

118TH CONGRESS
2D SESSION

S. 5139

To amend the Securities Act of 1933 to address emerging growth companies,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 23, 2024

Mr. SCOTT of South Carolina (for himself, Mr. CRAPO, Mr. ROUNDS, Mr. TILLIS, Mr. KENNEDY, Mr. HAGERTY, Ms. LUMMIS, Mrs. BRITT, Mr. CRAMER, Mr. DAINES, and Mr. MORAN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Securities Act of 1933 to address emerging
growth companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Empowering Main Street in America Act of 2024”.

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

Sec. 1. Short title; table of contents.
Sec. 2. Definition.

TITLE I—PROMOTING GREATER CAPITAL FORMATION IN U.S.
PUBLIC AND PRIVATE MARKETS

- Sec. 101. Helping startups continue to grow.
- Sec. 102. Micro-offering exemption.
- Sec. 103. Investment companies.
- Sec. 104. Public float.
- Sec. 105. Crowdfunding.
- Sec. 106. Regulatory definition of venture capital fund.
- Sec. 107. Unlocking capital for small businesses.
- Sec. 108. Rural job creators.
- Sec. 109. Studies, reports, and rules regarding small entities.

TITLE II—RESPONSIBLY EXPANDING INVESTMENT
OPPORTUNITIES FOR RETAIL INVESTORS

- Sec. 201. Equal opportunity for all investors.
- Sec. 202. Encouraging investments in Main Street.
- Sec. 203. Main Street investor confidence.
- Sec. 204. Increasing investor opportunities.
- Sec. 205. Enhancement of 403(b) plans.

TITLE III—FOSTERING INVESTOR CONFIDENCE IN MARKET
INTEGRITY, FAIRNESS, AND TRANSPARENCY

- Sec. 301. Study regarding retail investor readability of financial statements.
- Sec. 302. Duties of Ombudsman relating to Regulation Crowdfunding.
- Sec. 303. Publication on economic data on securities markets.
- Sec. 304. Study on IPO fees.
- Sec. 305. Exclusions available regardless of significant social policy issue.

TITLE IV—HOLDING REGULATORS ACCOUNTABLE THROUGH
INCREASED OVERSIGHT

- Sec. 401. Required testimony.
- Sec. 402. Semiannual report.
- Sec. 403. Rulemaking requirements.
- Sec. 404. Senate confirmation of Inspector General of the Securities and Exchange Commission.

1 SEC. 2. DEFINITION.

- 2** In this Act, the term “Commission” means the Secu-
- 3** rities and Exchange Commission.

1 **TITLE I—PROMOTING GREATER**
2 **CAPITAL FORMATION IN U.S.**
3 **PUBLIC AND PRIVATE MAR-**
4 **KETS**

5 **SEC. 101. HELPING STARTUPS CONTINUE TO GROW.**

6 (a) DEFINITION OF TERM.—

7 (1) SECURITIES ACT OF 1933.—Section 2(a) of
8 the Securities Act of 1933 (15 U.S.C. 77b(a)) is
9 amended by striking paragraph (19) and inserting
10 the following:

11 “(19)(A) The term ‘emerging growth company’
12 means an issuer that had total annual gross reve-
13 nues of less than \$2,000,000,000 (as such amount
14 is indexed for inflation every 5 years by the Commis-
15 sion to reflect the change in the Consumer Price
16 Index for All Urban Consumers published by the
17 Bureau of Labor Statistics, setting the threshold to
18 the nearest 1,000,000) during its most recently com-
19 pleted fiscal year.

20 “(B) An issuer that is an emerging growth
21 company as of the first day of its most recently com-
22 pleted fiscal year shall, after submitting a draft reg-
23 istration statement or publicly filing an initial reg-
24 istration statement under this title, continue to be

1 deemed an emerging growth company until the ear-
2 liest of—

3 “(i) the date that is 1 fiscal year after the
4 last day of the fiscal year of the issuer during
5 which it had total annual gross revenues of
6 \$2,000,000,000 (as such amount is indexed for
7 inflation every 5 years by the Commission to re-
8 flect the change in the Consumer Price Index
9 for All Urban Consumers published by the Bu-
10 reau of Labor Statistics, setting the threshold
11 to the nearest 1,000,000) or more;

12 “(ii) the last day of the fiscal year of the
13 issuer following the tenth anniversary of the
14 date of the first primary sale of common equity
15 securities of the issuer for cash pursuant to an
16 effective registration statement under this title;
17 or

18 “(iii) the date that is 1 fiscal year after
19 the last day of the fiscal year of the issuer in
20 which such issuer has more than
21 \$2,000,000,000 (as such amount is indexed for
22 inflation every 5 years by the Commission to re-
23 flect the change in the Consumer Price Index
24 for All Urban Consumers published by the Bu-
25 reau of Labor Statistics, setting the threshold

1 to the nearest 1,000,000) in non-convertible
2 debt securities outstanding.”.

3 (2) SECURITIES EXCHANGE ACT OF 1934.—Sec-
4 tion 3(a) of the Securities Exchange Act of 1934
5 (15 U.S.C. 78c(a)) is amended—

6 (A) by striking the first paragraph (80)
7 (relating to emerging growth companies);

8 (B) by transferring paragraph (79) (relat-
9 ing to asset-backed securities) to appear after
10 paragraph (78); and

11 (C) by adding at the end the following:

12 “(81) EMERGING GROWTH COMPANY.—The
13 term ‘emerging growth company’ has the meaning
14 given the term in section 2(a) of the Securities Act
15 of 1933 (15 U.S.C. 77b(a)).”.

16 (3) RULE OF APPLICATION.—The amendments
17 made by this subsection shall apply with respect to
18 an issuer that—

19 (A) qualifies as an emerging growth com-
20 pany, as defined in section 2(a) of the Securi-
21 ties Act of 1933 (15 U.S.C. 77b(a)) or the first
22 paragraph (80) of section 3(a) of the Securities
23 Exchange Act of 1934 (15 U.S.C. 78c(a)), as
24 applicable, on the day before the date of enact-
25 ment of this Act; or

1 (B) first qualifies as an emerging growth
 2 company, as defined in such section 2(a) or
 3 paragraph (81) of such section 3(a) (as added
 4 by paragraph (2) of this subsection), as applica-
 5 ble, on or after the date of enactment of this
 6 Act.

7 (b) REGISTRATION.—Section 6(e)(1) of the Securities
 8 Act of 1933 (15 U.S.C. 77f(e)(1)) is amended by striking
 9 the second sentence.

10 **SEC. 102. MICRO-OFFERING EXEMPTION.**

11 (a) IN GENERAL.—Section 4 of the Securities Act of
 12 1933 (15 U.S.C. 77d) is amended—

13 (1) in subsection (a), by adding at the end the
 14 following:

15 “(8) transactions meeting the requirements of
 16 subsection (f).”; and

17 (2) by adding at the end the following:

18 “(f) MICRO-OFFERINGS.—

19 “(1) IN GENERAL.—The transactions referred
 20 to in subsection (a)(8) are transactions involving the
 21 sale of securities by an issuer (including all entities
 22 controlled by or under common control with the
 23 issuer) where the aggregate amount of all securities
 24 sold by the issuer, including any amount sold in reli-
 25 ance on the exemption provided under subsection

1 (a)(8), during the 12-month period preceding such
 2 transaction, does not exceed \$500,000.

3 “(2) ADJUSTMENT.—The dollar amount in
 4 paragraph (1) shall be adjusted by the Commission
 5 not less frequently than once every 5 years and at
 6 the same time as the adjustments made under sec-
 7 tion 4A(h), by notice published in the Federal Reg-
 8 ister to reflect any change in the Consumer Price
 9 Index for All Urban Consumers published by the
 10 Bureau of Labor Statistics, setting the threshold to
 11 the nearest \$10,000.

12 “(3) BAD ACTOR PROHIBITION.—The exemp-
 13 tion under this subsection shall not apply to any per-
 14 son subject to—

15 “(A) an event that would disqualify an
 16 issuer or other covered person under section
 17 230.506(d)(1) of title 17, Code of Federal Reg-
 18 ulations, or any successor regulation; or

19 “(B) a statutory disqualification, as de-
 20 fined in section 3(a) of the Securities Exchange
 21 Act of 1934 (15 U.S.C. 78c(a)).”.

22 (b) EXEMPTION UNDER STATE REGULATIONS.—Sec-
 23 tion 18(b)(4) of the Securities Act of 1933 (15 U.S.C.
 24 77r(b)(4)) is amended—

1 (1) in subparagraph (F), by striking “or” at
2 the end;

3 (2) in subparagraph (G), by striking the period
4 and inserting “; or”; and

5 (3) by adding at the end the following:

6 “(H) section 4(a)(8).”.

7 **SEC. 103. INVESTMENT COMPANIES.**

8 Section 3(c)(1) of the Investment Company Act of
9 1940 (15 U.S.C. 80a–3(c)(1)) is amended—

10 (1) in the matter preceding subparagraph (A),
11 in the first sentence, by striking “250 persons” and
12 inserting “500 persons”; and

13 (2) in subparagraph (C)(i)—

14 (A) by striking “\$10,000,000” and insert-
15 ing “\$50,000,000”; and

16 (B) by striking “with such dollar amount
17 to be indexed for inflation once every 5 years by
18 the Commission, beginning from a measure-
19 ment made by the Commission on a date se-
20 lected by the Commission, rounded to the near-
21 est \$1,000,000” and inserting the following:
22 “which the Commission shall adjust not less
23 frequently than once every 5 years by notice
24 published in the Federal Register to reflect any
25 change in the Consumer Price Index for All

1 Urban Consumers published by the Bureau of
2 Labor Statistics, setting the threshold to the
3 nearest \$10,000”.

4 **SEC. 104. PUBLIC FLOAT.**

5 Not later than 180 days after the date of enactment
6 of this Act, the Commission shall amend section
7 229.10(f)(1)(i) of title 17, Code of Federal Regulations,
8 or any successor regulation, to provide that the threshold
9 in that provision shall be a 12-month rolling average of
10 \$700,000,000 (which the Commission shall index for infla-
11 tion once every 5 years to reflect the change in the Con-
12 sumer Price Index for All Urban Consumers published by
13 the Bureau of Labor Statistics, setting the threshold to
14 the nearest \$100,000).

15 **SEC. 105. CROWDFUNDING.**

16 Notwithstanding any other provision of law or regula-
17 tion, with respect to a transaction described in section
18 4(a)(6) of the Securities Act of 1933 (15 U.S.C.
19 77d(a)(6)), the following shall apply:

20 (1) If the transaction involves an offer or sale
21 of securities by an issuer that is not more than
22 \$500,000, the issuer—

23 (A) shall not be required to submit a re-
24 view report of a public accountant that is inde-
25 pendent of the issuer; and

(B) may provide financial statements and certain other information that is based on information reported on the Federal income tax return of the issuer for the most recently completed year (if any), if—

(i) reviewed or audited financial statements are not available; and

(ii) those financial statements, and that other information, is certified by the principal executive officer of the issuer to be true and complete in all material respects.

(2) A person described in subsection (b) or (c) of section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3) may purchase the securities that are offered or sold in that transaction.

SEC. 106. REGULATORY DEFINITION OF VENTURE CAPITAL FUND.

Not later than 180 days after the date of enactment of this Act, the Commission shall—

(1) amend the definition of a qualifying investment under paragraph (c) of section 275.203(l)–1 of title 17, Code of Federal Regulations, or any successor regulation—

1 (A) to include an equity security issued by
 2 a qualifying portfolio company, whether ac-
 3 quired directly from the company or in a sec-
 4 ondary acquisition; and

5 (B) to specify that an investment in an-
 6 other venture capital fund is a qualifying in-
 7 vestment under that definition; and

8 (2) amend paragraph (a) of section 275.203(l)–
 9 1 of title 17, Code of Federal Regulations, or any
 10 successor regulation, to require, as a condition of a
 11 private fund qualifying as a venture capital fund
 12 under that paragraph, that the qualifying invest-
 13 ments of the private fund are—

14 (A) predominantly qualifying investments
 15 that were acquired directly from a qualifying
 16 portfolio company; or

17 (B) predominantly qualifying investments
 18 in another venture capital fund or other venture
 19 capital funds.

20 **SEC. 107. UNLOCKING CAPITAL FOR SMALL BUSINESSES.**

21 (a) **SAFE HARBORS FOR FINDERS AND PRIVATE**
 22 **PLACEMENT BROKERS.—**

23 (1) **IN GENERAL.—**Section 15 of the Securities
 24 Exchange Act of 1934 (15 U.S.C. 78o) is amended
 25 by adding at the end the following:

1 “(p) FINDER SAFE HARBOR.—

2 “(1) DISCLOSURES REQUIRED.—Before the
3 consummation of a transaction effecting a private
4 placement, a finder shall disclose clearly and con-
5 spicuously, in writing, to all parties to the trans-
6 action as a result of the activities of the finder—

7 “(A) that the finder is acting as a finder;

8 “(B) the amount of any compensation or
9 anticipated compensation in any form for serv-
10 ices rendered as a finder in connection with
11 such transaction;

12 “(C) the person entitled to receive any
13 compensation described in subparagraph (B);
14 and

15 “(D) any beneficial interest in the issuer,
16 direct or indirect, of the finder, of a member of
17 the immediate family of the finder, of an associ-
18 ated person of the finder, or of a member of the
19 immediate family of such associated person be-
20 fore the consummation of the transaction ef-
21 fecting the private placement or anticipated to
22 be held following the consummation of the
23 transaction.

24 “(2) DEFINITIONS.—In this subsection:

1 “(A) FINDER.—The term ‘finder’ means a
2 person that—

3 “(i) receives transaction-based com-
4 pensation—

5 “(I) for effecting a transaction
6 by—

7 “(aa) introducing an issuer
8 or owner of securities and a
9 buyer of such securities in con-
10 nection with the sale of a busi-
11 ness effected as the sale of secu-
12 rities; or

13 “(bb) introducing an issuer
14 or owner of securities and a
15 buyer of those securities in con-
16 nection with the placement of se-
17 curities in transactions that are
18 exempt from the registration re-
19 quirements under the Securities
20 Act of 1933 (15 U.S.C. 77a et
21 seq.); and

22 “(II) that is not with respect
23 to—

24 “(aa) a class of publicly
25 traded securities;

1 “(bb) the securities of an in-
 2 vestment company, as defined in
 3 section 3 of the Investment Com-
 4 pany Act of 1940 (15 U.S.C.
 5 80a–3); or

6 “(cc) a variable or equity-in-
 7 dexed annuity or other variable
 8 or equity-indexed life insurance
 9 product;

10 “(ii) with respect to a transaction for
 11 which such transaction-based compensation
 12 is received—

13 “(I) does not handle or take pos-
 14 session of the funds or securities;

15 “(II) does not engage in an activ-
 16 ity that requires registration as an in-
 17 vestment adviser under State or Fed-
 18 eral law; and

19 “(III) is not subject to a statu-
 20 tory disqualification; and

21 “(iii) is not a private placement
 22 broker, as defined in subsection (q)(3).

23 “(B) PRIVATE PLACEMENT.—The term
 24 ‘private placement’ means a transaction de-

1 scribed in section 4(a)(2) of the Securities Act
2 of 1933 (15 U.S.C. 77d(a)(2)).

3 “(q) PRIVATE PLACEMENT BROKER SAFE HAR-
4 BOR.—

5 “(1) REGISTRATION REQUIREMENTS.—

6 “(A) IN GENERAL.—Not later than 270
7 days after the date of enactment of this sub-
8 section, the Commission shall propose regula-
9 tions with respect to private placement brokers.

10 “(B) RESTRICTION.—The regulations pro-
11 posed under subparagraph (A) may not require
12 a private placement broker to comply with any
13 net capital requirement, have a financial prin-
14 cipal, or have or produce for examination by
15 any regulatory authority audited financial state-
16 ments of the private placement broker.

17 “(C) FINAL REGULATIONS.—Not later
18 than 270 days after the date on which the
19 Commission publishes in the Federal Register
20 the proposed regulations under subparagraph
21 (A), the Commission shall promulgate final
22 versions of those regulations.

23 “(2) NATIONAL SECURITIES ASSOCIATIONS.—

24 “(A) IN GENERAL.—Not later than 270
25 days after the date of enactment of this sub-

1 section, the Commission shall promulgate regu-
2 lations that require the rules of any national se-
3 curities association to allow a private placement
4 broker to become a member of that national se-
5 curities association, subject to reduced member-
6 ship requirements consistent with this sub-
7 section.

8 “(B) FINAL REGULATIONS.—Not later
9 than 270 days after the publication of the pro-
10 posed regulations in the Federal Register, the
11 Commission shall promulgate final versions of
12 the regulations described in subparagraph (A).

13 “(3) DEFINITION.—

14 “(A) IN GENERAL.—In this subsection, the
15 term ‘private placement broker’ means a person
16 that—

17 “(i) receives transaction-based com-
18 pensation in connection with the sale of a
19 business effected as the sale of securities
20 or in connection with the placement of se-
21 curities in transactions that are exempt
22 from the registration requirements under
23 the Securities Act of 1933 (15 U.S.C. 77a
24 et seq.) with respect to a transaction for

1 which transaction-based compensation is
2 received; and

3 “(ii) with respect to the transaction-
4 based compensation described in clause (i),
5 receives that compensation—

6 “(I) in an amount that is not
7 more than \$500,000 in any calendar
8 year;

9 “(II) in connection with trans-
10 actions that result in a single issuer
11 selling securities valued at not more
12 than \$15,000,000 in any calendar
13 year;

14 “(III) in connection with trans-
15 actions that result in any combination
16 of issuers selling securities valued at
17 not more than \$30,000,000 in any
18 calendar year; or

19 “(IV) in connection with fewer
20 than 16 transactions that are not part
21 of the same offering or are otherwise
22 unrelated in any calendar year.

23 “(B) ADJUSTMENT FOR INFLATION.—The
24 amounts described in subparagraph (A)(ii) shall
25 be increased each year by an amount equal to

1 the percentage increase, if any, in the Con-
 2 sumer Price Index, as determined by the De-
 3 partment of Labor or its successor.”.

4 (2) VALIDITY OF CONTRACTS WITH REG-
 5 ISTERED FINDERS AND PRIVATE PLACEMENT BRO-
 6 KERS.—Section 29 of the Securities Exchange Act
 7 of 1934 (15 U.S.C. 78cc) is amended by adding at
 8 the end the following:

9 “(d) Subsection (b) shall not apply to a contract
 10 made for a transaction if—

11 “(1) the transaction is one in which the issuer
 12 engaged the services of a finder (as defined in sec-
 13 tion 15(p)(2)) that is not registered under this title
 14 or a private placement broker (as defined in section
 15 15(q)(3)) with respect to that transaction;

16 “(2) the issuer received a self-certification from
 17 a finder or private placement broker described in
 18 paragraph (1) certifying that such finder or private
 19 placement broker is a finder under section 15(p) or
 20 a registered private placement broker under section
 21 15(q); and

22 “(3) the issuer—

23 “(A) did not know that the self-certifi-
 24 cation described in paragraph (2) was false; or

1 “(B) did not have a reasonable basis to be-
 2 lieve that the self-certification described in
 3 paragraph (2) was false.”.

4 (3) REMOVAL OF FINDERS FROM DEFINITIONS
 5 OF BROKER.—

6 (A) RECORDS AND REPORTS ON MONE-
 7 TARY INSTRUMENTS TRANSACTIONS.—Section
 8 5312(a)(2)(G) of title 31, United States Code,
 9 is amended by inserting “with the exception of
 10 a finder, as defined in subsection (p)(2) of sec-
 11 tion 15 of that Act (15 U.S.C. 78o)” before the
 12 semicolon at the end.

13 (B) SECURITIES EXCHANGE ACT OF
 14 1934.—Section 3(a)(4) of the Securities Ex-
 15 change Act of 1934 (15 U.S.C. 78c(a)(4)) is
 16 amended by adding at the end the following:

17 “(G) FINDERS.—A finder, as defined in
 18 section 15(p)(2), is not a broker for the pur-
 19 poses of this Act.”.

20 (b) LIMITATIONS ON STATE LAW.—Section 15(i) of
 21 the Securities Exchange Act of 1934 (15 U.S.C. 78o(i))
 22 is amended—

23 (1) in paragraph (3), in the matter preceding
 24 subparagraph (A), by striking “paragraph (3)” and
 25 inserting “paragraph (5)”;

1 (2) by redesignating paragraph (4) as para-
2 graph (5); and

3 (3) by inserting after paragraph (3) the fol-
4 lowing:

5 “(4) FINDERS AND PRIVATE PLACEMENT BRO-
6 KERS.—

7 “(A) IN GENERAL.—No State or political
8 subdivision thereof may enforce any law, rule,
9 regulation, or other administrative action that
10 imposes greater registration, audit, financial
11 recordkeeping, or reporting requirements on a
12 finder or private placement broker than those
13 that are required under subsections (p) and (q),
14 respectively.

15 “(B) ELECTRONIC ACCESS.—Each State—

16 “(i) shall have electronic access to any
17 registration filed with the Commission by a
18 private placement broker; and

19 “(ii) may require a written notice
20 from a finder operating from within that
21 State, or communicating with potential in-
22 vestors that are citizens or residents of
23 that State, that provides the name, prin-
24 cipal place of business, telephone number,
25 and email address of the finder, which

1 shall be transmitted to the State before the
2 consummation of a transaction—

3 “(I) in the finder’s State of resi-
4 dence; or

5 “(II) involving a party to the
6 transaction that is a citizen or resi-
7 dent of the State described in sub-
8 clause (I).

9 “(C) DEFINITIONS.—In this paragraph,
10 the terms ‘finder’ and ‘private placement
11 broker’ have the meanings given those terms in
12 subsections (p)(2) and (q)(3) of section 15, re-
13 spectively.”.

14 **SEC. 108. RURAL JOB CREATORS.**

15 Section 4(j) of the Securities Exchange Act of 1934
16 (15 U.S.C. 78d(j)) is amended—

17 (1) in paragraph (4)(C), by inserting “rural-
18 area small businesses,” after “women-owned small
19 businesses,”; and

20 (2) in paragraph (6)(B)(iii), by inserting
21 “rural-area small businesses,” after “women-owned
22 small businesses,”.

1 **SEC. 109. STUDIES, REPORTS, AND RULES REGARDING**
2 **SMALL ENTITIES.**

3 (a) DEFINITION.—In this section, the term “small
4 entity”—

5 (1) has the meaning given the term in section
6 601 of title 5, United States Code, with respect to
7 the activities of the Commission; and

8 (2) includes any definition established by the
9 Commission of the term “small business”, “small or-
10 ganization”, or “small governmental jurisdiction”
11 under paragraph (3), (4), or (5), respectively, of sec-
12 tion 601 of title 5, United States Code, with respect
13 to the activities of the Commission.

14 (b) STUDIES AND REPORTS.—Not later than 1 year
15 after the date of enactment of this Act, and every 5 years
16 thereafter, the Commission shall—

17 (1) conduct a study of the definition of the
18 term “small entity” with respect to the activities of
19 the Commission for the purposes of chapter 6 of
20 title 5, United States Code, which shall consider—

21 (A) the extent to which the definition of
22 the term “small entity”, as in effect during the
23 period in which the study is conducted, aligns
24 with the findings and declarations made under
25 section 2(a) of the Regulatory Flexibility Act (5
26 U.S.C. 601 note);

1 (B) the amount by which financial markets
2 in the United States have grown since the last
3 time the Commission amended the definition of
4 the term “small entity”, if applicable; and

5 (C) how the Commission should define the
6 term “small entity” to ensure that a meaningful
7 number of entities would fall under that defini-
8 tion; and

9 (2) submit to Congress a report that includes—

10 (A) the results of the applicable study con-
11 ducted under paragraph (1); and

12 (B) specific and detailed recommendations
13 on the ways in which the Commission could
14 amend the definition of the term “small entity”
15 to—

16 (i) be consistent with the results de-
17 scribed in subparagraph (A); and

18 (ii) expand the number of entities cov-
19 ered by that definition.

20 (c) RULEMAKING.—After the completion of each
21 study required under subsection (b), the Commission shall,
22 subject to public notice and comment, revise the rules of
23 the Commission consistent with the results of the study.

24 (d) INFLATION ADJUSTMENTS.—As soon as prac-
25 ticable following the date of enactment of this Act, and

1 every 5 years thereafter, the Commission shall adjust all
 2 dollar figures under the definition of small entity estab-
 3 lished by the Commission to reflect the change in the Con-
 4 sumer Price Index for All Urban Consumers published by
 5 the Bureau of Labor Statistics of the Department of
 6 Labor.

7 **TITLE II—RESPONSIBLY EX-**
 8 **PANDING INVESTMENT OP-**
 9 **PORTUNITIES FOR RETAIL IN-**
 10 **VESTORS**

11 **SEC. 201. EQUAL OPPORTUNITY FOR ALL INVESTORS.**

12 (a) CERTIFICATION EXAMINATIONS FOR ACCRED-
 13 ITED INVESTORS.—

14 (1) EXAMINATION ALTERNATIVE.—Section
 15 2(a)(15) of the Securities Act of 1933 (15 U.S.C.
 16 77b(a)(15)) is amended—

17 (A) by redesignating clauses (i) and (ii) as
 18 subparagraphs (A) and (B), respectively;

19 (B) in subparagraph (A), as so redesign-
 20 ated, by striking “adviser; or” and inserting
 21 “adviser;”;

22 (C) in subparagraph (B), as so redesign-
 23 ated, by striking the period at the end and in-
 24 serting “; or”; and

25 (D) by adding at the end the following:

1 “(C) any individual who is certified as an
2 accredited investor through an examination es-
3 tablished or approved by the Commission, the
4 securities commission (or any agency or office
5 performing like functions) of any State, or any
6 self-regulatory organization as defined in the
7 Securities Exchange Act of 1934 (15 U.S.C.
8 78c(a)(26)) that—

9 “(i) measures whether an individual
10 certified as an accredited investor pursuant
11 to such examination understands and ap-
12 preciates the risks and opportunities of in-
13 vesting in securities;

14 “(ii) is designed to ensure that an in-
15 dividual with financial sophistication or
16 training would be unlikely to fail; and

17 “(iii) may be designed or administered
18 by any other person approved by the Com-
19 mission, such securities commission, or
20 such self-regulatory organization.”.

21 (2) EFFECTIVE DATE.—The amendments made
22 by paragraph (1) shall take effect on the date of en-
23 actment of this Act.

24 (3) EXAMINATION.—The Commission shall es-
25 tablish or approve an examination that complies with

1 paragraph (1) no later than 18 months after the
2 date of enactment of this Act.

3 (b) ACCREDITED INVESTOR SELF-CERTIFICATION.—
4 Section 4(b) of the Securities Act of 1933 (15 U.S.C.
5 77d(b)) is amended by inserting “Unless the issuer knows,
6 or has a reckless disregard for whether, the purchaser is
7 not an accredited investor, obtaining a self-certification
8 from the purchaser that the purchaser meets the income
9 or net worth requirements of Rule 501 of Regulation D
10 shall constitute reasonable steps to verify that purchasers
11 of the securities are accredited investors.” after the period
12 at the end.

13 (c) MODIFICATION OF RULES.—

14 (1) IN GENERAL.—Not later than 270 days
15 after the date of enactment of this Act, the Commis-
16 sion shall revise section 230.501(a) of title 17, Code
17 of Federal Regulations, or any successor regulation,
18 to make parallel changes set forth in subsection (a)
19 of this section, and the amendments made by that
20 subsection, and to add to the definition of the term
21 “accredited investor” the following categories:

22 (A) Any natural person with at least
23 \$500,000 worth of investments.

24 (B) Any natural person with total trans-
25 actions during a 12-month period under section

230.506 of title 17, Code of Federal Regulations, and under section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6)) that are not greater than the highest amount of the following:

(i) 10 percent of the total investments of the person.

(ii) 10 percent of the annual income of the person or 10 percent of the annual combined income with that person's spouse.

(iii) 10 percent of the net worth of the person excluding the value of the person's principal place of residence.

(2) DEFINITIONS.—

(A) DEFINITIONS.—In this subsection:

(i) CASH AND CASH EQUIVALENTS.—
The term “cash and cash equivalents” includes—

(I) bank deposits, certificates of deposit, bankers acceptances and similar bank instruments held for investment purposes; and

(II) the net cash surrender value of an insurance policy.

(ii) COMMODITY INTERESTS.—The term “commodity interests” means commodity futures contracts, options on commodity futures contracts, and options on physical commodities traded on or subject to the rules of—

(I) any contract market designated for trading such transactions under the Commodity Exchange Act (7 U.S.C. 1 et seq.) and the rules issued under that Act; or

(II) any board of trade or exchange outside the United States, as described in part 30 of title 17, Code of Federal Regulations.

(iii) DIGITAL ASSETS.—The term “digital assets”—

(I) means a digital representation of value that—

(aa) is used as a medium of exchange, unit of account, or store of value; and

(bb) is not legal tender, whether or not denominated in legal tender; and

1 (II) does not include—

2 (aa) a transaction in which
3 a merchant grants, as part of an
4 affinity or rewards program,
5 value that cannot be taken from
6 or exchanged with the merchant
7 for legal tender, bank credit, or
8 virtual currency; or

9 (bb) a digital representation
10 of value issued by or on behalf of
11 a publisher and used solely with-
12 in an online game, game plat-
13 form, or family of games sold by
14 the same publisher or offered on
15 the same game platform.

16 (iv) INVESTMENT PURPOSES.—The
17 term “investment purposes”—

18 (I) includes—

19 (aa) real estate owned by a
20 prospective purchaser who is en-
21 gaged primarily in the business
22 of investing, trading, or devel-
23 oping real estate in connection
24 with such business; and

1 (bb) a commodity interest or
 2 physical commodity owned, or a
 3 financial contract entered into,
 4 by the prospective purchaser who
 5 is engaged primarily in the busi-
 6 ness of investing, reinvesting, or
 7 trading in commodity interests,
 8 physical commodities, or financial
 9 contracts in connection with such
 10 business; and

11 (II) does not include real estate
 12 held for investment purposes by a pro-
 13 spective purchaser if the real estate is
 14 used by the prospective purchaser, a
 15 sibling, spouse or former spouse, a di-
 16 rect lineal descendant by birth or
 17 adoption, or spouse of such lineal de-
 18 scendant or ancestor for personal pur-
 19 poses or as a place of business, or in
 20 connection with the conduct of the
 21 trade or business of the prospective
 22 purchaser or such related person.

23 (v) INVESTMENTS.—The term “in-
 24 vestments” means—

- 1 (I) securities, as defined in sec-
2 tion 2(a) of the Securities Act of 1933
3 (15 U.S.C. 77b(a)), other than securi-
4 ties issued by an issuer that is con-
5 trolled by the prospective purchaser
6 that owns such securities;
- 7 (II) real estate held for invest-
8 ment purposes;
- 9 (III) commodity interests held for
10 investment purposes;
- 11 (IV) physical commodities held
12 for investment purposes;
- 13 (V) digital assets held for invest-
14 ment purposes;
- 15 (VI) to the extent not securities,
16 financial contracts (as such term is
17 defined in section 3(c)(2)(B)(ii) of the
18 Investment Company Act of 1940 (15
19 U.S.C. 80a-3(c)(2)(B)(ii))) entered
20 into for investment purposes; and
- 21 (VII) cash and cash equivalents
22 (including foreign currencies) held for
23 investment purposes.
- 24 (vi) PERSONAL PURPOSES.—The term
25 “personal purposes” does not include resi-

dential real estate if deductions with respect to such real estate are not disallowed by section 280A of the Internal Revenue Code of 1986.

(vii) PHYSICAL COMMODITIES.—The term “physical commodities” means any physical commodity with respect to which a commodity interest is traded on a market described in clause (ii)(I).

(B) SELF-EXECUTION.—If the Commission does not revise its rules in accordance with the deadline set forth in paragraph (1), then any person described in paragraph (2) shall be deemed to be an accredited investor for all purposes under the Federal securities laws (including regulations).

(d) ADJUSTING THE ACCREDITED INVESTOR STANDARD.—Section 413 of the Private Fund Investment Advisers Registration Act of 2010 (15 U.S.C. 77b note) is amended by striking subsection (b) and inserting the following:

“(b) REVIEW AND ADJUSTMENT.—

“(1) IN GENERAL.—The Commission may undertake a review of the definition of the term ‘accredited investor’, as such term applies to natural

1 persons, to determine whether the requirements of
 2 the definition, excluding the requirement relating to
 3 the net worth standard described in subsection (a),
 4 should be adjusted or modified for the protection of
 5 investors, in the public interest, and in light of the
 6 economy.

7 “(2) ADJUSTMENT OR MODIFICATION.—Upon
 8 completion of a review under paragraph (1), the
 9 Commission may, by notice and comment rule-
 10 making, make such adjustments to the definition of
 11 the term ‘accredited investor’, excluding adjusting or
 12 modifying the requirement relating to the net worth
 13 standard described in subsection (a), as such term
 14 applies to natural persons, as the Commission may
 15 deem appropriate for the protection of investors, in
 16 the public interest, and in light of the economy.”.

17 **SEC. 202. ENCOURAGING INVESTMENTS IN MAIN STREET.**

18 (a) IN GENERAL.—Not later than 180 days after the
 19 date of enactment of this Act, the Commission, in con-
 20 sultation with the Secretary of Labor, shall conduct a
 21 study that examines the impact of limiting retail investors
 22 and defined contribution plans (as defined in section 3 of
 23 the Employee Retirement Income Security Act of 1974
 24 (29 U.S.C. 1002)) from investing in private placements,
 25 which shall consider—

1 (1) the growth of private markets;

2 (2) the overall decline in the number of issuers,
3 the securities of which are listed on national securi-
4 ties exchanges;

5 (3) the impact of retail investors having fewer
6 investment opportunities;

7 (4) the benefits of fiduciary management; and

8 (5) the benefits of investment diversification
9 and improve investment growth opportunities for
10 long-term investors.

11 (b) REPORT.—Not later than 1 year after the date
12 of enactment of this Act, the Commission shall submit to
13 the Committee on Banking, Housing, and Urban Affairs
14 of the Senate, the Committee on Finance of the Senate,
15 the Committee on Financial Services of the House of Rep-
16 resentatives, and the Committee on Ways and Means of
17 the House of Representatives a report containing the re-
18 sults of the study conducted under subsection (a).

19 **SEC. 203. MAIN STREET INVESTOR CONFIDENCE.**

20 The Financial Literacy and Education Commission
21 of the Department of the Treasury, in coordination with
22 the Office of Investor Education and Advocacy and the
23 Office of the Investor Advocate of the Commission, shall—

24 (1) conduct a study, after providing notice and
25 an opportunity for public comment, including from

1 retail investors in the United States, on the levels of
2 inclusion and participation, education in, and con-
3 fidence of the people of the United States in the cap-
4 ital market system of the United States; and

5 (2) not later than 1 year after the date of en-
6 actment of this Act, submit to the Committee on
7 Banking, Housing, and Urban Affairs, the Com-
8 mittee on Health, Education, Labor, and Pensions,
9 and the Committee on Finance of the Senate and
10 the Committee on Financial Services and the Com-
11 mittee on Education and the Workforce of the
12 House of Representatives recommendations to en-
13 hance Federal financial literacy programs, inclusion,
14 and market confidence for the average retail inves-
15 tors.

16 **SEC. 204. INCREASING INVESTOR OPPORTUNITIES.**

17 (a) IN GENERAL.—Section 5 of the Investment Com-
18 pany Act of 1940 (15 U.S.C. 80a–5) is amended by add-
19 ing at the end the following:

20 “(d) CLOSED-END COMPANY AUTHORITY TO INVEST
21 IN PRIVATE FUNDS.—

22 “(1) IN GENERAL.—Except as otherwise pro-
23 hibited or restricted by this Act (or any rule issued
24 under this Act), the Commission may not prohibit or
25 otherwise limit a closed-end company from investing

1 any or all of the assets of the closed-end company
2 in securities issued by private funds.

3 “(2) OTHER RESTRICTIONS ON COMMISSION AU-
4 THORITY.—

5 “(A) IN GENERAL.—Except as otherwise
6 prohibited or restricted by this Act (or any rule
7 issued under this Act), or to the extent per-
8 mitted by subparagraph (B), the Commission
9 may not impose any condition on, restrict, or
10 otherwise limit—

11 “(i) the offer to sell, or the sale of, se-
12 curities issued by a closed-end company
13 that invests, or proposes to invest, in secu-
14 rities issued by private funds; or

15 “(ii) the listing of the securities of a
16 closed-end company described in clause (i)
17 on a national securities exchange.

18 “(B) UNRELATED RESTRICTIONS.—The
19 Commission may impose a condition on, re-
20 strict, or otherwise limit an activity described in
21 clause (i) or (ii) of subparagraph (A) if that
22 condition, restriction, or limitation is unrelated
23 to the underlying characteristics of a private
24 fund or the status of a private fund as a private
25 fund.

1 “(3) APPLICATION.—Notwithstanding section
2 6(f), this subsection shall apply to a closed-end com-
3 pany that elects to be treated as a business develop-
4 ment company pursuant to section 54.”.

5 (b) DEFINITION OF PRIVATE FUND.—Section 2(a) of
6 the Investment Company Act of 1940 (15 U.S.C. 80a–
7 2(a)) is amended by adding at the end the following:

8 “(55) The term ‘private fund’ has the meaning
9 given the term in section 202(a) of the Investment
10 Advisers Act of 1940 (15 U.S.C. 80b–2(a)).”.

11 (c) TREATMENT BY NATIONAL SECURITIES EX-
12 CHANGES.—Section 6(b) of the Securities Exchange Act
13 of 1934 (15 U.S.C. 78f(b)) is amended by adding at the
14 end the following:

15 “(11)(A) Except as otherwise prohibited or re-
16 stricted by the rules of the exchange in a manner
17 that is consistent with section 5(d) of the Invest-
18 ment Company Act of 1940 (15 U.S.C. 80a–5(d)),
19 the exchange does not prohibit, condition, restrict, or
20 impose any other limitation on the listing or trading
21 of the securities of a closed-end company when the
22 closed-end company invests, or may invest, some or
23 all of the assets of the closed-end company in securi-
24 ties issued by private funds.

25 “(B) In this paragraph—

1 “(i) the term ‘closed-end company’—

2 “(I) has the meaning given the term
3 in section 5(a) of the Investment Company
4 Act of 1940 (15 U.S.C. 80a–5(a)); and

5 “(II) includes a closed-end company
6 that elects to be treated as a business de-
7 velopment company pursuant to section 54
8 of the Investment Company Act of 1940
9 (15 U.S.C. 80a–53); and

10 “(ii) the term ‘private fund’ has the mean-
11 ing given the term in section 2(a) of the Invest-
12 ment Company Act of 1940 (15 U.S.C. 80a–
13 2(a)).”.

14 (d) INVESTMENT LIMITATION.—Section 3(c) of the
15 Investment Company Act of 1940 (15 U.S.C. 80a–3(c))
16 is amended—

17 (1) in paragraph (1), in the matter preceding
18 subparagraph (A), in the second sentence, by strik-
19 ing “subparagraphs (A)(i) and (B)(i)” and inserting
20 “subparagraphs (A)(i), (B)(i), and (C)”; and

21 (2) in paragraph (7)(D), by striking “subpara-
22 graphs (A)(i) and (B)(i)” and inserting “subpara-
23 graphs (A)(i), (B)(i), and (C)”.

1 **SEC. 205. ENHANCEMENT OF 403(B) PLANS.**

2 (a) AMENDMENTS TO THE INVESTMENT COMPANY
3 ACT OF 1940.—Section 3(c)(11) of the Investment Com-
4 pany Act of 1940 (15 U.S.C. 80a–3(c)(11)) is amended
5 to read as follows:

6 “(11) Any—

7 “(A) employee’s stock bonus, pension, or
8 profit-sharing trust which meets the require-
9 ments for qualification under section 401 of the
10 Internal Revenue Code of 1986;

11 “(B) custodial account meeting the re-
12 quirements of section 403(b)(7) of such Code;

13 “(C) governmental plan described in sec-
14 tion 3(a)(2)(C) of the Securities Act of 1933
15 (15 U.S.C. 77c(a)(2)(C));

16 “(D) collective trust fund maintained by a
17 bank consisting solely of assets of one or
18 more—

19 “(i) trusts described in subparagraph
20 (A);

21 “(ii) government plans described in
22 subparagraph (C);

23 “(iii) church plans, companies, or ac-
24 counts that are excluded from the defini-
25 tion of an investment company under para-
26 graph (14) of this subsection; or

1 “(iv) plans which meet the require-
2 ments of section 403(b) of the Internal
3 Revenue Code of 1986—

4 “(I) if—

5 “(aa) such plan is subject to
6 title I of the Employee Retire-
7 ment Income Security Act of
8 1974 (29 U.S.C. 1001 et seq.);

9 “(bb) any employer making
10 such plan available agrees to
11 serve as a fiduciary for the plan
12 with respect to the selection of
13 the plan’s investments among
14 which participants can choose; or

15 “(cc) such plan is a govern-
16 mental plan (as defined in sec-
17 tion 414(d) of such Code); and

18 “(II) if the employer, a fiduciary
19 of the plan, or another person acting
20 on behalf of the employer reviews and
21 approves each investment alternative
22 offered under such plan described
23 under subclause (I)(cc) prior to the
24 investment being offered to partici-
25 pants in the plan; or

1 “(E) separate account the assets of which
2 are derived solely from—

3 “(i) contributions under pension or
4 profit-sharing plans which meet the re-
5 quirements of section 401 of the Internal
6 Revenue Code of 1986 or the requirements
7 for deduction of the employer’s contribu-
8 tion under section 404(a)(2) of such Code;

9 “(ii) contributions under govern-
10 mental plans in connection with which in-
11 terests, participations, or securities are ex-
12 empted from the registration provisions of
13 section 5 of the Securities Act of 1933 (15
14 U.S.C. 77e) by section 3(a)(2)(C) of such
15 Act (15 U.S.C. 77c(a)(2)(C));

16 “(iii) advances made by an insurance
17 company in connection with the operation
18 of such separate account; and

19 “(iv) contributions to a plan described
20 in clause (iii) or (iv) of subparagraph
21 (D).”.

22 (b) AMENDMENTS TO THE SECURITIES ACT OF
23 1933.—Section 3(a)(2) of the Securities Act of 1933 (15
24 U.S.C. 77c(a)(2)) is amended—

1 (1) by striking “beneficiaries, or (D)” and in-
 2 serting “beneficiaries, (D) a plan which meets the
 3 requirements of section 403(b) of such Code (i) if
 4 (I) such plan is subject to title I of the Employee
 5 Retirement Income Security Act of 1974 (29 U.S.C.
 6 1001 et seq.), (II) any employer making such plan
 7 available agrees to serve as a fiduciary for the plan
 8 with respect to the selection of the plan’s invest-
 9 ments among which participants can choose, or (III)
 10 such plan is a governmental plan (as defined in sec-
 11 tion 414(d) of such Code), and (ii) if the employer,
 12 a fiduciary of the plan, or another person acting on
 13 behalf of the employer reviews and approves each in-
 14 vestment alternative offered under any plan de-
 15 scribed under clause (i)(III) prior to the investment
 16 being offered to participants in the plan, or (E)”;

17 (2) by striking “(C), or (D)” and inserting
 18 “(C), (D), or (E)”;

19 (3) by striking “(iii) which is a plan funded”
 20 and all that follows through “retirement income ac-
 21 count).” and inserting “(iii) in the case of a plan not
 22 described in subparagraph (D) or (E), which is a
 23 plan funded by an annuity contract described in sec-
 24 tion 403(b) of such Code”.

1 (c) AMENDMENTS TO THE SECURITIES EXCHANGE
 2 ACT OF 1934.—Section 3(a)(12)(C) of the Securities Ex-
 3 change Act of 1934 (15 U.S.C. 78c(a)(12)(C)) is amend-
 4 ed—

5 (1) by striking “or (iv)” and inserting “(iv) a
 6 plan which meets the requirements of section 403(b)
 7 of such Code (I) if (aa) such plan is subject to title
 8 I of the Employee Retirement Income Security Act
 9 of 1974 (29 U.S.C. 1001 et seq.), (bb) any employer
 10 making such plan available agrees to serve as a fidu-
 11 ciary for the plan with respect to the selection of the
 12 plan’s investments among which participants can
 13 choose, or (cc) such plan is a governmental plan (as
 14 defined in section 414(d) of such Code), and (II) if
 15 the employer, a fiduciary of the plan, or another per-
 16 son acting on behalf of the employer reviews and ap-
 17 proves each investment alternative offered under any
 18 plan described under subclause (I)(cc) prior to the
 19 investment being offered to participants in the plan,
 20 or (v)”;

21 (2) by striking “(ii), or (iii)” and inserting
 22 “(ii), (iii), or (iv)”;

23 (3) by striking “(II) is a plan funded” and in-
 24 serting “(II) in the case of a plan not described in
 25 clause (iv), is a plan funded”.

1 (d) CONFORMING AMENDMENT TO THE SECURITIES
 2 EXCHANGE ACT OF 1934.—Section 12(g)(2)(H) of the
 3 Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(2)(H))
 4 is amended by striking “or (iii)” and inserting “(iii) a plan
 5 described in section 3(a)(12)(C)(iv) of this Act, or (iv)”.

6 **TITLE III—FOSTERING INVESTOR CONFIDENCE IN MARKET**
 7 **INTEGRITY, FAIRNESS, AND**
 8 **TRANSPARENCY**

10 **SEC. 301. STUDY REGARDING RETAIL INVESTOR READ-**
 11 **ABILITY OF FINANCIAL STATEMENTS.**

12 (a) IN GENERAL.—The Commission shall conduct a
 13 study to identify—

14 (1) the level of readability of financial state-
 15 ments, including all public disclosures, among retail
 16 investors, including subgroups of investors identified
 17 by the Commission, as of the date of enactment of
 18 this Act;

19 (2) methods to improve the timing, content, and
 20 format of disclosures to investors with respect to fi-
 21 nancial intermediaries, investment products, and in-
 22 vestment services;

23 (3) the most useful and understandable relevant
 24 information that retail investors need to make in-
 25 formed financial decisions before engaging a finan-

1 cial intermediary or purchasing an investment prod-
2 uct or service that is typically sold to retail inves-
3 tors, including shares of open-end companies, as de-
4 fined in section 5 of the Investment Company Act of
5 1940 (15 U.S.C. 80a–5), that are registered under
6 section 8 of that Act (15 U.S.C. 80a–8);

7 (4) methods to increase the transparency of ex-
8 penses and conflicts of interests in transactions in-
9 volving investment services and products, including
10 shares of open-end companies described in para-
11 graph (3);

12 (5) the most effective existing private and pub-
13 lic efforts to educate investors; and

14 (6) in consultation with the Financial Literacy
15 and Education Commission, a strategy (including, to
16 the extent practicable, measurable goals and objec-
17 tives) to increase the financial literacy of investors
18 in order to bring about a positive change in investor
19 behavior.

20 (b) REPORT.—Not later than 1 year after the date
21 of enactment of this Act, the Commission shall submit to
22 the Committee on Banking, Housing, and Urban Affairs
23 of the Senate and the Committee on Financial Services
24 of the House of Representatives a report on the study re-
25 quired under subsection (a).

1 (c) REGULATIONS.—The Commission shall promul-
 2 gate regulations that address and improve the readability
 3 of financial statements, including all public disclosures,
 4 with the goals of eliminating legalese, duplication, and re-
 5 dundant disclosures.

6 **SEC. 302. DUTIES OF OMBUDSMAN RELATING TO REGULA-**
 7 **TION CROWDFUNDING.**

8 Section 4(g)(8) of the Securities Exchange Act of
 9 1934 (15 U.S.C. 78d(g)(8)) is amended—

10 (1) in subparagraph (B)—

11 (A) by redesignating clauses (ii) and (iii)
 12 as clauses (iii) and (iv), respectively; and

13 (B) by inserting after clause (i) the fol-
 14 lowing:

15 “(ii) act as a liaison between the
 16 Commission, small businesses, inter-
 17 mediaries, and other entities subject to the
 18 regulations under part 227 of title 17,
 19 Code of Federal Regulations, or any suc-
 20 cessor regulation;”; and

21 (2) in subparagraph (D)—

22 (A) in the subparagraph heading, by strik-
 23 ing “REPORT” and inserting “REPORTS”;

24 (B) by striking “The Ombudsman” and in-
 25 serting the following:

1 “(i) SEMIANNUAL REPORT TO INVES-
 2 TOR ADVOCATE.—The Ombudsman”; and
 3 (C) by adding at the following:

4 “(ii) ANNUAL REPORT TO CONGRESS
 5 ON REGULATION CROWDFUNDING.—The
 6 Ombudsman shall submit to the Com-
 7 mittee on Banking, Housing, and Urban
 8 Affairs and the Committee on Financial
 9 Services of the House of Representatives a
 10 report—

11 “(I) on activities of the Ombuds-
 12 man relating to the duties described
 13 in subparagraph (B)(ii); and

14 “(II) that includes recommenda-
 15 tions on regulatory changes to im-
 16 prove efficiency and access to capital
 17 for entities subject to the regulations
 18 under part 227 of title 17, Code of
 19 Federal Regulations, or any successor
 20 regulation.”.

21 **SEC. 303. PUBLICATION ON ECONOMIC DATA ON SECURI-**
 22 **TIES MARKETS.**

23 (a) IN GENERAL.—The Division of Economic and
 24 Risk Analysis of the Commission shall annually publish
 25 data on the following with respect to a year:

1 (1) The number of offerings, and offering
2 amounts by type, which shall include, with respect to
3 each offering, the type of issuer, the type of security,
4 and the type of exemption, if applicable.

5 (2) The cost of performing an offering, includ-
6 ing the ongoing costs of performing a particular type
7 of offering (such as the requirement to file certain
8 forms with the Commission), which shall be
9 disaggregated by—

10 (A)(i) the size and type of issuer; and

11 (ii) the exemption used by issuers with re-
12 spect to the particular offering; or

13 (B) the registered status of issuers.

14 (3) The costs to issuers of complying with the
15 Sarbanes-Oxley Act of 2002 (15 U.S.C. 7201 et
16 seq.) (and the rules issued under that Act), includ-
17 ing the amounts paid by issuers to registered public
18 accounting firms in connection with that compliance.

19 (4) All public enforcement actions taken by the
20 Commission and self-regulatory organizations
21 against persons within the jurisdiction of those enti-
22 ties, including—

23 (A) the number and types of violations of
24 any provision of law (including regulations) that
25 either such entity is authorized to enforce;

1 (B) the number and types of violators; and

2 (C) the amount of money collected in pen-
3 alties as a result of that enforcement.

4 (5) Market capitalization by type of issuer and
5 security.

6 (6) The number of reporting companies, Regu-
7 lation A issuers, and crowdfunding issuers.

8 (7) Trading volumes by exchange or alternative
9 trading system.

10 (8) Market participants, including the number
11 and, if relevant, size of—

12 (A) broker-dealers;

13 (B) registered representatives;

14 (C) exchanges;

15 (D) alternative trading systems;

16 (E) investment companies;

17 (F) investment advisers registered with the

18 Commission under the Investment Advisers Act

19 of 1940 (15 U.S.C. 80b–1 et seq.); and

20 (G) other entities determined appropriate
21 by the Commission.

22 (b) PUBLICATION OF DATA.—In annually publishing
23 the data required under subsection (a), the Division of
24 Economic and Risk Analysis of the Commission shall—

- 1 (1) publish that data for each of the 10 years
- 2 preceding the date of publication; and
- 3 (2) make the data described in paragraph (1)—
- 4 (A) available as an open Government data
- 5 set;
- 6 (B) freely available for download in bulk;
- 7 and
- 8 (C) rendered in a human-readable format.

9 **SEC. 304. STUDY ON IPO FEES.**

10 (a) DEFINITIONS.—In this section:

11 (1) IPO.—The term “IPO” means an initial

12 public offering.

13 (2) SMALL- AND MEDIUM-SIZED COMPANY.—

14 The term “small- and medium-sized company”

15 means an issuer with an initial public float deter-

16 mination of less than \$700,000,000.

17 (b) STUDY.—

18 (1) IN GENERAL.—The Commission, in con-

19 sultation with the Financial Industry Regulatory

20 Authority, shall carry out a study of the costs asso-

21 ciated with small- and medium-sized companies to

22 undertake IPOs and Tier 2 offerings, as defined in

23 section 230.251 of title 17, Code of Federal Regula-

24 tions, or any successor regulation.

1 (2) REQUIREMENTS.—In carrying out the study
2 required under paragraph (1), the Commission
3 shall—

4 (A) consider the direct and indirect costs
5 of an IPO, including—

6 (i) fees, such as gross spreads paid to
7 underwriters, promoters, investment advi-
8 sory firms, and other professionals;

9 (ii) compliance with Federal and State
10 securities laws at the time of the IPO; and

11 (iii) such other IPO-related costs as
12 the Commission determines appropriate;

13 (B) compare and analyze the costs of an
14 IPO with the costs of obtaining alternative
15 sources of financing and of liquidity;

16 (C) consider the impact of the costs of an
17 IPO on capital formation;

18 (D) analyze the impact of the costs of an
19 IPO on the availability of public securities of
20 small- and medium-sized companies to retail in-
21 vestors; and

22 (E) analyze trends in IPOs over a time pe-
23 riod the Commission determines is appropriate
24 to analyze IPO pricing practices, considering—

25 (i) the number of IPOs;

1 (ii) how costs for IPOs have evolved
2 over time, including fees paid to under-
3 writers, investment advisory firms, finan-
4 cial advisers, and other professions for
5 services in connection with an IPO;

6 (iii) the number of brokers and deal-
7 ers active in underwriting IPOs;

8 (iv) the different types of services that
9 underwriters, promoters, investment advi-
10 sory firms, and other professionals provide
11 before and after a small- or medium-sized
12 company IPO and the factors impacting
13 underwriting costs;

14 (v) changes in the costs and avail-
15 ability of investment research for small-
16 and medium-sized companies; and

17 (vi) any other consideration the Com-
18 mission considers necessary and appro-
19 priate.

20 (c) REPORT.—Not later than 1 year after the date
21 of enactment of this Act, the Commission shall submit to
22 Congress a report containing all findings and determina-
23 tions made in carrying out the study required under sub-
24 section (b) and any administrative or legislative rec-

ommendations the Commission may have with respect to the matters considered under the study.

SEC. 305. EXCLUSIONS AVAILABLE REGARDLESS OF SIGNIFICANT SOCIAL POLICY ISSUE.

An issuer may exclude a shareholder proposal pursuant to section 240.14a-8(i) of title 17, Code of Federal Regulations, or any successor regulation, without regard to whether that shareholder proposal relates to a significant social policy issue.

TITLE IV—HOLDING REGULATORS ACCOUNTABLE THROUGH INCREASED OVERSIGHT

SEC. 401. REQUIRED TESTIMONY.

Section 4 of the Securities Exchange Act of 1934 (15 U.S.C. 78d) is amended by adding at the end the following:

“(1) **REQUIRED TESTIMONY.**—Not later than 180 days after the date of enactment of this subsection, and semiannually thereafter, the Chairman of the Commission shall appear before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives regarding the activities of the Commission.”.

1 **SEC. 402. SEMIANNUAL REPORT.**

2 Section 23 of the Securities Exchange Act of 1934
3 (15 U.S.C. 78w) is amended by adding at the end the fol-
4 lowing:

5 “(e) SEMIANNUAL REPORT ON REGULATORY AND
6 ENFORCEMENT ACTIONS.—Not later than 180 days after
7 the date of enactment of this subsection, and semiannually
8 thereafter, the Chairman of the Commission shall submit
9 to Congress a report that includes—

10 “(1) an overview of the capital markets system
11 of the United States;

12 “(2) the regulatory actions and agenda of the
13 Commission, including, for the period covered by the
14 report, all actions the Commission has taken to pro-
15 tect investors, maintain fair, orderly, and efficient
16 markets, and facilitate capital formation;

17 “(3) with respect to capital formation chal-
18 lenges and challenges to accessing capital for small
19 businesses, including minority, women-owned, and
20 rural small businesses—

21 “(A) the status of enforcement actions of
22 the Commission, which shall include informa-
23 tion regarding—

24 “(i) for the period covered by the re-
25 port, the average amount of time it takes

1 for the Commission to open and complete
2 such an action; and

3 “(ii) the outcome of each such action
4 that was resolved during the period cov-
5 ered by the report; and

6 “(B) any assessments of the Commission;
7 and

8 “(4) information on the publication of economic
9 data on securities markets by the Division of Eco-
10 nomic and Risk Analysis of the Commission.”.

11 **SEC. 403. RULEMAKING REQUIREMENTS.**

12 (a) CONSIDERATION OF THE COSTS AND BENEFITS
13 OF COMMISSION REGULATIONS AND CERTAIN OTHER
14 AGENCY ACTIONS.—

15 (1) IN GENERAL.—Section 23 of the Securities
16 Exchange Act of 1934 (15 U.S.C. 78w), as amended
17 by section 402, is amended by adding at the end the
18 following:

19 “(f) CONSIDERATION OF COSTS AND BENEFITS.—

20 “(1) RULEMAKING DEFINED.—In this sub-
21 section, the term ‘rulemaking’ does not include—

22 “(A) a regulation issued in accordance
23 with the formal rulemaking provisions of section
24 556 or 557 of title 5, United States Code;

1 “(B) a regulation that is limited to agency
2 organization, management, or personnel mat-
3 ters;

4 “(C) a regulation promulgated pursuant to
5 statutory authority that expressly prohibits
6 compliance with this provision; and

7 “(D) a regulation that is certified by the
8 agency to be an emergency action, if such cer-
9 tification is published in the Federal Register.

10 “(2) REQUIREMENTS.—When issuing a rule-
11 making under the securities laws, the Commission
12 shall—

13 “(A) clearly identify the nature and source
14 of the problem that the rulemaking is designed
15 to address, as well as assess the significance of
16 that problem, to enable assessment of whether
17 any new regulation is warranted;

18 “(B) utilize the Chief Economist to assess
19 the costs and benefits, both qualitative and
20 quantitative, of the rulemaking and propose or
21 adopt a rulemaking only on a reasoned deter-
22 mination that the benefits of the rulemaking
23 justify the costs of the rulemaking;

24 “(C) in assessing the costs and benefits of
25 the rulemaking under subparagraph (B), utilize

1 the Chief Economist to articulate the appro-
2 priate economic baseline against which to meas-
3 ure the likely economic impact of the rule-
4 making;

5 “(D) identify and assess reasonable avail-
6 able alternatives to the rulemaking that were
7 considered, including modification of an existing
8 rulemaking, together with an explanation of
9 why the rulemaking meets the objectives of the
10 rulemaking more effectively than the reasonable
11 alternatives;

12 “(E) identify and assess available alter-
13 natives to the regulation that the Commission
14 considered, including modification of an existing
15 regulation, together with an explanation of why
16 the regulation meets the regulatory objectives
17 more effectively than the alternatives;

18 “(F) ensure that any regulation is acces-
19 sible, consistent, written in plain language, and
20 easy to understand; and

21 “(G) measure, and seek to improve, the ac-
22 tual results of regulatory requirements.

23 “(3) CONSIDERATIONS AND ACTIONS.—In de-
24 ciding whether and how to regulate, the Commission
25 shall assess the costs and benefits of reasonable

1 available alternatives, including the alternative of
2 not regulating, and choose the approach that maxi-
3 mizes net benefits, including by—

4 “(A) consistent with the requirements of
5 section 3(f) of this Act, section 2(b) of the Se-
6 curities Act of 1933 (15 U.S.C. 77b(b)), section
7 202(c) of the Investment Advisers Act of 1940
8 (15 U.S.C. 80b–2(c)), and section 2(c) of the
9 Investment Company Act of 1940 (15 U.S.C.
10 80a–2(c)), considering whether the rulemaking,
11 in addition to being in the interest of protecting
12 investors, will promote efficiency, competition,
13 and capital formation;

14 “(B) evaluating whether, consistent with
15 obtaining regulatory objectives, the regulation is
16 tailored to impose the least burden on society,
17 including market participants, individuals, busi-
18 nesses of differing sizes, and other entities (in-
19 cluding State and local governmental entities),
20 taking into account, to the extent practicable,
21 the cumulative costs of regulations; and

22 “(C) evaluate whether the rulemaking is
23 inconsistent, incompatible, or duplicative of
24 other Federal regulations.

1 “(4) EXPLANATION AND COMMENTS.—In
2 issuing any final regulation, the Commission shall—

3 “(A) explain the nature of comments re-
4 ceived by the Commission; and

5 “(B) provide a response to those com-
6 ments, including an explanation of any changes
7 that were made in response to those comments
8 and the reasons that the Commission did not
9 incorporate any concerns related to the poten-
10 tial costs or benefits in the final regulation.

11 “(5) PUBLIC AVAILABILITY.—The Commission
12 shall—

13 “(A) make available to the public in an on-
14 line depository all economic analyses, including
15 analyses on market failure, performed by the
16 staff of the Commission, including such anal-
17 yses performed by the Division of Economic
18 and Risk Analysis, with respect to a rulemaking
19 under the securities laws; and

20 “(B) take appropriate steps to protect any
21 non-public data contained in any economic anal-
22 ysis included in the online depository described
23 in subparagraph (A), which may include
24 anonymizing, aggregating, or employing other
25 measures as the Commission deems appropriate

1 to protect such data while also providing for its
2 public availability.”.

3 (2) SENSE OF CONGRESS RELATING TO OTHER
4 REGULATORY ENTITIES.—It is the sense of Congress
5 that the Public Company Accounting Oversight
6 Board should be subject to the requirements of sub-
7 section (f) of section 23 of the Securities Exchange
8 Act of 1934 (15 U.S.C. 78w), as added by para-
9 graph (1).

10 (b) CONSIDERATIONS WITH RESPECT TO RULE-
11 MAKING.—

12 (1) RULES UNDER THE SECURITIES ACT OF
13 1933.—Section 2(b) of the Securities Act of 1933
14 (15 U.S.C. 77b(b)) is amended by inserting “, when
15 considered individually or cumulatively with other
16 rules or regulations or other proposed rules or regu-
17 lations,” before “will promote”.

18 (2) RULES UNDER THE SECURITIES EXCHANGE
19 ACT OF 1934.—Section 23(a)(2) of the Securities Ex-
20 change Act of 1934 (15 U.S.C. 78w(a)(2)) is
21 amended, in the second sentence, by inserting “,
22 when considered individually or cumulatively with
23 other rules or regulations or other proposed rules or
24 regulations,” after “which would”.

1 (3) RULES UNDER THE INVESTMENT COMPANY
 2 ACT OF 1940.—Section 2(c) of the Investment Com-
 3 pany Act of 1940 (15 U.S.C. 80a–2(c)) is amended
 4 by inserting “, when considered individually or cu-
 5 mulatively with other rules or regulations or other
 6 proposed rules or regulations,” before “will pro-
 7 mote”.

8 (4) RULES UNDER THE INVESTMENT ADVISERS
 9 ACT OF 1940.—Section 202(c) of the Investment Ad-
 10 visers Act of 1940 (15 U.S.C. 80b–2(c)) is amended
 11 by inserting “, when considered individually or cu-
 12 mulatively with other rules or regulations or other
 13 proposed rules or regulations,” before “will pro-
 14 mote”.

15 **SEC. 404. SENATE CONFIRMATION OF INSPECTOR GENERAL**
 16 **OF THE SECURITIES AND EXCHANGE COM-**
 17 **MISSION.**

18 Chapter 4 of title 5, United States Code, is amend-
 19 ed—

20 (1) in section 401, by inserting “the Securities
 21 and Exchange Commission,” after “National Secu-
 22 rity Agency,”; and

23 (2) in section 415(a)(1)(A), by striking “the
 24 Securities and Exchange Commission,”.

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