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U.S. House Approves Bipartisan Package of Capital Markets Bills

On July 17, the U.S. House of Representatives voted 406-4 to approve the “JOBS and Investor Confidence Act of 2018,” a legislative package of 32 capital markets bills that address initial public offerings, 10-Q filings, equity research, and other regulatory issues.

“The JOBS and Investor Confidence Act of 2018 will help sustain 3 percent economic growth and ensure we are able to compete globally with countries like China. By helping entrepreneurs access the capital they need to launch their companies and to go and stay public, this bill ensures that America’s garages have fewer old cars and more new startups,” Financial Services Committee Chairman Jeb Hensarling (R-TX) said in a press release.

“NIRI thanks the U.S. House for working across party lines to pass a number of bills that will be helpful to pre-IPO companies and smaller issuers,” said NIRI President and CEO Gary A. LaBranche, FASAE, CAE. “NIRI urges the Senate to approve these important capital market reforms to reduce the costs for companies that go public and to ease the regulatory burdens on existing issuers.”

The broad bipartisan support for this legislative package should increase the likelihood that the U.S. Senate will consider these bills this year.

Among the bills included in this package:

- H.R. 5970 (Modernizing Disclosures for Investors Act) would direct the Securities and Exchange Commission to provide a report to Congress with a cost-benefit analysis of the use of the Form 10-Q filings by emerging growth companies (EGCs), as well as the expected impact of quarterly reporting alternatives for EGCs.
- H.R. 6324 (Middle Market IPO Underwriting Cost Act) would direct the SEC, in consultation with the Financial Industry Regulatory Authority, to study the direct and indirect costs for small and medium companies that undertake initial public offerings.
- H.R. 6139 (Improving Investment Research for Small and Emerging Issuers Act) would require the SEC to study the provision of investment research on small issuers and pre-IPO companies, including EGCs.

- H.R. 1645 (Fostering Innovation Act) would extend the exemption from the auditor-attestation requirements of Section 404(b) of the Sarbanes-Oxley Act for certain low-revenue EGCs that would otherwise lose their exempt status after five years.
- H.R. 3093 (Encouraging Public Offerings Act of 2017) would extend the SEC's confidential IPO review process to all public companies. Additionally, this bill allows all companies to “test the waters” before filing an IPO, which means they may meet with qualified institutional buyers to gauge their interest.
- H.R. 5877 (Main Street Growth Act) would allow for the registration of venture exchanges with the SEC to provide a venue that would be more tailored to the needs of small and emerging companies.

However, the package includes two bills, which are backed by public pension funds, that are directed at public companies:

- H.R. 6320 (Promoting Transparent Standards for Corporate Insiders Act) would direct the SEC to conduct a study of Rule 10b5-1 plans used by executives to sell company shares. The bill outlines various restrictions on these plans that the SEC is to consider.
- H.R. 6322 (Enhancing Multi-Class Share Disclosures Act) would require issuers with a multi-class share structure to make additional disclosures in their proxy materials on the voting power of certain shareholders.

This legislative package does not include H.R. 4015, which would direct the SEC to regulate proxy advisors, or H.R. 5756, which would require the agency to increase the resubmission thresholds for shareholder proposals.

Resources

[House Financial Services Committee, Press Release: “House Passes Bipartisan “JOBS & Investor Confidence Act,” July 17, 2018.](#)

[U.S. Chamber of Commerce, “Statement on House Passage of the JOBS Act 3.0,” July 17, 2018.](#)

About the National Investor Relations Institute (NIRI)

Founded in 1969, NIRI (www.NIRI.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. NIRI is the largest professional investor relations association in the world with more than 3,300 members representing 1,600 publicly held companies and \$9 trillion in stock market capitalization.

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