



Special Report

Congress's Push to Enact Capital Formation Legislation in 2026

Investor Protection Analysis of the Empowering Main Street in America Act of 2026
October 2, 2026

Table of Contents

Section I Introduction and Background	1
A The JOBS Act and Modern Capital Formation Debate	1
B Legislative Evolution Toward EMSAA	3
C Why the Issue Is Back Now.....	5
D The Public and Private Market Policy Debate	7
Section II Section by Section Analysis	11
<i>Section 101. Helping Startups Continue to Grow.....</i>	<i>11</i>
<i>Section 102. Investment Companies</i>	<i>12</i>
<i>Section 103. Crowdfunding.....</i>	<i>13</i>
<i>Section 104. Regulatory Definition of Venture Capital Fund</i>	<i>13</i>
<i>Section 105. Definition of Well-Known Seasoned Issuer</i>	<i>14</i>
<i>Section 106. Access to Small Business Investor Capital</i>	<i>15</i>
<i>Section 107. Offering Threshold for Reviews by Public Accountant.....</i>	<i>16</i>
<i>Section 108. Clarification of General Solicitation.....</i>	<i>17</i>
<i>Section 109. Small Business Investor Capital Access</i>	<i>18</i>
<i>Section 110. Improving Access to Small Business Information.....</i>	<i>19</i>
<i>Section 111. Enhancing Multi-Class Share Structures</i>	<i>20</i>
<i>Section 112. Rural Job Creators</i>	<i>21</i>
<i>Section 113. Testing the Waters</i>	<i>21</i>
<i>Section 114. Encouraging Local Emerging Ventures and Economic Growth</i>	<i>22</i>
<i>Section 115. Small Entity Update</i>	<i>23</i>
<i>Section 201. Equal Opportunity for All Investors</i>	<i>24</i>
<i>Section 202. Enhancement of 403(b) Plans</i>	<i>26</i>
<i>Section 301. Study on IPO Fees</i>	<i>27</i>
<i>Section 401. Postponement of Payment or Satisfaction Upon Redemption of Certain Securities</i>	<i>28</i>
Addendum I Legislative Crosswalk to the September 13 2026 EMSAA Draft.	30
Addendum II Discussion Draft of the Empowering Main Street in America Act of 2026.....	32

Empowering Main Street in America Act of 2026

Memorandum Introduction Background Section by Section Analysis and Legislative Crosswalk

Section I. Introduction and Background

The Empowering Main Street in America Act of 2026 (EMSAA) is the latest stage in a capital-markets debate that began well before the current Congress. It combines public-company accommodations, private-offering and private-fund expansions, new pathways for retail participation, and several investor-protection or market-integrity measures. Those provisions share a political label, but they do not operate in a single market or present a single policy question. Their effects depend on how they alter the boundary between registered public markets and exempt private markets, and on whether the protection accompanying each change remain proportionate to the risks created by broader access.

This background section places the September 2026 legislative draft in that longer arc. It begins with the 2012 Jumpstart Our Business Startups Act and the modern capital-formation debate, traces the legislative path from later House packages and Senator Tim Scott's earlier EMSAA proposals to the current draft, explains why the issue has returned to the center of the agenda in 2026, and identifies the public/private-market policy questions that should guide the provision-by-provision analysis that follows.

A The JOBS Act and Modern Capital Formation Debate

The JOBS Act established the modern framework

Congress enacted the [Jumpstart Our Business Startups Act of 2012](#) against the economic backdrop of the financial crisis and a sustained concern that smaller companies faced excessive cost and friction when raising capital. The statute was deliberately broad. It created the emerging growth company (EGC) category and an IPO on-ramp; loosened restrictions on communications and confidential submission of draft registration statements; directed the SEC to permit general solicitation in specified private offerings; created Regulation Crowdfunding; expanded Regulation A; and raised the shareholder thresholds that can trigger Exchange Act registration. The common premise was that regulatory requirements should be calibrated to a company's size, maturity, offering method, and investor base rather than applied identically at every stage of growth.

The EGC model became especially influential. It gave qualifying issuers temporary relief from selected disclosure, auditing, and accounting requirements while preserving registration, periodic reporting, antifraud liability, and the core architecture of the public markets. That model framed deregulation as a transitional accommodation: a company could enter the public market through a less demanding on-ramp, but it still entered a disclosure system designed for broad public participation.

Other titles of the JOBS Act moved in a different direction. Regulation D general solicitation, Regulation Crowdfunding, expanded Regulation A, and higher Exchange Act registration thresholds made it easier to raise larger amounts outside a traditional registered offering or to remain private longer. Those provisions were also capital-formation measures, but their investor-protection premises differed. Some relied on investment limits, intermediary requirements, mandated disclosures, or offering caps. Others relied heavily on purchaser sophistication or wealth. The Act therefore expanded both the route into public markets and the capacity to raise capital without entering them.

Sources: [JOBS Act text](#); [SEC JOBS Act implementation resources](#).

The post JOBS Act record supports competing accounts

Supporters view the JOBS Act as proof that tailored relief can expand financing choices without abandoning the federal securities laws. EGC status has been widely used in initial public offerings. Regulation Crowdfunding and Regulation A created additional channels for smaller issuers. Rule 506(c) allowed issuers to advertise certain offerings while requiring sales to verified accredited investors. Congress and the SEC have repeatedly built on these mechanisms rather than returning to the pre-2012 framework.

The record also resists a simple conclusion that regulatory relief by itself restores public listings. The United States still has substantially fewer exchange-listed companies than it had in the late 1990s. SEC Chairman Paul Atkins has cited a decline from more than 7,800 listed companies in the mid-1990s to roughly 4,700 when he returned as Chairman. He treats that decline as evidence that the public-company framework needs further reform. Yet the number of listed companies reflects many forces, including merger activity, industry concentration, changes in company size and technology, underwriting economics, litigation exposure, research coverage, market conditions, and the availability of abundant private capital. The direction of the trend is clear; its causes and the appropriate remedy remain contested.

The scale of exempt capital raising is equally important. The [SEC Office of the Advocate for Small Business Capital Formation's 2025 report](#) estimated that, excluding pooled funds, businesses raised about \$1 trillion through other exempt offerings, \$378 billion through Rule 506(b), and \$24 billion through Rule 506(c), compared with \$47 billion through IPOs and \$1.4 trillion through other registered offerings in the period examined. The SEC's continuously updated [Regulation D statistics](#) also show a market measured in hundreds of billions of dollars annually, while warning that Form D data may understate activity because some issuers do not file as required.

These figures do not show that registered and exempt offerings are interchangeable. They do show that private capital is no longer a peripheral exception used only for small or closely held financings. Large operating companies and pooled investment funds can raise substantial sums without public registration, and successful companies can complete multiple private rounds before considering an IPO. A policy that enlarges private-market capacity may improve financing options while also reducing the practical need to become public.

Sources: [Atkins remarks on public listings](#); [2025 OASB annual report](#); [SEC Regulation D data](#).

The debate has shifted from whether to provide relief to how far relief should extend

Most current participants accept the basic idea of scaled regulation. The dispute concerns its calibration and cumulative effect. Issuers and market intermediaries argue that fixed dollar thresholds become obsolete, compliance costs can deter smaller offerings, and rules designed for large seasoned companies can impose disproportionate burdens on young or thinly traded issuers. They also argue that wealth is an imperfect proxy for sophistication and that geographic concentration of venture capital leaves capable entrepreneurs and investors outside established coastal networks.

Investor advocates and state regulators respond that exemptions remove more than paperwork. Registration and periodic reporting produce standardized, comparable information; independent audits increase confidence in financial statements; trading markets support price discovery and liquidity; and public oversight creates information useful to investors, regulators, counterparties, and researchers. When an exemption grows, the policy question is whether the remaining conditions still justify the reduced disclosure and oversight.

That concern is central to the [2023 testimony of NASAA President Melanie Senter Lubin](#). NASAA urged Congress to examine capital-formation proposals cumulatively and questioned the coherence of making public status less burdensome while repeatedly expanding the mechanisms that allow companies to raise more capital and remain private. The testimony also emphasized Form D compliance and the states' need for usable offering information. That framework is directly relevant to EMSAA because the bill changes several public- and private-market channels at once.

Accordingly, the post-JOBS Act debate is not a referendum on a single 2012 statute. It concerns what Congress learned from more than a decade of iterative exemptions and accommodations. The strongest case for another targeted adjustment is that markets, prices, and financing practices have changed. The strongest case for caution is that repeated targeted adjustments can collectively alter the regulatory boundary more than any single provision suggests.

B Legislative Evolution Toward EMSAA

Later packages turned the JOBS Act into a continuing legislative model

The JOBS Act quickly became a template for subsequent capital-markets legislation. House committees developed successive packages often described as JOBS Act 2.0, 3.0, or 4.0. These packages combined bills addressing EGC eligibility, confidential review and testing the waters, crowdfunding, Regulation A, venture capital, accredited investors, public-company disclosure, small-business research, and SEC accountability. Many components advanced independently, and some became law. Others reappeared in later packages with revised thresholds or safeguards.

The [Congressional Research Service's May 2025 overview of capital-markets legislation](#) describes this development as a set of recurring proposals that can be grouped into public-offering reforms, exempt-offering reforms, changes to investment-company and adviser regulation, expanded investor eligibility, and oversight measures. CRS cautioned that offering attributes should be evaluated together because capital-access capacity and investor-protection safeguards interact. That observation helps explain why a historical crosswalk matters: a familiar bill title or bipartisan sponsor does not establish that the language, thresholds, and combined effect remain unchanged.

The House's Expanding Access to Capital Act of 2023, H.R. 2799, exemplified this consolidating approach. It assembled numerous capital-formation bills into a larger package and passed the House in March 2024. The package included measures involving emerging growth companies, crowdfunding, accredited investors, venture capital, testing the waters, and rural or regional capital formation. Even when the Senate did not take up the House package as a whole, its component texts created an inventory from which later legislation could draw.

Sources: [CRS overview of capital-markets legislation](#); [H.R. 2799 text and actions](#).

Scott supplied a Senate framework and then legislative text

Senator Tim Scott, then the Ranking Member of the Senate Banking Committee, placed these ideas within a Senate framework in November 2023. His [Empowering Main Street in America Act framework](#) organized the agenda around four themes: public- and private-market capital formation, retail investment opportunity, market integrity and protection from fraud, and SEC accountability. The framework emphasized underserved entrepreneurs, rural communities, individual investor access, and constraints on regulation. It also made accredited-investor expansion a central part of the project.

Scott converted that framework into [S. 5139, the Empowering Main Street in America Act of 2024](#). The bill was introduced on September 23, 2024, with Republican Banking Committee cosponsors. It supplied a Senate legislative baseline covering many subjects that remain in the 2026 draft. Those included a larger and longer EGC category, changes to qualifying venture capital funds and private-fund adviser thresholds, crowdfunding and solicitation reforms, additional accredited-investor pathways, 403(b) investment options, IPO-cost analysis, and protections against financial exploitation.

The 2024 bill did not emerge from a single source. Some provisions implemented Scott's 2023 framework. Others resembled House bills that had been introduced, marked up, or passed in prior Congresses. Still others addressed SEC rules through statutory directives. The bill's significance for the current analysis is therefore twofold: it established the EMSAA architecture, and it demonstrated how a Senate package could absorb proposals with different sponsors and legislative histories into a single capital-formation agenda.

Sources: [Scott's 2023 announcement and framework](#); [S. 5139 introduced text](#); [2024 committee announcement](#).

The House INVEST Act refreshed the legislative inventory

House activity continued in 2025. The Financial Services Committee held multiple markups and consolidated more than twenty bills into H.R. 3383, the Incentivizing New Ventures and Economic Strength Through Capital Formation Act, or INVEST Act. The [committee's December 2025 announcement](#) described the package as bipartisan and identified Chairman French Hill, Subcommittee Chair Ann Wagner, Representative Gregory Meeks, and Representative Josh Gottheimer as principal participants. The House considered and passed the package in December 2025.

The INVEST Act matters to EMSAA less as a single predecessor than as a repository of recently negotiated text. Its component measures addressed crowdfunding thresholds, accredited-investor qualifications, retirement-plan investment choices, testing the waters, public-company disclosure, venture capital, local and rural capital, IPO costs, and senior exploitation. Some had Democratic sponsors or cosponsors. Some were Republican priorities. Their inclusion in a House package gave Senate negotiators evidence of prior bipartisan support for discrete concepts, but not necessarily for every later formulation or for the cumulative balance of the 2026 Senate package.

That distinction is especially important where the September 2026 draft changes a numerical threshold, removes a condition, combines separate concepts, or places a bipartisan measure beside broader deregulatory provisions. Legislative lineage should inform the analysis, not substitute for it. The proper comparison is between operative texts and safeguards, not bill names alone.

Sources: [House committee INVEST Act announcement](#); [INVEST Act summary](#); [Congressional Record debate](#).

The September 2026 Senate discussion draft recombines and revises those streams

The September 13, 2026 Senate Legislative Counsel draft contains nineteen substantive sections under four titles. Title I addresses public- and private-market capital formation; Title II expands investment opportunities for retail investors; Title III directs a study of IPO fees; and Title IV addresses financial exploitation. The draft is narrower than Scott's full 2023 framework in some respects, but it reaches deeply into the Securities Act, Exchange Act, Investment Company Act, and Investment Advisers Act.

Several provisions are recognizable continuations of earlier proposals. Section 101 would raise the EGC revenue ceiling to \$2 billion, extend the maximum EGC period from five to ten years, and revise the debt disqualification. Sections 103 and 107 adjust Regulation Crowdfunding participation and financial-statement

review thresholds. Section 104 broadens the venture-capital-fund definition to include secondary acquisitions and fund-of-fund investments, subject to a combined 49 percent limit. Sections 108 and 113 address solicitation, testing the waters, and communications around offerings. Section 201 creates multiple new accredited-investor pathways. Section 202 changes the securities-law treatment of investments offered through 403(b) plans. Sections 301 and 401 add an IPO-cost study and senior-exploitation protections.

Other provisions show why the current text must be read independently. Section 102 would increase the number of beneficial owners permitted in a qualifying venture capital fund under Investment Company Act section 3(c)(1) from 250 to 500 and raise the aggregate-capital-contribution limit from \$10 million to \$50 million. Section 109 would raise the private-fund-adviser exemption threshold to \$175 million and add inflation indexing. Section 105 would establish a \$400 million public-float route to well-known seasoned issuer status. Section 201 goes beyond a knowledge-based examination by adding investment-history and percentage-of-assets, income, or net-worth routes and by giving legal consequences to purchaser self-certification. These choices affect the scope and risk of the package even when their underlying policy topics are familiar.

2026 section	Principal lineage	Continuity and change
101	JOBS Act EGC on-ramp; later House and Scott proposals	Raises the revenue threshold, doubles the outer time limit to ten years, and revises the debt test.
102 and 104	Venture-capital-fund bills; S. 5139; House packages	Substantially expands fund size and permissible secondary or fund-of-fund activity.
103 and 107	Regulation Crowdfunding reforms in House packages	Broadens eligible purchasers and raises the level that triggers an accountant review.
108 and 113	Demo-day, general-solicitation, and testing-the-waters proposals	Codifies or broadens offering communications while retaining selected event and antifraud conditions.
201	Accredited Investor Definition Review Act and related proposals	Adds knowledge, investment, and percentage-based pathways and changes verification through self-certification.
202	403(b) investment-choice legislation	Extends securities-law treatment available to other retirement plans, subject to plan and fiduciary conditions.
301 and 401	Bipartisan IPO-cost and senior-protection bills	Adds study and exploitation-prevention provisions that differ from the package's deregulatory core.

This lineage explains why EMSAA can contain both familiar bipartisan provisions and contested expansions. It also supplies the correct analytical rule for the rest of the memorandum: each section should be evaluated against its closest prior text, and the package should then be evaluated as a whole.

C Why the Issue Is Back Now

The renewed push in fall 2026 is more than another turn in the post-JOBS Act cycle. Four developments have converged: Scott now chairs the Senate Banking Committee; the House has already assembled and acted on a large body of related legislation; the SEC under Chairman Paul Atkins is pursuing a parallel capital-formation and deregulatory agenda; and Senate negotiations are testing whether proposals with bipartisan antecedents can support a broader package.

This alignment increases the prospect of action, but it also raises the stakes. Congress is considering statutory changes in areas where the Commission is already reconsidering its own rules. The question is therefore not only whether a current policy is sound. It is whether Congress should codify it, enlarge it, or restrict a future Commission's ability to recalibrate it after experience, economic analysis, and public comment.

Scott now controls the committee agenda

Scott developed EMSAA while serving as Ranking Member, but chairmanship changes the practical setting. He can convene hearings, set the committee agenda, direct negotiations, and decide whether a package proceeds to markup. The initiative is best understood as the maturation of a multi-year project rather than a new 2026 proposal.

The [August 6, 2026 Banking Committee hearing, Empowering Main Street by Unlocking Access to Capital](#), marked the public transition from agenda-setting to legislative development. Scott emphasized entrepreneurs, small and growing businesses, and individual investors, and said he intended to update his package with proposals from members on both sides of the committee. His [opening statement](#) linked the initiative to helping companies go public and stay public, widening investment opportunity, and improving financing outside established capital centers.

That framing gives political coherence to measures that operate very differently. EGC relief, crowdfunding, venture-fund rules, accredited-investor eligibility, 403(b) products, rural-business measures, IPO costs, and senior-exploitation safeguards can all be described as Main Street policy. The common label does not resolve their separate investor-protection consequences.

The Atkins SEC is pursuing a parallel program

Atkins was sworn in as SEC Chairman in April 2025 and has made public-company reform a central priority. In [April 2026 remarks to the Small Business Capital Formation Advisory Committee](#), he described encouraging more small and growing companies to go public as one of his highest priorities and identified a longer EGC on-ramp and simpler shelf registration as possible reforms.

On May 19, 2026, the Commission proposed registered-offering and reporting reforms that Atkins called the foundation of his agenda to 'Make IPOs Great Again.' The proposals would broaden access to shelf registration, revise filer categories and disclosure obligations, and extend selected accommodations to more issuers. Atkins's [statement on the proposals](#) also recognized the distinctive value of public markets: liquidity, transparency, price discovery, and accountability that private markets cannot fully replicate.

That rulemaking overlaps with EMSAA's public-company provisions. Some statutory changes would go beyond existing SEC authority or settle matters Congress wishes to control. Others would place current regulatory preferences into a more durable form. A future Commission may revise a rule through notice and comment, but it cannot reverse an Act of Congress. Durability is therefore part of the policy choice.

The September draft reflects active but incomplete negotiations

The September 13 draft demonstrates that negotiations advanced quickly after the August hearing. It combines Scott priorities with provisions associated with Democratic members or prior bipartisan votes, including acquired-fund-fee treatment for business development companies, multi-class-share disclosure, an IPO-cost study, and senior-exploitation protections. Those additions create room for agreement, but they do not by themselves establish bipartisan support for the package's cumulative effect.

The contemporaneous coalition materials supplied for this memorandum describe 403(b) investment access, accredited-investor expansion, and crowdfunding as major Scott priorities. They also describe Democratic staff and investor-protection organizations seeking private-market measures in return, including Form D reform, fair-valuation standards, equal redemption rights, quarterly statements, private-credit transparency, and broader Form PF coverage. Because those materials reflect a fluid discussion rather than an official committee agreement, they are evidence of negotiating priorities, not proof of final commitments.

NASAA's reported position is consistent with its public testimony: the organization did not view the draft package as supportable without significant changes and identified Form D reform and protections accompanying accredited-investor expansion as possible elements of a different balance. That position makes private-market transparency a bargaining issue, not merely an outside critique.

The opportunity for legislation is therefore real, but the September draft is not an inevitable endpoint. Scott has committee control and a developed framework; the House has supplied current legislative text; the SEC is moving in a compatible direction; and individual components have bipartisan histories. At the same time, the principal disputes concern the package's most consequential boundary questions. The final significance of EMSAA will depend on what is added, removed, narrowed, or conditioned before markup.

D The Public and Private Market Policy Debate

EMSAA ultimately raises a question larger than any one threshold or exemption: **what should the relationship between America's public and private securities markets be, and where should Congress draw the regulatory boundary between them?** The answer affects disclosure, valuation, liquidity, governance, conflicts, regulatory visibility, and investor eligibility. It also affects companies' incentives to become public.

The debate is often described as capital formation versus investor protection. That description is incomplete. Reliable disclosure, market integrity, price discovery, liquidity, and enforceable rules are part of the infrastructure through which productive capital formation occurs. The difficult question is how large and broadly accessible exempt markets can become before the rationale for treating them as exceptions requires reconsideration.

Public and private markets provide different protections

Registered public markets are designed for large numbers of investors who have no direct relationship with an issuer. Public companies generally provide periodic reports, audited financial statements, governance and beneficial-ownership disclosures, and proxy information. Their securities trade in markets that produce observable prices and, under ordinary conditions, liquidity. Exchanges, auditors, underwriters, analysts, and the SEC form part of the surrounding market infrastructure.

Private markets operate differently by design. Securities Act exemptions excuse registration because the transaction, purchaser, offering method, or other conditions are thought to make the full protections of registration unnecessary. Private issuers generally do not provide the same standardized periodic information. Their securities may lack observable prices and ready resale. Valuations can depend on manager estimates or episodic financing rounds. Investors may face long holding periods, contractual transfer restrictions, uneven information, and bargaining disparities.

These differences do not make every private investment unsuitable or every public security safe. Sophisticated private investors can negotiate rights that ordinary public shareholders do not have, and public companies can fail. The narrower point is that public-market protections do not follow an investor into a private offering merely because Congress broadens that investor's eligibility.

Private market growth changes company incentives

Private capital gives companies useful flexibility. A company may obtain patient capital, protect competitively sensitive information, negotiate tailored terms, and avoid the fixed cost of public-company status until it has greater scale. Venture capital and private equity can also provide operating expertise and finance businesses that could not yet support a public offering.

The same flexibility affects the decision to go public. A company able to raise increasingly large sums from an expanding pool of eligible investors has less need to conduct an IPO for financing alone. EMSAA illustrates the tension. A longer EGC period or broader WKSJ treatment may reduce the cost of becoming or remaining public. Larger venture funds, broader qualifying investments, easier solicitation, a higher private-fund-adviser threshold, and expanded accredited-investor eligibility may make remaining private more attractive.

No single provision proves that private-market expansion caused the decline in listings. The causes are multiple, and the public and private markets can support each other. But Congress should not assume that deregulating both sides of the boundary necessarily produces more public companies. The net incentive depends on the relative cost, flexibility, disclosure, liquidity, and available capital in each market.

Broader eligibility does not supply missing information

Supporters of expanded private-market access argue that ordinary investors should not be excluded from gains that accrue before a successful company becomes public. They also correctly observe that wealth is an imperfect proxy for sophistication. A wealthy purchaser may understand little about private offerings, while a trained financial professional may fail the traditional income or net-worth tests. The SEC acknowledged that weakness in 2020 when it added selected professional credentials to the accredited-investor definition.

The imperfection of the gate does not answer what protections should exist on the other side. Passing an examination may help an investor understand disclosed risks; it does not require an issuer to provide standardized information. Investment experience may improve judgment; it does not create liquidity or an independent market price. A percentage-of-assets limit may restrain exposure; it does not resolve conflicts, valuation methods, or unequal access to information.

This distinction is particularly important for section 201. An examination or professional-credential route can be defended as a better measure of knowledge. The draft also includes investment-history and percentage-based routes and changes verification through purchaser self-certification. Those features should be assessed separately. The question is not simply whether wealth should remain the exclusive proxy for sophistication, but whether each new route is paired with protections responsive to the market the investor is entering.

Source: [SEC Investor Advisory Committee materials on retail access to private-market assets](#).

The SEC is pursuing retailization on a separate track

On September 30, 2026, the SEC [proposed measures intended to expand the responsible retailization of private markets](#). The Commission proposed changes affecting performance-based compensation and interval funds and requested comment on additional accredited-investor qualifications, including a FINRA examination and professional credentials such as CPA, CFA, CFP, Series 79, and research-analyst qualifications.

Atkins acknowledged the tradeoff in his [September 30 statement](#). He argued that broader access may allow individuals to participate earlier in growth-stage companies while recognizing that private investments carry risks and fewer protections. The proposals attempt to route some exposure through registered funds, where professional management, diversification, disclosure, and a regulated vehicle may mitigate risks that arise in direct private offerings.

The Commission's action matters to EMSAA in two ways. It shows that private-market expansion is proceeding through legislative and regulatory channels at the same time. It also shows that the approaches differ. The SEC's current accredited-investor initiative centers on examinations and credentials; EMSAA adds investment and percentage-based routes and changes verification. Active rulemaking therefore

strengthens the case for identifying which changes require statute and which benefit from economic analysis, public comment, testing, and later adjustment by the Commission.

Larger private markets require greater regulatory visibility

The investor-protection question extends beyond an individual's ability to understand a particular security. Growth in private funds, private credit, and exempt offerings affects the ability of regulators and market participants to see where risk is accumulating. Public reports supply information to investors, regulators, researchers, counterparties, and policymakers. Private-market information is fragmented. Form D is a notice filing with limited fields; compliance is incomplete; and much of the information reported by private-fund advisers on Forms ADV and PF is not public.

That asymmetry matters more as the market grows. If Congress expands the capital that may be raised privately, the investors who may participate, and the vehicles through which retail investors receive exposure, it becomes harder to treat regulatory visibility as though exempt markets remained small exceptions. Timely Form D information, valuation practices, redemption terms, quarterly statements, private-credit reporting, and Form PF coverage are therefore natural subjects for negotiation over a package that further expands private-market capacity.

NASAA's emphasis on Form D reflects state regulators' enforcement role. The issue is not simply whether a form exists. Regulators need timely and useful information about issuers, offerings, intermediaries, locations, sales, and claimed exemptions in a market that does not provide the disclosure architecture of a registered offering.

Investor protection is part of capital formation

The federal securities laws rest on the premise that markets attract capital when investors can make decisions using reliable information and trust that rules against fraud and manipulation will be enforced. Disclosure, audits, registration review, and market rules impose costs. They also reduce information asymmetry, discipline financial reporting, and support the liquidity and confidence that allow public markets to operate at scale.

The proper inquiry is therefore whether the marginal benefit of a requirement justifies its marginal cost in the relevant market. Treating regulation as categorically opposed to capital formation obscures the value that credible rules provide. The same point applies to claims of democratization. Access to an investment and access to a fair investment opportunity are not identical. Investors benefit from access only when they can evaluate material information, understand fees and conflicts, assess valuation and performance, and bear illiquidity and loss.

EMSAA must be evaluated cumulatively

EMSAA would extend public-company accommodations while also enlarging several private-market channels. It would increase qualifying venture-fund size, broaden venture investments, facilitate crowdfunding participation, liberalize certain solicitation, raise the private-fund-adviser exemption threshold, and create several routes into accredited-investor status. At the same time, it would extend EGC treatment, broaden WKSI eligibility, and codify testing-the-waters and confidential-review mechanisms intended to make registered offerings easier.

Some of these policies may complement one another. Others may create countervailing incentives. The relevant question is what the provisions do together and whether the final package preserves a defensible

relationship among issuer relief, investor access, disclosure, liquidity, valuation, conflicts, and regulatory oversight.

That cumulative perspective supplies the organizing principle for the memorandum that follows. EMSAA should be judged by whether each accommodation addresses a demonstrated impediment, whether its scope is proportionate, whether statutory codification is warranted, and whether the package as a whole maintains the investor confidence and market integrity on which durable capital formation depends.

Section II Section by Section Analysis

Section 101. Helping Startups Continue to Grow

- **Current-law baseline**

Under Securities Act Section 2(a)(19), an emerging growth company (EGC) is generally an issuer with annual gross revenues below the inflation-adjusted statutory threshold (currently \$1.235 billion). EGC status ordinarily ends at the earliest of: the fiscal year after the fifth anniversary of the issuer's first registered sale of common equity; the fiscal year in which revenue reaches the threshold; the date the issuer has issued more than \$1 billion of non-convertible debt during the prior three years; or the date it becomes a "large accelerated filer." EGCs receive important accommodations, including scaled financial and executive-compensation disclosure, exemption from the Sarbanes-Oxley Section 404(b) auditor attestation requirement, and other JOBS Act relief.

- **Change made by the bill**

The bill replaces the EGC definition. It raises the revenue ceiling to \$2 billion and requires inflation adjustment every five years. It extends the outside EGC period from five years to ten years after the first registered primary sale of common equity. It replaces the current debt test with a test based on more than \$2 billion of non-convertible debt securities outstanding and delays loss of status until one fiscal year after the fiscal year in which that level is exceeded. Notably, the replacement text does not carry forward the existing large-accelerated-filer termination trigger. The section also conforms the Exchange Act definition to the Securities Act definition and applies the new regime both to existing EGCs and future qualifiers.

- **Practical impact**

The practical result would be a much larger and more durable EGC population. Companies with revenues between the current threshold and \$2 billion could remain EGCs, and many issuers could retain EGC accommodations for up to ten years rather than five. Eliminating the large-accelerated-filer exit trigger would allow some issuers with substantial public float to retain EGC status even after they become economically large public companies. The revised debt test is also materially more permissive because it looks to debt outstanding rather than debt issued over a rolling three-year period and doubles the relevant dollar amount.

- **Investor-protection / market-structure considerations**

The principal tradeoff is between lower public-company compliance costs and reduced or delayed investor disclosure and audit assurance. The provision could support IPO supply and reduce the marginal cost of being public, but it also extends scaled disclosure and the Section 404(b) exemption to issuers that may have significant market capitalization and broad retail ownership. The omission of the large-accelerated-filer trigger is especially consequential because public float currently serves as an independent indicator of market significance.

- **Drafting or implementation issues**

The interaction with Exchange Act filer-status rules should be reviewed carefully. The draft defines EGC status independently of large-accelerated-filer status, which could create a class of issuers that are large accelerated filers for some purposes but still EGCs for JOBS Act accommodations unless conforming rules address the overlap.

- **Stakeholder support and opposition**

Support. Joel Trotter, Bill Newell, the U.S. Chamber, and securities-industry witnesses support extending the JOBS Act emerging-growth-company on-ramp. Chamber testimony over more than a decade has sought to characterize IPO costs and regulatory friction as deterrents to going public.

Opposition / concerns. Stacey Bowers, NASAA, AFR, Alexandra Thornton, and Cantrell Dumas question whether longer reduced-disclosure treatment will materially increase IPOs and warn that extending scaled disclosure can leave public investors with less information and audit assurance. These stakeholders argue that making public markets more like private markets is unlikely to address why companies remain private and warn that weaker disclosure may instead leave investors with fewer protections.

Primary authority: [SEC guidance on emerging growth companies](#)

Section 102. Investment Companies

- **Current-law baseline**

Investment Company Act Section 3(c)(1) excludes certain privately offered funds from the definition of “investment company.” The ordinary Section 3(c)(1) exclusion is generally limited to 100 beneficial owners. A special statutory category for a “qualifying venture capital fund” permits up to 250 beneficial owners if the fund meets a committed-capital ceiling originally set at \$10 million and subject to inflation adjustment. The SEC increased that regulatory threshold to \$12 million effective in 2024.

- **Change made by the bill**

The bill changes the special qualifying-venture-capital-fund limits, not the general 100-owner Section 3(c)(1) limit. It increases the permitted number of beneficial owners from 250 to 500. It raises the statutory committed-capital ceiling from \$10 million to \$50 million and replaces the existing inflation-adjustment language with a PCE-indexed adjustment at least every five years, rounded to the nearest \$100,000.

- **Practical impact**

A qualifying venture capital fund could become materially larger and have twice as many beneficial owners while remaining outside Investment Company Act registration. This would facilitate pooled venture exposure, potentially broaden LP participation, and permit managers to aggregate more capital without moving to Section 3(c)(7) or another structure.

- **Investor-protection / market-structure considerations**

The expansion increases the amount of capital and number of investors that may be held in a vehicle exempt from the 1940 Act’s governance, custody, leverage, affiliated-transaction, and disclosure framework. The policy case rests on the sophistication and private-fund context of the investors and the capital-formation role of venture funds; the investor-protection question is whether a fivefold statutory capital increase and doubling of beneficial owners remains consistent with the rationale for the special exemption.

- **Stakeholder support and opposition**

Support. The provision descends from the [ICAN/qualifying-venture-capital-fund](#) line of proposals included in the House capital-formation package. Supporters frame the change as allowing small venture funds to aggregate more investors and capital before becoming subject to the Investment Company Act. The Chamber’s broader capital-formation submissions support expanding channels through which private capital can reach startups, although the supplied Chamber materials do not isolate this exact 500-investor/\$50 million formulation.

Opposition / concerns. NASAA has specifically criticized proposals that enlarge the Section 3(c)(1) qualifying-venture-capital-fund exclusion, arguing that they expand the scale of private pooled vehicles outside the 1940 Act framework and can contribute to the migration of capital away from transparent public markets. AFR’s broader objection is similar: larger exempt markets can increase opacity and reduce investor protections.¹

¹ See [NASAA 2023 testimony](#); [AFR 2023 letter](#).

Primary authority: [SEC 2024 qualifying venture capital fund rule](#)

Section 103. Crowdfunding

- **Current-law baseline**

Regulation Crowdfunding implements Securities Act Section 4(a)(6) and imposes issuer, intermediary, disclosure, and investor requirements. Separately, Investment Company Act Sections 3(b) and 3(c) identify entities that are not investment companies or are excluded from the Act's definition. The interaction of those statuses with Regulation Crowdfunding eligibility and investment restrictions can create uncertainty for pooled or excluded vehicles.

- **Change made by the bill**

The bill provides, notwithstanding other law or regulation, that a person described in Investment Company Act Section 3(b) or 3(c) may purchase securities offered or sold in a Section 4(a)(6) crowdfunding transaction.

- **Practical impact**

The provision would create an express federal authorization for excluded or non-investment-company vehicles to invest in Regulation Crowdfunding offerings. That could bring additional institutional or pooled capital into the crowdfunding market and increase financing capacity for small issuers.

- **Investor-protection / market-structure considerations**

Greater participation by pooled vehicles could deepen liquidity and professionalize diligence, but it could also change a market originally designed in substantial part around direct small-investor participation. The provision authorizes purchases but does not itself create new disclosure, concentration, or look-through protections for investors in the purchasing vehicle.

- **Stakeholder support and opposition**

Support. [Douglas Ellenoff's testimony](#) is strongly favorable toward Regulation Crowdfunding and argues that the JOBS Act crowdfunding framework has functioned without the level of fraud critics initially predicted. That rationale supports allowing additional excluded or non-investment-company vehicles to supply capital to crowdfunding issuers.

Opposition / concerns. The collected record does not contain a stakeholder taking a clear position on this exact authorization for Investment Company Act Section 3(b) or 3(c) persons to buy crowdfunding securities. NASAA and AFR, however, repeatedly caution that expansions of exempt offerings should be accompanied by adequate disclosure, oversight, and safeguards against shifting risk to retail investors.²

Primary authority: [SEC Regulation Crowdfunding issuer guidance](#)

Section 104. Regulatory Definition of Venture Capital Fund

- **Current-law baseline**

Advisers Act Rule 203(l)-1 defines “venture capital fund” for purposes of the venture-capital-adviser exemption from SEC registration. A venture fund generally must hold at least 80 percent of committed capital in “qualifying investments” and short-term holdings; the remaining 20 percent is the non-qualifying basket. Qualifying portfolio-company equity generally must be acquired directly from the portfolio company,

² See [NASAA 2023 testimony](#); [AFR 2023 letter](#).

so secondary purchases ordinarily fall outside the qualifying bucket. Investments in other venture funds likewise are generally not qualifying investments.

- **Change made by the bill**

The bill directs the SEC within 180 days to redefine “qualifying investment” to include portfolio-company equity acquired directly or in a secondary transaction and to include investments in another venture capital fund. It then requires a new condition: immediately after acquiring any asset, no more than 49 percent of aggregate contributed and uncalled committed capital (excluding short-term holdings) may be held in the aggregate in other venture funds and qualifying investments acquired in secondary transactions.

- **Practical impact**

The provision would materially broaden permissible venture-fund portfolio construction. Funds could provide liquidity to founders, employees, and early investors through secondary purchases without consuming the 20 percent non-qualifying basket, and could allocate meaningfully to other venture funds. The 49 percent combined cap prevents a nominal “venture capital fund” from becoming predominantly a secondary fund or fund-of-funds while allowing far more flexibility than current rules.

- **Investor-protection / market-structure considerations**

Secondaries can improve liquidity and portfolio management, but they do not provide new capital directly to portfolio companies. Fund-of-funds investments add a layer of fees and may reduce transparency into underlying exposures. The 49 percent limit is therefore a significant policy calibration point: it broadens the exemption while preserving a requirement that a majority of the fund remain in other qualifying assets.

- **Drafting or implementation issues**

The text permits valuation “at cost or fair value, consistently applied,” which gives managers methodological choice. SEC implementation would need to clarify aggregation, monitoring after valuation changes, treatment of follow-on interests, and how the 49 percent test interacts with the existing 20 percent basket.

- **Stakeholder support and opposition**

Support. Capital-formation proponents support the [DEAL Act](#) concept underlying this section on the ground that venture funds should be able to purchase secondary shares and invest in other venture funds without losing venture-capital-fund status. The policy case is increased liquidity for founders and early investors, portfolio flexibility, and the ability of established funds to seed emerging managers. The House hearing record repeatedly treated this reform as a startup-finance measure.

Opposition / concerns. NASAA opposes broadening the venture-capital-adviser exemption in this manner, arguing that secondary purchases and fund-of-funds positions move the exemption beyond its original connection to direct startup financing while reducing adviser oversight. NASAA also emphasizes layering of fees and opacity in private-fund structures.³

Primary authority: [17 C.F.R. 275.203\(l\)-1](#)

Section 105. Definition of Well-Known Seasoned Issuer

- **Current-law baseline**

Under Securities Act Rule 405, a well-known seasoned issuer (WKSI) generally must be eligible to use Form S-3 or F-3, satisfy issuer-history and ineligibility conditions, and meet a size test. The principal equity test uses at least \$700 million of worldwide public float; a separate debt-based pathway applies for certain issuers that have issued at least \$1 billion of non-convertible securities in registered primary offerings during the prior three years. WKSI

³ See [NASAA 2023 testimony](#).

status provides major Securities Act flexibility, including automatic shelf registration and liberalized communications.

- **Change made by the bill**

The bill establishes by statute that an issuer is a WKSII if it has at least \$400 million of voting and non-voting common equity held by non-affiliates, measured using Form S-3 General Instruction I.B.1, and otherwise satisfies the Rule 405 definition without regard to Rule 405's minimum worldwide public-float requirement. It also requires annual SEC reporting of the number of withdrawn applications seeking relief from "ineligible issuer" status in order to qualify as a WKSII.

- **Practical impact**

The most direct effect is to lower the equity public-float threshold from \$700 million to \$400 million for otherwise eligible issuers, expanding access to automatic shelf registration and related communications flexibility. For seasoned issuers, that can materially reduce transaction execution time and financing friction. The withdrawal-reporting requirement adds transparency around WKSII waiver practice.

- **Investor-protection / market-structure considerations**

Automatic shelf registration significantly reduces pre-offering SEC review. Lowering the WKSII threshold therefore moves more mid-cap issuers into a regime built on market following, Exchange Act reporting history, and presumed information efficiency. The policy question is whether \$400 million of non-affiliate float supplies a sufficient proxy for market scrutiny and information availability.

- **Stakeholder support and opposition**

Support. [Joel Trotter](#), SIFMA, and the U.S. Chamber support lowering the WKSII public-float threshold so a larger universe of seasoned issuers can use automatic shelf registration and more flexible communications. SIFMA states that lowering the threshold would allow more issuers to use the benefits of Rule 405 and expressly "supports this provision."

Opposition / concerns. Bowers argues that WKSII expansion can reduce SEC review and the time in which investors receive and evaluate material offering information. Her broader concern is that automatic effectiveness should remain reserved for issuers whose size, reporting history, and market following justify lighter offering-process scrutiny. AFR similarly opposes public-market reforms that reduce review or disclosure without a demonstrated capital-formation benefit.⁴

Primary authority: [SEC statement describing Rule 405 WKSII eligibility](#)

Section 106. Access to Small Business Investor Capital

- **Current-law baseline**

Registered funds that invest in other funds generally disclose acquired fund fees and expenses (AFFE) in the prospectus fee table. Under current SEC disclosure rules, a registered fund's pro rata share of a business development company's operating expenses is included in AFFE. Because BDCs resemble operating companies in some respects and may have substantial interest expense and incentive fees, this can make the acquiring fund's disclosed expense ratio appear significantly higher even though the BDC's expenses are economically embedded in the BDC's investment return rather than paid as a direct fee by the acquiring fund.

⁴ See [Bowers testimony](#); [AFR 2023 letter](#).

- **Change made by the bill**

The bill permits a registered investment company to omit from AFFE the fees and expenses indirectly incurred as a result of investments in one or more BDCs on Investment Company Act registration statements.

- **Practical impact**

The principal effect would be lower reported prospectus expense ratios for funds that invest in BDCs, which could make such funds easier to compare with funds investing in operating-company equities and could remove a perceived disincentive for registered funds to hold BDC shares. Importantly, the provision changes disclosure treatment; it does not eliminate the underlying BDC expenses borne economically through the investment.

- **Investor-protection / market-structure considerations**

The core investor-protection issue is presentation versus economics. Supporters view current AFFE treatment as double-counting or misleading because it treats portfolio-company-like BDC expenses as fund expenses. Critics may argue that excluding BDC expenses reduces visibility into the full cost stack affecting investor returns. Clear narrative disclosure could mitigate the risk that investors interpret a lower expense ratio as a reduction in actual economic costs.

- **Stakeholder support and opposition**

Support. This is one of the clearest areas of organized support. SIFMA, the Chamber, Dalia Blass, and Mike Flood support excluding BDC operating expenses from acquired fund fees and expenses. They characterize current AFFE treatment as double-counting that can make funds holding BDCs appear artificially expensive and can discourage index and institutional ownership. SIFMA says the change would provide a more accurate calculation and “supports this provision.”⁵

Opposition / concerns. The supplied record does not identify a specific stakeholder opposing this disclosure treatment. The principal analytical question is whether omitting BDC-level expenses from the fee table improves accuracy without obscuring the economic costs embedded in BDC holdings.

Primary authority: [SEC fund-of-funds rule discussing AFFE](#)

Section 107. Offering Threshold for Reviews by Public Accountant

- **Current-law baseline**

Securities Act Section 4A establishes financial-statement requirements for Regulation Crowdfunding issuers. The statute refers to a \$100,000 threshold, but SEC rules inflation-adjust the operative threshold; as of 2026, issuers offering \$124,000 or less may generally provide CEO-certified financial statements and tax-return information, while offerings above that level trigger independent-accountant review requirements (subject to higher-tier audit rules).

- **Change made by the bill**

The bill raises the statutory threshold from \$100,000 to \$250,000 and authorizes the SEC to increase the amount up to \$400,000 upon recommendation of both the Office of the Advocate for Small Business Capital Formation and the Office of the Investor Advocate. It also makes technical corrections to outdated statutory cross-references to Section 4(a).

⁵ See [SIFMA letter](#); [Bentsen testimony](#); [Flood testimony](#); [Blass testimony](#).

- **Practical impact**

Smaller crowdfunding issuers could raise substantially more money before incurring the cost of an independent accountant review. That reduces fixed offering costs and may make Regulation Crowdfunding more attractive for very small businesses. The joint recommendation mechanism creates a built-in capital-formation/investor-protection check before the threshold could rise above \$250,000.

- **Investor-protection / market-structure considerations**

The tradeoff is less independent financial assurance for investors in offerings between the current operative threshold and the new threshold. Because crowdfunding investors may have limited bargaining power and due-diligence access, the increase shifts some verification risk from independent accountants to issuers and investors.

- **Stakeholder support and opposition**

Support. The provision fits the broader crowdfunding-cost agenda supported by practitioners such as Ellenoff, who argues that Regulation Crowdfunding should continue to be refined to reduce disproportionate compliance burdens on small issuers. Raising the threshold at which reviewed financial statements become necessary is consistent with that cost-reduction rationale.⁶

Analytical concern. The supplied record does not show an investor-advocacy organization addressing this precise dollar threshold. The relevant policy concern is that exempt-offering expansion should not remove financial-information safeguards faster than investor protections are strengthened. Here, investors in offerings between the current threshold and the new threshold would lose independent accounting review.

Primary authority: [SEC Regulation Crowdfunding financial-statement guidance](#)

Section 108. Clarification of General Solicitation

- **Current-law baseline**

Rule 502(c) generally prohibits general solicitation in Rule 506(b) and certain other Regulation D offerings. SEC Rule 148 currently provides a non-exclusive safe harbor under which specified “demo day” communications sponsored by certain universities, governments, nonprofits, angel groups, incubators, and accelerators are not deemed general solicitation if sponsor conduct, advertising, and offering information are constrained. Attendance at such an event does not by itself establish the pre-existing substantive relationship relevant to Rule 506(b).

- **Change made by the bill**

The bill directs the SEC to revise Regulation D so the general-solicitation prohibition does not apply to qualifying events. It expands the list of eligible sponsors to include federal and territorial governments, federally recognized tribes and their instrumentalities, venture forums, venture capital associations, and trade associations, among others. It imposes sponsor-conduct limits, restricts advertising and offering information, requires a one-page risk disclosure, excludes events held in facilities owned or operated by religious organizations except qualifying accredited post-secondary institutions, and expressly preserves the rule that attendance alone does not establish a pre-existing substantive relationship.

- **Practical impact**

The provision largely codifies and broadens the existing demo-day concept. It would give issuers and entrepreneurial-support organizations more statutory certainty and expand the range of public and private

⁶ See [Ellenoff testimony](#).

organizations that can host capital-formation events without causing a Rule 506(b) offering to become a general solicitation.

- **Investor-protection / market-structure considerations**

The safe harbor is carefully limited to presentations and communications, not purchases or sales. The sponsor restrictions reduce broker-dealer and investment-adviser concerns, while the one-page risk disclosure adds an investor-protection element not central to the current framework. The religious-facility exclusion is unusual in a securities-law safe harbor and may merit separate constitutional and policy review.

- **Drafting or implementation issues**

Implementation should clarify how hybrid or co-sponsored events are treated, what constitutes “reasonable administrative fees,” and how the new statutory safe harbor interacts with Rule 148 rather than duplicating or conflicting with it.

- **Stakeholder support and opposition**

Support. [Douglas Ellenoff](#) directly supports the [HALOS](#) concept underlying this section. He argues that qualifying demo-day and angel-group presentations should not be treated as prohibited general solicitation that forces issuers into Rule 506(c) verification, particularly where event advertising does not identify a securities offering and sponsors do not broker transactions. The proposal also has bipartisan Senate support.

Opposition / concerns. NASAA has raised enforceability concerns about HALOS-style exemptions, particularly whether broadly defined events could become de facto solicitation venues and whether regulators would have adequate visibility. NASAA has favored stronger Form D and notice-filing safeguards in connection with expanded solicitation. AFR’s objection is broader: loosening offering restrictions can enlarge opaque private markets.⁷

Primary authority: [SEC guidance on Rule 148 demo days](#)

Section 109. Small Business Investor Capital Access

- **Current-law baseline**

Investment Advisers Act Section 203(m) and Rule 203(m)-1 exempt from SEC registration an adviser solely to private funds if the adviser has less than \$150 million in private-fund assets under management in the United States. Such advisers generally remain exempt reporting advisers and file a subset of Form ADV.

- **Change made by the bill**

The bill raises the statutory threshold from \$150 million to \$175 million and requires the SEC to adjust it for CPI-U inflation every five years, rounded to the nearest \$1 million.

- **Practical impact**

More private-fund advisers could remain exempt from full SEC registration, reducing compliance costs for smaller managers and potentially lowering barriers to entry. The inflation mechanism prevents the threshold from eroding in real terms.

- **Investor-protection / market-structure considerations**

Full SEC registration carries examination, compliance-program, books-and-records, and other obligations. Raising the threshold modestly shifts some advisers out of that regime, although exempt reporting advisers

⁷ See [NASAA 2023 testimony](#); [AFR 2023 letter](#)

remain subject to antifraud law and specified reporting obligations. The size of the change is incremental relative to Section 201 or Section 101.

- **Stakeholder support and opposition**

Support. The private-fund-adviser exemption increase is presented by capital-formation supporters as a modest inflation and scale update that allows smaller private-fund managers to grow before becoming subject to SEC registration. The August 2026 Senate record identifies the Small Business Investor Capital Access Act as a bipartisan pending bill, reinforcing that the policy has support across party lines.⁸

Opposition / concerns. NASAA has criticized raising the Advisers Act Section 203(m) threshold because it enlarges the pool of assets managed outside SEC registration and examination.⁹ Its concern is cumulative: as private funds grow in size and interconnectedness, less adviser oversight can reduce regulatory visibility and investor protection.¹⁰

Primary authority: [SEC private-fund-adviser overview](#)

Section 110. Improving Access to Small Business Information

- **Current-law baseline**

The Paperwork Reduction Act (PRA) generally requires federal agencies to evaluate and obtain Office of Management and Budget clearance for many standardized information collections from the public. The SEC's Office of the Advocate for Small Business Capital Formation conducts outreach and information gathering as part of its statutory mission.

- **Change made by the bill**

The bill provides that actions taken by the Small Business Advocate under Exchange Act Section 4(i) are not a "collection of information" for PRA purposes, while preserving specified agency-review and public-protection provisions. It expressly removes requirements for OMB submission, display of a control number, and certain clearance statements.

- **Practical impact**

The Office could conduct surveys, outreach, and structured information collection with less administrative delay. That should improve the speed and frequency with which the Office can collect data from small businesses and investors.

- **Investor-protection / market-structure considerations**

The provision reduces procedural review rather than substantive investor protection. Its value depends on whether faster information gathering produces better SEC policymaking. Retaining selected PRA safeguards limits, but does not eliminate, concerns about burden or duplicative data collection.

- **Stakeholder support and opposition**

Support. The provision has a bipartisan Senate antecedent, the [Improving Access to Small Business Information Act](#), identified in the August 2026 hearing record. Its policy rationale is that the SEC's Small Business Advocate should be able to obtain information from market participants without the full Paperwork Reduction Act clearance process slowing routine outreach.

⁸ See [Blass testimony](#).

⁹ <https://www.riveleslawgroup.com/adoption-of-nasaas-model-private-fund-manager-exemption-to-state-investment-adviser-registration/>

¹⁰ See [NASAA 2023 testimony](#); [Dumas testimony](#).

Opposition / concerns. No supplied stakeholder testimony or letter specifically opposes this Paperwork Reduction Act treatment. State-regulator witnesses generally favor better information collection and coordination concerning small-business capital formation, so the principal concern is implementation discipline rather than a documented substantive objection.

Primary authority: [SEC Office of the Advocate for Small Business Capital Formation](#)

Section 111. Enhancing Multi-Class Share Structures

- **Current-law baseline**

Federal securities law does not generally prohibit dual- or multi-class capital structures. Existing beneficial-ownership and proxy rules require substantial disclosure of holdings by directors, officers, and 5-percent beneficial owners, but they do not always present in one place the contrast between a person's percentage economic ownership and percentage of total voting power across classes with unequal votes.

- **Change made by the bill**

The bill adds Exchange Act Section 14(l), requiring issuers with two or more classes carrying different director-election voting rights to disclose, for each director, director nominee, named executive officer, and 5-percent holder of total combined voting power: (1) shares beneficially owned as a percentage of all outstanding voting securities, and (2) voting power as a percentage of total combined voting power. Disclosure must appear in annual-meeting proxy or consent materials or another filing designated by the SEC.

- **Practical impact**

The provision would make control disparities in dual-class companies more transparent. Investors could more readily see, for example, that a founder owns a relatively small percentage of outstanding shares but controls a majority of director-election votes.

- **Investor-protection / market-structure considerations**

This is a disclosure-based governance measure rather than a substantive limitation on unequal voting rights. It improves transparency without imposing sunset provisions, exchange-listing limits, or one-share/one-vote mandates. The principal compliance burden should be modest because issuers already collect much of the underlying ownership information.

- **Stakeholder support and opposition**

Support. The August 2026 Senate record identifies a bipartisan [Enhancing Multi-Class Share Disclosures Act](#). The disclosure requirement also aligns with the investor-protection themes advanced by NASAA, AFR, Thornton, Bowers, and Dumas: investors should be able to see the difference between economic ownership and voting control.

Opposition / concerns. The collected sources do not identify organized opposition to requiring this disclosure. The likely issuer concern is incremental proxy and filing burden, but no stakeholder in the supplied record is quoted opposing the provision on that ground.

Primary authority: [Exchange Act reporting forms and proxy rules](#)

Section 112. Rural Job Creators

- **Current-law baseline**

Exchange Act Section 4(i) directs the Office of the Advocate for Small Business Capital Formation to identify and address capital-formation problems affecting specified categories of small businesses, including women-owned and minority-owned firms.

- **Change made by the bill**

The bill expressly adds “rural-area small businesses” to the categories the Advocate must consider in outreach and in identifying unique capital-formation challenges.

- **Practical impact**

The change should increase the visibility of geographic capital-access issues in SEC small-business advocacy, annual reporting, and policy recommendations. It does not itself create an exemption, subsidy, or offering pathway.

- **Investor-protection / market-structure considerations**

The provision is low-risk from an investor-protection perspective and may improve the evidentiary basis for future policy concerning rural issuers and investors.

- **Stakeholder support and opposition**

Support. [NASAA](#) expressly supports the Expanding Access to Capital for Rural Job Creators Act. [Amanda Senn’s testimony](#) states that NASAA is “pleased once again to support” the measure. [Steve Case’s Rise of the Rest framework](#) supplies the broader rationale: entrepreneurial talent and viable businesses are geographically dispersed while venture capital remains concentrated in a small number of coastal hubs.

Opposition / concerns. No opposition to adding rural businesses to the Small Business Advocate’s statutory mandate appears in the supplied materials. Even witnesses skeptical of deregulation generally support targeted measures that improve underserved firms’ access to information and capital.

Primary authority: [SEC Office of the Advocate for Small Business Capital Formation](#)

Section 113. Testing the Waters

- **Current-law baseline**

Securities Act Section 5(d) gives EGCs statutory authority to engage in oral or written testing-the-waters communications with qualified institutional buyers (QIBs) and institutional accredited investors before or after filing a registration statement. Since 2019, Rule 163B has extended substantially similar testing-the-waters flexibility to all issuers. Separately, Securities Act Section 6(e) gives EGCs a statutory right to confidentially submit draft registration statements, while SEC staff policy has long permitted confidential draft submissions by a broader set of issuers subject to public-filing timing conditions.

- **Change made by the bill**

The bill amends Section 5(d) to replace “emerging growth company” with “issuer,” thereby making the all-issuer testing-the-waters accommodation statutory. It permits the SEC to impose additional conditions on non-EGC issuers only through notice-and-comment rulemaking and only after submitting supporting findings to Congress. The bill also rewrites Section 6(e) to give any issuer a statutory right to confidential draft registration statement review before an IPO and for certain registration statements submitted within one year after an IPO or Exchange Act Section 12(b) registration, subject to public filing at least 15 days before a road show or requested effectiveness.

- **Practical impact**

For many issuers, the near-term practical change is less dramatic than the text suggests because SEC rules and staff policy already provide much of this flexibility. The important change is legal durability: accommodations that now depend partly on Commission rule or staff policy would become statutory rights. This reduces the risk that a future Commission could materially narrow the practices without legislation or formal rulemaking.

- **Investor-protection / market-structure considerations**

Testing the waters can reduce failed-offering costs and help issuers gauge demand before public exposure. Confidential review can prevent premature disclosure of sensitive business plans. The countervailing concern is reduced early public visibility. The bill preserves eventual public filing deadlines, but it also constrains the SEC's ability to add conditions to non-EGC use.

- **Drafting or implementation issues**

The statutory language should be compared closely with Rule 163B and the SEC's confidential-submission procedures to identify any differences in eligible investor audience, timing, legends, filing of written materials, and staff-review practice.

- **Stakeholder support and opposition**

Support. [Pinedo](#), [Trotter](#), SIFMA, the Chamber, and Bentsen support extending testing-the-waters and confidential draft submissions beyond EGCs. SIFMA says the JOBS Act accommodations have been “incredibly popular with issuers” and argues that extending them to all issuers can improve public-market vibrancy “without sacrificing investor protection.”

Opposition / concerns. Broader testing-the-waters communications may occur outside the filed registration statement and therefore outside the same public scrutiny, while shorter confidentiality-to-public-filing periods can leave retail investors less time to assess the issuer. AFR similarly questions whether reduced process constraints meaningfully increase durable public-company formation.¹¹

Primary authority: [SEC Rule 163B compliance guide](#)

Section 114. Encouraging Local Emerging Ventures and Economic Growth

- **Current-law baseline**

Exchange Act Section 12(b) governs registration of securities listed on national securities exchanges. EGCs benefit from reduced historical financial-statement requirements in specified contexts, and SEC staff has extended nonpublic review accommodations by policy beyond the original JOBS Act statutory text. However, the Exchange Act itself does not broadly confer on all issuers the explicit confidential-submission and Freedom of Information Act protections set out here.

- **Change made by the bill**

The bill reorganizes Section 12(b), expressly allows an EGC to provide not more than two preceding fiscal years of financial information in the relevant registration statement, and adds a statutory right for any issuer to confidentially submit a draft Section 12(b) registration statement for SEC staff review. The confidential draft and amendments must be publicly filed no later than 10 days before listing. The provision also creates explicit nondisclosure language and treats the confidentiality provision as an Exemption 3 statute under FOIA, with corresponding treatment under Exchange Act Section 24.

¹¹ See [Bowers testimony](#); [AFR 2023 letter](#).

- **Practical impact**

The section would reduce public exposure during exchange-listing preparation and strengthen legal assurance that draft materials remain confidential until the statutory release point. It could be particularly useful for direct listings, spin-offs, and other issuers registering a class under the Exchange Act outside a conventional IPO. The two-year EGC financial-history rule further lowers preparation burden.

- **Investor-protection / market-structure considerations**

The 10-day public-filing window is shorter than the 15-day window in Section 113 for Securities Act draft submissions. That increases execution flexibility but leaves less time for public scrutiny before listing. The explicit FOIA protection materially strengthens confidentiality compared with staff policy alone.

- **Stakeholder support and opposition**

Support. The same issuer-side witnesses who support confidential Securities Act submissions generally support confidential pre-listing review because it allows issuers to resolve SEC comments before exposing sensitive business information and market plans. [Pinedo](#) and [Trotter](#) describe confidential review as a practical JOBS Act innovation worth extending.

Opposition / concerns. Bowers' concern is especially relevant here because Section 114 permits public filing only 10 days before exchange listing, shorter than the 15-day window in Section 113. Her testimony emphasizes that investors need adequate time to evaluate registration information before market entry. AFR and Dumas likewise favor preserving public-market transparency and review.¹²

Primary authority: [SEC draft-registration-statement FAQs](#)

Section 115. Small Entity Update

- **Current-law baseline**

The Regulatory Flexibility Act is a top advocacy priority of the Investment Advisers Association (IAA), which has for over a decade urged the SEC to update its definition of a “small adviser,” which currently captures only about 3% of SEC-registered advisers.¹³

The bill requires agencies to analyze significant economic effects of rules on a substantial number of small entities. The SEC has separate “small business” or “small organization” definitions under the Securities Act, Exchange Act, Investment Company Act, and Advisers Act. Several thresholds have remained unchanged for long periods. In 2026, the SEC proposed updates to some small-entity definitions, but proposals are not current law unless finalized.

- **Change made by the bill**

The bill requires the SEC within one year, and again five years later, to study whether its small-entity definitions align with the Regulatory Flexibility Act, reflect growth in U.S. financial markets, and cover a meaningful number of entities. It requires specific recommendations for expanding coverage, mandates rulemaking consistent with each study, and requires inflation adjustments of dollar thresholds every five years after final revisions.

- **Practical impact**

The provision is designed to expand the population of entities treated as “small” for SEC regulatory analysis. That would not automatically exempt those entities from substantive rules, but it could materially affect how

¹² See [Bowers testimony](#); [Dumas testimony](#); [AFR 2023 letter](#).

¹³ In 2023, the IAA filed a [rulemaking petition](#) urging the Commission to modernize this definition.

the Commission evaluates alternatives, compliance costs, and tiered or scaled requirements in future rulemakings.

- **Investor-protection / market-structure considerations**

Because the bill directs the Commission to expand the number of covered entities, it goes beyond neutral periodic updating. Over time, it could systematically increase the weight placed on small-entity compliance costs in SEC rulemaking and create pressure for more exemptions or scaled regulation.

- **Stakeholder support and opposition**

Support. The Investment Adviser Association is the principal proponent. Its [2023 petition to the SEC](#) argues that the current small-adviser definition captures too few SEC-registered advisers for meaningful Regulatory Flexibility Act analysis and asks the Commission to use a more realistic measure of firm size. The bill adopts a broader, mandatory study-and-rulemaking approach rather than the petition's specific employee-based test.

Opposition / concerns. The supplied source set does not contain significant organized opposition to studying and updating the SEC's small-entity definition. Investor-protection concerns would arise only indirectly if a broader definition later caused substantive rules to be weakened for a materially larger class of firms; the bill itself requires study and notice-and-comment rulemaking.

Primary authority: [SEC 2026 small-entity definition proposal](#)

Section 201. Equal Opportunity for All Investors

- **Current-law baseline**

SEC Regulation D requires “accredited investor” status for participation in many “private” offerings. Natural persons generally qualify as accredited through income (\$200,000 individually or \$300,000 jointly for the prior two years with expectation of the same), net worth above \$1 million excluding the primary residence, or specified professional credentials and knowledgeable-employee categories. SEC Rule 506(c) permits general solicitation only if all purchasers are accredited investors and the issuer takes “reasonable steps to verify” status. Longstanding SEC guidance expressly states that simple self-certification alone is not sufficient.

- **Change made by the bill**

The section makes four major changes.

First, it adds a statutory examination pathway: an individual certified through an SEC-, state-, or SRO-established or approved exam that tests understanding of securities risks and opportunities and is designed so financially sophisticated or trained persons are unlikely to fail would be an accredited investor.

Second, it amends Securities Act Section 4(b) to allow purchasers of private offerings to “self-certify” their status as accredited investors.¹⁴

Third, it directs the SEC to add two new natural-person categories: persons with at least \$500,000 in “investments,” broadly defined to include securities, investment real estate, commodity interests, physical commodities, digital assets, financial contracts, and investment cash; and persons whose aggregate Rule 506 and crowdfunding transactions during a 12-month period do not exceed the highest of 10 percent of investments, 10 percent of income, or 10 percent of net worth excluding the primary residence.

¹⁴ SEC Rule 501 requires issuers to take “reasonable steps to verify” accredited status unless the issuer knows, or recklessly disregards, that the purchaser is not accredited.

Fourth, it replaces Dodd-Frank Section 413(b), eliminating the existing mandatory four-year review cycle and giving the SEC discretionary authority to review and modify the definition, while barring modification of the statutory net-worth standard.

- **Practical impact**

This is the bill's most consequential change for retail participation in private markets. The examination pathway shifts part of the gatekeeping concept from wealth to demonstrated knowledge. The \$500,000 investments test broadens eligibility for asset-rich households that do not satisfy the \$1 million net-worth threshold or income test. The 10-percent pathway appears to allow a person to qualify based on limiting annual private-market and crowdfunding exposure relative to financial capacity, effectively converting accredited status from a binary sophistication/wealth screen into a partial suitability or concentration test. The self-certification provision would dramatically reduce Rule 506(c) verification friction and compliance costs for issuers and platforms.

- **Investor-protection / market-structure considerations**

The investor-protection implications are substantial. Private offerings generally have less standardized disclosure, less liquidity, weaker price discovery, and fewer ongoing reporting obligations than registered offerings. An examination can provide a sophistication-based pathway that is conceptually responsive to criticisms of wealth-only accreditation. By contrast, self-certification materially weakens the current verification safeguard in generally solicited Rule 506(c) offerings. The 10-percent pathway may increase access while limiting exposure, but it also creates a category of “accredited” investors who may not meet traditional wealth, income, or sophistication tests. Eliminating mandatory periodic SEC review would reduce a statutory mechanism for reassessing the definition as markets and household finances change.

- **Drafting or implementation issues**

There is an apparent drafting problem in subsection (c)(2)(B): if the SEC misses the rulemaking deadline, the text says “any person described in paragraph (2)” shall be deemed accredited, but paragraph (2) is the definitions paragraph rather than the new categories in paragraph (1). If read literally, the self-execution clause is unclear and potentially inoperative or overbroad. The 10-percent category also requires technical clarification: “total transactions” could mean commitments, purchases, aggregate consideration, or some other measure; “highest amount” allows the largest of three caps rather than the most conservative; and the rule needs a clear mechanism for measuring assets, income, and net worth during a rolling 12-month period. The relationship between the new statutory examination pathway and existing Rule 501(a)(10) professional-certification authority should also be harmonized.

- **Stakeholder support and opposition**

Support for examination and sophistication pathways. SIFMA, the U.S. Chamber, [Mike Flood](#), [Jennifer Schulp](#), Michael Piwowar, [Bill Newell](#), and Dalia Blass support moving beyond wealth as the sole proxy for sophistication. SIFMA supports an examination pathway because it creates an objective route for financially sophisticated but non-wealthy individuals. Flood puts the argument starkly: “a wealthy person with zero market experience” can qualify while a credentialed professional may not.

Support for the broader Section 201 architecture. The Chamber's 2025 comments support not only examination and professional pathways, but also self-certification or attestation and percentage-based investment approaches. Its theory is that public and private markets are complementary and that investor eligibility should reflect demonstrated knowledge and controlled exposure rather than inherited or accumulated wealth alone.¹⁵

Opposition / concerns. NASAA, [Fletcher](#), [Thornton](#), AFR, and Dumas provide the strongest countercase. NASAA notes that the SEC considered examination, self-certification, and investment-limit concepts in its

¹⁵ See [Chamber comments](#).

2020 rulemaking but adopted only a limited professional-credential pathway. NASAA is particularly critical of self-certification because promoters may induce investors to attest to eligibility, and it argues that sophistication does not cure the absence of mandatory private-offering disclosure. Fletcher and Thornton emphasize information asymmetry, illiquidity, uncertain valuation, unequal bargaining power, and fraud risk. Dumas adds a distributional concern: capital formation should be evaluated by both who receives capital and who bears investment risk.

Representative quotation: NASAA warned the Commission had declined a broad self-certification approach because of “the lack of standards applicable to such an approach.”

Assessment of the stakeholder divide. There is broad stakeholder consensus that wealth is an imperfect proxy; stakeholders on both sides largely agree that it is. The sharper disagreement is whether new eligibility pathways can substitute for the disclosure, liquidity, valuation, and gatekeeping protections absent from private offerings, and whether the bill’s issuer-friendly verification safe harbor places too much risk on purchasers.

Primary authority: [SEC guidance on assessing accredited investors](#)

Section 202. Enhancement of 403(b) Plans

- **Current-law baseline**

Section 403(b) plans generally offer registered mutual funds and annuity contracts. Bank-maintained collective investment trusts and insurance-company separate accounts can rely on exclusions or exemptions under the Investment Company Act, Securities Act, and Exchange Act for specified retirement plans, including qualifying plans under Internal Revenue Code Section 401(a), but the existing statutory language does not provide equivalent coverage for all 403(b) arrangements. As a result, employees of public schools, tax-exempt organizations, and certain ministers often have less access to collective investment trusts than participants in 401(k) plans.

- **Change made by the bill**

The bill amends all three major securities statutes to extend relevant exemptions to qualifying 403(b) plans. Eligibility depends on one of three governance conditions: the plan is subject to ERISA Title I; the employer agrees to act as a fiduciary with respect to selection of plan investments; or the plan is governmental. For governmental 403(b) plans, the employer, fiduciary, or other person acting on the employer’s behalf must review and approve each investment alternative before it is offered. Conforming amendments integrate the new category into Exchange Act registration exemptions.

- **Practical impact**

The practical objective is parity: qualifying 403(b) plans would have broader access to collective investment trusts and other institutional pooled vehicles commonly available to 401(k) plans. That can reduce investment-management costs, expand asset-class choice, and strengthen plan sponsors’ bargaining power.

- **Investor-protection / market-structure considerations**

Collective trusts generally do not provide the same Securities Act registration and Investment Company Act framework as registered mutual funds. The bill responds by conditioning access on fiduciary or governmental review structures. The policy balance therefore trades product-level federal registration protections for plan-level fiduciary oversight and potentially lower fees.

- **Stakeholder support and opposition**

Support. SIFMA, the Chamber, Dalia Blass, and Mike Flood have expressed support 403(b)/401(k) parity in Congressional testimony. They argue that teachers, nonprofit employees, and healthcare workers should have access to collective investment trusts and insurance separate accounts already available in 401(k)s and the

federal Thrift Savings Plan. Blass calls the existing difference a securities-law “quirk,” while SIFMA argues parity will help workers save more securely and effectively.¹⁶

Opposition / concerns. Americans for Financial Reform and a coalition of labor and consumer organizations oppose the underlying 403(b) collective-investment-trust legislation. They argue that replacing product-level registration and intermediary regulation with plan-level review can leave participants without equivalent disclosure, sales-practice, advertising, recordkeeping, supervisory, and examination protections. Because the coalition letter addressed H.R. 3036, the final memorandum should cite the letter as opposition to the legislative approach and avoid implying that it analyzed every condition in the September 2026 EMSAA text.

Primary authority: [September 2026 EMSAA draft, Section 202](#)

Section 301. Study on IPO Fees

- **Current-law baseline**

No existing federal statute requires the Government Accountability Office to conduct the specific, recurring-style market study described here. IPO underwriting spreads, professional fees, compliance costs, research economics, and Regulation A Tier 2 costs are governed by market practice and multiple securities-law requirements rather than a single fee regime.

- **Change made by the bill**

The provision is based on Representative Jim Himes's [Middle Market IPO Underwriting Cost Act](#). Himes has argued that the approximately 7 percent gross spread commonly associated with smaller IPOs warrants scrutiny because underwriting and related costs may discourage small and middle-market companies from entering the public markets. The section directs a study; it does not assume that underwriting spreads are the only or principal cause of IPO costs.

The bill directs the Comptroller General to study direct and indirect costs incurred by small- and medium-sized companies, defined as issuers with initial public float below \$700 million, in IPOs and Regulation A Tier 2 offerings. The study must examine underwriting and professional fees, federal and state compliance costs, alternative financing and liquidity sources, effects on capital formation and retail access, underwriting-market concentration, research costs, shareholder-proposal costs including proxy advisers, and other relevant factors. A report and any recommendations are due within one year.

- **Practical impact**

The section does not immediately change securities law. Its significance is agenda-setting. It seeks to create a record that could support later legislation, SEC rulemaking, antitrust scrutiny, or market-structure reforms aimed at reducing the cost of going public or conducting a Tier 2 offering.

- **Investor-protection / market-structure considerations**

The mandate is notable because it expressly links issuance costs to the availability of small-company public securities for retail investors. It therefore frames public-market contraction not only as an issuer cost problem but as an investor-access issue. The inclusion of shareholder-proposal and proxy-adviser costs broadens the study beyond transaction expenses into ongoing public-company governance costs.

- **Stakeholder support and opposition**

Support. SIFMA supports studying IPO costs but has consistently urged Congress not to reduce the inquiry to underwriting spreads. CEO Ken Bentsen emphasizes that a useful study should include accountants and other advisers, years of pre-IPO preparation, aftermarket research and trading, regulatory costs, competitive

¹⁶ See [Bentsen testimony](#); [Flood testimony](#); [Blass testimony](#); [SIFMA letter](#).

conditions among underwriters, deal-size differences, and alternatives such as direct listings.¹⁷ NASAA supports the provision.

Opposition / concerns. We are not aware of any organized industry opposition.

Primary authority: [Middle Market IPO Underwriting Cost Act background](#)

Section 401. Postponement of Payment or Satisfaction Upon Redemption of Certain Securities

- **Current-law baseline**

For the benefit of investors, Investment Company Act Section 22(e) has long prohibited a registered open-end investment company from suspending the right of redemption or postponing payment of redemption proceeds for more than seven days, subject to specified exceptions.

During the 2010s, regulators responded to the financial exploitation of older and cognitively impaired investors with complementary state and self-regulatory frameworks. The [NASAA Model Act](#) authorizes specified reporting and temporary disbursement delays, and [FINRA Rule 2165](#) supplies a safe harbor for member firms that place temporary holds on transactions or disbursements when they reasonably believe a specified adult is being financially exploited.

Investment Company Act Section 22(e), however, generally requires a registered open-end fund to pay redemption proceeds within seven days and does not contain a parallel exploitation-based exception. Section 401 is designed to extend a report-and-hold framework to direct-at-fund accounts serviced by fund transfer agents while prescribing notice, duration, review, cash-handling, and recordkeeping safeguards.

- **Change made by the bill**

The bill adds new subsections (h) and (i) to Investment Company Act Section 22. A registered open-end fund may elect into a regime for non-institutional accounts held directly with the fund and serviced by a transfer agent. The fund and transfer agent must request at least one adult trusted contact, retain the information, and disclose permissible reasons for contact. Notwithstanding Section 22(e), an electing fund or its transfer agent may postpone redemption payment beyond seven days when it reasonably believes the redemption involves a “specified adult” and financial exploitation has occurred, is occurring, has been attempted, or will be attempted. The initial hold may last up to 15 business days; it may be extended by 10 business days if the reasonable belief persists and an internal review is initiated; and a state regulator, competent administrative agency, or court may extend it further. The section prescribes notices, exceptions where the trusted contact may be the exploiter, demand-deposit handling of delayed proceeds, procedures, prospectus/SAI disclosure, records, and SEC access. “Specified adult” includes a person age 65 or older and an adult reasonably believed to have an impairment that renders the person unable to protect his or her interests. The SEC must report to Congress within three years, after consulting other financial regulators, on additional changes needed to address exploitation.

- **Practical impact**

The provision fills a gap in the “report and hold” [senior investor protection framework established over the past decade by NASAA and FINRA](#) in relation to direct-at-fund mutual-fund accounts that do not sit at a FINRA member broker-dealer. Transfer agents and funds would have a clear federal mechanism to delay suspicious redemption payments rather than choosing between honoring a potentially exploitative request and risking violation of the seven-day redemption rule. Operationally, funds would need new trusted-contact

¹⁷ See [Bentsen testimony](#); [SIFMA 2025 letter](#).

workflows, escalation procedures, employee authorization matrices, recordkeeping, and cash-handling processes.

- **Investor-protection / market-structure considerations**

The provision is a targeted investor-protection enhancement and closely tracks an established FINRA model. Its key safeguard is that the hold requires a “reasonable belief” tied to a particular redemption and is time-limited absent internal review or government extension. At the same time, postponing redemption can impair an investor’s access to money, so implementation quality, prompt notice, conflict controls, and clear standards for impairment and exploitation are critical. Holding delayed proceeds in a demand deposit account also changes the investor’s economic exposure during the hold and may create questions about interest, market opportunity cost, and tax/accounting treatment.

- **Drafting or implementation issues**

The draft contains a cross-reference issue in subsection (b): it refers to the definition of “specified adult” as subsection (i)(3), but the draft places “financial exploitation” in paragraph (3) and “specified adult” in paragraph (4). That should be corrected. The bill also should clarify whether an electing fund may later revoke its election, how the election applies across series of a trust, and how the new federal regime preempts or coexists with state elder-abuse hold statutes.

- **Stakeholder support and opposition**

Support. There is broad support in both parties for stronger tools against senior financial exploitation. SIFMA and NASAA specifically support section 401.

Opposition / concerns. We are not aware of any organized opposition to the provision.

Primary authorities: [NASAA Model Act and FINRA Rule 2165](#)

Addendum I Legislative Crosswalk to the September 13 2026 EMSAA Draft

Purpose and conclusion. This crosswalk identifies the closest legislative antecedents for each provision in the September 13, 2026 EMSAA draft. Most provisions follow identifiable House or Senate tracks, but shared subject matter does not imply identical thresholds, safeguards, deadlines, or drafting instructions. The notes below flag the most consequential differences.

Method. A counterpart means that the same principal legislative subject appears in the identified measure. The middle column identifies the primary sponsor and the status of the linked 119th Congress House text. References to INVEST use the House-passed H.R. 3383 text; references to S. 5139 use the introduced 118th Congress text.

Principal legislative sources: [INVEST Act, House-passed text](#) | [S. 5139, introduced text](#) | [2018 House amendment](#)

EMSAA section and subject	Closest House bill track and status	INVEST and other lineage; principal differences
101 EGC eligibility	H.R. 3323 - Helping Startups Continue to Grow - Bryan Steil <i>Reported by House committee</i>	Absent from INVEST. S. 5139 Section 101 is the closer Senate text.
102 Qualifying venture capital funds	H.R. 4431 - ICAN - William Timmons <i>Passed House</i>	INVEST Section 108; also S. 5139 Section 103 and the enacted 2018 Section 504 foundation. Key distinction: INVEST adds a five-year study, public comment, and bounded SEC authority to recalibrate the 500-investor and \$50 million thresholds.
103 Pooled purchasers in crowdfunding	Separate crowdfunding track; compare S. 5139 Section 105(2) <i>Senate bill introduced</i>	Absent from INVEST and distinct from ACCESS accounting relief. The Senate provision is the closer analogue for the pooled-purchaser concept.
104 Venture capital qualifying investments	H.R. 4429 - DEAL - Ann Wagner <i>Passed House</i>	INVEST Section 109; also S. 5139 Section 106, S. 3351 (119th Congress), and 2018 package Section 2501.
105 WKSI eligibility	H.R. 4430 - Expanding WKSI Eligibility - Bryan Steil <i>Reported by House committee</i>	INVEST Section 306. Earlier H.R. 2799 used a different threshold.
106 BDC acquired fund fees	H.R. 2225 - Access to Small Business Investor Capital - Brad Sherman <i>Passed House</i>	INVEST Section 302; also S. 1808 (119th Congress).
107 Crowdfunding accountant review	H.R. 3645 - ACCESS - Dan Meuser <i>Reported by House committee</i>	INVEST Section 103; also S. 3662 (119th Congress). Compare S. 5139 Section 105(1).
108 Demo-day solicitation	H.R. 3352 - HALOS - Mike Lawler <i>Reported by House committee</i>	INVEST Section 102; also H.R. 4498 (114th Congress) and 2018 package Title I.
109 Private fund adviser threshold	H.R. 3673 - Investment Opportunity Expansion - Andy Barr <i>Reported by House committee</i>	INVEST Section 104. This measure is distinct from similarly titled accredited-investor proposals.
110 Small Business Advocate information collection	H.R. 3351 - Improving Access to Small Business Information - Young Kim <i>Reported by House committee</i>	INVEST Section 107. The proposal was also discussed in the April 2023 and 2025 hearings.
111 Multi-class share disclosures	H.R. 3357 - Enhancing Multi-Class Share Disclosures - Gregory Meeks <i>Reported by House committee</i>	INVEST Section 307; also 2018 package Section 2901.

Special Report: Congress's Push to Enact Capital Formation Legislation in 2026

EMSAA section and subject	Closest House bill track and status	INVEST and other lineage; principal differences
112 Rural capital access	H.R. 1190 - Expanding Access to Capital for Rural Job Creators - Troy Downing <i>Reported by House committee</i>	INVEST Section 101; also S. 5139 Section 108 and 2018 package Section 1101.
113 Public offering communications and filings	H.R. 3381 - Encouraging Public Offerings - Ann Wagner <i>Reported by House committee</i>	INVEST Section 303; also 2018 package Section 901. Key distinction: this track combines Securities Act test-the-waters relief with confidential-submission provisions that overlap, but do not map one-for-one, with EMSAA Sections 113 and 114.
114 Exchange Act registration filings	H.R. 3301 - ELEVATE - Zach Nunn <i>Reported by House committee</i>	INVEST Section 301. This is the more direct lineage for the Exchange Act filing provision; Section 113 separately amends Securities Act offering communications and filings.
115 SEC small-entity definitions	H.R. 3382 - Small Entity Update - Ann Wagner <i>Reported by House committee</i>	INVEST Section 106; also H.R. 2792 (118th Congress) and S. 5139 Section 109.
201 Accredited-investor eligibility	H.R. 3339 - Equal Opportunity for All Investors - Mike Flood <i>Reported by House committee</i>	Partial counterpart: INVEST Section 203 covers the examination pathway; INVEST Section 201's professional-expert provisions are related but different. S. 5139 Section 201 is the broader Senate antecedent. Key distinction: EMSAA adds self-certification and investment-based pathways beyond the House examination bill.
202 403(b) investment access	H.R. 1013 - Retirement Fairness for Charities and Educational Institutions - Frank Lucas <i>Reported by House committee</i>	INVEST Section 202; also S. 424 (119th Congress) and S. 5139 Section 205.
301 IPO and related offering costs	H.R. 3395 - Middle Market IPO Underwriting Cost - Jim Himes <i>Reported by House committee</i>	INVEST Section 305; also S. 5139 Section 304 and 2018 package Section 3101. Key distinction: EMSAA expands the study beyond middle-market IPO underwriting costs to additional offering types, intermediaries, regulatory costs, and alternatives.
401 Financial exploitation and redemption holds	H.R. 2478 - Financial Exploitation Prevention - Ann Wagner <i>Passed House</i>	Absent from INVEST; also H.R. 500 (118th Congress). INVEST Section 204, Senior Security, is a different proposal rather than a direct counterpart.

Addendum II

Discussion Draft

Empowering Main Street in America Act of 2026

September 13 2026 Discussion Draft

S. ____

To amend the Securities Act of 1933 to address emerging growth companies, and for other purposes.

____ introduced the following bill; which was read twice and referred to the Committee on ____

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Empowering Main Street in America Act of 2026”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec.1.Short title; table of contents.

Sec.2.Definition.

TITLE I—PROMOTING GREATER CAPITAL FORMATION IN U.S. PUBLIC AND PRIVATE MARKETS

Sec.101.Helping startups continue to grow.

Sec.102.Investment companies.

Sec.103.Crowdfunding.

Sec.104.Regulatory definition of venture capital fund.

Sec.105.Definition of well-known seasoned issuer.

Sec.106.Access to small business investor capital.

Sec.107.Offering threshold for reviews by public accountant.

Sec.108.Clarification of general solicitation.

Sec.109.Small business investor capital access.

Sec.110.Improving access to small business information.

Sec.111.Enhancing multi-class share structures.

Sec.112.Rural job creators.

Sec.113.Testing the waters.

Sec.114.Encouraging local emerging ventures and economic growth.

Sec.115.Small entity update.

TITLE II—RESPONSIBLY EXPANDING INVESTMENT

OPPORTUNITIES FOR RETAIL INVESTORS

Sec.201.Equal opportunity for all investors.

Sec.202.Enhancement of 403(b) plans.

TITLE III—FOSTERING INVESTOR CONFIDENCE IN MARKET INTEGRITY, FAIRNESS, AND TRANSPARENCY

Sec.301.Study on IPO fees.

TITLE IV—FINANCIAL EXPLOITATION PREVENTION

Sec.401.Postponement of payment or satisfaction upon redemption of certain securities.

SEC. 2. DEFINITION.

In this Act, the term “Commission” means the Securities and Exchange Commission.

TITLE I—PROMOTING GREATER CAPITAL FORMATION IN U.S. PUBLIC AND PRIVATE MARKETS

SEC. 101. HELPING STARTUPS CONTINUE TO GROW.

(a) Amendment to Securities Act of 1933.—Section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)) is amended by striking paragraph (19) and inserting the following:

“(19)(A) The term ‘emerging growth company’ means an issuer that had total annual gross revenues of less than \$2,000,000,000 (as such amount is indexed for inflation every 5 years by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, setting the threshold to the nearest 1,000,000) during its most recently completed fiscal year.

“(B) An issuer that is an emerging growth company as of the first day of its most recently completed fiscal year shall, after submitting a draft registration statement or publicly filing an initial registration statement under this title, continue to be deemed an emerging growth company until the earliest of—

“(i) the last day of the fiscal year that immediately follows the fiscal year of the issuer during which it had total annual gross revenues of \$2,000,000,000 (as such amount is indexed for inflation every 5 years by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, setting the threshold to the nearest 1,000,000) or more;

“(ii) the last day of the fiscal year of the issuer following the tenth anniversary of the date of the first primary sale of common equity securities of the issuer for cash pursuant to an effective registration statement under this title; or

“(iii) the date that is 1 fiscal year after the last day of the fiscal year of the issuer in which such issuer has more than \$2,000,000,000 (as such amount is indexed for inflation every 5 years by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, setting the

threshold to the nearest 1,000,000) in non-convertible debt securities outstanding.”.

(b) Amendments to Securities Exchange Act of 1934.—Section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) is amended—

(1) by striking the first paragraph (80) (relating to emerging growth companies);

(2) by transferring paragraph (79) (relating to asset-backed securities) to appear after paragraph (78); and

(3) by adding at the end the following:

“(81) EMERGING GROWTH COMPANY.—The term ‘emerging growth company’ has the meaning given the term in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).”.

(c) Rule of Application.—The amendments made by this section shall apply with respect to an issuer that—

(1) qualifies as an emerging growth company, as defined in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)) or the first paragraph (80) of section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)), as applicable, on the day before the date of enactment of this Act; or

(2) first qualifies as an emerging growth company, as defined in such section 2(a) or paragraph (81) of such section 3(a) (as added by subsection (b) of this section), as applicable, on or after the date of enactment of this Act.

SEC. 102. INVESTMENT COMPANIES.

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), in the first sentence, by striking “250 persons” and inserting “500 persons”; and

(2) in subparagraph (C)(i)—

(A) by striking “\$10,000,000” and inserting “\$50,000,000”; and

(B) by striking “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” and inserting the following: “which the Commission shall adjust not less frequently than once every 5 years by notice published in the Federal Register to reflect any change in the Personal Consumption Expenditures Chain-type Price Index published by the Bureau of Economic Analysis of the Department of Commerce, setting the threshold to the nearest \$100,000”.

SEC. 103. CROWDFUNDING.

Notwithstanding any other provision of law or regulation, with respect to a transaction described in section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6)), a person described in subsection (b) or (c) of section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3) may purchase the securities that are offered or sold in that transaction.

SEC. 104. REGULATORY DEFINITION OF VENTURE CAPITAL FUND.

Not later than 180 days after the date of enactment of this Act, the Commission shall—

(1) revise the definition of a qualifying investment under section 275.203(l)–1(c) of title 17, Code of Federal Regulations, or any successor regulation—

(A) to include an equity security issued by a qualifying portfolio company, whether acquired directly from the company or in a secondary acquisition; and

(B) to specify that an investment in another venture capital fund (as defined in section 275.203(l)–1(a) of title 17, Code of Federal Regulations, or any successor regulation) is a qualifying investment under that definition; and

(2) revise section 275.203(l)–1(a) of title 17, Code of Federal Regulations, or any successor regulation, to require, as a condition of a private fund qualifying as a venture capital fund under that provision, that, immediately after the acquisition of any asset, the fund holds not more than 49 percent of the amount of the aggregate capital contributions and uncalled committed capital (excluding short-term holdings) of the fund in—

(A) 1 or more venture capital funds; or

(B) qualifying investments acquired in a secondary acquisition, valued at cost or fair value, consistently applied by the fund.

SEC. 105. DEFINITION OF WELL-KNOWN SEASONED ISSUER.

(a) In General.—For purposes of the Federal securities laws, and regulations issued thereunder, an issuer shall be a “well-known seasoned issuer” if—

(1) the aggregate market value of the voting and non-voting common equity held by non-affiliates of the issuer is \$400,000,000 or more (as determined under Form S–3 general instruction I.B.1., as in effect on the date of enactment of this Act); and

(2) the issuer otherwise satisfies the requirements of the definition of “well-known seasoned issuer” contained in section 230.405 of title 17, Code of Federal Regulations (as in effect on the date of enactment of this Act) without reference to any requirement in that definition relating to minimum worldwide market value of outstanding voting and non-voting common equity held by non-affiliates.

(b) Report on Withdrawn Applications Related to Well-Known Seasoned Issuer Status.—The Commission shall, not later than 90 days after the end of each calendar year, publish the total number of applications submitted during that calendar year where the applicant—

(1) submitted the application under section 230.405 of title 17, Code of Federal Regulations, or any successor regulation, for a determination by the Commission that the applicant not be considered an ineligible issuer under that section;

(2) requested such determination in order to meet the definition of a well-known seasoned issuer under section 230.405 of title 17, Code of Federal Regulations, or any

1 successor regulation; and
2 (3) withdrew the application.

3 SEC. 106. ACCESS TO SMALL BUSINESS INVESTOR 4 CAPITAL.

5 (a) Definitions.—In this section:

6 (1) ACQUIRED FUND.—The term “acquired fund” has the meaning given the term in Form
7 N–1A, Form N–2, and Form N–3.

8 (2) ACQUIRED FUND FEES AND EXPENSES.—The term “acquired fund fees and expenses”
9 means the acquired fund fees and expenses subcaption in the fee table disclosure.

10 (3) BUSINESS DEVELOPMENT COMPANY.—The term “business development company” has
11 the meaning given the term in section 2(a) of the Investment Company Act of 1940 (15
12 U.S.C. 80a–2(a)).

13 (4) FEE TABLE DISCLOSURE.—The term “fee table disclosure” means the fee table
14 described in item 3 of Form N–1A, item 3 of Form N–2, or item 4 of Form N–3 (as
15 applicable, and with respect to each, in any successor fee table disclosure that the
16 Commission adopts).

17 (5) FORM N–1A.—The term “Form N–1A” means the form described in section 274.11A
18 of title 17, Code of Federal Regulations, or any successor regulation.

19 (6) FORM N–2.—The term “Form N–2” means the form described in section 274.11a–1 of
20 title 17, Code of Federal Regulations, or any successor regulation.

21 (7) FORM N–3.—The term “Form N–3” means the form described in section 274.11b of
22 title 17, Code of Federal Regulations, or any successor regulation.

23 (8) REGISTERED INVESTMENT COMPANY.—The term “registered investment company”
24 means an investment company, as defined in section 3 of the Investment Company Act of
25 1940 (15 U.S.C. 80a–3), registered with the Commission under that Act.

26 (b) Excluding Business Development Companies From Acquired Fund Fees and Expenses.—
27 A registered investment company may, on any investment company registration statement filed
28 pursuant to section 8(b) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(b)), omit
29 from the calculation of acquired fund fees and expenses those fees and expenses that the
30 investment company incurred indirectly as a result of investment in shares of 1 or more acquired
31 funds that is a business development company.

32 SEC. 107. OFFERING THRESHOLD FOR REVIEWS BY 33 PUBLIC ACCOUNTANT.

34 (a) In General.—Section 4A of the Securities Act of 1933 (15 U.S.C. 77d–1) is amended—

35 (1) in subsection (b)(1)(D)—

36 (A) in clause (i), in the matter preceding subclause (I), by striking “\$100,000” and
37 inserting “\$250,000”; and

(B) in clause (ii), by striking “\$100,000” and inserting “\$250,000”; and

(2) by adding at the end the following:

“(i) Discretion to Adjust Amount.—The Commission may increase the amounts described in clauses (i) and (ii) of subsection (b)(1)(D) from \$250,000 to an amount that is not greater than \$400,000 upon the recommendation of the Office of the Advocate for Small Business Capital Formation and the Office of the Investor Advocate.”.

(b) Technical Corrections.—The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended—

(1) in section 4A (15 U.S.C. 77d–1)—

(A) by striking “section 4(6)” each place that term appears and inserting “section 4(a)(6)”; and

(B) by striking “section 4(6)(B)” each place that term appears and inserting “section 4(a)(6)(B)”; and

(2) in section 16(f)(3) (15 U.S.C. 77p(f)(3)), by striking “section 4(2)” and inserting “section 4(a)(2)”; and

(3) in section 18 (15 U.S.C. 77r)—

(A) in subsection (b)(4)—

(i) in subparagraph (A), by inserting “(a)” after “section 4”;

(ii) in subparagraph (B), by striking “section 4(4)” and inserting “section 4(a)(4)”; and

(iii) in subparagraph (C), by striking “section 4(6)” and inserting “section 4(a)(6)”; and

(iv) in subparagraph (F), by striking “section 4(2)” each place that term appears and inserting “section 4(a)(2)”; and

(B) in subsection (c)(1)(B), by striking “section 4(6)” and inserting “section 4(a)(6)”.

SEC. 108. CLARIFICATION OF GENERAL SOLICITATION.

(a) Definitions.—In this section:

(1) ANGEL INVESTOR GROUP.—The term “angel investor group” means any group that—

(A) is composed of accredited investors interested in investing personal capital in early-stage companies;

(B) holds regular meetings and has defined processes and procedures for making investment decisions, either individually or among the membership of the group as a whole; and

(C) is neither associated nor affiliated with brokers, dealers, or investment advisers.

(2) ISSUER.—The term “issuer” means an issuer that is a business, is not in bankruptcy or receivership, is not an investment company, and is not a blank check, blind pool, or shell company.

(b) Clarification.—Not later than 180 days after the date of enactment of this Act, the Commission shall revise sections 230.500 through 230.508 of title 17, Code of Federal Regulations (referred to in this section as “Regulation D”), or any successor regulations, to require that, in carrying out the prohibition against general solicitation or general advertising under section 230.502(c) of that title, or any successor regulation, the prohibition shall not apply to a presentation or other communication made by or on behalf of an issuer that is made at an event—

(1) sponsored by—

(A) the United States or any territory of the United States;

(B) the District of Columbia, any State, a federally recognized Indian Tribe, or a political subdivision of any State, territory, or federally recognized Indian Tribe;

(C) any agency or public instrumentality of any entity described in subparagraph (A) or (B);

(D) a college, university, or other institution of higher education;

(E) a nonprofit organization;

(F) an angel investor group;

(G) an incubator or accelerator;

(H) a venture forum, venture capital association, or trade association, other than an association created solely for the purpose of sponsoring an event described under this subsection; or

(I) any other group, person, or entity as the Commission may determine by rule;

(2) that is not held in any facility that is owned or operated by a religious organization, other than an institution of higher education that is accredited and operated primarily for post-secondary education;

(3) where any advertising for the event does not reference any specific offering of securities by the issuer;

(4) the sponsor of which—

(A) does not make investment recommendations or provide investment advice to event attendees;

(B) does not engage in an active role in any investment negotiations between the issuer and investors attending the event;

(C) does not charge event attendees any fees other than reasonable administrative fees;

(D) does not receive any compensation for making introductions between investors attending the event and issuers, or for investment negotiations between such parties;

(E) makes readily available to attendees a disclosure not longer than 1 page in length, as prescribed by the Commission, describing the nature of the event and the risks of investing in the issuers presenting at the event; and

(F) does not receive any compensation with respect to such event that would require registration of the sponsor as a broker or a dealer under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), or as an investment advisor under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.); and

(5) where no specific information regarding an offering of securities by the issuer is communicated or distributed by or on behalf of the issuer, other than—

(A) that the issuer is in the process of offering securities or planning to offer securities;

(B) the type and amount of securities being offered;

(C) the amount of securities being offered that have already been subscribed for; and

(D) the intended use of proceeds of the offering.

(c) Rule of Construction.—Subsection (b) may only be construed as requiring the Commission to amend the requirements of Regulation D with respect to presentations and communications and not with respect to purchases or sales.

(d) No Pre-Existing Substantive Relationship by Reason of Event.—Attendance at an event described in subsection (b) shall not qualify, by itself, as establishing a pre-existing substantive relationship between an issuer and a purchaser for the purposes of section 230.506(b) of title 17, Code of Federal Regulations, or any successor regulation.

SEC. 109. SMALL BUSINESS INVESTOR CAPITAL ACCESS.

Section 203(m) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(m)) is amended—

(1) in paragraph (1), by striking “\$150,000,000” and inserting “\$175,000,000”; and

(2) by adding at the end the following:

“(5) INFLATION ADJUSTMENT.—The Commission shall, every 5 years, adjust the dollar amount described in paragraph (1) to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor and round that dollar amount to the nearest multiple of \$1,000,000.”.

SEC. 110. IMPROVING ACCESS TO SMALL BUSINESS INFORMATION.

Section 4(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(i)) is amended by adding at the end the following:

“(10) PRESERVATION OF INFORMATION COLLECTION BURDEN REVIEW.—

“(A) IN GENERAL.—Actions taken by the Advocate for Small Business Capital Formation under this subsection shall not be a ‘collection of information’ for purposes of subchapter I of chapter 35 of title 44, United States Code (commonly known as the ‘Paperwork Reduction Act’).

“(B) EXCEPTIONS.—Notwithstanding subparagraph (A), the requirements under

subsections (c)(1), (c)(4), and (i) of section 3506 of title 44, United States Code, and section 3507(a)(1)(A) of that title shall apply to actions taken by the Advocate for Small Business Capital Formation under this subsection, except that the Commission shall not be required—

“(i) to submit a collection of information by the Advocate to the Director of the Office of Management and Budget, as referenced in section 3506(c)(1)(A) of that title;

“(ii) to display a control number on a collection of information by the Advocate, as described in section 3506(c)(1)(B)(i) of that title (or to inform a person receiving a collection of information from the Advocate that the collection of information needs to display a control number, as described in section 3506(c)(1)(B)(iii)(V) of that title); or

“(iii) to indicate a collection of information by the Advocate is in accordance with the clearance requirements of section 3507 of that title, as described in section 3506(c)(1)(B)(ii) of that title.”.

SEC. 111. ENHANCING MULTI-CLASS SHARE STRUCTURES.

Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n) is amended by adding at the end the following:

“(l) Disclosure Relating to Multi-Class Share Structures.—

“(1) DEFINITION.—In this subsection, the term ‘multi-class share structure’ means a capitalization structure that contains 2 or more types of securities that have differing amounts of voting rights in the election of directors.

“(2) DISCLOSURE.—The Commission shall, by rule, require each issuer with a multi-class share structure to disclose the information described in paragraph (3) in—

“(A) any proxy or consent solicitation material for an annual meeting of the shareholders of the issuer; or

“(B) any other filing, as the Commission determines appropriate.

“(3) CONTENT.—A disclosure made under paragraph (2) shall include, with respect to each person who is a director, director nominee, or named executive officer of the issuer, or who is a beneficial owner of securities with 5 percent or more of the total combined voting power of all classes of securities entitled to vote in the election of directors of the issuer—

“(A) the number of shares of all classes of securities entitled to vote in the election of directors beneficially owned by that person, expressed as a percentage of the total number of the outstanding securities of the issuer entitled to vote in the election of directors; and

“(B) the amount of voting power held by that person, expressed as a percentage of the total combined voting power of all classes of the securities of the issuer entitled to vote in the election of directors.”.

SEC. 112. RURAL JOB CREATORS.

Section 4(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(i)) is amended—

(1) in paragraph (4)(C), by inserting “rural-area small businesses,” after “women-owned small businesses,”; and

(2) in paragraph (6)(B)(iii), by inserting “rural-area small businesses,” after “women-owned small businesses,”.

SEC. 113. TESTING THE WATERS.

The Securities Act of 1933 (15 U.S.c. 77a et seq.) is amended—

(1) in section 5(d) (15 U.S.C. 77e(d))—

(A) by striking “Notwithstanding” and inserting the following:

“(1) IN GENERAL.—Notwithstanding”;

(B) in paragraph (1), as so designated, by striking “an emerging growth company or any person authorized to act on behalf of an emerging growth company” and inserting “an issuer or any person authorized to act on behalf of an issuer”; and

(C) by adding at the end the following:

“(2) ADDITIONAL REQUIREMENTS.—

“(A) IN GENERAL.—The Commission may promulgate regulations, subject to public notice and comment, to impose such other terms, conditions, or requirements on the engaging in oral or written communications described in paragraph (1) by an issuer (other than an emerging growth company) as the Commission determines appropriate.

“(B) REPORT TO CONGRESS.—Before any rulemaking described in subparagraph (A), the Commission shall submit to Congress a report containing a list of the findings supporting the basis of the rulemaking.”; and

(2) in section 6(e) (15 U.S.C. 77f(e))—

(A) in the subsection heading, by striking “Emerging Growth Companies” and inserting “Draft Registration Statements”;

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by striking paragraph (1) and inserting the following:

“(1) BEFORE INITIAL PUBLIC OFFERING.—Any issuer, before an initial public offering date of a security of the issuer, may confidentially submit to the Commission a draft registration statement, for confidential nonpublic review by the staff of the Commission before public filing, provided that the initial confidential submission and all amendments thereto are publicly filed with the Commission—

“(A) not later than 15 days before the date on which the issuer conducts a road show, as defined in section 230.433(h) of title 17, Code of Federal Regulations, or any successor regulation; or

“(B) in the absence of a road show described in subparagraph (A), not later than 15

days before the requested effective date of the registration statement.

“(2) WITHIN 1 YEAR AFTER INITIAL PUBLIC OFFERING OR EXCHANGE REGISTRATION.—Any issuer, within the 1-year period following the initial public offering of a security of the issuer or the registration of a security of the issuer under section 12(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(b)), may confidentially submit to the Commission a draft registration statement, for confidential nonpublic review by the staff of the Commission before public filing, provided that the initial confidential submission and all amendments thereto shall be publicly filed with the Commission—

“(A) not later than 15 days before the date on which the issuer conducts a road show, as defined in section 230.433(h) of title 17, Code of Federal Regulations, or any successor regulation; or

“(B) in the absence of a road show described in subparagraph (A), not later than 15 days before the requested effective date of the registration statement.

“(3) ADDITIONAL REQUIREMENTS.—

“(A) IN GENERAL.—The Commission may promulgate regulations, subject to public notice and comment, to impose such other terms, conditions, or requirements with respect to the submission of draft registration statements described in this subsection by an issuer (other than an emerging growth company) as the Commission determines appropriate.

“(B) REPORT TO CONGRESS.—Before any rulemaking described in subparagraph (A), the Commission shall submit to Congress a report containing a list of findings supporting the basis of the rulemaking.”.

SEC. 114. ENCOURAGING LOCAL EMERGING VENTURES AND ECONOMIC GROWTH.

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

(1) in paragraph (1), by redesignating subparagraphs (A) through (L) as clauses (i) through (xii), respectively;

(2) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;

(3) by inserting “(1)” after “(b)”;

(4) in the matter preceding subparagraph (A) of paragraph (1), as so redesignated, by striking “shall contain—” and inserting “shall contain the following:”;

(5) in paragraph (1)(A)(xi), as so redesignated, by striking “years,” and inserting “years (or, in the case of an emerging growth company, not more than the two preceding fiscal years),”;

(6) in paragraph (1)(C), as so redesignated, by striking “paragraph (1)(I)” and inserting “subparagraph (A)(ix)”;

(7) by adding at the end the following:

“(2)(A) Any issuer may confidentially submit to the Commission a draft registration statement

1 for confidential nonpublic review by the staff of the Commission prior to public filing of that
2 registration statement, provided that the initial confidential submission and all amendments to
3 that confidential submission shall be publicly filed with the Commission not later than 10 days
4 before the applicable security is listed on a national securities exchange.

5 “(B) Notwithstanding any other provision of this title, the Commission shall not be compelled
6 to disclose any information provided to or obtained by the Commission pursuant to this
7 paragraph.

8 “(C) For purposes of section 552 of title 5, United States Code, this paragraph shall be
9 considered a statute described in subsection (b)(3)(B) of such section 552.

10 “(D) Information described in or obtained pursuant to this paragraph shall be deemed to
11 constitute confidential information for purposes of section 24.”.

12 SEC. 115. SMALL ENTITY UPDATE.

13 (a) Small Entity Defined.—In this section, the term “small entity”—

14 (1) has the meaning given the term in section 601 of title 5, United States Code, with
15 respect to the activities of the Commission; and

16 (2) includes any definition established by the Commission of the term “small business”,
17 “small organization”, “small governmental jurisdiction”, or “small entity” under paragraph
18 (3), (4), (5), or (6), respectively, of section 601 of title 5, United States Code, with respect to
19 the activities of the Commission.

20 (b) Studies and Reports.—Not later than 1 year after the date of enactment of this Act, and
21 again 5 years thereafter, the Commission shall—

22 (1) conduct a study of the definition of the term “small entity” with respect to the
23 activities of the Commission for the purposes of chapter 6 of title 5, United States Code,
24 which shall consider—

25 (A) the extent to which the definition of the term “small entity”, as in effect during
26 the period in which the study is conducted, aligns with the findings and declarations
27 made under section 2(a) of the Regulatory Flexibility Act (5 U.S.C. 601 note);

28 (B) the amount by which financial markets in the United States have grown since the
29 last time the Commission amended the definition of the term “small entity”, if
30 applicable; and

31 (C) how the Commission should define the term “small entity” to ensure that a
32 meaningful number of entities would fall under that definition; and

33 (2) submit to Congress a report that includes—

34 (A) the results of the applicable study conducted under paragraph (1); and

35 (B) specific and detailed recommendations on the ways in which the Commission
36 could amend the definition of the term “small entity” to—

37 (i) be consistent with the results described in subparagraph (A); and

38 (ii) expand the number of entities covered by such definition.

(c) Rulemaking.—Concurrently with, or after the completion of, each study required under subsection (b), the Commission shall, subject to public notice and comment, revise the rules of the Commission consistent with the results of such study.

(d) Inflation Adjustments.—After the Commission issued the final rule revisions required under subsection (c), and every 5 years thereafter, the Commission shall adjust any dollar figures under the definition of the term “small entity” established by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

TITLE II—RESPONSIBLY EXPANDING INVESTMENT OPPORTUNITIES FOR RETAIL INVESTORS

SEC. 201. EQUAL OPPORTUNITY FOR ALL INVESTORS.

(a) Certification Examinations for Accredited Investors.—

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

(A) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A), as so redesignated, by striking “adviser; or” and inserting “adviser;”;

(C) in subparagraph (B), as so redesignated, by striking the period at the end and inserting “; or”; and

(D) by adding at the end the following:

“(C) any individual who is certified as an accredited investor through an examination established or approved by the Commission, the securities commission (or any agency or office performing like functions) of any State, or any self-regulatory organization (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) that—

“(i) measures whether an individual certified as an accredited investor pursuant to that examination understands and appreciates the risks and opportunities of investing in securities;

“(ii) is designed to ensure that an individual with financial sophistication or training would be unlikely to fail; and

“(iii) may be designed or administered by any other person approved by the Commission, such securities commission, or such self-regulatory organization.”.

(2) EXAMINATION.—The Commission shall establish or approve an examination that complies with paragraph (1) not later than 18 months after the date of enactment of this Act.

(b) Accredited Investor Self-Certification.—Section 4(b) of the Securities Act of 1933 (15 U.S.C. 77d(b)) is amended by adding at the end the following: “Unless an issuer knows, or has a reckless disregard for whether, a purchaser is not an accredited investor, obtaining a self-certification from the purchaser that the purchaser meets the income or net worth requirements

under section 230.501 of title 17, Code of Federal Regulations, or any successor regulation, shall constitute reasonable steps to verify that purchasers of the securities are accredited investors.” after the period at the end.

(c) Modification of Rules.—

(1) IN GENERAL.—Not later than 270 days after the date of enactment of this Act, the Commission shall revise section 230.501(a) of title 17, Code of Federal Regulations, or any successor regulation, to make parallel changes set forth in subsection (a) of this section, and the amendments made by that subsection, and to add to the definition of the term “accredited investor” the following categories:

(A) Any natural person with at least \$500,000 worth of investments.

(B) Any natural person with total transactions during a 12-month period under section 230.506 of title 17, Code of Federal Regulations, or any successor regulation, and under section 4(a)(6) of the Securities Act of 1933 (15 U.S.C. 77d(a)(6)) that are not greater than the highest amount of the following:

(i) 10 percent of the total investments of the person.

(ii) 10 percent of the annual income of the person or 10 percent of the annual combined income with that person’s spouse.

(iii) 10 percent of the net worth of the person excluding the value of the person’s principal place of residence.

(2) DEFINITIONS.—

(A) DEFINITIONS.—In this subsection:

(i) CASH AND CASH EQUIVALENTS.—The term “cash and cash equivalents” includes—

(I) bank deposits, certificates of deposit, bankers acceptances and similar bank instruments held for investment purposes; and

(II) the net cash surrender value of an insurance policy.

(ii) COMMODITY INTERESTS.—The term “commodity interests” means commodity futures contracts, options on commodity futures contracts, and options on physical commodities traded on or subject to the rules of—

(I) any contract market designated for trading such transactions under the Commodity Exchange Act (7 U.S.C. 1 et seq.) and the rules issued under that Act; or

(II) any board of trade or exchange outside the United States, as described in part 30 of title 17, Code of Federal Regulations, or any successor regulations.

(iii) DIGITAL ASSETS.—The term “digital assets”—

(I) means a digital representation of value that—

(aa) is used as a medium of exchange, unit of account, or store of value; and

(bb) is not legal tender, whether or not denominated in legal tender;
and

(II) does not include—

(aa) a transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank credit, or virtual currency; or

(bb) a digital representation of value issued by or on behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.

(iv) INVESTMENT PURPOSES.—The term “investment purposes”—

(I) includes—

(aa) real estate owned by a prospective purchaser who is engaged primarily in the business of investing, trading, or developing real estate in connection with such business; and

(bb) a commodity interest or physical commodity owned, or a financial contract entered into, by the prospective purchaser who is engaged primarily in the business of investing, reinvesting, or trading in commodity interests, physical commodities, or financial contracts in connection with such business; and

(II) does not include real estate held for investment purposes by a prospective purchaser if the real estate is used by the prospective purchaser, a sibling, spouse or former spouse, a direct lineal descendant by birth or adoption, or spouse of such lineal descendant or ancestor for personal purposes or as a place of business, or in connection with the conduct of the trade or business of the prospective purchaser or such related person.

(v) INVESTMENTS.—The term “investments” means—

(I) securities, as defined in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)), other than securities issued by an issuer that is controlled by the prospective purchaser that owns such securities;

(II) real estate held for investment purposes;

(III) commodity interests held for investment purposes;

(IV) physical commodities held for investment purposes;

(V) digital assets held for investment purposes;

(VI) to the extent not securities, financial contracts (as that term is defined in section 3(c)(2)(B)(ii) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(2)(B)(ii))) entered into for investment purposes; and

(VII) cash and cash equivalents (including foreign currencies) held for investment purposes.

(vi) PERSONAL PURPOSES.—The term “personal purposes” does not include residential real estate if deductions with respect to that real estate are not disallowed by section 280A of the Internal Revenue Code of 1986.

(vii) PHYSICAL COMMODITIES.—The term “physical commodities” means any physical commodity with respect to which a commodity interest is traded on a market described in clause (ii)(I).

(B) SELF-EXECUTION.—If the Commission does not revise its rules in accordance with the deadline set forth in paragraph (1), then any person described in paragraph (2) shall be deemed to be an accredited investor for all purposes under the Federal securities laws (including regulations).

(d) Adjusting the Accredited Investor Standard.—Section 413 of the Private Fund Investment Advisers Registration Act of 2010 (15 U.S.C. 77b note) is amended by striking subsection (b) and inserting the following:

“(b) Review and Adjustment.—

“(1) IN GENERAL.—The Commission may undertake a review of the definition of the term ‘accredited investor’, as such term applies to natural persons, to determine whether the requirements of the definition, excluding the requirement relating to the net worth standard described in subsection (a), should be adjusted or modified for the protection of investors, in the public interest, and in light of the economy.

“(2) ADJUSTMENT OR MODIFICATION.—Upon completion of a review under paragraph (1), the Commission may, by notice and comment rulemaking, make such adjustments to the definition of the term ‘accredited investor’, excluding adjusting or modifying the requirement relating to the net worth standard described in subsection (a), as such term applies to natural persons, as the Commission may deem appropriate for the protection of investors, in the public interest, and in light of the economy.”.

SEC. 202. ENHANCEMENT OF 403(B) PLANS.

(a) Amendments to the Investment Company Act of 1940.—Section 3(c)(11) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(11)) is amended to read as follows:

“(11) Any—

“(A) 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;

“(B) custodial account meeting the requirements of section 403(b)(7) of such Code;

“(C) governmental plan described in section 3(a)(2)(C) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)(C));

“(D) collective trust fund maintained by a bank consisting solely of assets of one or more—

“(i) trusts described in subparagraph (A);

“(ii) government plans described in subparagraph (C);

“(iii) church plans, companies, or accounts that are excluded from the

definition of an investment company under paragraph (14) of this subsection; or

“(iv) plans which meet the requirements of section 403(b) of the Internal Revenue Code of 1986—

“(I) if—

“(aa) such plan is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.);

“(bb) any employer making such plan available agrees to serve as a fiduciary for the plan with respect to the selection of the plan’s investments among which participants can choose; or

“(cc) such plan is a governmental plan (as defined in section 414(d) of such Code); and

“(II) if the employer, a fiduciary of the plan, or another person acting on behalf of the employer reviews and approves each investment alternative offered under such plan described under subclause (I)(cc) prior to the investment being offered to participants in the plan; or

“(E) separate account the assets of which are derived solely from—

“(i) 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;

“(ii) 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 (15 U.S.C. 77e) by section 3(a)(2)(C) of such Act (15 U.S.C. 77c(a)(2)(C));

“(iii) advances made by an insurance company in connection with the operation of such separate account; and

“(iv) contributions to a plan described in clause (iii) or (iv) of subparagraph (D).”.

(b) Amendments to the Securities Act of 1933.—Section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)) is amended—

(1) by striking “beneficiaries, or (D)” and inserting “beneficiaries, (D) a plan which meets the requirements of section 403(b) of such Code (i) if (I) such plan is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), (II) any employer making such plan available agrees to serve as a fiduciary for the plan with respect to the selection of the plan’s investments among which participants can choose, or (III) such plan is a governmental plan (as defined in section 414(d) of such Code), and (ii) if the employer, a fiduciary of the plan, or another person acting on behalf of the employer reviews and approves each investment alternative offered under any plan described under clause (i)(III) prior to the investment being offered to participants in the plan, or (E)”;

(2) by striking “(C), or (D)” and inserting “(C), (D), or (E)”; and

(3) by striking “(iii) which is a plan funded” and all that follows through “retirement income account).” and inserting “(iii) in the case of a plan not described in subparagraph (D) or (E), which is a plan funded by an annuity contract described in section 403(b) of such Code”.

(c) Amendments to the Securities Exchange Act of 1934.—Section 3(a)(12)(C) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)(C)) is amended—

(1) by striking “or (iv)” and inserting “(iv) a plan which meets the requirements of section 403(b) of such Code (I) if (aa) such plan is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), (bb) any employer making such plan available agrees to serve as a fiduciary for the plan with respect to the selection of the plan’s investments among which participants can choose, or (cc) such plan is a governmental plan (as defined in section 414(d) of such Code), and (II) if the employer, a fiduciary of the plan, or another person acting on behalf of the employer reviews and approves each investment alternative offered under any plan described under subclause (I)(cc) prior to the investment being offered to participants in the plan, or (v)”;

(2) by striking “(ii), or (iii)” and inserting “(ii), (iii), or (iv)”;

(3) by striking “(II) is a plan funded” and inserting “(II) in the case of a plan not described in clause (iv), is a plan funded”.

(d) Conforming Amendment to the Securities Exchange Act of 1934.—Section 12(g)(2)(H) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(2)(H)) is amended by striking “or (iii)” and inserting “(iii) a plan described in section 3(a)(12)(C)(iv) of this Act, or (iv)”.

TITLE III—FOSTERING INVESTOR CONFIDENCE IN MARKET INTEGRITY, FAIRNESS, AND TRANSPARENCY

SEC. 301. STUDY ON IPO FEES.

(a) Definitions.—In this section:

(1) IPO.—The term “IPO” means an initial public offering.

(2) SMALL- AND MEDIUM-SIZED COMPANY.—The term “small- and medium-sized company” means an issuer with an initial public float determination of less than \$700,000,000.

(3) TIER 2 OFFERING.—The term “Tier 2 offering” means an offering described in section 230.251(a)(2) of title 17, Code of Federal Regulations, or any successor regulation.

(b) Study.—

(1) IN GENERAL.—The Comptroller General of the United States shall carry out a study of the costs associated with small- and medium-sized companies to undertake IPOs and Tier 2 offerings.

(2) REQUIREMENTS.—In carrying out the study required under paragraph (1), the Comptroller General of the United States shall—

(A) consider the direct and indirect costs of an IPO and a Tier 2 offering,

including—

(i) fees, such as gross spreads paid to underwriters, promoters, investment advisory firms, and other professionals;

(ii) compliance with Federal and State securities laws at the time of the IPO or Tier 2 offering; and

(iii) such other costs relating to an IPO or a Tier 2 offering, as the Comptroller General determines appropriate;

(B) compare and analyze the costs of an IPO and a Tier 2 offering with the costs of obtaining alternative sources of financing and of liquidity;

(C) consider the impact of the costs of an IPO and a Tier 2 offering on capital formation;

(D) analyze the impact of the costs of an IPO and a Tier 2 offering on the availability of public securities of small- and medium-sized companies to retail investors; and

(E) analyze trends in IPOs and Tier 2 offerings over a time period the Comptroller General determines is appropriate to analyze pricing practices with respect to IPOs and Tier 2 offerings, considering—

(i) the number of IPOs and Tier 2 offerings;

(ii) how costs for IPOs and Tier 2 offerings have evolved over time, including fees paid to underwriters, investment advisory firms, financial advisers, and other professions for services in connection with an IPO;

(iii) the number of brokers and dealers active in underwriting IPOs and Tier 2 offerings;

(iv) the different types of services that underwriters, promoters, investment advisory firms, and other professionals provide before and after an IPO or a Tier 2 offering with respect to a small- or medium-sized company and the factors impacting underwriting costs;

(v) changes in the costs and availability of investment research for small- and medium-sized companies;

(vi) the total costs of the shareholder proposal process, including proxy advisors, in becoming a public company; and

(vii) any other consideration the Comptroller General considers necessary and appropriate.

(c) Report.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report containing all findings and determinations made in carrying out the study required under subsection (b) and any administrative or legislative recommendations the Comptroller General may have with respect to the matters considered under the study.

TITLE IV—FINANCIAL EXPLOITATION PREVENTION

SEC. 401. POSTPONEMENT OF PAYMENT OR SATISFACTION UPON REDEMPTION OF CERTAIN SECURITIES.

(a) In General.—Section 22 of the Investment Company Act of 1940 (15 U.S.C. 80a–22) is amended by adding at the end the following:

“(h) Requirements With Respect to Non-Institutional Direct At-Fund Accounts.—

“(1) ELECTION.—

“(A) IN GENERAL.—A registered open-end investment company may elect to comply with the requirements under paragraph (2) and subsection (i) by notifying the Commission of that election in such form and manner as the Commission may prescribe.

“(B) EFFECT OF ELECTION.—

“(i) IN GENERAL.—Paragraph (2) shall apply only to a registered open-end investment company that has made an election under subparagraph (A).

“(ii) REDEMPTION.—Subsection (i) shall apply only with respect to a company described in clause (i) and any transfer agent acting on behalf of such company.

“(2) REQUIREMENTS.—In the case of a security holder of a non-institutional account held directly with a registered open-end investment company and serviced by a transfer agent (commonly known as a ‘direct-at-fund account’), the company and transfer agent shall—

“(A) request from that security holder the name and contact information of at least 1 individual, other than the security holder, who—

“(i) is, at the time of that request, an adult; and

“(ii) may be contacted with respect to that account;

“(B) document and retain the information received under subparagraph (A); and

“(C) disclose to that security holder in writing that such company or a transfer agent acting on behalf of such company may contact an individual specified under subparagraph (A) with respect to the account of that security holder to—

“(i) address possible financial exploitation of that security holder;

“(ii) confirm the contact information or health status of that security holder; or

“(iii) identify any legal guardian, executor, trustee, or holder of a power of attorney with respect to the security holder.

“(i) Postponement of Payment or Satisfaction Upon Redemption of Certain Securities.—

“(1) IN GENERAL.—Notwithstanding subsection (e), a registered open-end investment company or a transfer agent acting on behalf of such a company may postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with its terms for more than seven days after the tender of such security to such company or a transfer agent acting on behalf of such company for redemption if such company or transfer

1 agent reasonably believes that—

2 “(A) that redemption is requested with respect to a security holder who is a specified
3 adult, whether by the security holder or by a person authorized to act on behalf of the
4 security holder; and

5 “(B) financial exploitation has occurred, is occurring, has been attempted, or will be
6 attempted with respect to that redemption.

7 “(2) DURATION.—

8 “(A) POSTPONEMENT.—

9 “(i) IN GENERAL.—Except as provided in subparagraphs (B) and (C), a
10 registered open-end investment company or a transfer agent acting on behalf of
11 such company may postpone the date of payment or satisfaction upon redemption
12 of a redeemable security under paragraph (1) for a period of not more than 15
13 business days.

14 “(ii) NOTIFICATION.—Subject to subparagraph (D), not later than 2 days after
15 first postponing the date of payment or satisfaction upon redemption under
16 paragraph (1), the registered open-end investment company or transfer agent shall
17 notify the individuals specified by the security holder under subsection (h)(2)(A),
18 in writing (including through electronic delivery), of the postponement and the
19 reason for the postponement.

20 “(iii) TREATMENT OF AMOUNTS.—During any period in which the date of
21 payment or satisfaction upon redemption is postponed under paragraph (1), the
22 registered open-end investment company or transfer agent shall hold amounts
23 relating to the delayed payment or satisfaction upon redemption of the redeemable
24 security in a demand deposit account.

25 “(iv) RECORDS.—The registered open-end investment company or transfer
26 agent shall document and retain records related to carrying out clause (iii) and
27 include those records in the first required account statement of the security holder
28 provided after the date on which the postponement begins.

29 “(B) EXTENSION UPON DETERMINATION OF EXPLOITATION.—The period described in
30 subparagraph (A)(i) may be extended by an additional 10 business days if the
31 registered open-end investment company or a transfer agent acting on behalf of such a
32 company—

33 “(i) reasonably believes that—

34 “(I) the redemption is requested with respect to a security holder who is a
35 specified adult, whether by the security holder or by a person authorized to
36 act on behalf of the security holder; and

37 “(II) financial exploitation has occurred, is occurring, has been attempted,
38 or will be attempted with respect to such redemption;

39 “(ii) subject to subparagraph (D), not later than 2 days after making a
40 determination under clause (i), notifies the individuals specified by that security
41 holder under subsection (h)(2)(A) in writing (including through electronic

delivery) of the extension of the period described in subparagraph (A)(i) under this subparagraph and the reason for that extension;

“(iii) initiates an internal review of the facts and circumstances relating to the determination under clause (i);

“(iv) holds amounts relating to the delayed payment or satisfaction upon redemption of the redeemable security in a demand deposit account; and

“(v) documents and retains records related to carrying out clause (iv) and includes those records in the first required account statement of the security holder provided after the date on which the determination is made under clause (i).

“(C) EXTENSION BY GOVERNMENT.—A State regulator, administrative agency of competent jurisdiction, or court of competent jurisdiction may extend the period described in subparagraph (A)(i).

“(D) NOTIFICATION.—

“(i) EXCEPTION.—Subparagraphs (A)(ii) and (B)(ii) shall not apply if a registered open-end investment company or transfer agent acting on behalf of such a company reasonably believes that an individual required to be notified under the applicable subparagraph has subjected, is subjecting, or will subject the security holder who identified that individual under subsection (h)(2)(A) to financial exploitation.

“(ii) REASONABLE EFFORTS.—An open-end investment company or transfer agent acting on behalf of such a company shall be considered in compliance with subparagraphs (A)(ii) and (B)(ii) if that company or transfer agent makes a reasonable effort to contact the individuals specified by a security holder under subsection (h)(2)(A).

“(E) INTERNAL PROCEDURES.—An open-end investment company or transfer agent acting on behalf of such a company shall establish procedures to carry out the requirements under this subsection, including procedures—

“(i) relating to the identification and reporting of matters relating to the financial exploitation of specified adults;

“(ii) to determine whether to release or reinvest delayed redemption proceeds, taking into account the facts and circumstances of each case, should the internal review under subparagraph (B)(iii) support the reasonable belief described in subparagraph (B)(i);

“(iii) identifying each employee of the company or transfer agent with authority to establish, extend, or terminate a period described in paragraph (1) or subparagraph (A);

“(iv) in the case of a transfer agent, that are reasonably designed to ensure that the employees of the transfer agent comply with this subsection; and

“(v) in the case of an open-end investment company, establishing periodic reporting requirements under which a transfer agent acting on behalf of the

company shall notify the company of—

“(I) each extension under subparagraph (B) authorized by the transfer agent;

“(II) each finding by the transfer agent under subparagraph (B)(i);

“(III) each notification under subparagraphs (A)(ii) and (B)(ii) carried out by the transfer agent; and

“(IV) the results of each internal review initiated by the transfer agent under subparagraph (B)(iii).

“(F) INFORMATION INCLUDED IN CERTAIN STATEMENTS.—An open-end investment company shall include in each prospectus or statement of additional information a notification that the company or a transfer agent acting on behalf of the company may postpone redemption of certain securities under this subsection.

“(G) RECORD RETENTION.—An open-end investment company or transfer agent acting on behalf of such a company shall—

“(i) document and retain records of—

“(I) each postponement of the date of payment or satisfaction upon redemption under subparagraphs (A), (B), and (C);

“(II) each finding under subparagraph (B)(i);

“(III) the name and position of each employee described in subparagraph (E)(iii);

“(IV) each notification carried out under subparagraphs (A)(ii) and (B)(ii); and

“(V) the results of each internal review initiated under subparagraph (B)(iii); and

“(ii) make the records described in clause (i) available to the Commission at the request of the Commission.

“(3) FINANCIAL EXPLOITATION DEFINED.—In this subsection and subsection (h), the term ‘financial exploitation’ means—

“(A) the wrongful or unauthorized taking, withholding, appropriation, or use of the funds or securities of a specified adult; or

“(B) any act or omission by a person, including through the use of a power of attorney, guardianship, or any other authority with respect to a specified adult, to—

“(i) obtain control, through deception, intimidation, or undue influence, over the money, assets, or property of the specified adult; or

“(ii) convert the money, assets, or property of the specified adult.

“(4) SPECIFIED ADULT DEFINED.—In this subsection, the term ‘specified adult’ means an individual who—

“(A) is not younger than 65 years of age; or

1 “(B) is not younger than 18 years of age and who a registered open-end investment
2 company or a transfer agent acting on behalf of such a company reasonably believes
3 has a mental or physical impairment that renders the individual unable to protect the
4 interests of the individual.”.

5 (b) Recommendations.—

6 (1) IN GENERAL.—Not later than 3 years after the date of enactment of this Act, the
7 Commission, in consultation with the entities described in paragraph (2), shall submit to
8 Congress a report that includes recommendations regarding the regulatory and legislative
9 changes necessary to address the financial exploitation of security holders who are specified
10 adults (as defined in subsection (i)(3) of section 22 of the Investment Company Act of 1940
11 (15 U.S.C. 80a–22), as added by this section).

12 (2) CONSULTATION.—The entities described in this paragraph are as follows:

13 (A) The Commodity Futures Trading Commission.

14 (B) The Director of the Bureau of Consumer Financial Protection.

15 (C) The Financial Industry Regulatory Authority.

16 (D) Any association composed of duly constituted representatives of State
17 governments whose primary assignment is the regulation of the securities business
18 within those States and which, in the judgment of the Commission, could assist in
19 effectuating greater uniformity in Federal-State securities matters.

20 (E) The Board of Governors of the Federal Reserve System.

21 (F) The Comptroller of the Currency.

22 (G) The Federal Deposit Insurance Corporation.
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