

COMMITTEE ON FINANCIAL SERVICES

H.R. 37, the Promoting Job Creation and Reducing Small Business Burdens Act

Rep. Mike Fitzpatrick (R-PA)

The Problem:

Excessive and unnecessary regulations hurt our economy, increase costs for investors and consumers, reduce wage growth and restrict access to private sector capital that our nation's job creators need to grow the economy and create jobs.

The Example:

The Dodd-Frank Act alone adds more than 400 new regulations -- on top of all Washington's existing regulations -- to our economy, investors and job creators. Dodd-Frank's target may have been Wall Street, but its regulatory burden falls most heavily on Main Street.

No Main Street small business, manufacturer, farmer or rancher caused the financial crisis. Yet they are subject to new Dodd-Frank regulations that were supposedly designed for big Wall Street firms. That's not fair.

In addition to Dodd-Frank's red tape, the Federal securities laws and Securities and Exchange Commission (SEC) regulations treat all companies as if they are large, multi-national companies and impose prohibitively high costs on small and medium-sized companies and impede their ability to access the capital needed to grow, innovate and create jobs.

The Bottom Line:

The American people want Republicans and Democrats to work together to strengthen our economy and help the private sector create jobs. Good-paying jobs and greater opportunities on Main Street are the foundations of real economic growth – growth that's strong and sustainable, growth that lifts people up from poverty and transforms them from tax-eaters into taxpayers.

Economic growth cannot come from Washington. It can come only from Main Street. And it won't happen unless small business owners, entrepreneurs and workers have more freedom and more opportunity to use their God-given talents and creativity to earn their success.

Each dollar that Washington forces job creators to spend on burdensome, unnecessary regulations is a dollar that Main Street cannot spend to expand, innovate and hire more workers.

The Solution:

The bipartisan H.R. 37 is a package of common-sense, regulatory relief bills designed to help grow the economy from Main Street up, not Washington down. These 11 bills previously passed either the House or the Financial Services Committee with overwhelming bipartisan support during the 113th Congress:

- The Business Risk Mitigation and Price Stabilization Act (formerly H.R. 634) clarifies that Congress did not intend for manufacturers, ranchers and small companies that buy and sell derivatives to hedge against business risk to be impacted by Dodd-Frank's burdensome margin and capital requirements. **The bill passed the House by a vote of 411-12, with 181 House Democrats, including Ranking Member Maxine Waters, voting in favor.**
- Legislation sponsored by Rep. Gwen Moore (D-WI) (formerly H.R. 5471) clarifies Dodd-Frank's treatment of affiliates of non-financial firms that use a central treasury unit (CTU) as a risk-reducing, best practice to centralize and net the hedging needs of affiliates. Without a clear legislative exemption, non-financial companies may either have to eliminate the CTU function, be subjected to increased regulatory costs, or retain more risk on their balance sheets and pass along that risk to customers in the form of higher prices. This bipartisan bill would enable non-financial companies with affiliates to continue employing best practices to manage internal and external trading in order to mitigate risk within a commercial entity. **The bill passed the House by voice vote.**
- The Holding Company Registration Threshold Equalization Act (formerly H.R. 801), introduced by Reps. Steve Womack (R-AR), James Himes (D-CT), and Ann Wagner (R-MO) amends Title VI of the Jumpstart Our Business Startups Act ("JOBS Act"). Title VI raised the shareholder registration threshold with the SEC from 500 to 2,000 and increased the deregistration threshold from 300 to 1,200 for banks and bank holding companies. This legislation extends the same flexibility to savings and loan holding companies, ensuring that they can deploy capital throughout the communities they serve. **The bill passed the House 417-4.**
- Legislation sponsored by Rep. Bill Huizenga (R-MI) and Rep. Brian Higgins (D-NY) (formerly H.R. 2274) will streamline and simplify regulations so that small business owners can more easily sell their businesses when they retire and, in turn, create opportunities for new entrepreneurs to take over small and emerging companies that might otherwise have been shut down. **The bill passed the House 422-0.**
- The Swap Data Repository and Clearinghouse Indemnification Act of 2013 (formerly H.R. 742), introduced by Reps. Rick Crawford (R-AR), Sean Patrick Maloney (D-NY), Bill Huizenga (R-MI) and Gwen Moore (D-WI), removes an indemnification requirement imposed on foreign regulators by the Dodd-Frank Act as a condition of

obtaining access to data repositories. Sections 728 and 763 of the Dodd-Frank Act require swap data repositories and security-based swap data repositories to make data available to non-U.S. financial regulators, including foreign financial supervisors, foreign central banks, and foreign ministries. Before a U.S. data repository can share data with a foreign regulator, however, the foreign regulator must agree that it will abide by applicable confidentiality requirements and that it will indemnify the data repository and the SEC or the Commodity Futures Trading Commission (CFTC) for litigation expenses that may result from the sharing of data with the foreign regulator. Section 725 imposes similar requirements for data sharing between derivatives clearing organizations and foreign regulators, including the requirement that foreign regulators indemnify derivatives clearing organizations and U.S. regulators for litigation expenses that may result from the sharing of data with foreign regulators. **The bill passed the House 420-2.**

- The Improving Access to Capital for Emerging Growth Companies Act (formerly H.R. 3623), introduced by Rep. Stephen Fincher (R-TN) and Rep. John Delaney (D-MD), builds on the successes of Title I of the JOBS Act, which created a new class of publicly traded companies known as Emerging Growth Companies (EGCs). The bill reduces burdensome SEC registration and disclosure requirements to help EGCs access the capital markets more efficiently, streamline the Initial Public Offering process and allow EGCs to deploy their assets to grow and create jobs. **The committee approved the bill by a vote of 56-0.**
- The Small Company Disclosure Simplification Act (formerly H.R. 4164), introduced by Rep. Robert Hurt (R-VA) and Rep. Terri Sewell (D-AL), provides a voluntary exemption for all EGCs and other issuers with annual gross revenues under \$250 million from the SEC's onerous requirements to file their financial statements in an interactive data format known as eXtensible Business Reporting Language (XBRL). The bill also requires the SEC to conduct a cost-benefit analysis on the XBRL requirement and report to Congress within one year after enactment. The legislation allows small businesses to spend more time focusing on expanding and creating jobs rather than on redundant SEC compliance requirements. **The bill was approved by the committee 51-5.**
- The Restoring Proven Financing for American Employers Act (formerly H.R. 4167), introduced by Rep. Andy Barr, amends the Bank Holding Company Act to provide banks with investments in Collateralized Loan Obligations (CLOs) issued before January 31, 2014, until July 21, 2019 to be in compliance with the Volcker Rule. CLOs provide nearly \$300 billion in financing to U.S. companies and the legislation will prevent a "fire-sale" of CLOs that were unexpectedly captured by the final rule to implement the Volcker Rule. **The bill passed the House by voice vote.**
- The Small Business Investment Companies (SBICs) Advisers Relief Act (formerly H.R. 4200), introduced by Rep. Blaine Luetkemeyer (R-MO), amends the Investment

Advisers Act of 1940 to reduce unnecessary regulatory costs and eliminate duplicative regulation of advisers to SBICs. Eliminating duplicative regulation will allow the private equity fund money that currently goes to pay for regulatory compliance and fees to flow directly to job-creating small businesses. **The bill passed the House by voice vote.**

- The Disclosure Modernization and Simplification Act (formerly H.R. 4569), introduced by Rep. Scott Garrett (R-NJ), directs the SEC to simplify its disclosure regime for issuers and help investors more easily navigate very lengthy and cumbersome public company disclosures. Permitting issuers to submit a summary page would enable companies to concisely disclose pertinent information to investors without exposing them to liability. This summary page would also enable investors to more easily access the most relevant information about a company. **The bill passed the House by voice vote.**
- The Encouraging Employee Ownership Act of 2014 (formerly H.R. 4571), introduced by Rep. Randy Hultgren (R-IL), modernizes SEC Rule 701, which was last updated in 1996. Updating this rule gives private companies more flexibility to reward employees with a company's securities and thereby retain valuable employees without having to use other methods to compensate them, such as borrowing money or selling securities. **The bill was approved 36-23 by the Committee.**

Please contact David Popp (david.popp@mail.house.gov 6-2467) with any additional questions