

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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June 14, 2016

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Chairman Hensarling and Ranking Member Waters:

The U.S. Chamber of Commerce (the “Chamber”), the world’s largest business federation representing the interests of more than three million businesses of all sizes, sectors and regions, as well as state and local chambers and industry associations and dedicated to promoting, protecting and defending America’s free enterprise system, supports the following bills, which the House Financial Services Committee has scheduled for markup on June 15, 2016: H.R. 4852, the Private Placement Improvement Act of 2016; H.R. 5143, the Transparent Insurance Standards Act of 2016 (as proposed to be amended); H.R. 5311, the Corporate Governance Reform and Transparency Act of 2016; H.R. 5424, the Investment Advisers Modernization Act of 2016; H.R. 5429, the SEC Regulatory Accountability Act; H.R. 4854, the Supporting America’s Innovators Act of 2016; and H.R. 4855, the Fix Crowdfunding Act. As described in greater detail herein, each of these bills improves the efficiency of the regulatory framework for companies seeking access to capital in order to grow, innovate, and create jobs.

H.R. 4852, the Private Placement Improvement Act of 2016. The Chamber supported the enactment of the JOBS Act in 2012 because it brought much needed regulatory relief to small companies seeking access to capital. Title II of the JOBS Act directed the SEC to revise its rules to lift the ban on general solicitation for a private securities offering under Rule 506 of Regulation D. Unfortunately, simultaneous with the SEC’s final rule, the SEC proposed a rule that would impose unnecessary and burdensome obligations on issuers seeking to take advantage of Rule 506. This proposal, which remains pending, threatens to eliminate the very benefits the JOBS Act brought to small issuers. H.R. 4852 would prevent the SEC from implementing this proposal so that companies can invest in productive efforts, not compliance with unnecessary obligations that don’t benefit investors. The bill would also update Rule 506(c) to permit an issuer to file a single Form D with the SEC, which then would distribute it to each state’s respective securities commission. Streamlining regulatory filings is consistent with the spirit of the JOBS Act and would enhance the ability of small companies to focus limited resources on running the business and creating jobs.

H.R. 5143, the Transparent Insurance Standards Act of 2016 (as proposed to be amended). It is critical that state and federal representatives have a united voice in international insurance regulatory discussions to improve mutual recognition and avoid outcomes that would undermine our domestic insurance marketplace, which is the largest, most competitive, and most financially sound in the world. That is why the Chamber supports H.R. 5143, which would encourage a more unified U.S. voice in international discussions while ensuring that our domestic regulators will support our current state-based insurance regulatory system. The bill reflects the views and addresses concerns raised at several public hearings over the past few years concerning international insurance discussions. The Chamber supports legislation that would establish safeguards that increase transparency and accountability in international insurance regulatory standard-setting for the benefit of domestic insurance companies and their customers who depend on access to diverse insurance products on competitive terms to manage their financial well-being.

H.R. 5311, the Corporate Governance Reform and Transparency Act of 2016. The Chamber also supports much needed reform to the marketplace for the provision of proxy advice. As we testified before the Subcommittee on Capital Markets and Government Sponsored Enterprises on May 17, 2016, “the economic growth of our nation depends upon an efficient allocation of capital to productive uses and responsible corporate governance. Effective and transparent corporate governance systems that encourage shareholder communication and participation are a key ingredient for public companies to grow and for their investors and workers to prosper.”¹ Unfortunately, corporate governance is not as transparent as it should be because just two firms control 97% of the proxy advice market and effectively control about 40% of all shareholder ballots.² H.R. 5311 would make much needed improvements in this market, many of which are consistent with the principles the Chamber outlined in its March 2013 [*Best Practices and Core Principles for the Development, Dispensation, and Receipt of Proxy Advice*](#), such as increasing the transparency of proxy advisory firms’ procedures and methods for developing voting recommendations and taking steps to eliminate or at least minimize potential conflicts of interest at firms that provide proxy advice to shareholders on matters proposed by the same firm’s consulting clients.

H.R. 5424, the Investment Advisers Modernization Act of 2016. Fourth, the Chamber supports modernizing the Investment Advisers Act to eliminate the “drag on investment caused by outdated regulations,” some of which are decades old and no longer serve a 21st century marketplace.³ H.R. 5424 would make sensible changes to the IAA to reduce unnecessary burdens on private fund advisers without any corresponding loss to investor protection. For example, the bill would eliminate burdensome paperwork retention and storage requirements, simplify the rules that apply when investment adviser contracts are assigned, and reduce restrictions on the use of advertisements in soliciting funding. Importantly, the bill does not

¹ Testimony of Tom Quaadman, Senior Vice Pres., Center for Cap. Mkts. Competitiveness of the U.S. Chamber of Commerce 3, <http://www.centerforcapitalmarkets.com/wp-content/uploads/2013/08/2016-5.17-Quaadman-HFSC-Legislative-Proposals-Testimony.pdf>.

² *Id.* at 5.

³ *Id.* at 14.

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touch the absolute prohibition of misleading statements under the securities laws. These reforms would improve the efficiency with which private funds can deploy capital into the marketplace to businesses seeking to grow and create jobs.

H.R. 5429, the SEC Regulatory Accountability Act. The Chamber also supports H.R. 5429, which would improve the SEC's rulemaking by requiring more rigorous cost-benefit analysis and faithful adherence by the SEC to Executive Orders Nos. 12866 and 13563 issued by Presidents Clinton and Obama, respectively. In 2013, the Chamber published a report entitled [*The Importance of Cost-Benefit Analysis in Financial Regulation*](#), which outlined the legal requirements and historic use of economic analysis by financial services regulators. H.R. 5429 carries the themes highlighted in that report forward by requiring a pre-adoption cost-benefit analysis as well as a data-driven post-adoption review of how well a regulation is working to solve the concern the rule was designed to address. These provisions would ensure that the SEC does not place onerous burdens on filers to obtain comparatively less marginal benefit.

H.R. 4854, the Supporting America's Innovators Act of 2016; and H.R. 4855, the Fix Crowdfunding Act. The Chamber also supports H.R. 4854 and H.R. 4855, bills that would facilitate the pooling of investor resources into vehicles that invest in businesses to help them grow and create jobs. The Supporting America's Innovators Act of 2016 would increase the maximum number of investors a venture capital fund could have and still qualify for an exemption under the Investment Company Act of 1940. Similarly, businesses seeking to crowdfund to raise capital would benefit from the sensible reforms proposed by H.R. 4855. These bills continue the important work begun by the JOBS Act of helping small businesses access diverse forms of capital that are well-tailored for their size, industry, and geography.

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In conclusion, these bills would make meaningful reforms to various areas of financial services regulations to preserve a competitive marketplace governed by sensible rules of the road. The Chamber urges the Committee to report these measures favorably to the House and to push for their expeditious consideration therein.

Sincerely,



R. Bruce Josten

cc: Members of the Committee on Financial Services