Public Statement

Harmonizing, Simplifying and Improving the Exempt Offering Framework

Chairman Jay Clayton

March 4, 2020

Today, the Commission proposed amendments that would harmonize, simplify and improve the framework for private offerings under the Securities Act of 1933. Today's proposals would rationalize an overly complex, patchwork regulatory framework and thereby promote capital formation while preserving or enhancing important investor protections. The proposals, which reflect a comprehensive retrospective review, are a continuation of our ongoing efforts to modernize our key rule sets.

Our markets are far different today than they were 35 or more years ago. Then, our private capital markets were a minor component of our economy for both companies and investors. Today, in terms of the amount of capital raised, investment opportunities, returns and other key metrics, our private capital markets often are seen as more attractive for large, seasoned companies and professional investors than our public markets. These companies and investors have the resources, expertise and experience to navigate complex rule sets. Today's proposals are centered on small and medium-sized companies. These companies contribute substantially to our economy but are unlikely to become public companies due to their size, the nature of their capital needs, or other factors. For them, private offerings are a key source of capital to continue to grow and create jobs. However, they generally do not have the sophistication to effectively navigate complex rule sets. Congress and the Commission have long recognized this dependence on our private markets and have significantly expanded the private offering framework over many years. These efforts have created more avenues for capital formation but have not reduced complexity.

The proposed amendments seek to address the gaps and complexities in the offering framework that may impede access to capital for issuers. I believe the complexity of the current framework particularly affects those smaller issuers that are more likely to rely on the exemptions to raise capital—including rural issuers, and women, minority and veteran-owned issuers—the types of issuers whose limited resources spent on navigating our complex rules are diverted from direct investment in the issuers' growth. The amendments would benefit issuers and investors by creating an offering framework that is more consistent, transparent and rational.

Our work in this area is ongoing. The staff and I will continue to explore ways to expand access to private investments for Main Street investors and whether appropriately structured funds—such as through the inclusion of private investments in retirement target date funds—can facilitate Main Street investor access to private investments in a manner that ensures incentive alignment with professional investors with appropriate investor protections and at reasonable cost.

I want to commend the staff for their work on today's proposals. In particular, I would like to acknowledge members of the staff that contributed to this effort:

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