) in subparagraph (B), in the matter preceding clause (i), by inserting “, other than a crowdfunding vehicle,” after “any investor”; and

(3) in section 4A(f) (15 U.S.C. 77d-1(f))—

(A) in the matter preceding paragraph (1), by striking “Section 4(6)” and inserting “Section 4(a)(6)”; and

(B) in paragraph (3), by inserting “by any of paragraphs (1) through (14) of” before “section 3(c)”.

(b) AMENDMENTS TO THE INVESTMENT COMPANY ACT OF 1940.—Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)) is amended by adding at the end the following:

“(15)(A) Any crowdfunding vehicle.

“(B) For purposes of this paragraph, the term ‘crowdfunding vehicle’ means a company—

“(i) the purpose of which (as set forth in the organizational documents of the company) is limited to acquiring, holding, and disposing of securities issued by a single company in one or more transactions made under section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6));

“(ii) that issues only 1 class of securities;

“(iii) that receives no compensation in connection with the acquisition, holding, or disposition of securities described in clause (i);

“(iv) no investment adviser or associated person of which receives any compensation on the basis of a share of capital gains upon, or capital appreciation of, any portion of the funds of an investor of the company;

“(v) the securities of which have been issued in a transaction made under section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6)), where both the crowdfunding vehicle and the company whose securities the crowdfunding vehicle holds are co-issuers;

“(vi) that is current with respect to ongoing reporting requirements under section 227.202 of title 17, Code of Federal Regulations, or any successor regulation;

“(vii) that holds securities of a company that is subject to ongoing reporting requirements under section 227.202 of title 17, Code of Federal Regulations, or any successor regulation;

“(viii) that is advised by an investment adviser that is—

“(I) registered under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.); and

“(II) required to—

“(aa) disclose to the investors of the company any fees charged by the investment adviser; and

“(bb) obtain approval from a majority of the investors of the company with respect to any increase in the fees described in item (aa); and

“(ix) that meets such other requirements as the Commission may, by rule, determine necessary or appropriate in the public interest and for the protection of investors.”.

(c) AMENDMENTS TO THE INVESTMENT ADVISERS ACT OF 1940.—The Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.) is amended—

(1) in section 202(a) (15 U.S.C. 80b-2(a))—

(A) by redesignating the second paragraph (29) as paragraph (31); and

(B) by adding at the end the following:

“(32) The term ‘crowdfunding vehicle’ has the meaning given the term in section 3(c)(15)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)(15)(B)).

“(33)(A) The term ‘crowdfunding vehicle adviser’ means an investment adviser that acts as an investment adviser solely with respect to crowdfunding vehicles.

“(B) A determination, for the purposes of subparagraph (A), regarding whether an investment adviser acts as an investment adviser solely with respect to crowdfunding vehicles shall not include any consideration of the activity of any affiliate of the investment adviser.”;

(2) in section 203 (15 U.S.C. 80b-3), by adding at the end the following:

“(o) CROWDFUNDING VEHICLE ADVISERS.—

“(1) IN GENERAL.—A crowdfunding vehicle adviser shall be required to register under this section.

“(2) TAILORED REQUIREMENTS.—As necessary or appropriate in the public interest and for the protection of investors, and to promote efficiency, competition, and capital formation, the Commission shall tailor the requirements under section 275.206(4)-2 of title 17, Code of Federal Regulations, with respect to the application of those requirements to a crowdfunding vehicle adviser.”;

(3) in section 203A(a) (15 U.S.C. 80b-3a(a))—

(A) in paragraph (1)—

(i) in subparagraph (A), by striking “or” at the end;

(ii) in subparagraph (B), by striking the period at the end and inserting “; or”; and

(iii) by adding at the end the following:

“(C) is a crowdfunding vehicle adviser.”;

and

(B) in paragraph (2)—

(i) in subparagraph (A), by inserting “a crowdfunding vehicle adviser,” after “unless the investment adviser is”; and

(ii) in subparagraph (B)(ii), in the matter preceding subclause (I), by inserting “except with respect to a crowdfunding vehicle adviser,” before “has assets”.

#### SEC. 3. CROWDFUNDING EXEMPTION FROM REGISTRATION.

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

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

“(A) IN GENERAL.—The Commission”;

(2) in subparagraph (A), as so designated, by striking “section 4(6)” and inserting “section 4(a)(6)”; and

(3) by adding at the end the following:

“(B) TREATMENT OF SECURITIES ISSUED BY CERTAIN ISSUERS.—

“(i) IN GENERAL.—An exemption under subparagraph (A) shall be unconditional for securities offered by an issuer that had a public float of less than \$75,000,000, as of the last business day of the most recently completed semiannual period of the issuer, which shall be calculated in accordance with clause (ii).

“(ii) CALCULATION.—

“(I) IN GENERAL.—A public float described in clause (i) shall be calculated by multiplying the aggregate worldwide number of shares of the common equity securities of an issuer that are held by non-affiliates by the price at which those securities were last sold (or the average bid and asked prices of those securities) in the principal market for those securities.

“(II) CALCULATION OF ZERO.—If a public float calculation under subclause (I) with respect to an issuer is zero, an exemption under subparagraph (A) shall be unconditional for securities offered by the issuer if the issuer had annual revenues of less than \$50,000,000, as of the most recently completed fiscal year of the issuer.”.

#### SEC. 4. RULE OF CONSTRUCTION.

Nothing in this Act or the amendments made by this Act may be construed to allow an issuer or a crowdfunding vehicle to offer or sell securities in excess of the limitation described under section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6)).

#### SEC. 5. DETERMINATION OF BUDGETARY EFFECTS.

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go Act of 2010, shall be determined by reference to the latest statement titled “Budgetary Effects of PAYGO Legislation” for this Act, submitted for printing in the Congressional Record by the Chairman of the House Budget Committee, provided that such statement has been submitted prior to the vote on passage.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Georgia (Mr. DAVID SCOTT) and the gentleman from North Carolina (Mr. MCHENRY) each will control 20 minutes.

The Chair recognizes the gentleman from Georgia.

GENERAL LEAVE

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative

days in which to revise and extend their remarks on this legislation and to insert extraneous materials therein.

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

There was no objection.

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I yield myself such time as I may consume.

First of all, Mr. Speaker, I would like to thank our ranking member of the Financial Services Committee, Representative MCHENRY, for his efforts in crafting this very important piece of legislation to help startups finance their operations while still protecting the investors who entrust their hard-earned funds to those companies.

Equity crowdfunding is a high-risk, high-reward investment that allows hundreds, or even thousands, of retail investors to invest in startup companies. But because of the unique and heightened risks posed by crowdfunding, Congress and the Securities and Exchange Commission have put in place guardrails to prevent these less-sophisticated investors from suffering financial ruin while still being able to access this area of the market.

Now, in 2012, Congress cautiously approached equity crowdfunding by creating a number of investor protections in the Jumpstart Our Business Startups Act, or the JOBS Act.

The SEC followed our directions and finalized a crowdfunding rule that protects investors by setting reasonable investment limits based on income and provides helpful disclosures for investors to weigh the risks.

This bill aims to enhance the investor and company experience in crowdfunding by authorizing crowdfunding vehicles to pool investors together, allowing them to make joint investments totaling \$1 million in a single business.

These vehicles would be advised by a registered investment adviser with a fiduciary duty to act in the best interests of the fund. Importantly, the investors would have the same rights to sue companies as if they had directly invested in the company itself—a very, very important point, Mr. Speaker.

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This bill also clarifies that as long as a crowdfunding company continues to make ongoing disclosures to investors required under SEC's rule, it would not have to make the more detailed public reports until it had either a \$75 million value or \$50 million in revenue. This change is consistent with the levels set under Regulation A, another exempt offering sold to retail investors.

I am very pleased that the bill also incorporates targeted improvements to crowdfunding for all investors and start-ups and lacks problematic provisions that were opposed by consumer advocates like the Consumer Federation of America in previous Congresses, including additional changes that Chairwoman WATERS and our ranking member agreed on this Congress.

Although crowdfunding should be viewed as highly risky in terms of investment, especially for retail investors, this bill will ensure a larger choice of high-quality crowdfunding companies and a higher degree of finance savvy for investors. And, in addition, it may help to ensure compliance with regulation crowdfunding.

Mr. MCHENRY. Will the gentleman yield?

Mr. DAVID SCOTT of Georgia. I yield to the gentleman from North Carolina.

Mr. MCHENRY. Mr. Speaker, I want to thank the gentleman for his support, and I want to thank the chairwoman of the House Financial Services Committee for her support as well. I am grateful for the work of Chairwoman WATERS and her Financial Services Committee staff for the hard work they have put in to protect investors and help small businesses.

Mr. Speaker, I will include in the RECORD a letter from Republic in support of the bill.

Mr. MCHENRY. Mr. Speaker, I include the remainder of my statement in the RECORD.

I am pleased the House is taking up my legislation and I would like to thank the gentleman from California, the Chairwoman of the Financial Services Committee, for her co-sponsorship of this bill.

We have worked together on this bill for three Congresses now.

I appreciate all the hard work that she and her staff have done to make this a bill that works to protect investors and promote small businesses, particularly in communities that are being left behind.

We all agree small businesses and entrepreneurs are America's true job creators.

This is especially true in communities I represent in western North Carolina.

But today, America's small businesses are still struggling to find capital. Small business lending from traditional banks continues to decline, and small business loans in America's small towns are less than half it was merely fifteen years ago.

Investment crowdfunding is one way we can reverse this concerning trend.

In 2012, I wrote the original bill to legalize investment-based crowdfunding, making it easier for businesses to raise capital.

That bill became part of the JOBS Act. Unfortunately, the SEC's final rule contained serious structural flaws that require Congress's immediate attention.

In particular, crowdfunding is suffering from the so-called "12-g problem." The "12 g problem" refers to a section of the Securities Exchange Act of 1934, which subjects crowdfunding companies to requirements similar to a public company, but at a very low asset threshold.

Our proposed amendment fixes the "12-g problem" by raising the asset threshold for both small businesses that already have revenue, and for those startups that do not. This makes it more likely that high-growth companies will consider crowdfunding as an option for raising capital.

Another significant problem for crowdfunding is that, under the SEC rule, single purpose funds are not permitted.

Single purpose funds allow Main street investors to invest along with more sophisticated

lead investors who have an obligation to advocate for their best interests.

That means better terms and greater transparency for the investors.

A single purpose fund also improves the capitalization table for companies that hope to attract venture capital in the future.

Although the bill does not include everything I would have hoped, we worked hard to find a compromise that addresses the most urgent problems with investment crowdfunding that need correcting now.

To that end, I want to thank Chairwoman WATERS again for her continued support on this important, bipartisan compromise.

This bill shows that we can work together in a bipartisan way to help American small businesses in seeking to raise capital by connecting folks not just in their local communities, but across America.

I am pleased that this legislation enjoys support from my colleagues on both sides of the aisle.

I urge my colleagues to join us in support of this bill.

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

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I urge all Members to vote for this bill, and I want to commend the ranking member for his excellent work.

I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Georgia (Mr. DAVID SCOTT) that the House suspend the rules and pass the bill, H.R. 4860, 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.

#### COORDINATING OVERSIGHT, UPGRADING AND INNOVATING TECHNOLOGY, AND EXAMINER REFORM ACT OF 2019

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2514) to make reforms to the Federal Bank Secrecy Act and anti-money laundering laws, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2514

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

#### SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Coordinating Oversight, Upgrading and Innovating Technology, and Examiner Reform Act of 2019" or the "COUNTER Act of 2019".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Bank Secrecy Act definition.
- Sec. 3. Determination of Budgetary Effects.
- TITLE I—STRENGTHENING TREASURY
- Sec. 101. Improving the definition and purpose of the Bank Secrecy Act.
- Sec. 102. Special hiring authority.
- Sec. 103. Civil Liberties and Privacy Officer.