

transparency without eliminating class structures that encourage founders that may not otherwise go public to do so.

Mr. Speaker, for these reasons, I support H.R. 2795, and I urge my colleagues to support this bill.

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

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

Mr. Speaker, I rise in support of H.R. 2795, the Enhancing Multi-Class Share Disclosures Act, sponsored by the gentleman from New York.

This bill closes documented gaps around multi-class governance structures. Multi-class governance structures are those where corporate insiders or beneficial owners retain an outsized amount of voting power relative to their shares.

These structures, while they may add value, can pose significant risks to other investors, making sunlight ever more important for investors. Specifically, these structures limit investors' ability to influence management, direct strategy, and hold misaligned boards accountable.

Under current rules, the difference between a corporate insider's voting power and their ownership interest, regardless of how large that gap may be, is often disclosed in ways that are difficult for a retail investor to fully comprehend.

Accordingly, the SEC Investor Advisory Committee recommended that the SEC amend its rules to ensure that this gap is better identified and quantified for investors via a disclosed ratio. This commonsense bill adopts this recommendation to ensure investors have the clearest information available to make the best decision for themselves.

This bill is supported by the Council of Institutional Investors, whose members manage trillions of dollars of assets for people all across America.

Mr. Speaker, I urge my colleagues to support this bill, and I reserve the balance of my time.

□ 1645

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

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. MEEKS), the sponsor of this bill.

Mr. MEEKS. Mr. Speaker, I rise today to urge support of H.R. 2795, the Enhancing Multi-Class Share Disclosures Act.

I thank Ranking Member WATERS for her leadership, her continued support of this legislation as she just articulated, as well as Chairwoman WAGNER, for her support so that we really have a bipartisan bill coming together for something that is really important.

This bill, as indicated by both Ms. WATERS and Mrs. WAGNER, closes documented gaps in transparency around multi-class governance and structures for the benefit of traditional investors, which is important because traditional

investors often come from Main Street, and we want to make sure that Main Street has all of the information it needs to go further with Wall Street.

These structures, while they may add value, can pose, as indicated, significant risks for investors. As also indicated, multi-class governance structures allow corporate insiders or beneficial owners to own an outsized amount of voting power relative to their shares. This could limit other investors' abilities to influence management, direct strategy, and hold misaligned boards accountable. Accountability, having a voice, that is what this bill does.

Let me be clear: I want to make sure that multi-class governance structures, while they do have their value, we know reforms are necessary, and their outright ban would do little for Main Street investors looking to gain a return on their next startup. We have seen companies employ these structures to access the public markets and open their profits to everyday investors, while still retaining the vision and direction of their founders.

Information is at the core of any well-working capital market system.

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

Ms. WATERS. Mr. Speaker, I yield an additional 1 minute to the gentleman from New York.

Mr. MEEKS. As I said, we have seen companies employ these structures to access the public markets and open their profits to everyday investors. That is what it is about, the everyday investors. Open those profits so that we can see what they are, while still retaining the vision and the direction of their founders so it doesn't stop it. It makes sure there is transparency and information.

Information is at the core of any well-working capital market system and more robust information is always best for investors. This bill will ensure that Main Street can make an informed decision as they look to invest in tomorrow's next successful business.

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

Mrs. WAGNER. Mr. Speaker, are there further requests for time on the other side or does the gentleman from California yield back?

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

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

This bill is pro-transparency, pro-investor, pro-corporate accountability. It strengthens investors' and other stakeholders' ability to understand the risks associated with investing in companies that have dual-class share structures.

Mr. Speaker, I again urge my colleagues to support this bill, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, I simply urge my colleagues to support H.R. 2795, and I yield back the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I rise today in support of H.R. 2795, the Enhancing Multi-Class Share Disclosures Act.

H.R. 2795 would amend the Securities Exchange Act of 1934 to require issuers with a multi-class stock structure to make certain disclosures in any proxy or consent solicitation material, and for other purposes.

A multi-class share structure occurs when a company issues two or more classes of shares that have different voting rights.

Under the bill, the issuer must disclose certain information about each director, director nominee, named executive officer, and each beneficial owner of securities with 5% or more of the total combined voting power of all classes of securities entitled to vote in the election of directors.

Specifically, the issuer must disclose (1) the number of shares of all classes of securities entitled to vote in the election of directors beneficially owned by such person, and (2) the amount of voting power held by such person.

The Enhancing Multi-Class Share Disclosures Act is both timely and necessary to close documented gaps in transparency around multi-class governance structures.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Missouri (Mrs. WAGNER) that the House suspend the rules and pass the bill, H.R. 2795, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mrs. WAGNER. 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 motion will be postponed.

#### PROMOTING OPPORTUNITIES FOR NON-TRADITIONAL CAPITAL FORMATION ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2796) to amend the Securities Exchange Act of 1934 to require the Advocate for Small Business Capital Formation to provide educational resources and host events to promote capital raising options for traditionally underrepresented small businesses, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2796

*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 "Promoting Opportunities for Non-Traditional Capital Formation Act".

#### SEC. 2. PROMOTING CAPITAL RAISING OPTIONS FOR TRADITIONALLY UNDERREPRESENTED SMALL BUSINESSES.

Section 4(j)(4) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(j)(4)) is amended—

(1) in subparagraph (G), by striking "and" at the end;

(2) in subparagraph (H), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

"(I) provide educational resources and host events to raise awareness of capital raising options for—

“(i) underrepresented small businesses, including women-owned and minority-owned small businesses;

“(ii) businesses located in rural areas; and

“(iii) small businesses affected by hurricanes or other natural disasters; and

“(J) at least annually, meet with representatives of State securities commissions to discuss opportunities for collaboration and coordination with respect to efforts to assist small businesses and small business investors.”.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentleman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

#### GENERAL LEAVE

Mrs. WAGNER. 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 material on the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

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

Mr. Speaker, I rise in support of H.R. 2796, the Promoting Opportunities for Non-Traditional Capital Formation Act.

I thank my colleague and ranking member of the Financial Services Committee, Ms. WATERS, for her work on this commonsense, bipartisan legislation to improve access to capital for underserved entrepreneurs and businesses from overlooked parts of the country.

When trying to raise capital to start or grow their businesses, entrepreneurs and founders need as little friction as possible. Unfortunately, access to capital and funding is more challenging for some than others. Likewise, funding is harder to obtain outside of a few select regions.

For example, most venture capital funding goes to companies in just three States: California, Massachusetts, and New York.

Likewise, less than 3 percent of venture dollars went to women, Black, and Latino founders. As a result, Congress should take steps to help companies and entrepreneurs from all geographic regions have access to resources that they need to grow.

This bill would require the SEC's Office of the Advocate for Small Business Capital Formation, or the Advocate, to provide educational resources and host events to promote capital-raising options for underrepresented small businesses and businesses in rural areas.

Last month, the Financial Services Committee passed numerous bipartisan bills out of our committee to facilitate capital formation and increase access to capital for entrepreneurs and small businesses. H.R. 2796 is a commonsense piece of our committee's efforts and complements the other bills that we passed.

Mr. Speaker, by requiring the Advocate to provide educational resources

and host events to promote capital-raising options for underserved entrepreneurs, this bill will assist entrepreneurs throughout the entire country in utilizing the capital-raising provisions within our securities laws best suited for their needs and circumstances. For these reasons, I urge my colleagues to support H.R. 2796.

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

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

I rise in support of my bill, H.R. 2796, the Promoting Opportunities for Non-Traditional Capital Formation Act.

At the beginning of this Congress, Chairman MCHENRY expressed an interest in working with me to pass sensible, pro-investor, and pro-capital formation bills, particularly if they will help small businesses.

My bill would do just that. It will encourage the SEC to better serve the needs of underserved small businesses, coordinate better with State regulators, all the while protecting investors.

The Office of the Advocate for Small Business Capital Formation is an independent SEC office that was established to advance the interests of small businesses. Under my bill, the office would be directed to proactively work to identify and address unique challenges faced by minority owned, women-owned, and rural small businesses, as well as businesses located in natural disaster areas.

My bill requires the SEC's Small Business Advocate to provide educational resources and host events to promote capital-raising options for these underrepresented small businesses and businesses in rural areas.

We all know that oftentimes you need that face-to-face connection to tell your story, but all too often, minority-owned businesses aren't invited to those gatherings.

My bill would also require the office to meet annually with representatives of State Securities Commissions to ensure that there is a whole-of-government approach to addressing the unique needs of underrepresented businesses.

The North American Securities Administrators Association strongly supports this legislation, particularly as it would strengthen collaboration and coordination between regulators.

Indeed, my bill makes sure that Federal regulators and State regulators do just that, while at the same time advancing the cause of small business capital formation across the spectrum. I hope my colleagues will join me in passing this bill.

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

Mrs. WAGNER. Mr. Speaker, are there further requests for time on the other side, or does the gentlewoman from California, is she prepared to close and yield back? I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I have no further speakers. I yield myself the balance of my time.

I am pleased to have worked with Chairman MCHENRY on this bill, and I look forward to continuing to work with him on other bills that are pro-small business and pro-capital formation, while at the same time strengthening the ability of our market and investor protection agencies to do their jobs.

Mr. Speaker, I again urge my colleagues to support this bill, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, I simply urge my colleagues to support H.R. 2796, and I yield back the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I rise in support of H.R. 2796 the Promoting Opportunities for Non-Traditional Capital Formation Act, which expands the functions of the Securities and Exchange Commission's Office of the Advocate for Small Business Capital Formation.

Additionally, this bill amends the Securities Exchange Act of 1934 to require the Advocate for Small Business Capital Formation to provide educational resources and host events to promote capital raising options for traditionally underrepresented small businesses, and for other purposes.

Specifically, the office must provide educational resources and host events to promote capital-raising options for underrepresented small businesses and businesses in rural areas.

Furthermore, the office must meet annually with representatives of state securities commissions to discuss opportunities for collaboration and coordination.

The passage of this legislation is essential for people in my home state of Texas and the constituents of the 18th Congressional District.

In the Houston metro area, 82 percent of operating firms have fewer than 20 employees.

Together, all these businesses employ around 400,000 workers, about 14 percent of the regional workforce, according to the U.S. Census Bureau's Business Dynamics Statistics.

Nearly 97 percent of businesses in the region have fewer than 500 employees, the standard to be considered a small business, and collectively employ around 44 percent of the region's workforce.

Additionally, the unemployment rate for Houston is around 4.9 percent.

Small businesses play an important role in creating jobs and advancing economic stability for the American people.

The Promoting Opportunities for Non-Traditional Capital Formation Act will work to provide resources to further help small businesses.

I urge all my colleagues to support this legislation.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Missouri (Mrs. WAGNER) that the House suspend the rules and pass the bill, H.R. 2796, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mrs. WAGNER. 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 motion will be postponed.

## EQUAL OPPORTUNITY FOR ALL INVESTORS ACT OF 2023

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2797) to amend the Securities Act of 1933 to require certification examinations for accredited investors, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2797

*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 “Equal Opportunity for All Investors Act of 2023”.

### SEC. 2. CERTIFICATION EXAMINATIONS FOR ACCREDITED INVESTORS.

(a) IN GENERAL.—The Securities and Exchange Commission shall revise the definition of “accredited investor” under Regulation D (section 230.501 of title 15, Code of Federal Regulations) to include any natural person who is certified through the examination required under subsection (b).

(b) ESTABLISHMENT OF EXAMINATION.—Not later than 1 year after the date of the enactment of this Act, the Securities and Exchange Commission shall establish an examination (including a test, certification, or examination program)—

(1) to certify an individual as an accredited investor; and

(2) that—

(A) is designed with an appropriate level of difficulty such that an individual with financial sophistication would be unlikely to fail; and

(B) includes methods to determine whether an individual seeking to be certified as an accredited investor demonstrates competency with respect to—

(i) the different types of securities;

(ii) the disclosure requirements under the securities laws applicable to issuers and private companies as compared to public companies;

(iii) corporate governance;

(iv) financial statements and the components of such statements;

(v) aspects of unregistered securities, securities issued by private companies, and investments into private funds, including risks associated with—

(I) limited liquidity;

(II) limited disclosures;

(III) variance in valuation methods;

(IV) information asymmetry;

(V) leverage risks;

(VI) concentration risk; and

(VII) longer investment horizons;

(vi) potential conflicts of interest, when the interests of the financial professionals and their clients are misaligned or when their professional responsibilities are compromised by financial motivations; and

(vii) other criteria the Commission determines necessary or appropriate in the public interest or for the protection of investors.

(c) ADMINISTRATION.—Beginning not later than 180 days after the date the examination is established under subsection (b), such examination shall be administered and offered free of charge to the public by a registered national securities association under section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o-3).

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

### GENERAL LEAVE

Mrs. WAGNER. 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 material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

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

Mr. Speaker, I rise in support of H.R. 2797, the Equal Opportunity for All Investors Act. I thank my colleagues, Congressman FLOOD and Congressman NICKEL, for their work on this important piece of bipartisan legislation that will safely increase investment opportunities for everyday investors.

The “accredited investor” definition is intended to limit private market investments to only those investors who are considered “sophisticated.”

□ 1700

To qualify as an accredited investor, an individual must have an annual income of at least \$200,000 or \$300,000 together with a spouse for each of the previous 2 years or a net worth of over \$1 million.

However, using wealth as a proxy for determining sophistication excludes a large pool of investors who may have other types of expertise or experience.

According to estimates from the Securities and Exchange Commission, the SEC, in 2016, about 13 percent of U.S. households qualified as accredited investors.

Additionally, only about 1.3 percent and 2.8 percent of accredited investors are Black and Latino, respectively. H.R. 2797 represents a thoughtful approach to expanding the accredited investor definition to include individuals who are certified through an examination established by the SEC and administered by FINRA.

Under this bill, if you can demonstrate competency with these types of investments through an exam, then you qualify as an accredited investor.

Mr. Speaker, by expanding the pathways to qualify as an accredited investor beyond wealth tests, this bill modernizes the outdated definition that has inappropriately sidelined sophisticated-but-not-wealthy individuals from high-growth asset classes historically reserved for the wealthiest individuals. By doing so, this legislation will help more American families realize the American Dream by building wealth through our capital markets.

For these reasons, I urge my colleagues to support H.R. 2797, and I reserve the balance of my time.

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

Mr. Speaker, I rise in support of H.R. 2797, the Equal Opportunity for All Investors Act, sponsored by the gentleman from Nebraska. The accredited investor framework serves to protect the general public from investing in high-risk, illiquid, private securities because they lack the safeguards that are a feature of public securities.

Unlike our public capital markets, companies do not provide anywhere near the same financial and other disclosures to investors for private offerings. Private securities also do not offer the same legal protections for investors.

The SEC and State securities regulators do not have the same ability to police the private markets as they can the public markets. The general rationale behind the comparative lack of regulations governing private securities is that institutional investors like private equity funds, hedge funds, banks, and others can demand the disclosures from the company in exchange for their investment and have significant legal resources to hold the company accountable.

These Wall Street players and other big-money investors don't necessarily need the same level of protections when investing as compared to retail investors like working families do. The accredited investor definition ensures that those who are eligible to invest in private securities do, in fact, have the knowledge to know these heightened risks.

Initially, the SEC defined accredited investors to be those who possess an intimate understanding of the risk and had the knowledge base to decide whether to invest in these particular types of securities.

However, the companies needing to raise capital privately and the underwriters and intermediaries facilitating these capital-raising activities argued for a simpler approach, so the SEC adopted the current definition which is based on financial resources.

Today, an accredited investor must meet three criteria: They must have a net worth either individually or with a spouse exceeding \$1 million, excluding the value of their home; make more than \$200,000 a year or \$300,000 with a spouse; or since 2020, hold certain professional certifications or designations, such as being an investment adviser or broker.

This bill being considered under suspension today aims to return to the original concept of accredited investor, which is that investors in these high-risk investment offerings should be fully aware and knowledgeable of the risks involved.

We all know that just because you have a million dollars, it doesn't mean that you understand the complexities of investing. This is why it is important for the SEC to also update the current thresholds so that Wall Street intermediaries are not able to sell unregulated securities to individuals who have become accredited solely based on