

**[DISCUSSION DRAFT]**

115<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R.** \_\_\_\_\_

To require the Securities and Exchange Commission to carry out a study of the 10 per centum threshold limitation applicable to the definition of a diversified company under the Investment Company Act of 1940, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. HULTGREN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To require the Securities and Exchange Commission to carry out a study of the 10 per centum threshold limitation applicable to the definition of a diversified company under the Investment Company Act of 1940, 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.**

4 This Act may be cited as the “Expanding Investment  
5 in Small Businesses Act”.

1 **SEC. 2. SEC STUDY.**

2 (a) IN GENERAL.—The Securities and Exchange  
3 Commission shall carry out a study the 10 per centum  
4 threshold limitation applicable to the definition of a diver-  
5 sified company under section 5(b)(1) of the Investment  
6 Company Act of 1940 (15 U.S.C. 80a–5(b)(1)) and deter-  
7 mine whether such threshold limits capital formation. In  
8 carrying out such study, the Commission shall consider  
9 the following:

10 (1) The size and number of diversified compa-  
11 nies that are currently restricted in their ability to  
12 own more than 10 percent of the voting shares in an  
13 individual company.

14 (2) If investing preferences of diversified com-  
15 panies have shifted away from companies with small-  
16 er market capitalizations.

17 (3) The expected increase in the availability of  
18 capital to small and emerging growth companies if  
19 the threshold is increased.

20 (4) The ability of registered funds to manage li-  
21 quidity risk.

22 (b) REPORT.—Not later than the end of the 180-day  
23 period beginning on the date of enactment of this Act, the  
24 Commission shall issue a report to the Congress con-  
25 taining all findings and determinations made in carrying  
26 out the study required under subsection (a), and make

1 sure report available to the public, including on the  
2 website of the Commission.

3 **SEC. 3. SOLICITATION OF PUBLIC COMMENTS; RULE-**  
4 **MAKING.**

5 (a) SOLICITATION OF PUBLIC COMMENTS.—Not  
6 later than 180-days after issuing the report described  
7 under section 2(b), the Securities and Exchange Commis-  
8 sion shall solicit public comment on the 10 per centum  
9 threshold limitation described under section 2 and whether  
10 such threshold should be raised.

11 (b) RULEMAKING.—If, after consideration of the re-  
12 sults of the study required under section 2 and the public  
13 comments received pursuant to subsection (a), the Com-  
14 mission determines that it would be necessary and appro-  
15 priate in the public interest and for the protection of inves-  
16 tors, the Commission shall issue regulations to increase  
17 the 10 per centum threshold limitation described under  
18 section 2.