119TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
119–248

IMPROVING CAPITAL ALLOCATION FOR NEWCOMERS ACT OF 2025

SEPTEMBER 8, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

R E P O R T

[To accompany H.R. 4431]

The Committee on Financial Services, to whom was referred the bill (H.R. 4431) to amend the Investment Company Act of 1940 with respect to the definition of qualifying venture capital funds, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Improving Capital Allocation for Newcomers Act of 2025".

SEC. 2. QUALIFYING VENTURE CAPITAL FUNDS.

Section 3(c)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(1)) is amended—

(1) in the matter preceding subparagraph (A), by striking "250 persons" and inserting "500 persons"; and

(2) in subparagraph (C)(i), by striking "$10,000,000" and inserting "$50,000,000".

SEC. 3. STUDY AND RULEMAKING.

(a) IN GENERAL.—Beginning 5 years after the date of enactment of this Act, the Advocate for Small Business Capital Formation, in consultation with the Investor Advocate, shall conduct a study on the effect of the amendments made by section 2 on the businesses and startup entities in which qualifying venture capital funds invest, specifically including, with respect to such businesses and startup entities, changes or trends relating to—

(1) the geographic distribution of capital to portfolio companies;

(2) the socio-economic characteristics of founders or controlling persons;

(3) the veteran status of founders or controlling persons;

(4) the industry sector, size, stage of development, and related details; and

(5) other factors or metrics determined by the Advocate for Small Business Capital Formation.

(b) REPORT.—The Advocate for Small Business Capital Formation shall issue a report to the Congress containing all findings and determinations made in carrying out the study required in subsection (a), and make such report available to the public on the website of the Commission.

(c) PUBLIC COMMENT.—During the 180-day period beginning on the date the report is issued under subsection (b), the Commission shall solicit feedback from the public on the findings and determinations contained in the report.

(d) RULEMAKING.—

(1) IN GENERAL.—The Commission, in consultation with the Investor Advocate and the Advocate for Small Business Capital Formation, may, after considering all comments received under subsection (c) and only if the Commission determines in such report that the amendments made by section 2 have had a demonstrable effect on increasing the geographic distribution of capital to portfolio companies, increasing the variety of the socio-economic characteristics of founders or controlling persons, or increasing the number of founders or controlling persons who are veterans, issue rules to—

(A) increase or decrease the 500 person threshold described in the matter preceding subparagraph (A) of section 3(c)(1) of the Investment Company Act of 1940, but such threshold may not exceed 750 persons or be reduced below 250 persons; and

(B) increase or decrease the $50,000,000 dollar figure in section 3(c)(1)(C)(i) of the Investment Company Act of 1940, but such dollar figure may not exceed $100,000,000 or be reduced below $10,000,000.

(2) DEADLINE FOR RULEMAKING.—The rulemaking authority in paragraph (1) only applies to a rule with respect to which the proposed rule was issued during the 180-day period beginning at the end of the public comment period described in subsection (c).

(3) NO EFFECT ON INFLATION ADJUSTMENTS.—A rule issued under this subsection shall have no effect on the requirement under clause (i) of section 3(c)(1)(C) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(1)(C)) to index the first dollar amount in such clause for inflation.

PURPOSE AND SUMMARY

H.R. 4431, the *Improving Capital Allocation for Newcomers Act of 2025*, was introduced on July 16, 2025, by Republican Representative William Timmons (SC–04). H.R. 4431 modifies the Qualifying Venture Capital Fund Exemption under Section 3(c)(1) of the *Investment Company Act of 1940* by increasing the cap on aggregate capital contributions and uncalled capital commitments from $10 million to $50 million, while increasing the allowable number of beneficial owners in a qualifying venture capital fund from 250 to 500. The bill also requires the Advocate for Small Business Capital Formation, in consultation with the Investor Advocate, to conduct

a study on the effect of these changes on the businesses and start-up entities in which qualifying venture capital funds invest.

BACKGROUND AND NEED FOR LEGISLATION

Venture capital (VC) plays a critical role in the American startup ecosystem by providing funding for companies as they reach a certain size or level of maturity. However, access to VC funding is not evenly distributed across the country. Most VC funding goes to companies in well-known technology and venture hubs in just three states: California, Massachusetts, and New York.[1] In fact, on one fund management platform, California startups raised nearly half of U.S. venture funding in 2024.[2] Likewise, more than 72 percent of all venture funding raised on the platform went to startups domiciled in just four states—California, New York, Massachusetts, and Texas.[3] Meanwhile, just 12 states raised more than one percent of total venture funding in 2024.[4] As evidenced by these figures, entrepreneurs in other parts of the country face greater difficulty raising the capital necessary for scaling.[5] For example, outside of the established venture hubs, founders specifically struggle raising Series A capital, usually $3 million to $10 million. A lack of access to Series A capital prevents founders from more easily securing Series B funding from investors focused on growth.[6] Compounding these challenges, in 2023 and 2024, startups' demand for VC funding, especially later-stage capital for series C and D rounds, outpaced supply from investors.[7]

The current qualified venture capital fund size limit of $10 million under Section 3(c)(1) of the *Investment Company Act of 1940* is prohibitively low. This prevents a fund from covering its operational costs without levying an immense fee on its investors. H.R. 4431 makes it easier for funds to qualify for the Qualifying Venture Capital Fund Exemption, thereby enabling VC funds to be invested in more entrepreneurs in their own communities.

COMMITTEE CONSIDERATION

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On July 16, 2025, Representative Timmons introduced H.R. 4431, the *Improving Capital Allocation for Newcomers Act of 2025*. Representative Brittany Pettersen (D–CO) was added subsequently as a cosponsor. The bill was referred solely to the Committee on Financial Services. The bill was attached to the February 26, 2025, hearing titled "The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation," and the March 25, 2025, hearing ti-

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[1] Start Us Up, America's New Business Plan (Dec. 3, 2021), https://www.startusupnow.org/wpcontent/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf.

[2] Kevin Dowd, *California rises, Florida falls, and other ways the map of VC funding shifted in 2024*, CARTA (Mar. 3, 2025), https://carta.com/data/VC-funding-geography-2024/.

[3] *Id.*

[4] *Id.*

[5] See Letter from the SEC Small Business Capital Formation Advisory Committee to Chair Gensler (May 21, 2021), https://www.sec.gov/spotlight/sbcfac/encouraging-small-regional-funds-043021.pdf.

[6] *Id.*

[7] Coinage Act of April 2, 1792, https://www.usmint.gov/learn/history/historical-documents/coinage-act-of-april-2-1792?srsltid=AfmBOoqhi6CErmZrPfkfTbYI_rz3yrZGOxOs29nAIAzLEhVSEG8yRe4V (last visited July 8, 2025).

tled, "Beyond Silicon Valley: Expanding Access to Capital Across America."

On July 22, 2025, the Committee on Financial Services met in open session to consider, among others, H.R. 4431. The Committee ordered H.R. 4431, as amended, to be favorably reported to the House of Representatives.

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On April 13, 2023, Representative Timmons introduced H.R. 2790, the *Improving Capital Allocation for Newcomers Act of 2021*. This bill is an earlier iteration of H.R. 4431. The bill was referred solely to the Committee on Financial Services. The bill was included in H.R. 2799, the *Expanding Access to Capital Act of 2023*, which passed the House on March 8, 2024, by a recorded vote of 212 yeas and 205 nays. On March 11, 2024, H.R. 2799 was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs.

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On June 29, 2021, Representative Timmons introduced H.R. 4243, the *Improving Capital Allocation for Newcomers Act of 2021*. This bill is an earlier iteration of H.R. 4431. The bill was referred solely to the Committee on Financial Services. There was no further action on the bill in the 117th Congress.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearings were used to develop H.R. 4431:

The Capital Markets Subcommittee of the Committee on Financial Services held a February 26, 2025, hearing titled "The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation" and the Full Committee held a March 25, 2025, hearing titled, "Beyond Silicon Valley: Expanding Access to Capital Across America." A discussion draft version of the bill was attached to both hearings. The following witnesses testified at the February 26, 2025, hearing: Mr. Andrew Barnell, CEO and Co-Founder, Geneoscopy; Mr. McKeever Conwell, Founder and Managing Partner, RareBreed Ventures; Ms. Rebecca Kacaba, CEO and Co-Founder, DealMaker; Ms. Anna Pinedo, Partner, Mayer Brown; and Ms. Alexandra Thornton, Senior Director, Financial Regulation, Center for American Progress. The following witnesses testified at the March 25, 2025, hearing: Mr. Steve Case, Chairman and CEO, Revolution LLC; Mr. Bill Newell, Senior Business Advisor & Former CEO, Sutro Biopharma; Ms. Candice Matthews Brackeen, General Partner, Lightship Capital; Mr. Joel Trotter, Partner, Latham & Watkins LLP; and Ms. Amanda Senn, Director of the Alabama Securities Commission.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include record votes on the motion to report legislation and amendments thereto.

On July 22, 2025, the Committee ordered H.R. 4431, as amended, to be reported favorably to the House by a recorded vote of 50 yeas and 2 nays. (Record Vote No. FC–172).

Before the question to report was called, the Committee adopted an amendment in the nature of a substitute offered by Representative Timmons, designated as TIMMSC_026, which reduces the expansion in the bill's qualifying venture capital fund thresholds from the introduced levels, raising the investor limit from 250 to 500 persons and the aggregate capital contributions limit from $10 million to $50 million. It also adds a new section requiring the Advocate for Small Business Capital Formation, in consultation with the Investor Advocate, to conduct a study beginning five years after enactment on the effect of these amendments on the businesses and startup entities in which qualifying venture capital funds invest. Following a report to Congress and a 180-day public comment period, the SEC may issue rules, only if the study finds a demonstrable positive effect, adjusting the thresholds within specified ranges. This amendment was adopted by voice vote.

Committee on Financial Services

Markup 7
July 22, 2025

Bill: **H.R. 4431**
Measure: **H.R. 4431, as amended**
Amdt/Designated:

Motion: **to report the measure favorably**

Record Vote No.
FC-172

Disposition: **AGREED TO (50-2)**

Member	Yea	Nay	Not Voting	Member	Yea	Nay	Not Voting
Chairman Hill	X			Ranking Member Waters	X		
Mr. Lucas	X			Ms. Velázquez	X		
Mr. Sessions	X			Mr. Sherman	X		
Mr. Huizenga	X			Mr. Meeks			X
Mrs. Wagner	X			Mr. Scott	X		
Mr. Barr	X			Mr. Lynch	X		
Mr. Williams (TX)	X			Mr. Green (TX)	X		
Mr. Emmer	X			Mr. Cleaver	X		
Mr. Loudermilk	X			Mr. Himes			X
Mr. Davidson	X			Mr. Foster	X		
Mr. Rose	X			Mrs. Beatty	X		
Mr. Steil	X			Mr. Vargas	X		
Mr. Timmons	X			Mr. Gottheimer	X		
Mr. Stutzman	X			Mr. Gonzalez	X		
Mr. Norman	X			Mr. Casten	X		
Mr. Meuser	X			Ms. Pressley		X	
Mrs. Kim	X			Ms. Tlaib		X	
Mr. Donalds	X			Mr. Torres (NY)	X		
Mr. Garbarino	X			Ms. Garcia (TX)	X		
Mr. Fitzgerald	X			Ms. Williams of GA	X		
Mr. Flood	X			Ms. Pettersen	X		
Mr. Lawler	X			Mr. Fields	X		
Ms. De La Cruz	X			Ms. Bynum	X		
Mr. Ogles	X			Mr. Liccardo	X		
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar	X						
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	30	**0**	**0**		**20**	**2**	**2**

Committee Totals:

Yeas	Nays	Not Voting
50	**2**	**2**

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 4431 is to expand the participation thresholds for qualifying venture capital funds in order to increase the availability and distribution of investment capital to a broader range of businesses and startup entities.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 4431. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974,* the Committee will adopt as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office. However, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act.* The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

EARMARK STATEMENT

In compliance with clause 9 of rule XXI of the Rules of the House of Representatives, this bill, as reported, contains no congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act.*

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title is the "Improving Capital Allocation for Newcomers Act of 2025."

Section 2. Qualifying venture capital funds

Section 2 amends the qualifying venture capital fund definition to include any issuer whose outstanding securities are beneficially owned by not more than 500 persons and not more than $50,000,000 in aggregate capital contributions and uncalled committed capital.

Section 3. Study and rulemaking

Section 3 requires the Advocate for Small Business Capital Formation, in consultation with the Investor Advocate, to conduct a study on the effect of the amendments made by section 2 on the businesses and startup entities in which qualifying venture capital funds invest followed by a report to Congress and a rulemaking by the SEC only if the Commission determines that the amendments have had a demonstrable effect on increasing the distribution of capital to portfolio companies.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

INVESTMENT COMPANY ACT OF 1940

TITLE I—INVESTMENT COMPANIES

* * * * * * *

DEFINITION OF INVESTMENT COMPANY

SEC. 3. (a)(1) When used in this title, "investment company" means any issuer which—

(A) is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities;

(B) is engaged or proposes to engage in the business of issuing face-amount certificates of the installment type, or has been engaged in such business and has any such certificate outstanding; or

(C) is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 per centum of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis.

(2) As used in this section, "investment securities" includes all securities except (A) Government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries of the owner which (i) are not investment companies, and (ii) are not relying on the exception from the definition of investment company in paragraph (1) or (7) of subsection (c).

(b) Notwithstanding paragraph (1)(C) of subsection (a), none of the following persons is an investment company within the meaning of this title:

(1) Any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities.

(2) Any issuer which the Commission, upon application by such issuer, finds and by order declares to be primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities either directly or (A) through majority-owned subsidiaries or (B) through controlled companies conducting similar types of businesses. The filing of an application under this paragraph in good faith by an issuer other than a registered investment company shall exempt the applicant for a period of sixty days from all provisions of this title applicable to investment companies as such. For cause shown, the Commission by order may extend such period of exemption for an additional period or periods. Whenever the Commission, upon its own motion or upon application, finds that the circumstances which gave rise to the issuance of an order granting an application under this paragraph no longer exist, the Commission shall by order revoke such order.

(3) Any issuer all the outstanding securities of which (other than short-term paper and directors' qualifying shares) are di-

rectly or indirectly owned by a company excepted from the definition of investment company by paragraph (1) or (2) of this subsection.

(c) Notwithstanding subsection (a), none of the following persons is an investment company within the meaning of this title:

(1) Any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons (or, in the case of a qualifying venture capital fund, [250 persons] *500 persons*) and which is not making and does not presently propose to make a public offering of its securities. Such issuer shall be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer. For purposes of this paragraph:

(A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if the company owns 10 per centum or more of the outstanding voting securities of the issuer, and is or, but for the exception provided for in this paragraph or paragraph (7), would be an investment company, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper).

(B) Beneficial ownership by any person who acquires securities or interests in securities of an issuer described in the first sentence of this paragraph shall be deemed to be beneficial ownership by the person from whom such transfer was made, pursuant to such rules and regulations as the Commission shall prescribe as necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title, where the transfer was caused by legal separation, divorce, death, or other involuntary event.

(C)(i) The term "qualifying venture capital fund" means a venture capital fund that has not more than [$10,000,000] *$50,000,000* in aggregate capital contributions and uncalled committed capital, with such dollar amount to be indexed for inflation once every 5 years by the Commission, beginning from a measurement made by the Commission on a date selected by the Commission, rounded to the nearest $1,000,000.

(ii) The term "venture capital fund" has the meaning given the term in section 275.203(l)–1 of title 17, Code of Federal Regulations, or any successor regulation.

(2)(A) Any person primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, acting as broker, and acting as market intermediary, or any one or more of such activities, whose gross income normally is derived principally from such business and related activities.

(B) For purposes of this paragraph—

(i) the term "market intermediary" means any person that regularly holds itself out as being willing contemporaneously to engage in, and that is regularly engaged in, the business of entering into transactions on both sides of the market for a financial contract or one or more such financial contracts; and

(ii) the term "financial contract" means any arrangement that—

(I) takes the form of an individually negotiated contract, agreement, or option to buy, sell, lend, swap, or repurchase, or other similar individually negotiated transaction commonly entered into by participants in the financial markets;

(II) is in respect of securities, commodities, currencies, interest or other rates, other measures of value, or any other financial or economic interest similar in purpose or function to any of the foregoing; and

(III) is entered into in response to a request from a counter party for a quotation, or is otherwise entered into and structured to accommodate the objectives of the counter party to such arrangement.

(3) Any bank or insurance company; any savings and loan association, building and loan association, cooperative bank, homestead association, or similar institution, or any receiver, conservator, liquidator, liquidating agent, or similar official or person thereof or therefor; or any common trust fund or similar fund maintained by a bank exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian, if—

(A) such fund is employed by the bank solely as an aid to the administration of trusts, estates, or other accounts created and maintained for a fiduciary purpose;

(B) except in connection with the ordinary advertising of the bank's fiduciary services, interests in such fund are not—

(i) advertised; or

(ii) offered for sale to the general public; and

(C) fees and expenses charged by such fund are not in contravention of fiduciary principles established under applicable Federal or State law.

(4) Any person substantially all of whose business is confined to making small loans, industrial banking, or similar businesses.

(5) Any person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following businesses: (A) Purchasing or otherwise acquiring notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services; (B) making loans to manufacturers, wholesalers, and retailers of, and to prospective purchasers of, specified merchandise, insurance, and services; and (C) purchasing

or otherwise acquiring mortgages and other liens on and interests in real estate.

(6) Any company primarily engaged, directly or through majority-owned subsidiaries, in one or more of the businesses described in paragraphs (3), (4), and (5), or in one or more of such businesses (from which not less than 25 centum of such company's gross income during its last fiscal year was derived) together with an additional business or businesses other than investing, reinvesting, owning, holding, or trading in securities.

(7)(A) Any issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities. Securities that are owned by persons who received the securities from a qualified purchaser as a gift or bequest, or in a case in which the transfer was caused by legal separation, divorce, death, or other involuntary event, shall be deemed to be owned by a qualified purchaser, subject to such rules, regulations, and orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(B) Notwithstanding subparagraph (A), an issuer is within the exception provided by this paragraph if—

(i) in addition to qualified purchasers, outstanding securities of that issuer are beneficially owned by not more than 100 persons who are not qualified purchasers, if—

(I) such persons acquired any portion of the securities of such issuer on or before September 1, 1996; and

(II) at the time at which such persons initially acquired the securities of such issuer, the issuer was excepted by paragraph (1); and

(ii) prior to availing itself of the exception provided by this paragraph—

(I) such issuer has disclosed to each beneficial owner, as determined under paragraph (1), that future investors will be limited to qualified purchasers, and that ownership in such issuer is no longer limited to not more than 100 persons; and

(II) concurrently with or after such disclosure, such issuer has provided each beneficial owner, as determined under paragraph (1), with a reasonable opportunity to redeem any part or all of their interests in the issuer, notwithstanding any agreement to the contrary between the issuer and such persons, for that person's proportionate share of the issuer's net assets.

(C) Each person that elects to redeem under subparagraph (B)(ii)(II) shall receive an amount in cash equal to that person's proportionate share of the issuer's net assets, unless the issuer elects to provide such person with the option of receiving, and such person agrees to receive, all or a portion of such person's share in assets of the issuer. If the issuer elects to provide such persons with such an opportunity, disclosure concerning such opportunity shall be made in the disclosure required by subparagraph (B)(ii)(I).

(D) An issuer that is excepted under this paragraph shall nonetheless be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) relating to the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer.

(E) For purposes of determining compliance with this paragraph and paragraph (1), an issuer that is otherwise excepted under this paragraph and an issuer that is otherwise excepted under paragraph (1) shall not be treated by the Commission as being a single issuer for purposes of determining whether the outstanding securities of the issuer excepted under paragraph (1) are beneficially owned by not more than 100 persons or whether the outstanding securities of the issuer excepted under this paragraph are owned by persons that are not qualified purchasers. Nothing in this subparagraph shall be construed to establish that a person is a bona fide qualified purchaser for purposes of this paragraph or a bona fide beneficial owner for purposes of paragraph (1).

(8)

(9) Any person substantially all of whose business consists of owning or holding oil, gas, or other mineral royalties or leases, or fractional interests therein, or certificates of interest or participation in or investment contracts relative to such royalties, leases, or fractional interests.

(10)(A) Any company organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes—

(i) no part of the net earnings of which inures to the benefit of any private shareholder or individual; or

(ii) which is or maintains a fund described in subparagraph (B).

(B) For the purposes of subparagraph (A)(ii), a fund is described in this subparagraph if such fund is a pooled income fund, collective trust fund, collective investment fund, or similar fund maintained by a charitable organization exclusively for the collective investment and reinvestment of one or more of the following:

(i) assets of the general endowment fund or other funds of one or more charitable organizations;

(ii) assets of a pooled income fund;

(iii) assets contributed to a charitable organization in exchange for the issuance of charitable gift annuities;

(iv) assets of a charitable remainder trust or of any other trust, the remainder interests of which are irrevocably dedicated to any charitable organization;

(v) assets of a charitable lead trust;

(vi) assets of a trust, the remainder interests of which are revocably dedicated to or for the benefit of 1 or more charitable organizations, if the ability to revoke the dedication is limited to circumstances involving—

(I) an adverse change in the financial circumstances of a settlor or an income beneficiary of the trust;

(II) a change in the identity of the charitable organization or organizations having the remainder interest, provided that the new beneficiary is also a charitable organization; or

(III) both the changes described in subclauses (I) and (II);

(vii) assets of a trust not described in clauses (i) through (v), the remainder interests of which are revocably dedicated to a charitable organization, subject to subparagraph (C); or

(viii) such assets as the Commission may prescribe by rule, regulation, or order in accordance with section 6(c).

(C) A fund that contains assets described in clause (vii) of subparagraph (B) shall be excluded from the definition of an investment company for a period of 3 years after the date of enactment of this subparagraph, but only if—

(i) such assets were contributed before the date which is 60 days after the date of enactment of this subparagraph; and

(ii) such assets are commingled in the fund with assets described in one or more of clauses (i) through (vi) and (viii) of subparagraph (B).

(D) For purposes of this paragraph—

(i) a trust or fund is "maintained" by a charitable organization if the organization serves as a trustee or administrator of the trust or fund or has the power to remove the trustees or administrators of the trust or fund and to designate new trustees or administrators;

(ii) the term "pooled income fund" has the same meaning as in section 642(c)(5) of the Internal Revenue Code of 1986;

(iii) the term "charitable organization" means an organization described in paragraphs (1) through (5) of section 170(c) or section 501(c)(3) of the Internal Revenue Code of 1986;

(iv) the term "charitable lead trust" means a trust described in section 170(f)(2)(B), 2055(e)(2)(B), or 2522(c)(2)(B) of the Internal Revenue Code of 1986;

(v) the term "charitable remainder trust" means a charitable remainder annuity trust or a charitable remainder unitrust, as those terms are defined in section 664(d) of the Internal Revenue Code of 1986; and

(vi) the term "charitable gift annuity" means an annuity issued by a charitable organization that is described in section 501(m)(5) of the Internal Revenue Code of 1986.

(11) Any employee's stock bonus, pension, or profit-sharing trust which meets the requirements for qualification under section 401 of the Internal Revenue Code of 1986; or any governmental plan described in section 3(a)(2)(C) of the Securities Act of 1933; or any collective trust fund maintained by a bank consisting solely of assets of one or more of such trusts, government plans, or church plans, companies or accounts that are excluded from the definition of an investment company under paragraph (14) of this subsection; or any separate account the assets of which are derived solely from (A) contributions under

pension or profit-sharing plans which meet the requirements of section 401 of the Internal Revenue Code of 1986 or the requirements for deduction of the employer's contribution under section 404(a)(2) of such Code, (B) contributions under governmental plans in connection with which interests, participations, or securities are exempted from the registration provisions of section 5 of the Securities Act of 1933 by section 3(a)(2)(C) of such Act, and (C) advances made by an insurance company in connection with the operation of such separate account.

(12) Any voting trust the assets of which consist exclusively of securities of a single issuer which is not an investment company.

(13) Any security holders' protective committee or similar issuer having outstanding and issuing no securities other than certificates of deposit and short-term paper.

(14) Any church plan described in section 414(e) of the Internal Revenue Code of 1986, if, under any such plan, no part of the assets may be used for, or diverted to, purposes other than the exclusive benefit of plan participants or beneficiaries, or any company or account that is—

(A) established by a person that is eligible to establish and maintain such a plan under section 414(e) of the Internal Revenue Code of 1986; and

(B) substantially all of the activities of which consist of—

(i) managing or holding assets contributed to such church plans or other assets which are permitted to be commingled with the assets of church plans under the Internal Revenue Code of 1986; or

(ii) administering or providing benefits pursuant to church plans.

* * * * * * *

DOCUMENTS INCLUDED BY UNANIMOUS CONSENT

U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC 20062-2000
uschamber.com

July 21, 2025

The Honorable French Hill
Chairman
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 Chairman Hill and Ranking Member Waters:

In advance of your Committee's July 22, 2025 markup, the U.S. Chamber of Commerce expresses our support for several bills the Committee will consider.

The Chamber commends the Committee for its continued work to advance capital formation legislation and to improve the financial regulatory architecture in the United States. By expanding investor access and modernizing securities regulation, these legislative proposals will help maintain the U.S. capital markets as the global gold standard. We support measures that enhance opportunities for businesses to raise capital at every stage of their lifecycle, from startup to IPO, ensuring that both private and public markets are strengthened. The Chamber looks forward to collaborating with the Committee to further these initiatives and promote a robust and inclusive financial environment.

The Chamber supports the following bills:

H.R. 4429, The Developing and Empowering Our Aspiring Leaders (DEAL) Act

The "Developing and Empowering our Aspiring Leaders Act" would amend 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. 4431, The Improving Capital Allocation for Newcomers (ICAN) Act

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.

H.R. 3673, The Small Business Investor Capital Access Act

Title IV of the 2010 Dodd-Frank Act replaced the longstanding private fund exemption with a requirement that private funds with at least $150 million in assets under management (AUM) become subject to SEC registration and supervision. Even fifteen years ago, this $150 million AUM threshold was extremely low and encompassed many smaller funds that do not have substantial compliance resources. Very soon after Dodd-Frank was signed into law, members of the House Financial Services Committee worked on a bipartisan basis to revise this new mandate, understanding that it would create barriers to entry and inhibit the ability of many funds to invest in small and middle market businesses.

However, the $150 million AUM threshold still has not been revised and remains in effect today. The Chamber commends the recent bipartisan work of Reps. Barr and Velazquez to introduce the Small Business Investor Capital Access Act. This bill would index the $150 million threshold for inflation dating back to 2010, and then annually thereafter. This will ensure that the line determining SEC registration is more reflective of growth within the economy and within the private capital markets.

H.R. 4430, The Expanding WKSI Eligibility Act

"WKSIs" are a class of issuer that benefit from certain tailored regulations which allow these companies to raise additional capital and communicate with potential investors in a more cost-effective manner. One of the more impactful items that WKSIs benefit from is the ability to use automatic "shelf" registration statements that permit a WKSI to raise capital more quickly. The Chamber supports expanding this important mechanism to more issuers as it will vastly improve the capital raising process for public companies.

H.R. 3446, The FDIC Board Accountability Act

This legislation mandates that board members have expertise in state bank supervision and small depository institutions and imposes robust term limits, ensuring the FDIC Board remains dynamic, accountable, and representative of all segments of the banking sector. Converting the CFPB Director's position to a non-voting observer preserves vital consumer-protection insights while preventing any single agency from wielding disproportionate influence over deposit-insurance policy. These balanced reforms will enhance transparency, promote competitive markets, and strengthen the resilience of community and regional banks that drive local economic growth.

H.R. 4478, The Tailored Regulatory Updates for Supervisory Testing (TRUST) Act of 2025

This legislation would recalibrate the examination cycle for small banks and would qualify more banks for an 18-month examination cycle, rather than the standard 12 months cycle that applies to larger institutions. The bill would raise the current eligibility thresholds for the 18-month cycle from banks with $3 billion or less in consolidated assets to those with $10 billion or less in consolidated assets. This would provide regulatory and compliance relief for many well-managed and well-capitalized small banks that are integral to consumers and businesses in communities all across the country.

H.R. 4437, The Supervisory Modifications for Appropriate Risk-based Testing (SMART) Act of 2025

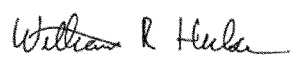
Similar to the TRUST Act, the SMART Act would provide additional regulatory relief for small banks and credit unions by allowing for alternating limited-scope examinations and combining safety and soundness and consumer compliance exams. Importantly, relief under the bill would only be eligible for well-managed and well-capitalized depository institutions.

H.R. 3390, the Bringing the Discount Window into the 21st Century Act

The Chamber supports a structured process for considering modernization of the Federal Reserve's discount window. This legislation recognizes the need for modernizing how the Federal Reserve provides liquidity to financial institutions to ensure the stability of our financial system. This legislation is a critical step in enhancing the accessibility and functionality of the Federal Reserve's discount window, a vital mechanism for maintaining liquidity and confidence in the banking sector. By updating the discount window to reflect the needs of today's financial landscape, this bill will provide financial institutions with the tools necessary to navigate economic challenges, support small businesses, and foster economic growth.

We thank the members of the Committee for considering our views and look forward to working with you as the legislative process continues.

Sincerely,



Bill Hulse
Senior Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services

July 22, 2025

The Honorable French Hill
Chairman
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 Chairman Hill and Ranking Member Waters:

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.

Importance of 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. Data shows the number of new funds continues to fall, while the average fund size gets bigger and capital becomes more concentrated. Lack of exits and lower VC valuations have caused investors to pull back from the asset class, and those who are investing are writing bigger checks to larger, more established funds.

Unless we modernize our policy infrastructure, the benefits of this economic and innovation engine will be constrained, and as private markets continue to grow, this gap will only widen. We need to bolster private capital, but importantly, we need to broaden its reach to more investors, more entrepreneurs, more companies, and more communities.

Bolstering emerging managers to grow regional funding networks

To broaden the startup ecosystem, we must broaden the investor ecosystem beyond the traditional tech funding hubs and networks. Capital has become more mobile, but proximity matters, particularly for the earliest stages. Emerging managers are the key. To drive regional growth and the diversification of private capital, we need to support the emerging managers that identify and fund entrepreneurs across the country. These smaller funds are more likely to invest early, invest locally, and support a more diverse pool of entrepreneurs. And data shows emerging managers often outperform their larger counterparts.

Policy should lower barriers and help drive capital to this segment, which will help broaden local networks, create more economic opportunity, and lead to a more robust ecosystem. The following bipartisan measures the Committee are marking up today will help do just that, including the:

- Developing and Empowering our Aspiring Leaders (DEAL) Act,
- Improving Capital Allocation for Newcomers (ICAN) Act, and
- Small Business Investor Capital Access Act

The DEAL Act: Expanding qualifying venture capital investments

Due to regulatory constraints, venture capital funds are largely limited to making direct investments in private companies without facing additional costs and compliance burdens that accompany SEC registration. After Dodd-Frank, private fund advisers were required to register with the SEC unless they qualified as an exempt reporting adviser (ERAs). ERAs are still subject to SEC oversight and compliance obligations that appropriately reflect the venture model, but registered investment advisers (RIAs) are subject to a more extensive and costly regulatory regime.

Venture capital fund advisers can qualify as ERAs if they meet a number of requirements, but 80% of the fund assets must be invested directly in private companies or cash (qualifying assets). The DEAL Act expands the category of qualifying investments to include fund-of-fund investments and secondaries, which will help drive more capital into emerging managers and markets while ensuring these funds continue to pursue a venture-focused strategy.

- **Fund-of-fund investments**. Increasing the ability for venture capital funds to invest in other venture capital funds could help incentivize established funds to invest in emerging fund managers without incurring additional regulatory burdens that come with SEC registration. Attracting an established fund to serve as an anchor LP could help first-time fund managers attract other investors, and investors will benefit from the diligence of the more established fund. A fund-of-funds strategy not only benefits the emerging manager, but could also provide diversification opportunities and drive returns for the investing fund and its investors.

- **Secondary investments**. Enabling greater flexibility to invest in secondary investments in qualifying portfolio companies will facilitate greater value realization for investors (such as pension funds and endowments) and recycle more capital into the system, which could unlock a significant source of capital for growing entrepreneurial ecosystems. It would also help startup founders and employees who have a need to monetize their equity compensation and allow existing and trusted venture capital fund partners to increase their investment in a company even between capital-raising rounds.

The ICAN Act: Expanding size and investor limits for qualifying venture capital funds

Under Section 3(c)(1) of the Investment Company Act, private funds cannot raise capital from 100 or more accredited investors. The fund size for most first-time fund managers ranges between $10–$25M, which means the average investor check size for 100 inventors in a $25M fund would have to be $250,000—a high bar for newer fund managers.

To enable emerging managers to accept smaller checks from more investors, Congress created the category of "qualifying venture capital funds" to help smaller venture capital funds raise capital from more investors. The higher limit of beneficial owners was intended to help emerging managers assemble competitive funds by collecting smaller contributions from a greater number of accredited investors. Currently, a venture capital fund can raise up to $12M from 250 beneficial owners. In practice, however, the current parameters limit the utility of this provision.

The ICAN Act would expand the size and investor limits for qualifying venture capital funds to help smaller funds reach more investors.

Small Business Investor Capital Access Act: Ensuring regulatory thresholds keep pace with growth

The Dodd-Frank Act also permitted small private fund advisers with less than $150M in assets under management to be regulated by the SEC as ERAs. However, this threshold was not adjusted for inflation and has remained static since its inception. As a result, private fund managers who would have been eligible ERAs may now be subject to SEC registration and the increased regulatory burden simply due to the passage of time and an outdated threshold. This disproportionately impacts smaller fund managers who may lack the resources to meet the compliance obligations that come with SEC registration. As a result, capital is diverted away from startups and small businesses. The Small Business Investor Capital Access Act will modernize this exemption by indexing this threshold, ensuring small fund managers can continue to support small business capital formation without additional regulatory burden.

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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 (ACA)
AngelList
Carta
Center for American Entrepreneurship (CAE)
Engine
Financial Technology Association (FTA)
Illinois Venture Capital Association (IVCA)
Institute for Portfolio Alternatives (IPA)
Michigan Venture Capital Association (MVCA)
National Venture Capital Association (NVCA)
New England Venture Capital Association (NEVCA)
Technology Councils of North America (TECNA)
Texas Venture Alliance