

MIKE CRAPO, IDAHO, CHAIRMAN

RICHARD C. SHELBY, ALABAMA
PATRICK J. TOOMEY, PENNSYLVANIA
TIM SCOTT, SOUTH CAROLINA
BEN SASSE, NEBRASKA
TOM COTTON, ARKANSAS
MIKE ROUNDS, SOUTH DAKOTA
DAVID PERDUE, GEORGIA
THOM TILLIS, NORTH CAROLINA
JOHN KENNEDY, LOUISIANA
MARTHA McSALLY, ARIZONA
JERRY MORAN, KANSAS
KEVIN CRAMER, NORTH DAKOTA

SHERROD BROWN, OHIO
JACK REED, RHODE ISLAND
ROBERT MENENDEZ, NEW JERSEY
JON TESTER, MONTANA
MARK WARNER, VIRGINIA
ELIZABETH WARREN, MASSACHUSETTS
BRIAN SCHATZ, HAWAII
CHRIS VAN HOLLEN, MARYLAND
CATHERINE CORTEZ MASTO, NEVADA
DOUG JONES, ALABAMA
TINA SMITH, MINNESOTA
KYRSTEN SINEMA, ARIZONA

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

GREGG RICHARD, STAFF DIRECTOR
LAURA SWANSON, DEMOCRATIC STAFF DIRECTOR

July 18, 2019

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Clayton:

Throughout your tenure as Chairman, you have continually stated that facilitating capital formation is a top priority. As you have noted, the U.S. capital markets are the deepest, most dynamic and liquid in the world. We must continue to strive to maintain and enhance these positions. We commend the Securities and Exchange Commission (SEC) for the actions taken so far under your leadership. The recent publication of Regulation Best Interest strikes the appropriate balance of increasing transparency in investors' relationships, while preserving access to advice relationships and investment products. The SEC's Spring Agency Rule List identifies an ambitious agenda covering a broad range of topics that have received bipartisan support in Congress. We agree with your approach to review the existing regulations to ensure they are still appropriate given the ever-evolving capital markets.

As the Commission considers harmonization of exempt offerings, we encourage the SEC to prioritize revising Regulation D to allow for general solicitation and general advertising by sponsors, such as angel investor groups. The prohibition against general solicitation is a roadblock for small businesses looking to obtain needed capital. We also encourage the Commission to prioritize expanding the ability for small businesses to crowdfund. Small businesses today are experiencing an evolution of ways to reach investors with interstate exemptions or by tapping into the crowd through the internet. An additional tool we encourage the Commission to consider is allowing crowdfunding investors to pool their money into a fund advised by a registered investment advisor. We support the Commission expanding the definition of accredited investor for increasing investor participation in private offerings. The definition should be modernized to account for qualifying education or expertise in addition to simply considering a monetary threshold. Finally, we hope the SEC prioritizes updating the definition of family offices to allow family offices and their family clients meeting certain thresholds to be considered accredited investors that qualify to purchase certain unregistered securities.

We commend the Commission's proposal to expand "test-the-waters" beyond emerging growth companies (EGCs), as the Jumpstart Our Business Startups (JOBS) Act required, to all prospective issuers. The Commission's Division of Corporation Finance's action to extend the ability of all issuers, not just EGCs, to submit certain filings to the SEC in draft, non-public form

builds on the confidential submission process established by the JOBS Act. These efforts have had bipartisan support legislatively and we support the actions at the Commission to advance them.

Regulatory compliance and disclosure costs are all too often overly burdensome on smaller companies. As the SEC considers changes to the accelerated filer definition in Exchange Act Rule 12b-3, which proposes to reduce the number of registrants subject to the auditor attestation requirement in Sarbanes-Oxley Act Section 404(b), we encourage the Commission to move forward in a way that provides relief to all smaller reporting companies.

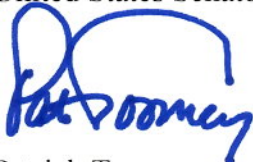
There is bipartisan interest in re-examining the proxy process and we urge the Commission to move forward with the information it gathered through its staff roundtable. It is time to re-examine the standards of inclusion of proposals related to environmental, social or political agendas and ensure that the proxy votes cast on behalf of retail investors reflect the economic interests of the retail investors. We further support the Commission's consideration of shareholder proposal thresholds. Current shareholder proposal rules have empowered a very small number of individuals with limited investment stakes, if any, to consume corporate boardrooms, increasing the costs of being a publicly traded company.

The Commission has held numerous forums to discuss these issues. Now is the time to advance these efforts and expand economic activity by removing unnecessary restrictions, updating antiquated rules and right-sizing regulations in order to enhance capital formation. Capital markets are vital to facilitating job growth and expanding American investment opportunities. Capital formation is a top priority of our Committee and we continue to actively seek ways to remove impediments to access to capital, reinvigorate initial public offerings and maintain the competitiveness of U.S. capital markets. We appreciate your focus on these reforms and look forward to continuing to work together on these critical efforts.

Sincerely,



Mike Crapo
United States Senator



Patrick Toomey
United States Senator



Richard Shelby
United States Senator



Tim Scott
United States Senator



Ben Sasse
United States Senator



Tom Cotton
United States Senator



M. Michael Rounds
United States Senator



David Perdue
United States Senator



Thom Tillis
United States Senator



John Kennedy
United States Senator



Martha McSally
United States Senator



Jerry Moran
United States Senator



Kevin Cramer
United States Senator