

February 26, 2025

The Honorable Ann Wagner
Chairman
Subcommittee on Capital Markets
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Brad Sherman
Ranking Member
Subcommittee on Capital Markets
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Hearing Entitled: The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation

Dear Chairman Wagner and Ranking Member Sherman:

The undersigned organizations representing the U.S. innovation ecosystem support congressional efforts to drive economic growth, job creation, and opportunity that fuels American innovation. We appreciate the Committee's continued focus on improving capital formation at all stages of a company's lifecycle, particularly for entrepreneurs and investors outside of traditional funding hubs, as well as expanding investment opportunities for everyday investors. These efforts are even more important today, as startups and small businesses continue to face economic headwinds and global competition is increasing.

Promoting access to capital

The U.S. capital markets are the engine that powers innovation and economic growth, but raising capital can be daunting for many startups, funds, and businesses. While the availability of private capital has grown substantially over the past few decades, opportunities to access these resources are limited outside of traditional capital-raising hubs and networks. Capital has become more mobile, but proximity matters, particularly for the earliest stages.

The Committee is considering a number of legislative proposals that could help companies raise capital across their lifecycles by:

- Expanding exempt offering pathways and reducing regulatory barriers to help more entrepreneurs access capital.
- Tailoring regulations to help ease the transition for companies who choose to enter the public markets, including by extending the emerging growth company on-ramps.

Supporting emerging managers and bolstering local networks

Emerging managers play a key role in supporting startups across the country. These smaller funds are more likely to participate in earlier rounds and invest locally. Policies that help drive capital to emerging ecosystems, broaden local networks, and promote increased opportunities for underrepresented founders and capital allocators will help create more economic opportunity and a more inclusive ecosystem.

The Committee is considering a number of legislative proposals that could help bolster emerging fund managers and help foster the development of regional ecosystems, including by:

- Increasing the size and investor limits for qualifying venture capital funds, which could help smaller fund managers assemble competitive funds and reach more investors, providing greater access to capital for entrepreneurs in emerging ecosystems.
- Expanding the category of qualifying venture capital investments to include fund-of-fund investments and portfolio company investments acquired through secondary transactions, which could drive more capital into emerging markets, increase diversity in the venture ecosystem, and help unlock liquidity.
- Providing additional on-ramps for individuals to qualify as accredited investors, increasing community-based sources of capital for entrepreneurs.

Expanding access to investment opportunities

Today, private market investment opportunities are largely reserved for institutional or wealthy investors. Most individuals are generally prohibited from participating in the private markets because of the wealth-based accredited investor standard. For these investors, the public markets are often the only available option, but as the number of publicly traded companies has declined, so has the number of investment opportunities. These investors are also missing out on upside potential as companies are staying private longer. More people should be able to access these opportunities and participate in this economic journey. Expanding private market investment opportunities while preserving important investor protections will not only drive innovation, but will also help broaden economic opportunity.

The Committee is considering a number of legislative proposals that could help expand retail investor exposure to private markets in a responsible way, including by:

- Modernizing the accredited investor standard by expanding on-ramps to reflect financial sophistication rather than only financial means, which will help democratize access to private market investment opportunities.
- Expanding access to private market investments through professionally managed funds, where investors benefit from fiduciary obligations, diversification, and institutional diligence. For example, by removing the SEC staff-imposed 15% cap on private fund investments, closed-end funds would be able to provide retail investors more exposure to private markets.

Thank you for your leadership in advancing policies to ensure America's entrepreneurs can access the capital they need at each stage of their lifecycle and provide more opportunities for investors. These efforts are critical to driving American competitiveness, innovation, and upward mobility, and we look forward to working together on a bipartisan basis to achieve these important goals.

Sincerely,

Angel Capital Association
CapGains, Inc.
Carta
Center for American Entrepreneurship
Engine
Financial Technology Association
Institute for Portfolio Alternatives
Mercury
National Venture Capital Association
Small Business Investor Alliance
Technology Councils of North America

cc: The Honorable French Hill
The Honorable Maxine Waters