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JOBS ACT: HOUSE SUBCOMMITTEE ADDRESSES BARRIERS TO CAPITAL MARKETS FOR SMALLER COMPANIES

On June 12, 2013, the House Financial Services Subcommittee (the "Subcommittee") discussed ways to reduce barriers to capital formation since the passage of the Jumpstart Our Business Startups Act ("JOBS Act") in April 2012. The Subcommittee, addressing the need to allow greater access to U.S. capital markets, heard testimony and asked questions regarding various topics addressed below.

In his opening statement, Rep. Brad Sherman (D-Calif.) suggested, among other things, that due to the potential to significantly increase audit costs to small public companies, not requiring audit rotation beyond the standards already found in the accounting profession. The Subcommittee then heard testimony from several witnesses.

R. Cromwell Coulson, President, CEO and Director of OTC Markets Group, suggested 15 ways to make public markets more open. Among these were (1) to improve the issuance process through better regulation of transfer agents, broker-dealers, and the Depository Trust Company; (2) implementing a tick size pilot program for small publicly traded companies; (3) allowing smaller reporting companies to opt out of XBRL filing; and (4) instituting a 25 percent corporate tax rate and deductibility of dividends for publicly traded smaller companies.

Joseph Ferraro, Vice President and General Counsel of Prospect Capital Corporation, discussed the importance of business development companies ("BDCs"). Ferraro recommended that the requirement BDCs update shelf registration statements each time new quarterly information is reported be changed. Shane Hansen, Partner at Warner Norcross & Judd LLP, suggested a simplified system of M&A broker registration that would deliver disclosures about the brokers to clients much like the requirement applicable to investment advisors.

David Weild, Senior Capital Markets Advisor at Grant Thornton, LLP, suggested a pilot program to let emerging growth companies trade with higher tick size increments and suggested the creation of a new, parallel stock market exempt from regulation NMS for public companies under \$2 billion in value.

Responding to questions from the Subcommittee members, the witnesses further encouraged higher tick sizes, delaying the XBRL requirements for smaller companies, and revisiting the general solicitation requirements.

To read other Jones Walker E*Bulletins regarding the JOBS Act, please [click here](#).

— [Asher J. Friend](#) and [Neal C. Wise](#)



Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:

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