

## **BILL ANALYSIS**

C.S.H.B. 1629  
By: Johnson  
Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties express concern that many Texans have little access to capital, which makes it difficult for them to start or run a small business. The parties assert that while some federal and state programs provide loans to small businesses, the funding provided by these programs is often inadequate. Additionally, the parties note that other states have enacted crowdfunding laws and regulations to help individuals and other entities raise capital in financially underserved areas. C.S.H.B. 1629 seeks to assist certain authorized development entities engaged in small business and economic development lending in raising capital and providing larger loans to small businesses.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the State Securities Board in SECTION 1 of this bill.

### **ANALYSIS**

C.S.H.B. 1629 amends The Securities Act, Vernon's Texas Civil Statutes, to require the State Securities Board to adopt rules to regulate and facilitate online intrastate crowdfunding applicable to authorized small business development entities. The bill authorizes the board to create other requirements as necessary to carry out the bill's provisions.

C.S.H.B. 1629 requires the rules for authorized small business development entities to allow authorized small business development entities to list on their web portals offerings of securities by issuers in which they are financially interested; to allow authorized small business development entities and their portals to list offerings of securities without offering investment advice; to allow authorized small business development entities to subcontract the operations of a crowdfunding web portal to a third party as permitted by board rule; and to limit the offerings of securities on an authorized small business development entity's web portal to securities of issuers located within the service area of the authorized small business development entity.

C.S.H.B. 1629 defines "authorized small business development entity" as certain Type A or Type B corporations, a nonprofit organization authorized by an agency or authority of the federal government to distribute housing and community development block grants, a municipal corporation, the Texas Veterans Commission, or a nonprofit community development financial institution certified by the Community Development Financial Institutions Fund.

### **EFFECTIVE DATE**

84R 27172

15.121.320

Substitute Document Number: 84R 20099

September 1, 2015.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1629 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

### INTRODUCED

SECTION 1. The Securities Act (Article 581-1 et seq., Vernon's Texas Civil Statutes) is amended by adding Section 44 to read as follows:

Sec. 44. CROWDFUNDING. (a) The Board shall adopt rules to regulate and facilitate online intrastate crowdfunding.

(b) The Board shall adopt rules specific to authorized small business development entities.

(c) In this subsection, "authorized small business development entity" means:

(1) a Type A corporation authorized under Chapter 504, Local Government Code;

(2) a Type B corporation authorized under Chapter 505, Local Government Code;

(3) a nonprofit organization authorized by an agency or authority of the federal government to distribute housing and community development block grants;

(4) a municipality corporation; or

(5) the Texas Veterans Commission.

(d) The rules that are specific to authorized small business development entities as defined by Subdivision (1) must:

(1) minimize any delay between raising and accessing capital funds through crowdfunding;

(2) allow authorized small business development entities to list offers in their web portals in which they are financially interested;

(3) allow authorized small business development entities and their portals to generally promote offers without offering individualized investment advice;

(4) allow investors who purchase securities

### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. The Securities Act (Article 581-1 et seq., Vernon's Texas Civil Statutes) is amended by adding Section 44 to read as follows:

Sec. 44. CROWDFUNDING. (a) The Board shall adopt rules to regulate and facilitate online intrastate crowdfunding applicable to authorized small business development entities. The Board may create other requirements necessary to carry out this section.

(c) In this section, "authorized small business development entity" means:

(1) a Type A corporation authorized under Chapter 504, Local Government Code;

(2) a Type B corporation authorized under Chapter 505, Local Government Code;

(3) a nonprofit organization authorized by an agency or authority of the federal government to distribute housing and community development block grants;

(4) a municipal corporation;

(5) the Texas Veterans Commission; or

(6) a nonprofit community development financial institution certified by the Community Development Financial Institutions Fund.

(b) The rules for authorized small business development entities must:

(1) allow authorized small business development entities to list on their web portals offerings of securities by issuers in which they are financially interested;

(2) allow authorized small business development entities and their portals to list offerings of securities without offering investment advice;

through web portals operated by an authorized small business development entity to have restrictions at least double the amount placed on investors who purchase securities through web portals operated by a non-authorized small business development entity;

(5) allow authorized small business development entities to subcontract the operations of a crowdfunding web portal to a third party; and

(6) limit the offerings of an authorized small business development entity's web portal to the authorized small business development entity's service area.

(e) The Board is allowed to create other requirements, as they deem necessary by adopting rules.

SECTION 2. This Act takes effect September 1, 2015.

(3) allow authorized small business development entities to subcontract the operations of a crowdfunding web portal to a third party as permitted by Board rule; and

(4) limit the offerings of securities on an authorized small business development entity's web portal to securities of issuers located within the service area of the authorized small business development entity.

*See Subsection (a) above.*

SECTION 2. Same as introduced version.