

RECESS

The SPEAKER pro tempore (Mr. VAN ORDEN). Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 2 o'clock and 5 minutes p.m.), the House stood in recess.

□ 1630

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. MEUSER) at 4 o'clock and 30 minutes p.m.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or votes objected to under clause 6 of rule XX.

The House will resume proceedings on postponed questions at a later time.

SMALL ENTITY UPDATE ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2792) to require the Securities and Exchange Commission to carry out a study and rulemaking on the definition of the term "small entity" for purposes of the securities laws, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2792

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Entity Update Act".

SEC. 2. STUDIES, REPORTS, AND RULES REGARDING SMALL ENTITIES.

(a) DEFINITIONS.—In this section—

(1) the term "Commission" means the Securities and Exchange Commission; and

(2) the term "small entity"—

(A) has the meaning given the term in section 601 of title 5, United States Code, with respect to the activities of the Commission; and

(B) includes any definition established by the Commission of the term "small business", "small organization", or "small governmental jurisdiction" under paragraph (3), (4), or (5), respectively, of section 601 of title 5, United States Code, with respect to the activities of the Commission.

(b) STUDIES AND REPORTS.—Not later than 1 year after the date of enactment of this Act, and again 5 years thereafter, the Commission shall—

(1) conduct a study of the definition of the term "small entity" with respect to the activities of the Commission for the purposes of chapter 6 of title 5, United States Code, which shall consider—

(A) the extent to which the definition of the term "small entity", as in effect during the period in which the study is conducted, aligns with the findings and declarations made under section 2(a) of the Regulatory Flexibility Act (5 U.S.C. 601 note);

(B) the amount by which financial markets in the United States have grown since the last time the Commission amended the definition of the term "small entity", if applicable; and

(C) how the Commission should define the term "small entity" to ensure that a meaningful number of entities would fall under that definition; and

(2) submit to Congress a report that includes—

(A) the results of the applicable study conducted under paragraph (1); and

(B) specific and detailed recommendations on the ways in which the Commission could amend the definition of the term "small entity" to—

(i) be consistent with the results described in subparagraph (A); and

(ii) expand the number of entities covered by such definition.

(c) RULEMAKING.—After the completion of each study required under subsection (b), the Commission shall, subject to public notice and comment, revise the rules of the Commission consistent with the results of such study.

(d) INFLATION ADJUSTMENTS.—As soon as practicable following the date of enactment of this Act, and every 5 years thereafter, the Commission shall adjust all dollar figures under the definition of small entity established by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

GENERAL LEAVE

Mrs. WAGNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. WAGNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of my bill, H.R. 2792, the Small Entity Update Act.

Mr. Speaker, the slated bills that we are considering today are the culmination of four hearings that the Capital Markets Subcommittee, which I have the honor and privilege of chairing, has held this year, where we heard from over a dozen witnesses, including founders of private and public companies, investors, former SEC Commissioners, security law practitioners, and even one of the authors of the IPO-related provisions of the JOBS Act.

All of these bills play a vital role in expanding investment opportunities for all Americans, improving access to capital for small businesses, and strengthening our public markets.

Mr. Speaker, 11 years ago, the Jumpstart Our Business Startups Act, or JOBS Act of 2012, was enacted into law by a divided Congress with the intention of increasing access to capital for small businesses and entrepreneurs in the United States. The purpose of

the JOBS Act was to provide greater opportunities for small business owners and entrepreneurs to grow their companies and create jobs in their communities.

Despite the successes of the JOBS Act, there are still significant regulatory barriers that impede the growth of small businesses and hinder the competitiveness of job growth in the United States.

Small businesses, Mr. Speaker, make up 99 percent of all enterprises, employ almost half of the United States' workforce, and are disproportionately affected by these barriers. These companies represent the engine of our economy and are far too often subject to one-size-fits-all regulation. The lack of access to capital makes it challenging for small business owners to grow and expand their companies, which can limit job creation and economic growth.

That is why I introduced the Small Entity Update Act. This bipartisan bill would direct the SEC to conduct a study, followed by a rulemaking that is consistent with the results of such study every 5 years. This study would focus on defining the term "small entity" under the Regulatory Flexibility Act.

Regulations often impose disproportionate burdens on startups, small businesses, and other small entities. Small entities simply can't afford the number of lawyers and regulatory experts that large multinational firms can to comply with every regulation while still being able to afford the cost of doing business.

The government cannot and should not treat a small startup in my hometown of Ballwin, Missouri, with seven employees as it would a Fortune 500 company. The reality is that the size of companies and the underlying makeup of market forces behind them change over time, which is why my bill requires the SEC to reevaluate their small business definition every 5 years. What makes sense for companies today in terms of regulatory compliance may not in 5 years.

My bill addresses longstanding concerns that numerous SEC rules do not appropriately balance the SEC's mandates to protect investors and facilitate capital formation. Studying and revising these definitions will result in a better understanding of regulatory costs on small entities and ensure that the SEC modernizes its criteria for defining them.

In order for our economy to thrive, Mr. Speaker, Congress and regulators must ensure that any policies enacted keep in mind any impacts they would have on our millions of small businesses.

H.R. 2792 will lead to a more targeted regulatory framework for these entities and help make the American Dream a reality for all entrepreneurs.

Mr. Speaker, I thank Mr. HIMES, Mr. TORRES, Mr. SCOTT, and Mr. CASTEN for their bipartisan support of this

impactful legislation, and I urge all my colleagues to vote for this bill.

Mr. Speaker, I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 2792, the Small Entity Update Act, sponsored by the gentlewoman from Missouri.

This bill directs the SEC to carry out a study and rulemaking, if appropriate, on its definitions of "small entities" under the Regulatory Flexibility Act to ensure that the SEC accounts for impacts on businesses when pursuing rulemakings.

The Regulatory Flexibility Act provides small entities with an expanded opportunity to participate in the development of certain regulations. Through the study contemplated under the bill, "small entities" under SEC's jurisdiction would gain a louder voice when it comes to the development of SEC regulations that directly apply to them.

I am pleased that Mrs. WAGNER was willing to accept changes to this bill I pressed for that would ensure that the SEC remains in exclusive control of the study, and whatever the outcome of the study, SEC's actions would be consistent with its overall mission.

Mr. Speaker, I thank Mrs. WAGNER for working with us on this bill. I also thank Mrs. WAGNER for working with Mr. CASTEN to include his suggestion related to an inflation adjustment for this bill.

Mr. Speaker, I urge my colleagues to vote "yes" on this bill, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I urge my colleagues to support H.R. 2792, and I yield back the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I rise today in support of H.R. 2792, the Small Entity Update Act.

H.R. 2792 would require the Securities and Exchange Commission to carry out a study and rulemaking on the definition of the term "small entity" for purposes of the securities laws, and other purposes.

Agencies are required to consider the impact of their rules on small entities under the Regulatory Flexibility Act.

Under the bill, the SEC must provide specific and detailed recommendations to Congress on how the SEC can revise the definition of small entity to (1) align with specified statutory goals, including reducing unnecessary burdens on small entities; and (2) to expand the number of entities covered.

Currently, the term "small entity" includes any definition established by the SEC of the term "small business", "small organization", or "small governmental jurisdiction", with respect to the activities of the Commission.

This bill would direct the SEC to modernize the criteria it uses to define a "small entity" to reflect the growth of the U.S. economy and the evolution of the capital markets since the last time the small entity definition was addressed.

H.R. 2792 requests the study occur no later than one year after the date of enactment of this Act, and once every 5 years after.

The Congressional Budget Office (CBO) estimates implementation of this bill would cost about \$2 million over the 2023–2028 period.

However, since the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net effect on discretionary spending over the 2023–2028 period would be negligible, assuming appropriation actions consistent with that authority.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Missouri (Mrs. WAGNER) that the House suspend the rules and pass the bill, H.R. 2792, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mrs. WAGNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

ENHANCING MULTI-CLASS SHARE DISCLOSURES ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2795) to amend the Securities Exchange Act of 1934 to require issuers with a multi-class stock structure to make certain disclosures in any proxy or consent solicitation material, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2795

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Enhancing Multi-Class Share Disclosures Act".

SEC. 2. DISCLOSURE RELATING TO MULTI-CLASS SHARE STRUCTURES.

Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n) is amended by adding at the end the following:

"(1) DISCLOSURE RELATING TO MULTI-CLASS SHARE STRUCTURES.—

"(1) DISCLOSURE.—The Commission shall, by rule, require each issuer with a multi-class share structure to disclose the information described in paragraph (2) in any proxy or consent solicitation material for an annual meeting of the shareholders of the issuer, or any other filing as the Commission determines appropriate.

"(2) CONTENT.—A disclosure made under paragraph (1) shall include, with respect to each person who is a director, director nominee, or named executive officer of the issuer, or who is the beneficial owner of securities with 5 percent or more of the total combined voting power of all classes of securities entitled to vote in the election of directors—

"(A) the number of shares of all classes of securities entitled to vote in the election of directors beneficially owned by such person, expressed as a percentage of the total number of the outstanding securities of the issuer entitled to vote in the election of directors; and

"(B) the amount of voting power held by such person, expressed as a percentage of the total combined voting power of all classes of the securities of the issuer entitled to vote in the election of directors.

"(3) MULTI-CLASS SHARE STRUCTURE.—In this subsection, the term 'multi-class share structure' means a capitalization structure that contains 2 or more classes of securities that have differing amounts of voting rights in the election of directors."

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

GENERAL LEAVE

Mrs. WAGNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. WAGNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 2795, the Enhancing Multi-Class Share Disclosures Act.

Mr. Speaker, I thank my colleague from the other side of the aisle, Congressman MEEKS, for his work on this thoughtful piece of bipartisan legislation that improves the information shareholders receive about voting powers in the companies in which they invest.

Since the late 1800s, U.S. companies have utilized multi-class share structures. The original intent behind these structures was to allow companies, particularly family-run enterprises, to maintain voting control without having to own the majority of equity in their company.

There have been several efforts to limit the availability of multi-class share structures in the past. For example, starting in 1926 and ending in 1985, some national securities exchanges restricted the number of multi-class shares that were allowed to list on those exchanges.

In response to the increasing competitiveness of national securities exchanges in the 1980s, the exchanges eased those restrictions on multi-class share structures. While the SEC Investor Advisory Committee has called for more mandatory disclosures from companies with multi-class shares, the SEC does not currently require companies to disclose the gap between the equity an individual holds in the company and the number of voting shares they control, although many companies already disclose those for their shareholders voluntarily.

By requiring disclosures regarding voting power, particularly regarding officers and directors and those who have more than 5 percent voting power, H.R. 2795 will ensure that shareholders receive more uniform information in proxy materials.

Mr. Speaker, rather than prohibiting multi-class share structures altogether, H.R. 2795 represents a thoughtful and balanced approach to enhance