

Speech

Prepared Remarks before the Small Business Capital Formation Advisory Committee



Chair Gary Gensler

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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 hope all of you will welcome Stacey Bowers who joined us last month as the new director of the Office of the Advocate for Small Business Capital Formation (OASB). We are excited to have her join the SEC's team in advancing the SEC's important work on behalf of small businesses and their investors. You'll hear from Stacy who is presenting an update on her office's annual report, which, among other things, includes data on capital raising activity.

I understand that the Committee will be deliberating recommendations on the definition of accredited investor and hear from experts on the state of the initial public offering (IPO) market.

Since the 1930s, we've benefitted from the basic bargain 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.

We've seen continued development over the years of robust public and private markets, and our economy has benefited from both.

In the early 1980s, Regulation D was adopted. It 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 President Franklin

Roosevelt worked with Congress to embed in the securities laws? I look forward to hearing the results of today's discussion.

As to the state of the IPO market, as I mentioned, my view is that both public and private markets augment each other. Further, the number of public companies ebb and flow with market conditions and the economy. The Commission recently finalized rules to strengthen protections for investors in special purpose acquisition companies (SPACs). The rules better align the protections investors receive when investing in SPACs with those provided to them when investing in traditional IPOs. Just because a company uses an alternative method to go public does not mean that its investors are any less deserving of time-tested investor protections.

I look forward to the Committee's thoughts on the IPO market and the various ways people access the capital markets.

Thank you.