

House Passes the Financial CHOICE Act, But Further Progress Uncertain

On June 8, 2017, the U.S. House of Representatives approved the Financial CHOICE Act (H.R. 10) along party lines.¹ If the bill were to become law, it would replace much of the Dodd-Frank Act and scale back many post-2008 financial regulations. Of particular interest to private fund sponsors are the bill's provisions that propose to:

- exempt managers to private equity funds (to be defined by the SEC) from the registration and many reporting requirements of the Advisers Act;
- repeal the Volcker Rule, allowing banking entities to own interests in private funds;
- clarify Regulation D's restriction on general advertising or solicitation, allowing for presentations or communications made at specific events (e.g., venture forums, angel investor groups) to contain limited references to a private fund offering;
- freeze Regulation D's income requirements for "accredited investors" at current levels (individuals: greater than \$200,000; spouses: greater than \$300,000 in the prior two years);
- extend the definition of "accredited investor" to a natural person licensed as a broker or investment adviser, as well as any natural person the SEC determines has the education or job experience to qualify; and
- repeal the fiduciary rule issued by the Department of Labor.

The Financial CHOICE Act's likelihood of passage into law remains highly uncertain. The bill appears likely to stall in the Senate, where Republicans are unlikely to garner the 60 votes needed. Additionally, if the bill were to become law, Securities and Exchange Commission rulemaking could limit its impact.

¹ The bill was introduced on April 26, 2017, by House Financial Services Committee Chairman Jeb Hensarling (R-Texas) and has been significantly amended since.

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