

116TH CONGRESS  
1ST SESSION

# H. R. 4860

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## AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Crowdfunding Amend-  
3 ments Act”.

4 **SEC. 2. CROWDFUNDING VEHICLES.**

5 (a) AMENDMENTS TO THE SECURITIES ACT OF  
6 1933.—The Securities Act of 1933 (15 U.S.C. 77a et  
7 seq.) is amended—

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

10 “(20) The term ‘crowdfunding vehicle’ has the  
11 meaning given the term in section 3(c)(15)(B) of the  
12 Investment Company Act of 1940 (15 U.S.C. 80a-  
13 3(c)(15)(B)).”;

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

15 (A) in subparagraph (A)—

16 (i) by inserting “, other than a  
17 crowdfunding vehicle,” after “sold to all  
18 investors”; and

19 (ii) by inserting “other than a  
20 crowdfunding vehicle,” after “the issuer,”;  
21 and

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

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

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

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

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

11 “(15)(A) Any crowdfunding vehicle.

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

14 “(i) the purpose of which (as set forth in  
15 the organizational documents of the company)  
16 is limited to acquiring, holding, and disposing  
17 of securities issued by a single company in one  
18 or more transactions made under section  
19 4(a)(6) of the Securities Act of 1933 (15  
20 U.S.C. 77d(a)(6));

21 “(ii) that issues only one class of securi-  
22 ties;

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

1           “(iv) no investment adviser or associated  
2 person of which receives any compensation on  
3 the basis of a share of capital gains upon, or  
4 capital appreciation of, any portion of the funds  
5 of an investor of the company;

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

13           “(vi) that is current with respect to ongo-  
14 ing reporting requirements under section  
15 227.202 of title 17, Code of Federal Regula-  
16 tions, or any successor regulation;

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

22           “(viii) that is advised by an investment ad-  
23 viser that is—

1 “(I) registered under the Investment  
2 Advisers Act of 1940 (15 U.S.C. 80b–1 et  
3 seq.); and

4 “(II) required to—

5 “(aa) disclose to the investors of  
6 the company any fees charged by the  
7 investment adviser; and

8 “(bb) obtain approval from a ma-  
9 jority of the investors of the company  
10 with respect to any increase in the  
11 fees described in item (aa); and

12 “(ix) that meets such other requirements  
13 as the Commission may, by rule, determine nec-  
14 essary or appropriate in the public interest and  
15 for the protection of investors.”.

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

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

20 (A) by redesignating the second paragraph  
21 (29) as paragraph (31); and

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

23 “(32) The term ‘crowdfunding vehicle’ has the  
24 meaning given the term in section 3(c)(15)(B) of the

1 Investment Company Act of 1940 (15 U.S.C. 80a–  
2 3(c)(15)(B)).

3 “(33)(A) The term ‘crowdfunding vehicle ad-  
4 viser’ means an investment adviser that acts as an  
5 investment adviser solely with respect to  
6 crowdfunding vehicles.

7 “(B) A determination, for the purposes of sub-  
8 paragraph (A), regarding whether an investment ad-  
9 viser acts as an investment adviser solely with re-  
10 spect to crowdfunding vehicles shall not include any  
11 consideration of the activity of any affiliate of the  
12 investment adviser.”;

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

15 “(o) CROWDFUNDING VEHICLE ADVISERS.—

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

18 “(2) TAILORED REQUIREMENTS.—As necessary  
19 or appropriate in the public interest and for the pro-  
20 tection of investors, and to promote efficiency, com-  
21 petition, and capital formation, the Commission shall  
22 tailor the requirements under section 275.206(4)–2  
23 of title 17, Code of Federal Regulations, with re-  
24 spect to the application of those requirements to a  
25 crowdfunding vehicle adviser.”; and

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

2 (A) in paragraph (1)—

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

5 (ii) in subparagraph (B), by striking  
6 the period at the end and inserting “; or”;  
7 and

8 (iii) by adding at the end the fol-  
9 lowing:

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

11 and

12 (B) in paragraph (2)—

13 (i) in subparagraph (A), by inserting  
14 “a crowdfunding vehicle adviser,” after  
15 “unless the investment adviser is”; and

16 (ii) in subparagraph (B)(ii), in the  
17 matter preceding subclause (I), by insert-  
18 ing “except with respect to a crowdfunding  
19 vehicle adviser,” before “has assets”.

20 **SEC. 3. CROWDFUNDING EXEMPTION FROM REGISTRA-**  
21 **TION.**

22 Section 12(g)(6) of the Securities Exchange Act of  
23 1934 (15 U.S.C. 78l(g)(6)) is amended—

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

1                   “(A) IN GENERAL.—The Commission”;

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

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

6                   “(B) TREATMENT OF SECURITIES ISSUED  
7 BY CERTAIN ISSUERS.—

8                   “(i) IN GENERAL.—An exemption  
9 under subparagraph (A) shall be uncondi-  
10 tional for securities offered by an issuer  
11 that had a public float of less than  
12 \$75,000,000, as of the last business day of  
13 the most recently completed semiannual  
14 period of the issuer, which shall be cal-  
15 culated in accordance with clause (ii).

16                   “(ii) CALCULATION.—

17                   “(I) IN GENERAL.—A public  
18 float described in clause (i) shall be  
19 calculated by multiplying the aggre-  
20 gate worldwide number of shares of  
21 the common equity securities of an  
22 issuer that are held by non-affiliates  
23 by the price at which those securities  
24 were last sold (or the average bid and

1 asked prices of those securities) in the  
2 principal market for those securities.

3 “(II) CALCULATION OF ZERO.—  
4 If a public float calculation under sub-  
5 clause (I) with respect to an issuer is  
6 zero, an exemption under subpara-  
7 graph (A) shall be unconditional for  
8 securities offered by the issuer if the  
9 issuer had annual revenues of less  
10 than \$50,000,000, as of the most re-  
11 cently completed fiscal year of the  
12 issuer.”.

13 **SEC. 4. RULE OF CONSTRUCTION.**

14 Nothing in this Act or the amendments made by this  
15 Act may be construed to allow an issuer or a crowdfunding  
16 vehicle to offer or sell securities in excess of the limitation  
17 described under section 4(a)(6) of the Securities Act of  
18 1933 (15 U.S.C. 77d(a)(6)).

19 **SEC. 5. DETERMINATION OF BUDGETARY EFFECTS.**

20 The budgetary effects of this Act, for the purpose of  
21 complying with the Statutory Pay-As-You-Go Act of 2010,  
22 shall be determined by reference to the latest statement  
23 titled “Budgetary Effects of PAYGO Legislation” for this  
24 Act, submitted for printing in the Congressional Record  
25 by the Chairman of the House Budget Committee, pro-

1 vided that such statement has been submitted prior to the  
2 vote on passage.

Passed the House of Representatives October 28,  
2019.

Attest:

*Clerk.*



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