

Over time, BDCs have filled that critical gap in our capital markets by funding businesses and industries in geographies often overlooked by other financial institutions. BDCs are often the first institutional investors to step in.

This bill will play an important role in getting BDCs the capital that they then put into small- and medium-sized businesses. Calculations are that \$120 billion more will be available to invest by BDCs because we expect a 30 percent increase in total investment. That is because this bill opens the door to mutual fund investments in BDCs.

Despite the success of BDCs, in 2006, the SEC adopted a rule that inadvertently discouraged capital flows into BDCs, constraining their ability to serve small business. The rule is part of SEC's Acquired Fund Fees and Expenses framework. AFFE requires mutual funds and other investment vehicles that invest in BDCs to disclose as management fees of the mutual fund the expenses and the overhead of the BDC. This is in radical opposition to how similar investments are treated.

If a mutual fund invests in the bank, the mutual fund, of course, lists as an expense of the mutual fund the expenses of the mutual fund. It does not list the overhead of the bank as if that is an expense of running the mutual fund.

Banks and BDCs are two of the major types of institutions that make business investments and business loans. The double counting of BDCs by counting those as expenses of the mutual funds simply makes it impossible for mutual funds to invest in BDCs.

The SEC rule artificially inflates the expense ratios of those mutual funds that are used to invest in BDCs, and so many of them don't. The result is misleading. Investors see a fund's expenses as higher than they actually are simply because the fund decides to invest in BDCs. This perception has led many fund managers to exclude BDCs from their portfolio, not because of performance but because of this distorted regulatory accounting.

The intent of this rule to provide transparency was well-meaning. The execution, when applied to BDCs, has been counterproductive.

Research by U.S. and international financial professors shows that after BDCs were removed from major U.S. stock indexes, as a consequence of this misguided AFFE rule, BDCs experienced a 29 percent to 33 percent lower investment growth as compared to similar potential investments.

The effects were not limited to the financial sector. Companies that rely on BDCs saw lower job creation with employment falling by between 1.5 to 6.5 percentage points compared to pre-exclusion levels.

The rule also fails to recognize the unique structure and mission of BDCs. Unlike passive funds, BDCs are actively managed and intentionally incur higher costs in order to provide tai-

lored investment and advisory services to the small businesses that they invest in.

This model creates long-term value, but the AFFE rule unfairly penalizes it. This is, of course, a departure. The rule is inconsistent with the way the AFFE rule applies to mutual fund investments in rates and, more importantly, the way it applies to mutual fund investments in banks.

Because of this rule's miscounting, BDCs were removed from several stock indexes, as I pointed out earlier. If the SEC had the benefit of hindsight, I think it is unlikely that they would have adopted this rule, which contradicts the rule that they have for investments in banks and rates. That is why Congress needs to reverse this.

The Access to Small Business Investor Capital Act fixes this by allowing BDCs' acquired fund fees and expenses from disclosures, while maintaining transparency around the BDC management fees and costs. This restores fairness and aligns the regulatory disclosures with economic reality and gives investors a clear view of their actual costs. Importantly, it does so without rolling back investor protections or weakening SEC oversight.

Mr. Speaker, I would point out that this bill will provide \$120 billion of capital to our small- and medium-sized businesses without a penny of cost to the American taxpayer and without any risk to the American taxpayer.

This bipartisan legislation will open the door to more investment in BDCs, thereby unlocking capital for small- and medium-sized businesses.

The most important thing that our financial institutions and the most important thing that our capital markets can do is provide capital for growing American enterprise, particularly small- and medium-sized businesses.

Business Development Companies play a vital role, and I am proud to work with a bipartisan group of Members. As I pointed out earlier, we have a substantial number of cosponsors, 25 in all, including 13 Democrats on the Committee.

We have seen bipartisan support for this bill, not only in this Congress but in prior Congresses. This is the Congress in which we actually have to get it adopted. The bipartisan legislation will open more investments and unlock capital for small businesses, as I have said.

Mr. Speaker, I urge my colleagues to support this bill, and I reserve the balance of my time.

Mrs. WAGNER. Mr. Speaker, I reserve the balance of my time.

Mr. SHERMAN. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, I want to point out that I think this is the best thing that Congress can do without risk or cost to the American taxpayer. It makes sure that small- and medium-sized businesses have access to capital.

With the BDC methodology, BDCs not only provide the capital but also

provide the advice that so many growing businesses need.

Mr. Speaker, I thank the original cosponsors that I mentioned earlier and all the cosponsors of this bill. I once again thank the chair and the ranking member for getting us to this point.

Mr. Speaker, I urge my colleagues to support this bill, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, in closing, this is a smart and bipartisan solution that removes an unintended barrier to capital formation without reducing investor protections.

Mr. Speaker, I urge my colleagues to support H.R. 2225, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Missouri (Mrs. WAGNER) that the House suspend the rules and pass the bill, H.R. 2225, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

FAIR INVESTMENT OPPORTUNITIES FOR PROFESSIONAL EXPERTS ACT

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3394) to amend the Securities Act of 1933 to codify certain qualifications of individuals as accredited investors for purposes of the securities laws, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 3394

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Fair Investment Opportunities for Professional Experts Act".

SEC. 2. DEFINITION OF ACCREDITED INVESTOR.

(a) IN GENERAL.—Section 2(a)(15) of the Securities Act of 1933 (15 U.S.C. 77b(a)(15)) is amended—

(1) by redesignating subparagraphs (i) and (ii) as subparagraphs (A) and (F), respectively; and
(2) in subparagraph (A) (as so redesignated), by striking “; or” and inserting a semicolon, and inserting after such subparagraph the following:

“(B) with respect to a proposed sale of a security, any natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, at the time of such sale, exceeds \$1,000,000 (which amount, along with the amounts set forth in subparagraph (C), shall be adjusted for inflation by the Commission every 5 years to the nearest \$10,000 to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics) where, for purposes of calculating net worth under this subparagraph—

“(i) the person's primary residence shall not be included as an asset;

“(ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of such sale, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of such sale

exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

“(iii) indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the primary residence at the time of such sale shall be included as a liability;

“(C) any natural person who had an individual income in excess of \$200,000 in each of the 2 most recent years or joint income with that person’s spouse or spousal equivalent in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

“(D) any natural person who is—

“(i) currently licensed or registered as a broker or investment adviser by the Commission, a self-regulatory organization (as defined in section 3(a) of the Securities Exchange Act of 1934), or the securities division of a State, the District of Columbia, or a territory of the United States or the equivalent division responsible for licensing or registration of individuals in connection with securities activities; and

“(ii) in good standing with respect to such license or registration;

“(E) any natural person the Commission determines, by regulation, to have demonstrable education or job experience to qualify such person as having professional knowledge of a subject related to a particular investment, and whose education or job experience is verified by a self-regulatory organization (as defined in section 3(a) of the Securities Exchange Act of 1934); or”.

(b) RULEMAKING.—Not later than 180 days after the date of enactment of this Act, the Securities and Exchange Commission shall revise the definition of accredited investor under Regulation D (17 CFR 230.500 et seq.) to conform with the amendments made by subsection (a).

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentleman from California (Mr. SHERMAN) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

GENERAL LEAVE

Mrs. WAGNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. WAGNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of H.R. 3394, the Fair Investment Opportunities for Professional Experts Act.

I thank our Financial Services Committee chairman, the gentleman from Arkansas (Mr. HILL), for his leadership on this bipartisan legislation.

For decades, the SEC’s accredited investor definition has served as a gatekeeper to private investment opportunities, relying almost entirely on income and net worth thresholds.

This approach has excluded millions of Americans who may not meet those financial metrics but have the education, licenses, or professional experiences to make informed investment decisions.

H.R. 3394 modernizes that definition. It directs the SEC to expand eligibility

to individuals who hold certain professional certifications, relevant degrees, or job experience, criteria that actually reflect financial sophistication.

This change is long overdue. It will unlock capital for small businesses, broaden investor participation, and better align our rules with how Americans build expertise and manage risk in today’s economy.

The bill maintains investor protections, while removing arbitrary barriers that have held back individual investors and early-stage entrepreneurs alike.

Mr. Speaker, I urge my colleagues to support this commonsense reform, and I reserve the balance of my time.

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Mr. SHERMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to commend the gentlewoman from Missouri for all of her work chairing the Subcommittee on Capital Markets, but, particularly, for the hearings that we have had on this bill. I look forward to working with her on this subcommittee for many years to come.

Mr. Speaker, I rise in support of H.R. 3394, the Fair Investment Opportunities for Professional Experts Act, offered by my friend and Financial Services Committee chair, FRENCH HILL. This bill is the first step in what I hope will be an effort to reform the definition of “accredited investor.” This bill moves us to add to that definition by noting that certain experience, licenses, and education can, indeed, make one an accredited investor.

At the same time, I will point out that our definition of “accredited investor” was, I think, wrongfully decided that we should just focus on whoever is rich, then defined people as rich based on 1983 numbers. While \$1 million may have made you rich then, Mr. Speaker, it does not mean that you are rich today.

I rise in support of this bill. The accredited investor framework has long protected the general public from investing in high-risk, illiquid private securities. Unlike our public capital markets, in the private capital markets, companies don’t provide anywhere near the same financial and other disclosures to investors. There are not the same legal protections for investors either, nor is there the same ability of the SEC or the State securities regulators to police these markets.

When the accredited investor framework was first being debated, accredited investors were thought to be those who possess an intimate understanding and knowledge of the risks inherent in investing in private securities. These risks include heightened volatility, less transparency, difficulty obtaining accurate pricing, long lockup periods, and limited liquidity.

Ultimately, industry argued for a simpler approach, so the SEC adopted the current definition, which is based around income and wealth. Today, to

be an accredited investor, the investor must have a net worth, either individually or, with spouse, exceeding \$1 million excluding the value of their home, or they must make more than \$200,000 a year or \$300,000 with a spouse.

Those were definitions applicable in 1983 that may not have defined those with the requisite knowledge, but at least defined those who were high-income, high-net worth individuals. Of course, certain professional certifications or designations such as being an investment adviser could also qualify a person under the existing rules.

The wealth and income thresholds, as I have said several times, were set back in 1983. Back then, roughly 2 percent of all Americans were considered accredited investors. As of 2023, that number had risen to 20 percent. Clearly either the standard was wrong in 1983 or it is wrong now, because it is an entirely different level of real wealth and real income.

Mr. HILL’s bill aims to return back to the original concept of accredited investor, which is that investors in private offerings should be fully aware and knowledgeable of the risks involved.

As my friend and ranking member of the Financial Services Committee, Ms. WATERS, has said during our markup of this bill:

Just because you have \$1 million doesn’t mean you understand the complexities of the private markets. On the other hand, you shouldn’t be prohibited from investing in products if you have full knowledge of the risks involved but don’t happen to have \$1 million.

I would add to that that our definition of “accredited investors,” when we are done improving it, and this bill is an important step toward improving it, should focus on what percentage of net worth a person is investing in the particular private offering or private offerings in general.

That is because one may be accredited to invest 5 or 10 percent of their net worth, but when you start betting the mortgage payments on one private investment, Mr. Speaker, then that is where our definition of “accredited investor” should protect you from that. So there should be diversification and limitation on the amount that an accredited investor can invest in any one or in all private offerings.

Nonetheless, that is for a different bill. This bill simply makes one important improvement in our definition of “accredited investor.”

It is critical for the SEC to revise and update the accredited investor definition to protect those who don’t possess the proper knowledge or information about the risks of private unregistered securities. Mr. HILL’s bill moves us in the right direction by indicating that certain credentials, such as someone with a master’s in business administration, an MBA, or a FINRA certification, for example, should be deemed accredited without needing to meet income or wealth requirements. It also

reconfirms Congress' mandate to the SEC that it must adjust the wealth and income thresholds to account for inflation. This is the right balance.

I look forward to passing this bill, and I look forward to our subcommittee and the full committee making other changes in the definition of "accredited investor."

Mr. Speaker, I urge my colleagues to support this bill, and I reserve the balance of my time.

Mrs. WAGNER. Mr. Speaker, I yield such time as he may consume to the gentleman from Arkansas (Mr. HILL), who is the chairman of the Financial Services Committee and the author of this bill.

Mr. HILL of Arkansas. Mr. Speaker, I certainly thank our distinguished chair of the subcommittee, Mrs. WAGNER of Missouri, for her daily leadership of our agenda to make America more competitive by having the most liquid, competitive capital markets in the world. These bills certainly take a step in that direction to support that goal. I thank my friend from California (Mr. SHERMAN) for his comments in support of the bill.

The gentleman is right, Mr. Speaker. I think we have all learned in our lives that intelligence and wealth aren't directly correlated. This is another example of that, where people are held back from their ability to use their expertise and their knowledge just because they don't have a specific net worth. That is what H.R. 3394, the Fair Investment Opportunities for Professional Experts Act seeks to clarify.

Many individuals, whether through work, education, or other experience, have the knowledge to make an informed investment decision, but they are excluded simply because of an income or net worth test.

Before I was in Congress, I helped investors and founders start new companies and raise funds through regulation D private placements.

I witnessed firsthand on an annual basis routinely how the current accredited investor definition impaired talented, knowledgeable innovators from fully participating up front in their business formation dream.

This bill, with my good friend from California, Representative VARGAS, would expand the definition of an "accredited investor" and allow Americans who can demonstrate education, professional experience, or other similar credentials the opportunity to invest in a private offer.

It passed out of our Financial Services Committee 45-1, Mr. Speaker, demonstrating clear, bipartisan support. I agree with my friend from California. This bill is a step in the right direction, offering more Americans a chance to participate in the American Dream, build capital, help start a business, and use their God-given talent, skills, ability, and professional expertise to help that company be successful.

Mr. Speaker, I urge a "yes" vote from all the Members on both sides of the aisle.

Mr. SHERMAN. Mr. Speaker, I have no speakers on my side, and I yield myself the balance of my time.

Mr. Speaker, I rise in support of Chairman HILL's bill, H.R. 3394. This bill will improve the definition of "accredited investor."

Mr. Speaker, I urge a "yes" vote, and I yield back the balance of my time.

Mrs. WAGNER. Mr. Speaker, I yield 3 minutes to the gentleman from Florida (Mr. HARIDOPOLOS).

Mr. HARIDOPOLOS. Mr. Speaker, I will be brief with this explanation. I will first say that it is so nice to see our economy moving in the right direction. This bill will give more opportunities to Americans to invest with not as many regulations in their way. With these challenging times overseas, it is nice to see that we recognize that economic security equals national security, and by expanding the qualified investor rule, which will give exactly that: more opportunity to others.

This bill, led by our chairman, expands access to private capital markets with those who have proven expertise. The bill allows investors to qualify based on licenses, education, and job experience, not just net worth.

It truly modernizes our investor standards to reflect today's knowledge-based economy by widening their pool for investors who are qualified. It fuels private investment and business growth while at the same time keeping protections in place by the SEC and FINRA.

For these reasons, I support the good bill by our chairman.

Mrs. WAGNER. In closing, Mr. Speaker, the Fair Investment Opportunities for Professional Experts Act maintains investor protections while removing arbitrary barriers that have held back individual investors and early-stage entrepreneurs alike.

Mr. Speaker, I urge my colleagues to support H.R. 3394, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Missouri (Mrs. WAGNER) that the House suspend the rules and pass the bill, H.R. 3394, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mrs. WAGNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

ENCOURAGING LOCAL EMERGING VENTURES AND ECONOMIC GROWTH ACT OF 2025

Mrs. WAGNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3301) to amend the Securities Exchange Act of 1934 to specify certain registration statement contents for

emerging growth companies, to permit issuers to file draft registration statements with the Securities and Exchange Commission for confidential review, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 3301

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Encouraging Local Emerging Ventures and Economic Growth Act of 2025" or the "ELEVATE Act of 2025".

SEC. 2. REGISTRATION STATEMENTS.

Section 12(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(b)) is amended—

(1) in paragraph (1)(K), by striking "years," and inserting "years (or, in the case of an emerging growth company, not more than the two preceding years)," ; and

(2) by adding at the end the following:

"Any issuer may confidentially submit to the Commission a draft registration statement for confidential nonpublic review by the staff of the Commission prior to public filing, provided that the initial confidential submission and all amendments thereto shall be publicly filed with the Commission not later than 10 days before listing on a national securities exchange. Notwithstanding any other provision of this title, the Commission shall not be compelled to disclose any information provided to or obtained by the Commission pursuant to this subsection. For purposes of section 552 of title 5, this subsection shall be considered a statute described in subsection (b)(3)(B) of such section 552. Information described in or obtained pursuant to this subsection shall be deemed to constitute confidential information for purposes of section 24."

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Missouri (Mrs. WAGNER) and the gentleman from California (Mr. SHERMAN) each will control 20 minutes.

The Chair recognizes the gentlewoman from Missouri.

GENERAL LEAVE

Mrs. WAGNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. WAGNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in strong support of H.R. 3301, the ELEVATE Act, and thank Congressman NUNN for his leadership on this forward-looking and bipartisan bill.

One of the key successes of the JOBS Act of 2012 was the creation of emerging growth companies, or EGCs, small and midsize firms given tailored disclosure requirements to encourage them to go public. These companies are a major source of innovation, job creation, and economic growth.

Today, over 90 percent of initial public offerings are filed by EGCs, but when an EGC spins off part of its business to create a new public company, that spinoff does not currently get the same treatment, despite originating