

Mr. THOMPSON of Pennsylvania. Mr. Speaker, on the first Saturday of the month, we celebrated National Trail Day.

In recognizing our local, State, and national trails, we can bring attention to the importance of our trails, build a world where everyone feels welcome to enjoy the great outdoors, and provide the perfect opportunity to set off on a hike.

I am proud to represent the only national forest in Pennsylvania, the Allegheny National Forest. This multiuse forest is a staple in our region, providing recreation as well as employment opportunities.

The ANF has more than 200 miles of hiking trails, 53 miles of cross-country skiing trails, and 18 miles of interpretive trails, offering a variety of hiking experiences for outdoor enthusiasts of all types.

My district is also home to Marion E. Brooks Natural Area trails in Elk County, the Mid State Trail in Tioga County, and the North Country National Scenic Trail, which spans from New York to North Dakota.

Mr. Speaker, these hiking trails provide an opportunity to experience the beauty of our land. As the weather warms up, I encourage all my colleagues to get outdoors and explore their hometown hiking trails.

RECESS

The SPEAKER pro tempore. 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 9 minutes p.m.), the House stood in recess.

□ 1602

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. D'ESPOSITO) at 4 o'clock and 2 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.

FAIR INVESTMENT OPPORTUNITIES FOR PROFESSIONAL EXPERTS ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 835) to amend the Securities Act of 1933 to codify certain qualifications of individuals as accredited investors for purposes of the securities laws, as amended.

The Clerk read the title of the bill. The text of the bill is as follows:

H.R. 835

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 "Fair Investment Opportunities for Professional Experts Act".

SEC. 2. DEFINITION OF ACCREDITED INVESTOR.

(a) IN GENERAL.—Section 2(a)(15) of the Securities Act of 1933 (15 U.S.C. 77b(a)(15)) is amended—

(1) by redesignating subparagraphs (i) and (ii) as subparagraphs (A) and (F), respectively; and

(2) in subparagraph (A) (as so redesignated), by striking "or" and inserting a semicolon, and inserting after such subparagraph the following:

"(B) any natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, exceeds \$1,000,000 (which amount, along with the amounts set forth in subparagraph (C), shall be adjusted for inflation by the Commission every 5 years to the nearest \$10,000 to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics) where, for purposes of calculating net worth under this subparagraph—

"(i) the person's primary residence shall not be included as an asset;

"(ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

"(iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability;

"(C) any natural person who had an individual income in excess of \$200,000 in each of the 2 most recent years or joint income with that person's spouse or spousal equivalent in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

"(D) any natural person who is currently licensed or registered as a broker or investment adviser by the Commission, the Financial Industry Regulatory Authority, or an equivalent self-regulatory organization (as defined in section 3(a)(26) of the Securities Exchange Act of 1934), or the securities division of a State, the District of Columbia, or a territory of the United States or the equivalent division responsible for licensing or registration of individuals in connection with securities activities;

"(E) any natural person the Commission determines, by regulation, to have demonstrable education or job experience to qualify such person as having professional knowledge of a subject related to a particular investment, and whose education or job experience is verified by the Financial Industry Regulatory Authority or an equivalent self-regulatory organization (as defined in section 3(a)(26) of the Securities Exchange Act of 1934); or".

(b) RULEMAKING.—The Commission shall revise the definition of accredited investor under Regulation D (17 CFR 230.501 et seq.) to conform with the amendments made by subsection (a).

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentleman from California (Mr. SHERMAN) 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 the 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. 835, the Fair Investment Opportunities for Professional Experts Act.

I thank my colleagues from both sides of the aisle, Congressmen HILL, SCHWEIKERT, VARGAS, and others, for working on this important piece of bipartisan legislation that will expand the pool of eligible investors who can build wealth through private placements. The current "accredited investor" definition restricts access to investments in private markets to a select few, largely based on income or net worth. This excludes many individuals who have other types of expertise or experience that would make them sophisticated investors.

According to SEC estimates, only 13 percent of U.S. households actually qualified as accredited investors in 2016, and only a small percentage of accredited investors are Black or Latino. This shows that the current definition disproportionately excludes minorities from accessing investment opportunities.

H.R. 835 expands the definition to include individuals with certain licenses, educational qualifications, or job experience, opening up more investment opportunities for those who are knowledgeable in specific fields. I should also note that this bill passed on suspension by voice vote in the 115th Congress.

Mr. Speaker, passing H.R. 835 will help level the playing field for minority entrepreneurs who often struggle to secure funding due to lack of access to accredited investors. It will also help diversify the pool of eligible investors, providing more investment opportunities but also unlocking new sources of innovation and economic growth.

Mr. Speaker, for this reason, I urge my colleagues to support H.R. 835, and I reserve the balance of my time.

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

Mr. Speaker, I rise in support of H.R. 835, the Fair Investment Opportunities for Professional Experts Act sponsored by the gentleman from Arkansas (Mr. HILL). This bill passed the committee by voice vote. I was there. I didn't hear a single "no" vote.

This bill deals with the overall process of investing in stock being sold by the company to investors to raise

money. We see this happen through public offerings, and most of us one way or another or through a pension plan are invested in publicly traded stocks.

The process for a company to go public is an expensive one, and so smaller companies also do private offerings.

We have a process of restricting investments in these private offerings to those who can afford and understand the risks and those who understand that they can't necessarily sell the security that they have purchased readily.

We do need a framework for accredited investors who are allowed to buy in these private offerings. Up until now, our definition of accredited investor has focused too much on wealth or income of the investor and not on the expertise of the investor.

This bill, I think, moves us in the right direction as far as allowing those with expertise to invest. I also look forward to narrowing the definition of those or eliminating those from investing solely because they are wealthy. Just because you have a million dollars does not mean that you have understanding or knowledge.

The accredited investor framework protects the general public from being sold high-risk, illiquid private securities. This is because private securities do not come with anywhere near the same level of financial or other disclosures to investors that public securities do. Nor do private securities come with the same legal protections for investors and oversight from the SEC and State regulators as compared to public securities.

Finally, they don't come with the same level of liquidity and ability to sell or a posted price where you can be assured that there is a big public market, and you know what the fair price is.

Both accredited investor bills being considered on suspension today aim to return to this concept of accredited investor but focus on the knowledge of the investor as to the high-risk nature of the private security offering.

We all know that just because you have a million dollars does not mean you understand the complexities of the private markets.

Conversely, you should not be prohibited from investing in these products if you do have knowledge of the risks involved but don't happen to have a million dollars.

This is why it is so important for the SEC to update its definition of accredited investors to protect investors who are not sufficiently informed while creating pathways for those who are or those who make themselves sufficiently knowledgeable.

Mr. HILL's bill would allow individuals with certain credentials, such as an MBA or a FINRA certification—that is a certification from the Financial Industry Regulatory Authority that would allow one to actually be a broker-dealer. People who meet those

two qualifications would be deemed accredited investors without reference to their income or wealth.

I am under no illusion about the riskiness of these products. We will all hear the stories. Every friend I have who goes to Vegas and tells me about it, comes back saying they won everything. I have nine other friends who go to Vegas. They never tell me how well they did.

Likewise, we all will hear about somebody who invested in Apple at the beginning, but nobody talks about their investment in pear, tangerine, or kumquat.

This is an opportunity to make a lot of money. It is also an opportunity to lose a lot of money. I believe that the reforms to the definition of accredited investors are necessary and fair, and this bill is a reasonable expansion of the definition of people who can be expected to have the requisite knowledge or expertise to make an informed investment about the very risky private securities.

I support this bill. Every voice on the committee supports this bill, and I urge my colleagues to vote for it.

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

Mrs. WAGNER. Mr. Speaker, I yield such time as he may consume to the gentleman from Arkansas (Mr. HILL), the author of this bill, who is also the chairman of the Digital Assets, Financial Technology and Inclusion Committee.

Mr. HILL. Mr. Speaker, I certainly thank Chair WAGNER and Ranking Member SHERMAN for their strong words of support for my bill, the Fair Investment Opportunities for Professional Experts Act, which, as Ranking Member SHERMAN noted, passed out of our committee unanimously by voice vote, but it also has passed this House of Representatives, Mr. Speaker, twice already.

Most Americans are prohibited from investing in a wide variety of businesses. Unless you are rich enough, or what is called by the SEC, an "accredited investor"—meaning that you make more than \$200,000 per year or you are worth at least a million dollars, not including your house—you are not really allowed to easily invest in private markets, only in our public companies.

Meanwhile, new businesses are staying private for longer because bad policy from Washington has made it increasingly expensive for companies to become public, to go public, and to remain a public company.

In my view, Mr. Speaker, that is not fair, and it is not smart. The current accredited investor rules favor the rich and the affluent over people who have knowledge, that are working maybe in their own area of expertise, and then it effectively discriminates against someone who would be poor or potentially in a minority community.

In fact, the Securities and Exchange Commission argues that 1.3 percent of

accredited investors are African American, and only 2.8 percent are Latino, even though they make up a third of our country.

Are you telling me they don't have the investment expertise or the knowledge to invest in a company they are interested in? Of course, they do.

Small businesses and startups in Arkansas and across the country are integral to our Nation's economic growth, innovation, and job creation.

From my years of experience in helping small firms raise capital, I know this bill will enhance capital formation and offer long-term wealth appreciation for those with the knowledge to apply it.

This legislation simply provides individuals who demonstrate a strong understanding of an offering the opportunity to invest in private offerings. This is good for Arkansas and good for entrepreneurs across our country.

This is about giving those previously limited to only investing in public market opportunities a chance to build savings and investment and wealth in private companies.

If you have the knowledge and expertise, you ought to be given the chance to invest in an industry that you know very well.

Mr. Speaker, I thank the gentleman from California (Mr. VARGAS) as well as the gentleman from Arizona (Mr. SCHWEIKERT), an original cosponsor of this bill, for their support of this legislation. I thank the ranking member and the chairwoman for their support, and I urge all my colleagues to vote for this bill.

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

□ 1615

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

The accredited investor framework is in need of improvement. Today, millions of families can be targeted to invest in high-risk, illiquid, nontransparent financial products solely because of the inflated value of their assets, putting at risk their ability to live comfortably in retirement. At the same time, others who are knowledgeable are prevented from investing.

When the accredited investor framework was first established by the SEC in 1982, less than 2 percent of our population could be solicited by broker-dealers or companies raising capital on the basis of their income or on the basis of their assets.

Today, that has risen to 20 percent. That is not because investors are more knowledgeable and it is really not because there are more investors who can afford to take major losses. It is simply because we have had a lot of inflation since 1982, and so you can meet the asset requirements with real estate and your retirement nest egg.

To be clear, no one thinks that the amount you need for your retirement in 2023 is the amount you needed in 1982. That is why the SEC needs to revise the thresholds to better protect working families.

That said, Mr. HILL's bill is sensible. It would return to the original concept of the accredited investor, focusing on investors who are knowledgeable about the risks of private securities.

I would also point out that while we are protecting investors, another function of our securities laws is to help companies raise capital and, obviously, this bill will help many companies to raise the capital they need to expand; so I believe that is a balanced bill.

I look forward to other steps to change the accredited investor framework. I urge my colleagues to support this bill, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, I would just simply urge my colleagues to support H.R. 835, and I yield back the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I rise today in support of H.R. 835, the Fair Investment Opportunities for Professional Experts Act.

H.R. 835 would expand the eligibility criteria for an accredited investor for purposes of participating in private offerings of securities to include an individual determined by the Securities and Exchange Commission (SEC) to have qualifying professional knowledge through educational or professional experience.

The current definition of an accredited investor relies on a net worth threshold for individuals and households irrespective of the sophistication of the would-be investors.

Traditionally, the accredited investor threshold has been determined through asset and income tests, resulting in both an under- and overinclusive definition that leaves out sophisticated investors who may not meet financial thresholds while including a wealthy person with no experience in financial markets.

Excluding these individuals unfairly limits Americans' participation in capital markets.

This bill would increase the total number of Americans eligible to purchase restricted securities.

H.R. 835 would amend the Securities Act of 1933 to codify certain qualifications of individuals as accredited investors for the purposes of the securities laws.

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. 835, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

ACCREDITED INVESTOR DEFINITION REVIEW ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1579) to amend the Securities Act of 1933 and the Dodd-Frank Wall Street Reform and Consumer Protection Act with respect to the definition of accredited investor, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1579

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 "Accredited Investor Definition Review Act".

SEC. 2. CERTIFICATIONS, DESIGNATIONS, AND CREDENTIALS UNDER THE DEFINITION OF ACCREDITED INVESTOR.

Section 2(a)(15) of the Securities Act of 1933 (15 U.S.C. 77b(a)(15)) is amended—

(1) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively;

(2) in subparagraph (A), as so redesignated, by striking "adviser; or" and inserting "adviser";

(3) in subparagraph (B), as so redesignated, by striking the period at the end and inserting "or"; and

(4) by adding at the end the following:

"(C) an individual holding such certifications, designations, or credentials as the Commission determines necessary or appropriate in the public interest or for the protection of investors, where such list of certifications, designations, or credentials shall be no less broad than those certifications, designations, or credentials described in the amendments made to section 230.501 of title 17, Code of Federal Regulations, by the final rule of the Commission titled 'Accredited Investor Definition' (85 Fed. Reg. 64234; published October 9, 2020)."

SEC. 3. PERIODIC REVIEW OF CERTIFICATIONS, DESIGNATIONS, AND CREDENTIALS.

Section 413(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. 77b note) is amended by adding at the end the following:

"(3) PERIODIC REVIEW OF CERTIFICATIONS, DESIGNATIONS, AND CREDENTIALS.—Not later than 18 months after the date of the enactment of this paragraph and not less frequently than once every 5 years thereafter, the Commission shall—

"(A) review the list of certifications, designations, and credentials accepted with respect to meeting the requirements of the definition of 'accredited investor' under section 2(a)(15) of the Securities Act of 1933 (15 U.S.C. 77b(a)(15)) and rules issued pursuant to such section;

"(B) add such certifications, designations, and credentials to such list as the Commission determines are substantially similar in measuring the financial sophistication, knowledge, and experience in financial matters of an individual to the certifications, designations, and credentials included on such list at the time of such review; and

"(C) adjust or modify such list as the Commission determines necessary or appropriate in the public interest or for the protection of investors."

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentleman from California (Mr. SHERMAN) 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 the 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. 1579, the Accredited Investor Definition Review Act.

I thank my colleagues, Congressmen HUIZENGA and LAWLER, for working on this important piece of legislation that balances increasing investor opportunities with investor protection.

Currently, to qualify as an accredited investor, an individual must have an annual income of at least \$200,000 or a net worth of over \$1 million. These thresholds exclude many sophisticated but not wealthy investors from participating in high-growth private companies.

H.R. 1579 requires the SEC to review and update the list of certifications, designations, and credentials that an investor must satisfy to qualify as an accredited investor every 5 years, ensuring that the definition remains relevant and accessible.

By supporting H.R. 1579, we can create a more democratized investment landscape, where more Americans have the opportunity to invest in high-growth private companies, not just the wealthy elite.

This bill provides a pathway for sophisticated investors of all backgrounds to accumulate wealth and participate in the success of private companies.

Mr. Speaker, in short, by expanding the definition of accredited investors and promoting greater access to private investments, H.R. 1579 will help to level the playing field and ensure that all Americans have an opportunity to participate in the growth and success of our economy.

For this reason, I urge my colleagues to support H.R. 1579.

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

Mr. SHERMAN. Mr. Speaker, I rise in support of H.R. 1579, and I yield myself such time as I may consume.

The Accredited Investor Definition Review Act is, of course, sponsored by the gentleman from Michigan. The accredited investor definition is out of date and needs changing. A lot of these comments relate to the comments I made on the previous bill.

The current definition is based on wealth, which is not really a proxy for an individual's knowledge or experience. It may, in part, be a proxy for their ability to absorb losses; but the wealth standard was established in 1982 and hasn't been revised, so it was either wrong then or it is wrong now.

Further, the amount of wealth required to meet the accredited investor threshold, of course, has been eroded and, as I said speaking of the prior bill, has gone from 2 percent of our Nation to 20 percent of our Nation.

So we need to define who Wall Street can sell risky and illiquid products to, and not those who have created a nest egg, which is so much smaller than the nest egg in terms of purchasing value that we required when these standards were developed.

The SEC may establish a definition to protect working families from these