

# 1997 SESSION

## HOUSE SUBSTITUTE

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### HOUSE JOINT RESOLUTION NO. 665

#### AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Corporations, Insurance and Banking  
on January 28, 1997)

(Patron Prior to Substitute—Delegate Callahan)

*Requesting the Virginia State Corporation Commission to study the effectiveness of the Commonwealth's securities laws.*

WHEREAS, Virginia's requirements that securities be sold through registered broker-dealers and agents of the issuer, even in many cases when the offering itself is exempt from registration, and other regulatory requirements applicable to small issues of securities in the Commonwealth, significantly increase the cost of issuing securities in the Commonwealth; and

WHEREAS, because the costs of issuing small issues of securities are so high, few small or early development companies can afford to finance their growth in this manner; and

WHEREAS, federal securities laws and the trend of securities laws in the states favor a less restrictive and less costly regulatory environment for small issues of securities; and

WHEREAS, impediments to capital growth exist in the Commonwealth since its securities regulatory requirements are not consistent with the trends in many other states and federal securities regulations; and

WHEREAS, the National Securities Markets Improvement Act of 1996, which was passed by the 105th Congress, preempts certain state requirements, including Virginia's, regarding the offer and sale of securities; and

WHEREAS, House Bill 1957 introduced in the 1997 General Assembly is intended to conform Virginia's securities laws to the National Securities Markets Improvement Act of 1996; and

WHEREAS, the State Corporation Commission, through its Division of Securities and Retail Franchising, participates in the United States Securities and Exchange Commission's Annual Government-Business Forum on Small Business Capital Formation; and

WHEREAS, the Joint Subcommittee Studying Capital Access and Business Finance in its 1996 report urged that the State Corporation Commission undertake a review of its regulations, but little progress on removing regulatory barriers to small issues of securities has been achieved; and

WHEREAS, a thorough examination of the Commonwealth's securities laws may be necessary to determine what changes, if any, are appropriate to enable small business enterprises to issue securities and raise necessary capital; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia State Corporation Commission be requested to conduct a "best practices study" to evaluate the appropriateness of the Commonwealth's existing securities laws, in view of the trends of federal and other states' securities regulations to simplify and reduce the costs of compliance for small issues of securities, and to determine whether the Commonwealth should adopt legislation that would create a securities regulatory framework to encourage capital formation for small and early development companies while maintaining appropriate protection for the investing public.

The State Corporation Commission should develop a technical advisory committee as it deems appropriate, utilizing volunteers from members of the Virginia State Bar and the investment banking industry as well as members of the business community, including The Northern Virginia Technology Council, among others. The Department of Business Assistance, the Virginia Economic Development Partnership, and all other agencies of the Commonwealth shall provide assistance to the State Corporation Commission, upon request.

The State Corporation Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

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