



## House Financial Services Committee

Markup of Legislation

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## Summary

- All the bills considered were favorably reported out of Committee.

## Legislation Considered

- [H.R. 3861](#), the “Federal Insurance Office Reform Act of 2017”
  - [An Amendment in the Nature of a Substitute](#) expected to be offered by Mr. Duffy.
- [H.R. 4557](#), the “Reforming Disaster Recovery Act of 2017”
  - [An Amendment in the Nature of a Substitute](#) expected to be offered by Mrs. Wagner.
- [H.R. 5054](#), the “Small Company Disclosure Simplification Act of 2018”
- [H.R. 5756](#), To require the Securities and Exchange Commission to adjust certain resubmission thresholds for shareholder proposals.
- [H.R. 5783](#), the “Cooperate with Law Enforcement Agencies and Watch Act of 2018”
- [H.R. 5877](#), the “Main Street Growth Act”
  - [Amendment in the Nature of a Substitute](#) expected to be offered by Mr. Emmer.

## Opening Statements

### ***Chairman Jeb Hensarling (R-Texas)***

In his opening statement, Hensarling argued that the Financial Services Committee has played a “significant role” in boosting the U.S. economy, including by passing S.2155, but that “more needs to be done.” Hensarling said the bank-focused bill did not encourage the dynamic capital formation necessary to grow the economy and praised the bills under consideration today.

### ***Ranking Member Maxine Waters (D-Calif.)***

Ranking Member Waters argued that while it is important to encourage capital formation, several of the bills were troubling. She singled out H.R. 5756 for “silencing” shareholder proposals, and called for more committee attention for social issues, like homelessness.

## Markup

### ***H.R. 5783, the “Cooperate with Law Enforcement Agencies and Watch Act of 2018”***

Rep. French Hill (R-Ark.) introduced the bill and his [Amendment in the Nature of a Substitute](#). Hill thanked Rep. Bill Foster (D-Ill.) for his help in developing the bill, which would create a safe harbor from compliance penalties from anti-money laundering (AML) violations for banks if a law enforcement agency has requested a bank keep an account open for monitoring purposes. Foster, Waters and several other members also spoke in support of the bill.

The measure was favorably reported by a vote of 55-0.

### ***H.R. 5877, the “Main Street Growth Act”***

Rep. Tom Emmer (R-Minn.) introduced his bill and his [Amendment in the Nature of a Substitute](#). Emmer described his bill as one that would build on the successes of the Jumpstart Our Business Startups (JOBS) Act of 2012 by allowing the creation of venture exchanges. Emmer noted the decline in total number of public companies and argued that the current, daunting market structure may not be ideal for certain companies, especially small-cap issuers. Emmer said his bill would create dedicated exchanges for certain exchanges to try and concentrate liquidity and tailor markets to account for the varying size and nature of new public companies. The ability to list on venture exchanges would be open to new companies as well as currently public companies below certain public float and average daily trading volume (ADTV) and venture exchange listed companies would be granted flexible tick sizes.

Hensarling voiced his support for the bill, stating that “of all the bills being marked up today, clearly this is one of the most important,” adding that Congress will ultimately move a “Jobs 3.0” package and this will be an important part of that. Reps. Thomas MacArthur (R-N.J.), Warren Davidson (R-Ohio), Bill Huizenga (R-Mich.) also voiced their support for the bill.

Waters said she supported “new and innovative ideas” that would improve capital formation, and said she was “pleased” by the venture exchange proposal before the committee. She praised the bill for retaining state regulatory oversight and for its potential to improve liquidity for small issuers, and its

requirement for continued public disclosure by venture exchange-listed companies. Rep. Carolyn Maloney (D-N.Y.) also voiced her support for the bill, explaining that it will help a lot of small companies by enhancing liquidity and capital formation using small company stocks trading with each other on the same venture exchange. Additional Democrats echoed Waters comments, with support from Reps. Foster, who was pleased that the bill eliminates decimalization, and Denny Heck (D-Wash.).

Rep. Ed Perlmutter (D-Colo.) questioned the need for another exchange, to which MacArthur explained that this gives small companies access to public equity, rather than having to turn to venture capital or private equity that is more expensive.

The measure was favorably reported by a vote of 56-0.

#### ***H.R. 5054, “Small Company Disclosure Simplification Act of 2018”***

Rep. David Kustoff (R-Tenn.) explained that his bill provides voluntary exemption for emerging growth companies (EGCs) from the Securities and Exchange Commission’s (SEC’s) requirement to file statements in eXtensible Business Reporting Language (XBRL). He continued that while the SEC has proposed amendments to improve the quality of data submitted by smaller companies, the amendments do not do anything to help with the compliance burden for small companies.

Rep. Scott Tipton (R-Colo.) voiced his support for the bill, stating that regulators should weigh compliance costs based on a company’s size, which is what the bill does. He continued that the use of XBRL data, requiring expertise outside of traditional accounting training, adds burden and increased costs to small companies. Hensarling also voiced his support for the bill, explaining that it is a “stair step” from JOBS Act 1.0 and 2.0, that money spent on XBRL is not money spent on helping the company grow, and that it is the company’s choice to opt-in or out of XBRL. Additional support came from Reps. Huizenga, who stressed that the exemption is voluntary for companies, and Hill, who argued that if a company finds XBRL reporting useful they can continue to use it.

Waters opposed the bill, noting that it will exempt most companies from using XBRL and calls for the SEC to conduct a study to see if the exemption makes sense. She continued that the SEC found that computer-readable data benefits outweigh the burdens caused by the language, noting that the exemption will apply to over 60 percent of public companies. She also stated that the average company pays less than \$6,000 on XBRL compliance, and that the SEC will be streamlining the filing process, further reducing the cost to companies. Maloney also voiced her opposition to the bill, claiming that it will inhibit capital formation for small companies and that the XBRL data makes the markets more transparent and keeps companies on a level playing field. She continued that without the XBRL data, investors will have to rely on prospectus and other disclosures rather than quick analyses provided by XBRL. Huizenga responded that if the exemption does in fact harm companies, it will be noticed quickly, and they can continue using XBRL.

The measure was favorably reported by a vote of 32-23.

***H.R. 5756, to require the Securities and Exchange Commission to adjust certain resubmission thresholds for shareholder proposals.***

Rep. Sean Duffy (R-Wis.) introduced his bill, noting that he has had concern about conflicts of interest at proxy advisory firms for some time and that his bill will raise the thresholds for allowing shareholder proposals to be reintroduced. He continued that currently activist shareholders force boards to reconsider proposals that are of no interest to the company if there is at least a certain percent vote for the proposal, year after year, wasting the time of the company. Other Republican supporters included Reps. Randy Hultgren (R-Ill.), Huizenga, and Hensarling.

Waters argued that the bill will silence shareholders by excluding their proposals, and that state legislators wrote letters of opposition to similar provision included in the Financial Choice Act, stressing the need for shareholders to be able to submit proposals. She continued that the House Financial Services Committee has resubmitted proposals year after year as well, to which Duffy replied that there has been a high number of votes for each of the resubmissions. Other Democrats who voiced their opposition included Rep. Al Green (D-Texas).

The measure was favorably reported by a vote of 34-22.

***H.R. 3861, the “Federal Insurance Office Reform Act of 2017”***

Duffy introduced his bill, which would make major changes to the Federal Insurance Office (FIO). Reps. Andy Barr (R-Ky.), Heck, Hultgren, also spoke in support of the bill. Duffy defended his bill throughout the markup, arguing that it does not harm the functioning of the Terrorism Risk Insurance Act (TRIA) and is necessary to protect the state-based model of insurance regulation.

Reps. Royce, Maloney, Waters and Nydia Velazquez (D-N.Y.) adamantly opposed the bill. Royce was sharply critical of the bill’s changes to the FIO and said it would “eviscerate” FIO’s ability to influence global insurance regulation. Opponents of the bill cited the impact of the bill on TRIA and its limitations on FIO’s legal powers.

The measure was favorably reported by a vote of 36-21.

***H.R. 4557, the “Reforming Disaster Recovery Act of 2017”***

Rep. Ann Wagner (R-Mo.) introduced her bill, which would move Community Development Block Grant (CDBG) disaster relief funding to block grants and create a firm authorization for these funds. Green supported the bill and noted the broad support for the measure from outside stakeholders. Waters spoke in favor of the bill as well as the [Amendment in the Nature of a Substitute](#).

The measure was favorably reported by a vote of 53-3.

For more information on this session, please click [here](#).