

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 investors 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.

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)

National Venture Capital Association (NVCA)

New England Venture Capital Association (NEVCA)

Technology Councils of North America (TECNA)

Texas Venture Alliance