



February 8, 2023

The Honorable Patrick McHenry
Chair
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chair McHenry and Ranking Member Waters:

The U.S. Chamber of Commerce appreciates the Capital Markets' Subcommittee for holding the hearing "Empowering Entrepreneurs: Removing Barriers to Capital Access for Small Businesses." In 2012, a divided Congress came together to pass the Jumpstart Our Business Startups (JOBS) Act, landmark legislation that reduced the bureaucratic barriers to raising capital and helped spur business growth and innovation on an economywide scale. The 118th Congress has an opportunity to build off that success, and this hearing is a critical first step.

We look forward to engaging with the Committee in advancing this goal and support the following legislation.

Support

H.R. The Improving Crowdfunding Opportunities Act

The "Improving Crowdfunding Opportunities Act" would add continuity to the regulation of secondary transactions involving crowdfunding vehicles and clarify legal liability for crowdfunding portals.

H.R. The Small Entrepreneurs' Empowerment and Development (SEED) Act

The "Small Entrepreneurs' Empowerment and Development (Seed) Act" would provide an exemption from state and federal registration requirements for "micro" offerings that do not exceed \$250,000 in the aggregate. This would benefit entrepreneurs who are looking to raise relatively small amounts of capital and cannot afford costly legal and registration requirements. Importantly, this bill would also prevent bad actors from participating in such offerings.

H.R. to direct the SEC to update its definition of "small entities" under the Regulatory Flexibility Act

Small and startup businesses often bear a disproportionate cost of regulation, and the Chamber has long held concerns that many SEC rules are not properly calibrated in a way that balances investor protection with the SEC's mandate to facilitate capital formation. This bill would direct the SEC to modernize the criteria it uses to define a "small

entity” to reflect the growth of the U.S. economy and the evolution of the capital markets since the last time the small entity definition was addressed. The Chamber believes that requiring the SEC to issue a report every five years on the definition of “small entity” is duplicative.

H.R. The Developing and Empowering our Aspiring Leaders Act of 2023

The “Developing and Empowering our Aspiring Leaders Act” would impact Registered Investment Adviser (RIA) rules promulgated by the SEC that have disincentivized some venture capital funds from investing in Emerging Growth Companies (EGCs). The 2010 Dodd-Frank Act sought to exempt venture capital funds from the costs and challenges associated with becoming an RIA. However, the definition of “venture capital fund” promulgated by the SEC pursuant to Dodd-Frank was too narrow and did not meet the Dodd-Frank statutory obligations of a full venture capital exemption. The current definition ignores critical elements and developments related to the venture capital industry, including growth equity firms which can often be investors in EGCs around the time they are considering a public offering. Shares of EGCs, including the purchase of EGC shares on the secondary market, should be considered qualifying investments. Creating a more accurate venture capital exemption definition – which the DEAL Act would do – would expand the pool of possible investors for EGCs.

H.R. The Improving Capital Allocation for Newcomers Act of 2023

This bill would promote venture capital investing in all regions of the country. The bill would make changes to the requirements for a fund to be able to rely on the qualifying venture capital fund exemption under Section 3(c)(1) of the Investment Company Act. This legislation would help mitigate regulatory burdens that can disincentivize fund formation and choke off capital to startup firms. The Chamber has previously noted the need for the United States to maintain its global edge in venture capital and early stage investing due to increased competition from China.

H.R. The Regulation A+ Improvement Act of 2023

The “Regulation A+ Improvement Act” would make a public offering more economically feasible for companies that are not prepared to undertake a full initial public offering (IPO) by increasing the permissible amount for a public offering up to \$150 million. Similar to the Title III crowdfunding provisions, Title IV of the JOBS Act – which was intended to revitalize the “Reg A” offering market – can still be galvanized, due in part to the fact that compliance costs have continued to increase for smaller firms, but companies remain limited to the amount of capital they can raise under Reg A.

H.R. The “Helping Angels Lead Our Startups Act”

The “Helping Angels Lead Our Startups Act” would help startup businesses attract investors by clarifying the definition of “general solicitation” under Title II of the JOBS Act.

When finalizing rules under Title II of the JOBS Act, the SEC regrettably put in place provisions that would effectively bar certain types of communication between startups and angel investors, who are a critical source of capital in the economy. The Act would simply clarify that startups and angel investors are permitted to participate in “demo days” or other events in which no specific investment solicitation is made. This is consistent with the original intent of the JOBS Act and would help innovative companies expand and hire new employees.

H.R. to amend the Investment Advisers Act of 1940 to increase the exemption from registration thresholds for certain investment advisers of private funds

This bill would increase the assets under management (AUM) threshold for funds that can rely on the “private fund exemption” for SEC registration from \$150 million to \$250 million. When Congress enacted the \$150 million threshold in 2010, it did not index that number to inflation. Congress has not revisited the threshold, even though the economy has grown substantially and private markets have evolved since 2010. Increasing the threshold to \$250 million – and requiring the SEC to index that number for inflation every five years – would help mitigate regulatory burdens for small private funds and enhance their ability to deploy capital to small and middle market businesses throughout the country.

Thank you for the opportunity to express our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services