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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R.

To amend the Securities Act of 1933 to subject crowdfunding vehicles to the jurisdiction of the Securities and Exchange Commission, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MCHENRY (for himself and Ms. WATERS) introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Securities Act of 1933 to subject crowdfunding vehicles to the jurisdiction of the Securities and Exchange Commission, 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 “Crowdfunding Amend-
5 ments Act”.

1 **SEC. 2. CROWDFUNDING VEHICLES.**

2 (a) AMENDMENTS TO THE SECURITIES ACT OF
3 1933.—The Securities Act of 1933 (15 U.S.C. 77a et
4 seq.) is amended—

5 (1) in section 2(a) (15 U.S.C. 77b(a)), by add-
6 ing at the end the following:

7 “(20) The term ‘crowdfunding vehicle’ has the
8 meaning given the term in section 3(c)(15)(B) of the
9 Investment Company Act of 1940 (15 U.S.C. 80a-
10 3(c)(15)(B)).”;

11 (2) in section 4(a)(6) (15 U.S.C. 77d(a)(6))—

12 (A) in subparagraph (A)—

13 (i) by inserting “, other than a
14 crowdfunding vehicle,” after “sold to all
15 investors”; and

16 (ii) by inserting “other than a
17 crowdfunding vehicle,” after “the issuer,”;
18 and

19 (B) in subparagraph (B), in the matter
20 preceding clause (i), by inserting “, other than
21 a crowdfunding vehicle,” after “any investor”;
22 and

23 (3) in section 4A(f) (15 U.S.C. 77d-1(f))—

24 (A) in the matter preceding paragraph (1),
25 by striking “Section 4(6)” and inserting “Sec-
26 tion 4(a)(6)”; and

1 (B) in paragraph (3), by inserting “by any
2 of paragraphs (1) through (14) of” before “sec-
3 tion 3(c)”.

4 (b) AMENDMENTS TO THE INVESTMENT COMPANY
5 ACT OF 1940.—Section 3(c) of the Investment Company
6 Act of 1940 (15 U.S.C. 80a–3(c)) is amended by adding
7 at the end the following:

8 “(15)(A) Any crowdfunding vehicle.

9 “(B) For purposes of this paragraph, the term
10 ‘crowdfunding vehicle’ means a company—

11 “(i) the purpose of which (as set forth in
12 the organizational documents of the company)
13 is limited to acquiring, holding, and disposing
14 of securities issued by a single company in one
15 or more transactions made under section
16 4(a)(6) of the Securities Act of 1933 (15
17 U.S.C. 77d(a)(6));

18 “(ii) that issues only 1 class of securities;

19 “(iii) that receives no compensation in con-
20 nection with the acquisition, holding, or disposi-
21 tion of securities described in clause (i);

22 “(iv) no investment adviser or associated
23 person of which receives any compensation on
24 the basis of a share of capital gains upon, or

1 capital appreciation of, any portion of the funds
2 of an investor of the company;

3 “(v) the securities of which have been
4 issued in a transaction made under section
5 4(a)(6) of the Securities Act of 1933 (15
6 U.S.C. 77d(a)(6)), where both the
7 crowdfunding vehicle and the company whose
8 securities the crowdfunding vehicle holds are co-
9 issuers;

10 “(vi) that is current with respect to ongo-
11 ing reporting requirements under section
12 227.202 of title 17, Code of Federal Regula-
13 tions, or any successor regulation;

14 “(vii) that holds securities of a company
15 that is subject to ongoing reporting require-
16 ments under section 227.202 of title 17, Code
17 of Federal Regulations, or any successor regula-
18 tion; and

19 “(viii) that is advised by an investment ad-
20 viser that is—

21 “(I) registered under the Investment
22 Advisers Act of 1940 (15 U.S.C. 80b-1 et
23 seq.); and

24 “(II) required to—

1 “(aa) disclose to the investors of
2 the company any fees charged by the
3 investment adviser; and

4 “(bb) obtain approval from a ma-
5 jority of the investors of the company
6 with respect to any increase in the
7 fees described in item (aa).”.

8 (c) AMENDMENTS TO THE INVESTMENT ADVISERS
9 ACT OF 1940.—The Investment Advisers Act of 1940 (15
10 U.S.C. 80b–1 et seq.) is amended—

11 (1) in section 202(a) (15 U.S.C. 80b–2(a))—

12 (A) by redesignating the second paragraph
13 (29) as paragraph (31); and

14 (B) by adding at the end the following:

15 “(32) The term ‘crowdfunding vehicle’ has the
16 meaning given the term in section 3(c)(15)(B) of the
17 Investment Company Act of 1940 (15 U.S.C. 80a–
18 3(c)(15)(B)).

19 “(33)(A) The term ‘crowdfunding vehicle ad-
20 viser’ means an investment adviser that acts as an
21 investment adviser solely with respect to crowdfund-
22 ing vehicles.

23 “(B) A determination, for the purposes of sub-
24 paragraph (A), regarding whether an investment ad-
25 viser acts as an investment adviser solely with re-

1 spect to crowdfunding vehicles shall not include any
2 consideration of the activity of any affiliate of the
3 investment adviser.”;

4 (2) in section 203 (15 U.S.C. 80b–3), by add-
5 ing at the end the following:

6 “(o) CROWDFUNDING VEHICLE ADVISERS.—

7 “(1) IN GENERAL.—A crowdfunding vehicle ad-
8 viser shall be required to register under this section.

9 “(2) TAILORED REQUIREMENTS.—As necessary
10 or appropriate in the public interest and for the pro-
11 tection of investors, and to promote efficiency, com-
12 petition, and capital formation, the Commission may
13 tailor the requirements under section 275.206(4)–2
14 of title 17, Code of Federal Regulations, with re-
15 spect to the application of those requirements to a
16 crowdfunding vehicle adviser.”; and

17 (3) in section 203A(a) (15 U.S.C. 80b–3a(a))—

18 (A) in paragraph (1)—

19 (i) in subparagraph (A), by striking
20 “or” at the end;

21 (ii) in subparagraph (B), by striking
22 the period at the end and inserting “; or”;
23 and

24 (iii) by adding at the end the fol-
25 lowing:

1 “(C) is a crowdfunding vehicle adviser.”;

2 and

3 (B) in paragraph (2)—

4 (i) in subparagraph (A), by inserting
5 “a crowdfunding vehicle adviser,” after
6 “unless the investment adviser is”; and

7 (ii) in subparagraph (B)(ii), in the
8 matter preceding subclause (I), by insert-
9 ing “except with respect to a crowdfunding
10 vehicle adviser,” before “has assets”.

11 **SEC. 3. CROWDFUNDING EXEMPTION FROM REGISTRA-**
12 **TION.**

13 Section 12(g)(6) of the Securities Exchange Act of
14 1934 (15 U.S.C. 78l(g)(6)) is amended—

15 (1) by striking “The Commission” and insert-
16 ing the following:

17 “(A) IN GENERAL.—The Commission”;

18 (2) in subparagraph (A), as so designated, by
19 striking “section 4(6)” and inserting “section
20 4(a)(6)”; and

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

22 “(B) TREATMENT OF SECURITIES ISSUED
23 BY CERTAIN ISSUERS.—

24 “(i) IN GENERAL.—An exemption
25 under subparagraph (A) shall be uncondi-

1 tional for securities offered by an issuer
2 that had a public float of less than
3 \$75,000,000, as of the last business day of
4 the most recently completed semiannual
5 period of the issuer, which shall be cal-
6 culated in accordance with clause (ii).

7 “(ii) CALCULATION.—

8 “(I) IN GENERAL.—A public
9 float described in clause (i) shall be
10 calculated by multiplying the aggregate
11 worldwide number of shares of
12 the common equity securities of an
13 issuer that are held by non-affiliates
14 by the price at which those securities
15 were last sold (or the average bid and
16 asked prices of those securities) in the
17 principal market for those securities.

18 “(II) CALCULATION OF ZERO.—
19 If a public float calculation under sub-
20 clause (I) with respect to an issuer is
21 zero, an exemption under subpara-
22 graph (A) shall be unconditional for
23 securities offered by the issuer if the
24 issuer had annual revenues of less
25 than \$50,000,000, as of the most re-

1 cently completed fiscal year of the
2 issuer.”.