

## Speech

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# Rethinking Capital Raising Policy: Opening Remarks at the SEC's Small Business Forum



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**Washington D.C.**

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Good afternoon, and welcome to the SEC's 41<sup>st</sup> annual [Small Business Forum](#). This is one of my favorite events of the year, and not just because it brings together hundreds of people who are passionate about capital raising, all of our Commissioners, as well as other government leaders. This annual event signals that no matter the good work we have done, we will always need advocates pushing us to rethink and retool our policies in response to a constantly changing environment.<sup>[1]</sup>

## Fish Tanks vs. Vast Oceans

If the world were static—like an unchanging fish tank—we could have crafted perfect rules that could be etched in stone forever. With the right people in the room in 1982 at the first Forum, we conceivably could have solved all of the capital raising challenges, patted each other on the back, and moved on.

Yet we live in a dynamic world, less a fish tank than a vast blue ocean. It is a world defined by continuous change, not homeostasis. Entrepreneurship and investing have dramatically changed over the past 41 years of the Forum (not to mention the nine decades of the SEC's existence), and they will continue to change. Even the best, most thoughtful policies will become outdated with time, requiring revisiting and refining to meet the needs of a changing world.

## The Changing Tides at Recent Forums

Let's take the last three years as an example (which coincidentally line up with the three years the Forum has taken place since our Office's conception). In 2019, we met in the middle of the country in Omaha, Nebraska—where the staple tends to land in the middle of a map of the United States. One of the key themes of that Forum was highlighting that entrepreneurship exists everywhere.<sup>[2]</sup> We did what many entrepreneurs were then doing to raise capital: hop on an airplane and travel across the country. The 2019 Forum occurred in the world of handshakes, nametags, and crowded auditoriums.

One year later, as we were finalizing plans to take the 2020 Forum to another state, we were forced to flip our plans upside down in response to COVID-19. It was our first foray into hosting the Forum on sofas and in home offices across the country. Just a few months into the pandemic, the Forum conversation shifted to the issues of the day: how the world would adapt to working remotely, and, even more critical, how the racial justice reckoning of Black Lives Matter would impact capital raising policy.<sup>[3]</sup>

Last year as we celebrated the 40<sup>th</sup> Small Business Forum, we were all well-versed with virtual meetings, albeit with a heavy dose of Zoom fatigue. Instead of talking about when we would get back to “normal”—the way things had been pre-pandemic—we were talking about how we would evolve going forward, blending the best of both worlds.[4] The 2021 Forum was less about how to use tools for remote collaboration, and more about how those tools could unlock trapped potential among entrepreneurs and investors alike.

As we look ahead to this year’s Forum and future gatherings, we know this vast ocean will continue to change. Your advocacy efforts are essential to refining policy to build the companies of tomorrow. Whether it be the rise of Web3, new forms of financing, changing investor expectations, or illumination of social inequities, I have no doubt that the Forum will continue to be a critical venue to explore the changing tides and how we, as policymakers, should correspondingly evolve in our thinking.

## Call to Action

For those listening along and thinking: well, Martha is stating the obvious... of course things have changed since 1982, and of course they will continue to change! You are right, which makes my call to action to *rethink* all the more important.

The purpose of the Forum is not to convene a group of people who all think alike and have the same ideas about how to fix capital raising policy. Instead, the purpose is to convene a group of people who can share stories, perspectives, and suggestions that will intrigue, spark ideas, and make you question what you know about capital raising so that you may do rethinking of your own.

Ironically, this call to action—to rethink—is the most challenging for the smartest person in the room: the expert, the person with the answers and the impressive resumé. Take my nudge as a compliment; research shows that the smarter you are, the harder it often is for you to update your beliefs and viewpoints on the world,[5] and hence the more important for you to actively force yourself to rethink.

I’ll share an example. Many capital markets experts extol that the market is efficient, meaning if a company is a “good one,” capital will find it. Conversely, if a company struggles to raise capital, it must be because the company is a “bad one.” Maybe that would be the case in a contained fishbowl. Yet the data and our Office’s experiences have shown again and again that *who you are*—your personal network, location, education, and demographic group—often is the first hurdle to clear before investors ever learn *what you are building* and, critically, *whether they will invest*. [6] Many founders never get in the room to tell their story to investors because of *who* they are. I would use the phrase “the door is slammed in their face,” but for most of those founders, they never get near the doorway at all. If you haven’t witnessed the exclusivity of capital raising, it’s easy to buy into the meritocracy narrative that good money will find good companies if you don’t pause to *rethink*. The meritocracy narrative is just not true, at least not for those who don’t “look the part.”

## On to the Exciting Part: The Main Event

As we embark upon the next four days of the Forum with insightful remarks from our Commissioners and each of our speakers, listen closely when you hear something new, something that conflicts with your worldview. If you find a puzzle piece that looks out of place, rather than casting it aside, ponder whether there are others like it, whether the complete puzzle may be bigger than the picture you’ve had to date. That is the beauty of the Forum: you will stretch, learn, and grow at the same time you are actively influencing policy.

Thank you for joining us today and across each day of the 41<sup>st</sup> Small Business Forum. I am grateful that you care deeply about capital raising and are spending your most valuable resource—your time—with us.

It takes a talented team to bring this event together, and while biased, I think ours is the best. Thank you to Jenny Choi, Julie Zelman Davis, Sebastian Gomez Abero, Sarah Kenyon, Jephthe Lanthia, Jenny Riegel, Malika Sullivan, Todd VanLaere, with extra thanks to Amy Reischauer and Kim Dinwoodie for leading this event.

It has been the greatest gift the past 3+ years serving as the SEC’s inaugural Director of the [Office of the Advocate for Small Business Capital Formation](#). In this role, I have learned more from engaging with people

who think differently than me than those with whom I have shared perspectives. To each person who has taken the time to raise your hand, speak up, and collaborate to advance capital raising policy: thank you. My ask of you is to keep it up, to raise your hand again (or for the first time!), and to use your voice for good.

Now join me in diving into the main event: the vast blue ocean, which is far more interesting than a fish tank could ever dream to be.

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[1] The Securities and Exchange Commission disclaims responsibility for any private publication or statement of any SEC employee or Commissioner. This speech expresses the author's views and does not necessarily reflect those of the Commission, the Commissioners, or other members of the staff.

[2] See Report on the SEC's 38<sup>th</sup> Annual Small Business Forum (2019), *available at* <https://www.sec.gov/files/small-business-forum-report-2019.pdf>.

[3] See Report on the SEC's 39<sup>th</sup> Annual Small Business Forum (2020), *available at* [https://www.sec.gov/files/2020-oasb-forum-report-final\\_0.pdf](https://www.sec.gov/files/2020-oasb-forum-report-final_0.pdf).

[4] See Report on the SEC's 39<sup>th</sup> Annual Small Business Forum (2021), *available at* [https://www.sec.gov/files/2021\\_OASB\\_Annual\\_Forum\\_Report\\_FINAL\\_508.pdf](https://www.sec.gov/files/2021_OASB_Annual_Forum_Report_FINAL_508.pdf).

[5] See Adam Grant, *Think Again: The Power of Knowing What You Don't Know*, Viking (2021).

[6] See, e.g., SEC Office of the Advocate for Small Business Capital Formation, "Annual Report for Fiscal Year 2021" (2021) at 21 ("Challenges with networks and connections impact ½ of entrepreneurs with newer businesses, compared to entrepreneurs with mature businesses."), 25 ("Both individual angels and angel groups tend to focus on their local communities. The distance between lead investors and the target company averages only 37 miles.")