CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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November 14, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Hensarling and Ranking Member Waters:

The U.S. Chamber of Commerce supports several bills the Committee is scheduled to markup on November 14, 2017. The Chamber appreciates the Committee's continued commitment to modernize America's financial regulatory structure for the benefit of investors, consumers, and entrepreneurs. The Chamber supports the following bills.

H.R. 1153, the "Mortgage Choice Act of 2017," would clarify definitions provided for points and fees in connection with a mortgage transaction. We support this necessary improvement to help facilitate a more streamlined mortgage process by clearing up confusion.

H.R. 3093, the "Investor Clarity and Bank Parity Act," would provide a technical fix under Section 619 (the "Volcker Rule") of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and allow bank-affiliated investment managers to freely name their funds without creating regulatory risk for the bank. The Volcker Rule currently prohibits a covered fund from using the same or similar name as a banking entity, resulting in market confusion and potential investor harm. H.R. 3093 would fix this provision of the Volcker Rule without creating any risks for investors.

H.R. 3299, the "Protecting Consumers' Access to Credit Act of 2017," would make common sense amendments to ensure the rate of interest on certain loans remain unchanged after transfer of the loan. This bill would codify the long-standing common law principle of the contractual doctrine of "valid when made." This principle provides that in lending agreements a loan that is valid at inception of the contract cannot become usurious upon subsequent sale or transfer to another person. In addition to being a bedrock legal principle, this bill also promotes the securitization marketplace and economic liquidity.

H.R. 3978, the "TRID Improvement Act of 2017," would create a cooling off period and provide a means of addressing minor errors in the mortgage process. We believe that this is a common-sense step to achieve the goals of the TILA-RESPA Integrated Disclosure rule ("TRID"), while ensuring a balance in the marketplace that can help both American homeowners and job creators. While we support this common-sense bill, we urge Congress to provide additional language to assist with TRID cures that do not fit neatly under the TRID or TILA cure

provisions. In addition to this bill, we would welcome the opportunity to work with Congress on a broader "cure" package to provide much-needed clarity for the marketplace.

H.R. 4015, the "Corporate Governance Reform and Transparency Act of 2017," would require proxy advisory firms to register with the SEC and become subject to a robust oversight regime. Two proxy advisory firms–ISS and Glass Lewis–control roughly 97% of the market and wield enormous influence over the governance of public companies. These firms operate with alarming conflicts of interest, typically issue "one size fits all" vote recommendations, provide little transparency into their research or processes, and are a significant challenge for companies that are considering going public. Despite recent efforts from the SEC to enhance accountability for proxy advisory firms, many longstanding issues still remain. H.R. 4015 is long overdue and would help protect investors and promote capital formation.

H.R. 4248 would repeal Section 1502 of the Dodd-Frank Act, better known as the "conflict minerals" rule. The conflict minerals rule was intended to mitigate violence in the Democratic Republic of the Congo (DRC) and surrounding regions by "shaming" public companies into disclosing whether materials in their products are sourced from that area. Instead, the rule has only served to hamper legitimate mines and deepen a humanitarian crisis that has existed for decades. The conflict minerals rule is the poster child for demonstrating why the securities laws should not be used to address policy, social, or geopolitical issues. Repealing the conflict minerals rule would protect our capital markets and, more importantly, mitigate the harmful impacts the rule has already had on one of the most vulnerable regions of the world.

H.R. 4263, the "Regulation A+ Improvement Act," would increase the amount that businesses are able to raise under "Regulation A+," which offers an exemption from full reporting requirements under the Securities Exchange Act. Regulation A+ was created by the 2012 Jumpstart our Businesses Startups ("JOBS") Act and is currently capped at $50 million for "Tier 2" offerings. Due to the compliance and other costs associated with completing a Regulation A+ offering, however, the $50 million threshold serves as a deterrent from using the exemption. Raising the exemption level would make Regulation A+ more attractive and help the JOBS Act reach its full potential.

H.R. 4267, the "Small Business Credit Availability Act," would modernize the regulatory regime that applies to business development companies (BDCs) by allowing BDC's to modestly increase their leverage, and in some cases be classified as well-known seasoned issuers (WKSIs) under the securities laws. BDCs were created by Congress in the 1980s and are an important source of capital for small and middle market companies–in fact, BDCs are mandated to invest 70% of their capital in such companies. Allowing for a modest increase in leverage and reducing unnecessary compliance burdens will allow BDCs to deploy more capital in the businesses and communities around the country that most need it.

H.R. 4279, the "Expanding Investment Opportunities Act," would allow closed-end funds to avail themselves of proxy modernization rules and to be classified as WKSIs. This would allow closed-end funds to raise capital and register their securities more efficiently. Closed-end funds hold some $270 billion in assets and are a popular investment option amongst retail investors. We believe that if enacted the bill would place closed-end funds on even footing with other public companies and stimulate capital formation in that sector without harming investors.

H.R. 4281, the "Expanding Access to Capital for Rural Job Creators Act," would require the SEC's Advocate for Small Business Capital Formation to identify any unique challenges that businesses in rural areas face when trying to access the capital markets. A recent report from the Economic Innovation Group noted that from 2010-2014, 50% of all business creation in the United States took place in only twenty counties that represent 17% of the U.S. population. It is clear that many areas of the country do not enjoy the type of capital access that Silicon Valley or New York do, and we believe H.R. 4281 will help regulators think creatively about how to serve communities that have been struggling economically.

H.R. 4289 would repeal Section 1503 of the Dodd-Frank Act, which requires mining companies to disclose information regarding safety and health violations in their securities filings. We believe that–like the conflict minerals rule–such disclosures are an improper use of the securities laws and will likely have unintended consequences down the road. Other areas of law already address mine safety issues, and these types of mandates only add to the problem of "disclosure overload" which harms investors and places a significant cost burden on the capital markets.

H.R. 4292, the "Financial Institution Living Will Improvement Act of 2017," would improve the process through which financial institutions develop and submit plans to ensure an orderly and rapid resolution, also known as "living wills." This is an exceptionally expensive process, and it should be conducted in a manner that ensures it is as effective and efficient as possible. H.R. 4292 would provide greater transparency into the resolution plan assessment framework, thereby improving submissions and increasing public confidence in the likelihood of a successful resolution. H.R. 4292 furthers requires that plans be submitted on a biennial schedule, lessening the burden of the planning process while fully preserving its benefits.

H.R. 4293, the "Stress Test Improvement Act of 2017," would provide necessary reforms to the supervisory and company-run stress test requirements of the Dodd-Frank Act and the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR). Greater transparency into the Federal Reserve's stress test scenarios and models will produce more reliable results, and promote the safety and soundness of individual institutions and the overall resiliency of the banking system. H.R. 4293 further provides that CCAR be conducted on a biennial schedule, and that the Federal Reserve may not object to an institution's capital plan on qualitative grounds.

H.R. 4294, the "Prevention of Private Information Dissemination Act of 2017," would establish critical protections for confidential business information provided to federal financial regulatory agencies under the resolution plan and stress test requirements of the Dodd-Frank Act. Previous leaks of this sensitive, market-moving information severely undermined the integrity of the assessment process as well as public confidence in the agencies' ability to execute their mission.

H.R. 4296 would place limits on operational risk capital requirements for banking organizations established by an appropriate Federal banking agency. The Basel Committee defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." H.R. 4296 improves the U.S. capital framework by requiring capital charges based on operational risk be based on current activities, be determined under a forward-looking assessment, and permit adjustment based on risk mitigating factors.

Taken together, these bills would provide greater credit access to consumers, help businesses raise the capital they need to grow, and hold regulators accountable. We commend the Financial Services Committee for again putting forth a number of positive bills, and look forward to working with Congress as these bills advance through the legislative process.

Sincerely,

Neil L. Bradley

cc: Members of the House Committee on Financial Services