

AMENDING A PROVISION OF THE SECURITIES ACT OF 1933 DIRECTING
THE SECURITIES AND EXCHANGE COMMISSION TO ADD A PARTICULAR
CLASS OF SECURITIES TO THOSE EXEMPTED UNDER SUCH ACT TO PRO-
VIDE A DEADLINE FOR SUCH ACTION

MAY 15, 2013.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 701]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 701) to amend a provision of the Securities Act of 1933 directing the Securities and Exchange Commission to add a particular class of securities to those exempted under such Act to provide a deadline for such action, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

H.R. 701 sets October 31, 2013, as the deadline by which the SEC must complete the rules to implement section 3(b)(2) of the Securities Act of 1933, as amended by title IV of the Jumpstart Our Business Startups (JOBS) Act (Pub. L. No. 112-106), which provides for the exemption of certain issuers from registration under the Securities Act.

BACKGROUND AND NEED FOR LEGISLATION

President Obama signed the JOBS Act into law on April 5, 2012. That law requires the SEC to promulgate various rules and regulations in furtherance of several sections of the law. Since that time, however, the SEC has failed to meet some deadlines by which rule-making must be completed, including deadlines expressly set forth in titles II and III of the Act.

The JOBS Act does not provide a statutory deadline by which the rules referred to in title IV of the Act must be completed. Nevertheless, the policy enacted into law contained in that section is an important feature of the Act. In particular, the Act commands the SEC to exempt from the registration requirements of the Securities Act of 1933 domestic securities that meet the following criteria: (i) the aggregate offering amount of all securities offered and sold within the prior 12-month period in reliance on the new exemption shall not exceed \$50 million; (ii) the securities may be offered and sold publicly; and (iii) the securities shall not be restricted securities.¹

H.R. 701 endeavors to prompt the SEC to action by establishing October 31, 2013, as the date by which the SEC must complete its rulemaking to implement title IV of the JOBS Act.

HEARINGS

The Committee on Financial Services held no hearings on H.R. 701.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on May 7, 2013 and ordered H.R. 701 to be favorably reported to the House by voice vote, a quorum being present.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were ordered during consideration of H.R. 701.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee's oversight findings are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 701 will require the SEC to complete its rulemaking under title IV of the JOBS Act by October 31, 2013.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

¹A "restricted security" is a security that cannot be resold unless it qualifies for an exemption from such restriction.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 13, 2013.

Hon. JEB HENSARLING,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 701, a bill to amend a provision of the Securities Act of 1933 directing the Securities and Exchange Commission to add a particular class of securities to those exempted under such Act to provide a deadline for such action.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 701—A bill to amend a provision of the Securities Act of 1933 directing the Securities and Exchange Commission to add a particular class of securities to those exempted under such Act to provide a deadline for such action

Under title IV of the Jumpstart our Business Startups Act (Public Law 112–106), the Securities and Exchange Commission (SEC) is required to issue a regulation that exempts certain stock offerings—specifically, where the aggregate amount offered and sold in the previous 12-month period does not exceed \$50 million—from requirements to register the offering with the agency. H.R. 701 would require the SEC to finalize that regulation by October 31, 2013.

Efforts are currently underway at the SEC to finalize the rule in question. Based on information from the agency, CBO expects that implementing H.R. 701 would have a negligible effect on the agency's workload. As a result, CBO estimates that implementing H.R. 701 would not significantly affect discretionary spending. Furthermore, under current law, the agency is authorized to collect fees sufficient to offset its operating costs each year; therefore, we estimate that the net cost to the SEC would be negligible, assuming appropriation actions consistent with that authority. Enacting HR. 701 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

HR. 701 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

H.R. 701 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to section 3(j) of H. Res. 5, 113th Cong. (2013), the Committee states that no provision of H.R. 701 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(k) of H. Res. 5, 113th Cong. (2013), the Committee estimates that H.R. 701 does not require any directed rule makings. It simply states the date by which a previously required rulemaking is to be completed.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Rulemaking deadline for exempting certain securities

This section sets October 31, 2013, as the deadline by which the SEC shall complete its rulemaking under title IV of the JOBS Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECURITIES ACT OF 1933

TITLE I—SHORT TITLE

* * * * *

EXEMPTED SECURITIES

SEC. 3. (a) * * *

(b) ADDITIONAL EXEMPTIONS.—

(1) * * *

(2) ADDITIONAL ISSUES.—**[The Commission]** *Not later than October 31, 2013, the Commission* shall by rule or regulation add a class of securities to the securities exempted pursuant to this section in accordance with the following terms and conditions:

(A) * * *

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