



December 9, 2025

VIA EMAIL

The Honorable Mike Johnson
Speaker of the House
U.S. Capitol
Washington, D.C. 20515

The Honorable Hakeem Jeffries
House Minority Leader
U.S. Capitol
Washington, D.C. 20515

Re: Support for H.R. 3383, the INVEST Act

Dear Speaker Johnson and Leader Jeffries:

On behalf of the Investor Choice Advocates Network ("ICAN")¹, I write to express strong support for H.R. 3383, the Incentivizing New Ventures and Economic Strength Through Capital Formation (INVEST) Act of 2025. The INVEST Act will expand the nation's capacity to fund early-stage businesses by (1) enabling new venture capital fund formation, (2) reducing outdated regulatory barriers that impede startups' access to capital, and (3) broadening opportunities for retail investors to participate-safely and responsibly-in the high-growth segment of the private markets.

Critically, the INVEST Act achieves these objectives without compromising investor protection. Instead, it channels retail participation through professionally managed, SEC-regulated structures and modernizes regulatory frameworks that have not kept pace with today's markets.

Background

Registered closed-end funds operate under the Investment Company Act of 1940 and are available to retail (non-accredited) investors through SEC-registered offerings. These funds are governed by independent boards, managed by fiduciary investment advisers, and subject to comprehensive SEC oversight.

By contrast, private funds-including venture capital ("VC") funds-are exempt from Investment Company Act registration. Advisers to VC funds are exempt from registration under the Investment Advisers Act of 1940 if they advise only "venture capital funds" under SEC rules.

The INVEST Act responsibly bridges this regulatory divide, giving ordinary investors indirect,

¹ Investor Choice Advocates Network (ICAN) is a nonprofit public interest litigation organization dedicated to breaking down barriers to entry to capital markets and pushing back against regulatory overreach, serving as a legal advocate and voice for investors and entrepreneurs whose efforts help fuel vibrant local and national economies driven by innovation and entrepreneurship.

professionally managed access to venture-style investments while supporting fund formation across local and regional ecosystems.

Key Reforms to the Investment Company Act

1. Section 206 - Increasing Investor Opportunities

Section 206 prohibits the SEC from imposing limits-such as accredited-investor-only restrictions or high minimum investment requirements-on closed-end funds that invest in private funds.

Historically, SEC staff guidance effectively barred ordinary investors from closed-end funds holding more than 15% of assets in private funds unless those investors were accredited and contributed at least \$25,000.

Removing these restrictions will allow retail investors to access private-fund strategies through a registered, fiduciary-managed vehicle-precisely the type of structure that balances innovation with investor protection.

2. Section 109 - Expanding the Venture Capital Fund Definition

Section 109 permits VC funds to invest up to 49% of contributed and uncalled capital in other VC funds and in secondary transactions (e.g., purchases from employees and founders). Current rules cap such investments at 20%.

This change recognizes the realities of modern venture capital markets. Larger VC funds will be able to seed smaller, emerging managers-expanding geographic diversity of capital-and smaller managers will gain needed capital access to invest in early-stage startups.

3. Section 108 - Scaling "Qualifying Venture Capital Funds"

Section 108 raises the exemptive thresholds for "qualifying venture capital funds," increasing:

- the investor limit from 250 to 500 persons, and
- the capital limit from \$10 million to \$50 million (with future adjustment authority).

These increases enable fund managers to lower minimum investment amounts, supporting broader accredited-investor participation and facilitating first-time fund formation.

4. Section 104 - Raising the Investment Adviser Exemption Threshold

Section 104 increases the investment-adviser registration threshold for private-fund advisers from \$150 million to \$175 million, allowing more emerging advisers to operate without bearing the high compliance costs associated with full SEC registration.

5. Section 302 - Encouraging Investment in Business Development Companies

Section 302 permits registered funds to exclude certain indirect BDC-related fees from disclosure calculations, removing a disincentive for funds to invest in BDCs and helping increase capital available to small and mid-sized businesses.

Key Reforms to the Securities Act of 1933

1. Sections 201 & 203 - Modernizing the "Accredited Investor" Definition

Section 201 expands the accredited investor category to include individuals meeting enhanced, inflation-adjusted financial thresholds, eligible professionals, and individuals with verifiable expertise.

Section 203 directs the SEC to create a free, publicly available investor-knowledge examination, enabling any individual who demonstrates financial sophistication to qualify.

The accredited investor definition should not function as a wealth barrier. Financially educated, knowledgeable Americans-teachers, veterans, engineers, community leaders-should have the opportunity to invest in private offerings if they can demonstrate competence. The INVEST Act moves toward correcting this inequity.

2. Section 103 - Reducing the Cost of Crowdfunding

Section 103 raises from \$100,000 to \$250,000 the threshold at which Regulation CF issuers must provide accountant-reviewed financial statements.

Because CPA reviews and audits are typically the largest out-of-pocket cost in Regulation CF offerings, this change will make true seed-stage capital-often the most difficult to obtain-more accessible to local entrepreneurs.

3. Section 102 - Protecting Entrepreneurs at Demo Days

Section 102 amends Regulation D to clarify that "demo day" presentations at universities, accelerators, and similar forums do not constitute general solicitation.

This protects entrepreneurs from inadvertently violating securities laws simply by pitching at the very events designed to help them connect with investors.

4. Sections 301-304 - Strengthening the IPO Pipeline

Sections 301-304 streamline reporting obligations for Emerging Growth Companies (EGCs), ease "testing-the-waters" communications, and permit confidential SEC submissions-all of which reduce costs and help revive the long-declining IPO market.

SEC Policy Directives

Sections 101, 105, 106, 107, and 204 direct the SEC to:

- address the capital needs of rural communities,
- establish Offices of Small Business across key SEC divisions,
- update outdated "small entity" definitions,
- streamline reporting burdens on the Office of the Advocate for Small Business Capital Formation, and
- create a Senior Investor Taskforce to strengthen protections for older Americans.

Collectively, these directives ensure that the SEC's rulemaking processes align with congressional priorities to support small businesses, entrepreneurs, and vulnerable investors.

Conclusion

The INVEST Act presents a rare opportunity: bipartisan, pro-growth, pro-innovation legislation that expands economic opportunity while maintaining rigorous investor protections.

By allowing more Americans to participate in the private markets-through safe, regulated channels-and by strengthening the venture-capital and small-business ecosystem that fuels American innovation, H.R. 3383 will help restore the United States' position as the world's leader in new business formation and capital access.

ICAN urges prompt House passage of the INVEST Act.

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Investor Choice Advocates Network
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