

**Quick note:** Last week Venable and the Association for Corporate Growth (ACG) hosted a free webinar on current legislative and regulatory issues relevant to private funds with Congressman David Schweikert, a key author of the JOBS Act. The webinar and slide deck are located [here](#).

## Private Fund Update

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Both Chambers consider THUD appropriations this week – the last week Congress is in session before embarking on a five-week recess. There is a small chance the Senate and/or House will work through the recess, but don't count on it – they'll likely wrap up as much as they can before heading out of town through Labor Day.

Last week:

- House Small Business Committee held a hearing on the SBIC program that was highly supportive of the program.
- House Agriculture Committee held two hearings on CFTC reauthorization, which is relevant to users of swaps (particularly end-users).
- Senate Appropriations Committee approved its FY 2014 Financial Services appropriations bill at \$315 million for the CFTC and \$1.674 billion for the SEC.
- The SEC leveled criminal charges against SAC Capital, a (formerly) \$15 billion hedge fund.
- Think tank Third Way released two reports – one on money market mutual funds and another on high-frequency trading (links below).
- The BUILD Coalition released a new video highlighting the importance of interest deductibility in economic development. The BUILD Coalition opposes the elimination of the deductibility of interest on corporate debt.

This week the Senate Banking Committee holds a hearing with SEC Chairwoman Mary Jo White and CFTC Chairman Gary Gensler on mitigating systemic financial risk through Wall Street reforms.

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### The President

The President returned his focus to the economy, [delivering a speech in Jacksonville, Florida](#) that focused on restoring the economy for middle-class families, followed by a [weekly address](#) also focused on building a “better bargain” for the middle class. The President also came out [strongly in support](#) of the Senate's THUD bill, and [issued a veto threat](#) for the House THUD bill, which appropriates approximately \$10 billion less for FY 2014 than the Senate bill.

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### The 113<sup>th</sup> Congress

#### The Senate

The Senate continues consideration of [S. 1243](#), the FY 2014 THUD appropriations bill.

#### Senate Banking Committee

This week the SBC holds one hearing and one markup:

[Mitigating Systemic Risk Through Wall Street Reforms](#) – On Tuesday, the Committee holds a hearing on “Mitigating Systemic Risk in Financial Markets Through Wall Street Reforms.” Witnesses are:

- Mary Jo White, Chairwoman, SEC
- Gary Gensler, Chairman, CFTC

[Markup on FHA Solvency Act](#) – On Wednesday, the full committee meets to consider S. 1376, the FHA Solvency Act of 2013. The text of the bill is not yet available, but it is sponsored by Chairman Johnson and Ranking Member Crapo. Last week the Committee held a hearing on this issue with Assistant HUD Secretary Carol Galante (see below).

Last week the committee held three hearings.

[Hearing on Financial Holding Companies](#) – The Financial Institutions and Consumer Protection subcommittee holds a hearing on “Examining Financial Holding Companies: Should Banks Control Power Plants, Warehouses and Oil Refineries?” Witnesses were:

- Saule Omarova, Associate Professor of Law, University of North Carolina  
[\[written testimony\]](#)
- Joshua Rosner, Managing Director, Graham Fisher & Company  
[\[written testimony\]](#)
- Timothy Weiner, Global Risk Manager, Commodities/Metals, MillerCoors LLC  
[\[written testimony\]](#)
- Randall D. Guynn, Head of Financial Institutions Group, Davis Polk  
[\[written testimony\]](#)

[Hearing on a Housing Finance System](#) – The Securities, Insurance and Investment subcommittee held a hearing entitled “Creating a Housing Finance System Built to Last: Ensuring Access for Community Institutions.”

[Hearing on FHA Solvency](#) – The Committee held a hearing on “The FHA Solvency Act of 2013.” The sole witness was Carol Galante, Assistant Secretary of HUD. Assistant Secretary Galante’s written testimony is [here](#).

### **Senate Appropriations Committee**

[Subcommittee and Full Committee Financial Services Markups](#) – The SAC passed its FY 2014 financial services bill, funding the SEC at \$1.6 billion and the CFTC at \$315 million.

## **House of Representatives**

### **Small Business Committee**

The HSBC held two hearings last week, including an important one on the SBIC program:

[Hearing on the SBIC Program](#) – The Oversight and Regulations subcommittee held a hearing entitled “Examining the Small Business Investment Company Program.” Witnesses were:

- Pravina Raghavan, Acting Associate Administrator for Investment, SBA

- [\[written testimony\]](#)  
Steven Brown, President, Trinity Capital Investment, testifying on behalf of the SBIA
- [\[written testimony\]](#)  
John Sherman, Founder, Inergy, LP
- [\[written testimony\]](#)  
Philip Alexander, CEO, Brandmuscle, testifying on behalf of the U.S. Chamber of Commerce
- [\[written testimony\]](#)  
David T. Robinson, Professor, Duke University

The Hearing Memo is [here](#), and a video is [here](#).

[Hearing on Reducing Regulatory Burdens](#) – The Committee also held a hearing entitled “Reducing Red Tape: The New OIRA Administrator’s Perspective.” The sole witness was Howard Shelanski, Administrator, Office of Information and Regulatory Affairs for OMB. Administrator Shelanski’s written testimony is [here](#). The purpose of the hearing was to examine the results of agencies’ efforts to review the existing regulations as required by Executive Orders 13,563 and 13,610.

### **Financial Services Committee**

Last week HFS held a two-day markup on GSE Reform:

[Markup of GSE Reform Bill](#) – The full Committee spent two days marking up the Protecting American Taxpayers and Homeowners (PATH) Act which, among other things, winds down Fannie Mae and Freddie Mac. The Committee Memorandum is [here](#). Videos of the hearing are [here](#) (Tuesday) and [here](#) (Wednesday). The Committee approved the final bill by [a 30-27 vote](#) along party lines, with Congressman Gary Miller (R-CA) and Congressman Mike Fitzpatrick (R-PA) voting against the measure.

### **House Agriculture Committee**

Hearings on CFTC – The committee held two hearings last week on reauthorization of the CFTC: [The Future of the CFTC: Commission Perspectives](#) and [The Future of the CFTC: End-User Perspectives](#). Commissioners Scott O’Malia ([testimony](#)) and Mark Wetjen ([testimony](#)) testified at the first hearing and a bevy of end-users testified at the second hearing. A video of the hearing with the two Commissioners is [here](#) and a video of the end-user hearing is [here](#).

## **Securities and Exchange Commission**

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### **Charges Against S.A.C. Capital**

The U.S. Attorney for the Southern District of New York filed a criminal indictment against S.A.C. Capital, the large hedge fund formed by Stephen Cohen. The 41-page [criminal indictment](#) alleges that S.A.C. operated as a criminal enterprise engaged in a variety of illegal activities, including trading on inside information, securities fraud and wire fraud. The indictment does not name Stephen Cohen as a defendant. The U.S. Attorney seeks [the forfeiture](#) of assets held by S.A.C. and its advisors and affiliates. At the same time, [the SEC charged](#) a former portfolio manager at S.A.C. Capital, Richard Lee, with insider trading.

### **Investor Advisory Committee Meeting**

The SEC’s Investor Advisory Committee held a meeting to discuss data tagging and universal proxy

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issues. A copy of the agenda is [here](#). The Committee's recommendations regarding data tagging, to promote the cost-effective retrieval of information by investors, is [here](#) and the Committee's recommendations regarding universal proxy ballots is [here](#). A video of the hearing is [here](#).

### **SEC Announces Compliance Outreach Seminars**

The SEC [announced it will be holding a series of seminars](#) in cities around the country as part of its Compliance Outreach Program for investment adviser and investment company senior officers, including chief compliance officers (CCOs). The seminars highlight areas of focus for compliance professionals and allow SEC staff to identify common issues found in examinations or investigations and discuss industry practices, including how compliance professionals have addressed such matters. The upcoming seminars are:

- Chicago – August 28
- New York – September 13
- Atlanta – September 25
- San Francisco – November 6

For more information and to register for the seminars, click [here](#).

### **Final Rules and Proposed Rule Published in Federal Register**

The SEC's [final rule](#) eliminating the prohibition against general solicitations and the [final "bad actor" rule](#) were published in the Federal Register on Wednesday, July 24, meaning that both rules go into effect on September 23, 2013. The [proposed rule](#) imposing new restrictions on general solicitations was also published in the Federal Register on July 24, meaning comments are due on September 23.

## **Commodity Futures Trading Commission**

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### **Agricultural Advisory Committee Meeting**

On Thursday, July 25 the CFTC's Agricultural Advisory Committee met to discuss a variety of issues, including Customer Protection, Ethanol and Voice Recordings. Chairman Gensler and Commissioners Chilton, O'Malia and Wetjen participated. The agenda for the meeting is [here](#).

### **Congressional Testimony**

Commissioners Mark Wetjen and Scott O'Malia testified before the General Farm Commodities Subcommittee of the House Agriculture Subcommittee on Thursday. Commissioner Wetjen's written testimony is [here](#) and Commissioner O'Malia's written testimony is [here](#).

## **Private Equity Growth Capital Council (PEGCC)**

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### **Private Equity at Work - Video Case Study**

The PEGCC released its latest [Private Equity at Work](#) case study – a [video highlighting the success](#) of Entrust, a leading provider of identity-based security solutions which received an investment from private equity fund Thoma Bravo.

## **Third Way**

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### **Reports on Money Market Mutual Funds and High Frequency Trading**

Last week the think tank [Third Way](#) released two reports, one on [Monday Market Mutual Funds](#), and another on [High Frequency Trading](#). Both reports explain in simple, easy-to-understand terms, what these two frequently misunderstood area of finance are, whether the public benefits from them and potential regulatory issues associated with them, and are worth reading.

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## Miscellaneous

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### **GAO Report on Criteria for Qualifying as an Accredited Investor**

The GAO issued a [report](#) stating that the SEC should consider alternative criteria for individuals to qualify as an accredited investor. GAO analysis of federal data on household net worth showed that adjusting the \$1 million minimum threshold to approximately \$2.3 million, to account for inflation, would decrease the number of households qualifying as accredited from approximately 8.5 million to 3.7 million. Private funds interviewed for the study said they would be resistant to increased thresholds for AI status, as that would decrease the number of eligible investors.

### **Chamber of Commerce's Q2 Small Business Survey**

The U.S. Chamber of Commerce released its latest [quarterly small business survey](#), which shows that the health care law has emerged as the top concern for small businesses. Small business owners overwhelmingly voiced support for policies that would remove regulatory barriers and encourage growth, with 88% supporting action to address entitlement spending, and 81% responding that the immigration system is broken and needs to be reformed.

### **BUILD Coalition – New Video**

The BUILD Coalition released its latest video, entitled "[Interest Deductibility: A Building Block for Growth](#)." The video highlights the importance of interest deductibility on corporate debt to growing the U.S. economy, and calls for policymakers to reject any call to limit interest deductibility – as part of comprehensive tax reform or otherwise.

### **Pitchbook Q3 2013 Private Equity Breakdown**

Pitchbook released its Q3 Private Equity Breakdown. The report finds PE deal-making was at a lackluster pace in 2Q 2013, reaching a new quarterly low since the depths of the financial crisis. PE firms invested \$71 billion across 318 deals in the second quarter, down from 420 investments in 1Q 2013 and far off last year's stellar fourth quarter, in which 671 companies received \$141 billion in PE money. One deal—Berkshire Hathaway and 3G Capital's \$23.2 billion buyout of condiment maker H.J. Heinz—made up nearly one-third of all capital invested in the second quarter. A copy of the report can be obtained [here](#).