

SENATE REPUBLICANS THWART A DEMOCRATIC ATTEMPT TO LEGISLATE SMALL BUSINESS BILL



A legislation, which would have given small businesses and startups freedom from some federal regulations and facilitated their attempts to raise capital more easily, was in danger of collapsing after the Democrats and Republicans, failed to reach an agreement on amendments that both parties wanted included in the bill. The small business bill, also known as the JOBS Act, would exempt small businesses and startups from some Securities and Exchange Commission regulations. What was most appealing to the small businesses was a provision in the Bill which said, "it would reduce the costs of companies seeking to go public by phasing in over five years SEC regulations that apply to what are categorized as emerging growth companies." The bill was expected to sail through as it appeared to enjoy bipartisan support. Just two weeks back, the house had passed the measure 390-23 and it seemed certain towards becoming law. However, Republicans objected to Democratic attempts to "add investor protections and link the bill to extension and expansion of the Export-Import Bank." Senate Majority Leader Harry Reid, D-Nev., said Republicans were making a "huge mistake", for it would have been a boon to companies that were attempting to sell their products abroad. He said it would hurt those companies. "The bank's authorization expires on May 31, but it may soon reach its lending ceiling of \$100 billion. The Democratic amendment would have extended the bank for four years and raised the lending limit to \$140 billion." The issue of using the Internet to raise capital from small investors raising capital was hotly-debated. Question of consumer protections were raised. Mary Schapiro, chairman of the SEC, said that "it would remove the firewall between research analysts who are supposed to provide objective information about investments and investment bankers in the same firm whose main function is to encourage people to invest." AARP agreed with Schapiro that, without appropriate safeguards in place, the House bill "may well open the floodgates to a repeat of the kind of penny stock and other frauds that ensnared financially unsophisticated and other vulnerable investors in the past." The White House said, that whilst it supports the bill, they supported the Senate efforts of ensuring that there were sufficient safeguards to prevent abuse and protect investors. Sen. Jack Reed, said, "None of us wants this legislation to be a boon to boiler room operators and Ponzi schemers targeting our nation's retirees or anyone else." It is true however, that of late the JOBS act had come in for a lot of scrutiny and people were expressing that we should not rush through with it. One of the most justifiable concerns was that it could shatter investor confidence, SEC Chairman, Mary Shapiro wrote, "If the balance is tipped to the point where investors are not confident that there are appropriate protections, investors will lose confidence in our markets, and capital formation will ultimately be made more difficult and expensive."