

Prepared Remarks before the Small Business Capital Formation Advisory Committee



Chair Gary Gensler

Washington D.C.

Nov. 29, 2023

Good morning. I'm pleased to speak with the Small Business Capital Formation Advisory Committee. As is customary, I'd like to note that my views are my own as Chair of the Securities and Exchange Commission, and I am not speaking on behalf of my fellow Commissioners or the staff.

I understand that today's Committee meeting features two panels. The first one is on the accredited investor definition, and the second one is on diversity and the investment process, including existing practices and voluntary disclosure.

I also want to thank Kenisha Nicholson from our Division of Corporation Finance and Marc Mehrespand from our Division of Investment Management, each of whom are giving brief remarks. Lastly, I want to thank Anna Snider from Bank of America, who will be speaking to the diversity and investment process panel.

Since the 1930s, investors and issuers have benefitted from the basic bargain that Congress embedded in the securities laws. Congress required that public offerings of securities be registered with the SEC and include specified disclosures to investors. Congress also recognized that there were certain transactions or issuers that would be exempt from such disclosure requirements, in essence, forming part of the private markets. Over the decades, we've seen continued development of robust public and private markets, and our economy has benefited from both.

Regulation D, first adopted in the early 1980s, has become one of the most important exemptions for companies looking to raise capital outside of registration. The accredited investor definition always has been a cornerstone of Reg D.

Any discussion about the definition of an accredited investor raises the question about when it may be appropriate to have exceptions to this basic bargain at the heart of our capital markets. In essence, when is it appropriate that investors get—or not get—that full, fair, and truthful disclosure that Roosevelt worked with Congress to embed in the securities laws? I look forward to hearing the Committee's thoughts on the ways that they think we might improve on the current definition of an accredited investor.

All companies, from small businesses to high-growth startups to corporations, deserve access to our capital markets to fund their entrepreneurial ideas and innovations, regardless of founders' race, gender, geography, or any other factor.

At the SEC, we work every day to protect investors and facilitate capital formation across the spectrum of communities that make America strong, including underserved communities. With respect to the middle part of our mission—to maintain fair, orderly, and efficient markets—fairness literally is embedded in our mission. I welcome the Committee's thoughts on diversity in the investment process and the role such diversity plays in our mission.

Thank you.