

September 23, 2024

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing & Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Re: The Empowering Main Street in America Act

Dear Ranking Member Scott:

The undersigned organizations representing the U.S. innovation ecosystem support congressional efforts to drive economic growth, job creation, and opportunity that fuels American innovation. These efforts are even more important today, as startups and small businesses continue to face economic headwinds and global competition is increasing.

The Empowering Main Street in America Act (EMSAA) provides a strong foundation to expand access to capital for entrepreneurs in emerging ecosystems, increase investment and ownership opportunities for more people, and improve the regulatory process to ensure policy encourages responsible innovation.

Expanding 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.

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 in a more diverse pool of entrepreneurs located in their geographic area. 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 EMSAA will promote broader access to capital by:

- 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.
- Increasing the size and investor limits for qualifying venture capital funds to help smaller fund managers assemble competitive funds and reach more investors, which could foster more localized networks and provide greater access to capital for entrepreneurs in emerging ecosystems.
- Extending the emerging growth company on-ramps, which could improve the transition for companies entering the public markets and encourage more to do so.

Promoting access to investment and ownership 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 most 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 that 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 EMSAA will expand investment opportunities to more individuals in a responsible manner by:

- Modernizing the accredited investor standard by expanding on-ramps to reflect financial sophistication rather than only financial means, which will ensure investment opportunities are not limited to the economically privileged.
- Permitting access to private market investments through professionally managed funds, where investors benefit from fiduciary obligations, diversification, and institutional diligence.
- Examining opportunities to increase participation in private market investments through retirement accounts, which pairs longer duration capital with longer-term investment, in addition to the benefits of professional management and diversification.

Improving the regulatory process

Policy is not effectuated by any single branch of government. Congress makes law, but regulatory agencies implement and enforce the law. The EMSAA would help to ensure there is a robust regulatory process with appropriate oversight and engagement to drive the policy outcomes that help ensure our U.S. capital markets remain the driver of innovation and economic growth.

The EMSAA will improve the regulatory process by:

- Strengthening the SEC's rulemaking process, including requiring justification for any rulemaking proposal, robust cost-benefit analysis, and an interconnectedness review with existing and proposed regulations.
- Increasing accountability by requiring the SEC Chair to testify before Congress on a semiannual basis.
- Expanding transparency by requiring the SEC to publish data on the securities markets, enforcement actions, and economic analyses related to rulemaking initiatives.

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 with Congress on a bipartisan basis to achieve these important goals.

Sincerely,

Angel Capital Association (ACA)
Carta
Center for American Entrepreneurship (CAE)
Engine
Financial Technology Association (FTA)
Technology Councils of North America (TECNA)