

Speech

Remarks to the Small Business Capital Formation Advisory Committee



Commissioner Mark T. Uyeda

Washington D.C.

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Thank you, Amy [Reischauer]. Good morning everyone. I would like to welcome the fourteen new members of the committee and thank you in advance for your contributions towards creating a regulatory structure that allows small businesses and smaller public companies to raise necessary capital, while at the same time, protecting their investors. I would also like to thank Donnel Baird and Sue Washer, as well as the committee's representatives from the Commission's Investor Advocate, NASAA,^[1] the Small Business Administration, and FINRA,^[2] for their continued service on the committee.

Today's agenda includes discussions on the state of small business capital raising, and the funding gaps for underrepresented founders and startups.

On the first topic, I am interested in your views on whether small business owners, especially those located in more rural areas, have access to the quality legal services necessary to help them understand their capital raising options. Has the Securities Act's^[3] regulatory framework for registration exemptions become too complicated, and if so, how can it be simplified? What are the common foot faults in compliance – before, during, and after the offering? The Commission's registration exemptions should not be a game of "gotcha" that require \$1,000 per hour lawyers to navigate.

On the second topic, challenges for underrepresented founders have been discussed in the Office's^[4] last three annual reports to Congress.^[5] This is a widely-recognized problem. As we search for ways to address these challenges, how can the Commission ensure that its future regulations do not exacerbate the problem? For example, would increasing the income and net worth thresholds in the accredited investor definition make it even more challenging for underrepresented founders to obtain funding? Would greater regulation of the private markets disproportionately affect underrepresented founders? If the Commission engages in rulemaking on these topics without addressing their potential impact on underrepresented founders, then the funding gap may only widen and remain a perennial issue for this committee to address.

I look forward to your thoughts on these two topics and look forward to engaging with you during the course of your service on the committee. Thank you.

^[1] North American Securities Administrators Association.

^[2] Financial Industry Regulatory Authority, which appoints an observer to the committee.

^[3] Securities Act of 1933.

[4] Office of the Advocate for Small Business Capital Formation.

[5] See Annual Report for Fiscal Year 2022, Office of the Advocate for Small Business Capital Formation (“Raising investment capital became harder at every stage of the capital raising cycle. The challenges for underrepresented founders were even further magnified.”), available at <https://www.sec.gov/files/2022-oasb-annual-report.pdf>, Annual Report for Fiscal Year 2021, Office of the Advocate for Small Business Capital Formation (“As the Commission considers changes to the regulatory framework, it is critical to consider barriers to entry for underrepresented founders and to avoid creating regulatory foot faults that impact the ability of founders to secure future rounds of financing as their businesses grow.”), available at <https://www.sec.gov/files/2021-OASB-Annual-Report.pdf>, and Annual Report for Fiscal Year 2020, Office of the Advocate for Small Business Capital Formation (“[I]t is clear that minorities and women are not on level playing field with obtaining funding...”), available at <https://www.sec.gov/files/2020-oasb-annual-report.pdf>.