April 5, 2022

Dear Chairman Brown, Ranking Member Toomey, and Members of the Committee,

We the undersigned write in strong support of the JOBS Act 4.0 capital formation package and would like to thank Ranking Member Toomey and the Members of the Senate Banking Committee for their leadership on this important issue. Capital markets play a vital role in the U.S. economy, providing many small businesses, entrepreneurs, and startups with the access to capital they need to innovate, grow, and create jobs.

Financial regulations should be crafted with the understanding that market participants are best positioned to make their own financial choices, and regulators should focus on protecting against bad actors and fraud. Creative destruction, risk-taking, potential for failure, and consumer choice are all necessary parts of an advancing economy.

Many small businesses, startups, and entrepreneurs rely on the ability to raise the capital needed to start and grow their business. A vibrant business and startup ecosystem contributes to higher economic growth, job creation, wages, and investment. Consumers also benefit from the innovative services and technological advances they provide. As American businesses and families face higher prices and costs of living, regulations that hamstring economic activity should be especially concerning.

While U.S. capital markets are the largest in the world and account for over 70 percent of financing for non-financial firms in the U.S.[1], in many ways they are failing businesses and investors. This is in large part due to poorly drawn securities laws and financial regulations at the state and federal level. There has been a remarkable decline in companies going public,[2] and the costs imposed by the current regulatory regime have made it less attractive to do so. But private securities markets are also in need of serious reform. According to Securities and Exchange Commission (SEC) data, in 2018, $1.4 trillion was raised through public, registered offerings compared to $2.9 trillion in offerings made through the SEC's exemption framework.[3] While private markets provide important opportunities for businesses and investors, current regulations often limit those opportunities to affluent investors and certain exemptions have fallen short of their intended goals.

Instead of reining in regulations that have stunted investment and capital formation, the SEC has doubled down on imposing burdensome and costly regulations on American businesses and investors. The [capital markets agenda] addresses many of those regulatory burdens head on, making it easier for businesses and investors to participate in U.S. capital markets.

Among the many commendable pieces of legislation introduced, we would like to highlight that this capital formation agenda would help businesses access capital by:

- Creating a micro-offering exemption to help small businesses and entrepreneurs gain access to capital without having to face burdensome and costly mandated disclosures or offering filings. (**S. 3939 Small Entrepreneurs' Empowerment and Development (SEED) Act, Senator Tim Scott)**
- Making capital formation through crowdfunding more viable, benefiting issuers, investors, and funding portals. **(S. 3967 Improving Crowdfunding Opportunities Act, Senator Moran)**

[1] https://www.sifma.org/resources/news/10-facts-about-the-us-capital-markets-2021/
[2] https://corpgov.law.harvard.edu/2017/05/18/looking-behind-the-declining-number-of-public-companies/
[3] https://www.sec.gov/rules/concept/2019/33-10649.pdf

- Expanding capital formation by exempting certain secondary offerings of Regulation A securities from state regulation. **(S. 3966 Facilitating Main Street Offerings Act, Senator Moran)**
- Bringing an end to the uncertain and overbearing regulations faced by finders, allowing them to work better with small businesses and entrepreneurs to raise much needed capital. **(S. 3922 Unlocking Capital for Small Businesses Act, Senator Cramer)**
- Repealing unnecessary and burdensome disclosure requirements enacted under Dodd-Frank. These politically-charged disclosures place substantial costs on companies, and fail to protect investors or maintain fair, orderly, and efficient markets. **(S. 3923 Dodd-Frank Material Disclosure Improvement Act, Senator Cramer)**

We applaud Ranking Member Toomey the Members of the Senate Banking Committee for putting forward these critical pieces of legislation and urge Congress to swiftly pass these important reforms.

Sincerely,

Brent Wm. Gardner
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Americans for Prosperity

Bryan Bashur
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