



nvca

POLICY
YEAR
IN
REVIEW

2023

JANUARY

- **FTC Proposes Banning Noncompete Clauses for Workers:** the Federal Trade Commission (FTC) proposed a new rule that would ban certain employers from imposing noncompetes on their workers and block entrepreneurs from starting new businesses.
- **New CA Wealth Tax Proposal:** Far-left Democratic Members of the California Legislature reintroduced a wealth tax proposal. AB 259 would tax an extra 1.5% on California residents with more than \$1 billion in assets and include a 1% tax for those making \$50 million.

FEBRUARY

- **Coalition Letter to SEC re: Electronic Communications Recordkeeping:** NVCA joined nine trade associations in a letter to SEC Chair Gary Gensler regarding recordkeeping rules for electronic communications, following reports of enforcement sweeps.
- **Cap. Markets Hearing: Removing Barriers to Capital Access for Small Business:** The House Financial Services Committee discussed several legislative proposals to address existing challenges through a hearing on “Empowering Entrepreneurs: Removing Barriers to Capital Access for Small Business.” NVCA submitted a letter for the record expressing support for two of the bills offered for discussion: the *Developing and Empowering our Aspiring Leaders (DEAL) Act* and *Improving Capital Allocation for Newcomers (ICAN) Act*.
- **SEC's Small Business Advisory Committee Talks Agency's Private Funds Proposal:** NVCA Board Chair-Elect, Charles Hudson of Precursor Ventures, spoke to the SEC's Small Business Capital Formation Advisory Committee about the agency's private funds proposal and how it would impact venture capital. The discussion centered around concerns over regulatory overreach and the disproportionate impact on small funds and capital deployment.
- **Critical Technologies Roundtable:** National Security and Climate & Sustainability Working Groups hosted a roundtable with the Small Business Administration (SBA) and the Department of Defense's Office of Strategic Capital (OSC) on opportunities to partner with the new OSC office and the creation of a new Small Business Investment Company (SBIC) license category for equity investment funds.

- **Capital Readiness Program Webinar:** NVCA, Venture Forward and the Minority Business Development Agency (MBDA) hosted a webinar on the MBDA's [Capital Readiness Program](#) and opportunities for emerging managers.
- **SEC Investment Adviser Custody Rule Expansion:** The Securities and Exchange Commission (SEC) [proposed](#) expanding the current custody rule to cover all asset classes, including cryptocurrencies.
- **CHIPS on the Table:** The Commerce Department launched the first CHIPS for America funding opportunity for manufacturing incentives. The CHIPS Program Office sought applications for projects involving the construction or modernization of commercial facilities for the fabrication of leading-edge, current-generation, and mature-node semiconductors.
- **Education & Workforce Development VCs to DC:** NVCA's Education & Workforce Development Working Group visited Washington to meet with policymakers and agency officials. The WG discussed changes in workforce development policy, including the RECOMPETES program and other elements of the CHIPS and Science Act, as well as education policy trends and the future of work.

MARCH

- **National Security VCs to DC:** The National Security Working Group hosted a two-day event to meet with congressional staff, agency officials, and fellow VCs. The convening was an opportunity to develop relationships with key policymakers and peers in the defense technology community, provide education on trends and challenges faced by frontier technology startups, and advocate for issues important to portfolio companies.
- **Biden Unveils Budget:** President Biden announced his 2024 budget proposal. He outlined his plan to reduce the federal deficit by nearly \$3 trillion over the next decade. The proposal includes an array of tax increases on wealthy individuals and corporations.
- **Capital Markets Hearing:** The House Financial Services Subcommittee on Capital Markets held a hearing entitled "U.S. Public Markets Built for the 21st Century: Exploring Reforms to Make Our Public Markets Attractive for Small and Emerging Companies Raising Capital." [NVCA submitted a letter for the record outlining the economic impact of venture capital and highlighted the fact that today's public markets are less welcoming to innovative, small](#)

capitalization companies.

- **Bipartisan Crypto Legislation Reintroduced:** a bipartisan group of lawmakers, led by House Financial Services Committee Chair Patrick McHenry (R-NC) and Rep. Ritchie Torres (D-NY), revived a push to reform crypto tax reporting provisions that date back to the Bipartisan Infrastructure Law. The primary focus of the Keep Innovation in America Act is narrowing the definition of a crypto “broker” to ensure only those who are in the business of brokering are required to report.
- **NVCA Letter to SBA:** NVCA sent a [letter](#) to SBA Administrator Isabella Guzman applauding her leadership in pushing forward a rulemaking to create a new SBIC license for critical technology investment funds and requesting clarification that new licensees be exempt from affiliation rules challenges.
- **R&D Legislation Reintroduced:** Sens. Todd Young (R-IN) and Maggie Hassan (D-NH) reintroduced their bipartisan [American Innovation and Jobs Act](#). The legislation would reverse a provision from the 2017 [Tax Cuts and Jobs Act](#) requiring R&D costs to be amortized over five years, forcing some startups and growth companies into taxable positions, increase the value of the R&D credit for startups and the amount of payroll taxes that can be offset and expand the number of eligible companies.
- **SVB in Review:** Below is a brief recap of NVCA’s focus over the weekend following the collapse of Silicon Valley Bank, an update from our consultants at the Klaros Group about the FDIC’s SVB process, and an overview of NVCA’s next steps as we learn more about the impact of the fallout.
 - **Friday, March 10:**
 - A California regulator shut down Silicon Valley Bank and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver to take control of its parent company.
 - NVCA retained the Klaros group, a consulting firm made up of a range of former financial policymakers, and hosted a webinar with Treasury officials to discuss guidance and next steps.
 - NVCA's Board of Directors and the Klaros Group convened to discuss evolving events and paths forward.
 - **Saturday, March 11:**
 - NVCA sent a [member update](#) outlining the situation at hand, including what we knew and what we did not at that point.
 - NVCA and the Klaros Group hosted a webinar to begin unpacking the FDIC receivership process.

- NVCA made a [statement](#) on the developing SVB situation, focusing on the issue of payroll as an acute crisis facing the startup community that Monday morning.
 - **Sunday, March 12:**
 - NVCA and the Klaros Group provided an overview on what companies and VCs should be prepared for come Monday morning should a sale not happen (which did not occur).
 - The FDIC released a [joint statement](#), with the Department of Treasury and the Federal Reserve, announcing that all uninsured depositors will have full access to their funds on Monday.
 - A New York regulator closed Signature Bank, the third largest failure in U.S. banking history.
 - **Monday, March 13:**
 - The FDIC updated [FAQs](#) to provide updated guidance to investors.
 - NVCA issued a [statement](#) applauding the bipartisan leadership in Washington that managed to avoid far reaching consequences for the global competitiveness of the U.S. economy, our national security posture, and the energy transition.
- **New CHIPS Applicants Resources:** The Department of Commerce released pre-application and application instructions, guidebooks, and other [resources](#) for the first CHIPS for America funding opportunity for leading-edge, current-generation, mature-node, and back-end semiconductor fabrication facilities.
- **CHIPS Tax Credit Outlined:** the Treasury Department and the Internal Revenue Service (IRS) issued a [notice of proposed rulemaking](#) for the Advanced Manufacturing Tax Credit (CHIPS ITC) under the CHIPS and Science Act. The new tax credit provides a fully refundable tax credit for up to 25 percent of the cost of building or modernizing a facility in the United States that produces semiconductors or their components. This is part of a broader effort to incentivize the reshoring of critical supply chains and increase domestic production.
- **NVCA Letter on Technology Commercialization Funding:** NVCA sent a [letter](#) to the House and Senate Appropriations Committee in support of funding for the technology commercialization programs established in the CHIPS and Science Act. We urged policymakers to provide robust and sustained funding for programs such as the Technology, Innovation, and Partnerships (TIP) Directorate at the National Science Foundation (NSF) and the Regional Technology Hubs and RECOMPETE Programs at the Department of

Commerce.

- **Medtech Coverage Pathway Bill Introduced:** Representatives Suzan DelBene (D-WA) and Brad Wenstrup (R-OH) introduced the Ensuring Patient Access to Critical Breakthrough Products Act, legislation that would address a longtime challenge for medtech companies and investors by providing a coverage pathway for FDA-designated breakthrough medical devices.

APRIL

- **Energy Communities Event:** at a White House convening regarding energy communities with various energy transition stakeholders including NVCA, the Biden-Harris Administration announced several new actions to encourage more economic activity in communities that historically relied on fossil fuel activity as a primary economic driver.
- **Final SBA Affiliation Rule Released:** The Small Business Administration (SBA) released the final rulemaking on the affiliation rules for the 7(a) loan program. This effort would make permanent the affiliation rules NVCA hammered out during PPP for their 7(a) government guaranteed loan program.
- **SBA Opens 7(a) Door for Fintechs:** The Small Business Administration (SBA) released a final rule that will allow financial technology companies to offer government-backed loans under the agency's flagship 7(a) lending program, sidestepping resistance from traditional banks.
- **Carried Interest Tax Increase Bill Introduced:** Rep. Bill Pascrell (D-NJ) reintroduced the *Ending Wall Street Tax Giveaway Act*, which would tax carried interest capital gains at ordinary income rates. Specifically, the bill would tax all carried interest capital gains as ordinary income; tax any stock or property distributions at ordinary income rates at the time of distribution; and strengthen the prohibition on QSBS eligibility of carried interest capital gains.
- **Green Bank Guidance Released:** the Environmental Protection Agency (EPA) released new details about the design of the \$27 billion Greenhouse Gas Reduction Fund (GGRF), the national-scale “green bank” competitive grant program created by the Inflation Reduction Act.
- **DEAL Act Advances in Committee:** the House Financial Services Committee passed the *Developing and Empowering Our Aspiring Leaders (DEAL) Act*,

which was part of Chair Patrick McHenry's broader capital markets package. A longtime NVCA legislative priority, the DEAL Act would modernize the definition of a VC fund for the purposes of Securities and Exchange Commission (SEC) registration, increasing access to capital for early-stage startups and fund managers.

- **NVCA Letter of Support for R&D Tax Bill:** NVCA sent a [letter of support](#) for the *American Innovation and Jobs Act*, an NVCA priority bill that would expand the ability of startups to access the value of research and development (R&D) tax credits they generate and once again allow companies to expense the costs of R&D.
- **Coalition Letter Supporting QSBS Bill:** NVCA joined a [coalition letter](#) with a dozen innovation and entrepreneurship organizations in support of the [Small Business Investment Act](#) which would expand access to Section 1202 Qualified Small Business Stock (QSBS).

MAY

- **SEC Adopt Amendments to Form PF:** The SEC formally adopted [amendments to Form PF](#), which increases the level of reporting required for RIAs. [Fortunately, both of NVCA's top priorities were addressed \(read our comment letter from March 2022\):](#)
 - Quarterly reporting for all RIAs required to file Form PF for the following events (SEC previously proposed one-day reporting of these events and NVCA's suggestion of quarterly reporting was adopted):
 - Occurrence of an adviser-led secondary transaction.
 - Removal of a GP or election to terminate the investment period or fund.
 - Enhanced reporting for "large private equity fund advisers" defined as having \$2B in AUM (SEC previously proposed reducing threshold to \$1.5B):
 - Requirement to annually report information pertaining to any GP or LP clawback that occurred during the past year (SEC previously proposed for all RIAs to report within one day).
 - Additional reporting on information such as: fund strategies, fund-level borrowings, events of default, bridge financing to controlled portfolio companies, and geographic breakdown of investments.
 - Effective dates: 6 months for quarterly event reporting (sections 5 or 6 of Form PF) and one year for the remainder of the amendments.

- **China Competition Bill 2.0:** Senate Majority Leader Chuck Schumer (D-NY) announced a new initiative to create a bipartisan China Competition bill that builds off the CHIPS and Science Act and other efforts from last Congress. Areas of focus:
 - Limit the flow of capital and advanced technology to Chinese technology companies and the Chinese Government;
 - Increase domestic economic investment through additional government support of critical technologies, including sourcing of critical materials and domestic manufacturing;
 - Safeguard our allies' and partners' security and maintain our strategic alliances.
- **AI Executive Order:** The Biden-Harris Administration announced several executive actions around artificial intelligence in the latest move by policymakers to develop a framework around the burgeoning technology field.
 - The National Science Foundation (NSF) announced \$140 million in funding to launch seven new National AI Research Institutes, which will bring the total number of Institutes to 25 across the country. The new Institutes are aimed to advance AI R&D to drive breakthroughs in critical areas, including climate, agriculture, energy, public health, education, and cybersecurity.
 - Leading AI developers, including Anthropic, Google, Hugging Face, Microsoft, NVIDIA, OpenAI, and Stability AI, will participate in a public evaluation of AI systems, consistent with responsible disclosure principles—on an evaluation platform developed by Scale AI—at the AI Village at DEFCON 31.
 - The Office of Management and Budget (OMB) announced that it will be releasing draft policy guidance on the use of AI systems by the U.S. government for public comment to ensure the U.S. government is leading by example on mitigating AI risks and harnessing AI opportunities.
- **SEC Custody Rule Comment Letter:** NVCA sent [comments](#) to the Securities and Exchange Commission (SEC) regarding the proposed safeguarding rule to amend and replace the Custody Rule.
- **First Tech Hubs Funding Opportunity:** The U.S. Department of Commerce's Economic Development Administration (EDA) launched the [Regional Technology and Innovation Hubs](#) (Tech Hubs) competition.
- **NSF Engines Development Awards:** NSF awarded the first-ever [NSF Engines Development Awards](#) to 44 unique teams spanning 46 U.S. states and territories and run by businesses, nonprofits, universities, and other

organizations. Similar to tech hubs, the Engines program will run a subsequent competition for larger funding opportunities later in the year. The program supports projects across all key technology and challenge areas as outlined in the CHIPS and Science Act.

- **Critical Technologies Roundtable:** Members of the Climate and National Security Working Groups convened for a policy briefing and fireside chat with officials from the Department of Defense's Office of Strategic Capital (OSC) and the Small Business Administration (SBA) at DCVC in Palo Alto.
- **White House Releases AI Framework:** The Biden-Harris Administration unveiled new efforts regarding artificial intelligence (AI), including:
 - Updated roadmap to focus federal investments in AI research and development (R&D);
 - Request for information (RFI) on critical AI issues from the Office of Science and Technology Policy (OSTP);
 - Report on the risks and opportunities related to AI in education
- **Net Zero Venture Initiative Webinar:** NVCA partnered with the Venture Climate Alliance (VCA) on a webinar around their Net Zero Venture Initiative. The VCA is led by Prelude Ventures and is comprised of a group of VC firms focused on establishing how to define, encourage, and facilitate net zero-aligned growth across early-stage investments.

JUNE

- **Bobby Franklin's Take on the SEC's Proposed Rulemakings:** NVCA President and CEO, Bobby Franklin, put pen to paper highlighting the repercussions that could come from the Securities and Exchange Commission's (SEC) harmful private funds rules. [Check out the full piece here](#) and [a refresh on the proposed regulations here](#).
- **Senate AI Briefings Announced:** Senate Majority Leader Chuck Schumer (D-NY) along with Sens. Martin Heinrich (D-NM), Mike Rounds (R-SD) and Todd Young (R-IN) circulated a Dear Colleague letter announcing a series of bipartisan AI briefings, including a classified briefing on our adversaries' use of AI.
- **Capital Formation Legislation:** The House passed seven pieces of bipartisan financial services legislation focused on expanding accredited investor rules

and broadening the benefits of emerging growth company (EGC) status. Key proposals include:

- Updating the Emerging Growth Company (EGC) financial statement requirements to clarify that an EGC may present two years, rather than three, of audited financial statements in both IPOs and spin-off transactions, sponsored by Chair Patrick McHenry (R-NC).
- Establishes that an EGC, as well as any issuer that went public using EGC disclosure obligations, only needs to provide two years of audited financial statements, sponsored by Chair McHenry (R-NC).
- *The Encouraging Public Offerings Act of 2023*, sponsored by Rep. Ann Wagner (R-MO).
 - Allows all issuers to submit a confidential draft registration statement for review prior to going public and would permit any issuer to “test the waters” and gauge investor interest prior to filing.
- *The Middle Market IPO Cost Act*, sponsored by Rep. Jim Himes (D-CT).
 - Requires the SEC to study the costs incurred by small and medium-sized companies associated with going public.
- **House Ways and Means Tax Package Advances:** the House Ways and Means Committee approved two tax bills with implications for the startup community. NVCA supports progress on both of these measures.
 - Notably, the *Build it in America Act* passed, which includes a provision that would retroactively restore immediate expensing for research and development expenses (effective for taxable years beginning after December 31, 2021).
 - The *Small Business Investment Act* also passed, which would modify qualified small business stock (QSBS) rules in several ways, including:
 - Providing a sliding scale exemption for investments held three (50%) to four years (75%);
 - Counting the time an investment is held as a convertible note towards an investor’s holding period;
 - Allowing LLCs to qualify for QSBS.
- **Energy Credit Direct Pay and Transferability Guidance Released:** Treasury and IRS released guidance on the direct pay and transferability mechanisms passed in the Inflation Reduction Act (IRA). These credit monetization provisions were a top priority for NVCA’s Climate & Sustainability Working Group and will provide critical liquidity to startups developing and deploying new technologies to advance the energy transition.
- **Semiconductor Manufacturing Credit Guidance Released:** Treasury and IRS issued guidance on the implementation of the Advanced Manufacturing

Investment Credit, established in the CHIPS Act. This is a refundable 25% credit for the costs of building or modernizing a domestic semiconductor manufacturing facility in the United States. Startups could either utilize the credit themselves if they are building a facility or leverage it in negotiations with contractors they partner with to build or modernize a facility.

- **NVCA AI Panel at the Bloomberg Tech Summit:** NVCA's Justin Field moderated an engaging discussion with several of our members on the promise of AI to address societal challenges at Bloomberg's Technology Summit.
- **Schumer Unveils AI Framework:** On Wednesday, Senate Majority Leader Chuck Schumer (D-NY) unveiled his long-awaited approach for crafting AI policy, the SAFE Innovation for AI framework, as Congress and the Biden administration race to regulate the emerging technology.
- **NIST Public Working Group on Generative AI:** the National Institute of Standards and Technology (NIST) officially announced their new (public) working group on Generative AI and are looking for candidates to apply from the VC and startup community.
- **CA Legislature Proposes VC DEI Reporting Requirements:** NVCA engaged on new proposal in the California state legislature that would require VCs to collect diversity survey data from founders who choose to provide it. The survey will include information at an aggregate level about demographic information the founding teams of all of the businesses in which the VC made an investment and who chose to fill out the survey in the prior calendar year.

JULY

- **SEC Moves to Make Research Coverage Harder for Emerging Growth Companies:** The Securities and Exchange Commission (SEC) allowed certain rules that provided regulatory relief for public market research to expire, making it more difficult to provide research coverage, Commissioner Mark Uyeda warned in a statement. This move by Chair Gensler's SEC will likely make it more difficult and less attractive for smaller companies considering going public, while potentially emboldening "short and distort" trading schemes.
- **EDA Roundtable on Regional Tech and Innovation Hubs:** NVCA hosted a virtual conversation with Assistant Secretary of Commerce for Economic Development, Alejandra Castillo. We discussed the recent developments

regarding the Regional Technology and Innovation Hubs program and EDA's efforts to incorporate workforce development into the new hubs.

- **FTC Proposed Changes to HSR Rules:** In another extremely misguided action under Chair Khan's leadership, the Federal Trade Commission (FTC) has proposed a concerning overhaul of the Hart-Scott-Rodino (HSR) premerger notification rules. If adopted, these rules would dramatically increase costs, burden and the time required to prepare filings for M&A transactions, even for deals that do not raise substantive antitrust issues, and in some circumstances can even hit growth financings. [NVCA submitted comments in response to the FTC's proposed HSR rulemaking.](#)
- **Bipartisan Crypto Legislation Reintroduced:** Sens. Cynthia Lummis (R-WY) and Kirsten Gillibrand (D-NY) reintroduced The Responsible Financial Innovation Act.
- **SBIC Critical Technology License Finalized:** The U.S. Small Business Administration (SBA) finalized a rule to create a new category of Small Business Investment Company (SBIC) license intended to be tailored to equity investment funds. What the final ruling will do:
 - Provide licensees a new “accrual debenture” debt instrument that allows principal and interest payments to be deferred for a ten-year period.
 - Modify licensing fees to reduce the financial burden for new program applicants.
 - Establish a new type of SBIC called the “Reinvestor SBIC” based on a fund-of-funds model to invest equity in funds with an underserved focus that, in turn, invest directly into small businesses and startups.
- **New FTC/DOJ Merger Guidelines:** The Federal Trade Commission (FTC) and Department of Justice (DOJ) laid out new guidelines for approving mergers. The new focus for evaluating mergers will include the impact a deal will have on competition for workers, along with how a series of acquisitions could result in harmful effects on the market. [NVCA submitted comments to the FTC and DOJ detailing our concerns.](#)
- **Crypto Bill Could Harm VC Ecosystem:** Sens. Jack Reed (D-RI), Mark Warner (D-VA), Mike Rounds (R-SD), and Mitt Romney (R-UT) introduced the Crypto-Asset National Security Enhancement and Enforcement (CANSEE) Act
 - This bill aims to address perceived gaps in U.S. anti-money laundering and sanctions frameworks to fight criminal activity that uses crypto, specifically decentralized finance (DeFi), to facilitate money laundering and avoid critical sanctions measures.

- A provision within the legislation outlines if no person or company controls a DeFi protocol, then anyone who has invested more than \$25 million aggregate in developing the protocol will be responsible for these obligations.
 - Essentially, any VC firm that has invested \$25 million (or merely owns \$25 million worth of the protocol's governance tokens, whether from outright purchase or via increase in value of their initial venture investment), will then be liable for ensuring the protocol is sanctions-compliant and in implementing Know Your Customer (KYC) checks upon the protocol's users.
 - If this legislation is passed, and ultimately signed into law, aside from forcing numerous NVCA member firms to establish retail-facing KYC operational support — the larger precedent of legislation targeting venture investors in order to accomplish policy outcomes in the industries they invest in, or even in individual companies they support, is a highly problematic one.
 - [NVCA member Paradigm's bill summary](#)
 - [Bill text](#)
- **Senate NDAA Outbound Investment Provision:** The Senate voted, 91-6, to add language to the annual defense spending bill, the National Defense Authorization Act (NDAA), that would require American companies to notify the federal government when they invest in certain Chinese tech sectors that could “benefit the Chinese military.
 - **New York City Innovation Tour:** Our team traveled to New York City to participate in a panel on the future of AI and host a series of roundtables and a startup facility tour with the National Science Foundation’s (NSF) TIP (Technology, Innovation, and Partnerships) Directorate team.
 - Roundtable on Biotechnology: Hosted by SOSV, participants at the roundtable discussed efforts to move technology from lab to market, how TIP is working with other agencies including ARPA-H to provide a more coordinated strategy, and discussions on further public private collaborations to advance mutual objectives.
 - Tour of C16 Biosciences: We heard an inspiring overview of C16’s efforts to create a synthetic alternative to palm oil and got the opportunity to tour their cutting-edge lab space.
 - Roundtable on Artificial Intelligence: Hosted by Lux, participants discussed how the TIP Directorate is engaging on AI, Dr. Gianchandani's work as Co-Chair of an interagency working group on AI, the potential of the National AI Research Resource (NAIRR) report to accelerate AI research and competition, as well as great feedback

from participants on how government should encourage greater competition in AI.

AUGUST

- **DoD Tech Purchasing Reform Letter:** NVCA along with a coalition of allied organizations sent a [letter](#) to House Armed Services Committee and Appropriations leadership supporting a number of promising provisions in the House-passed National Defense Authorization Act (NDAA). The provisions included would ease barriers to entry for start-up companies and small businesses dedicated to building mission-focused software for the Department of Defense (DoD). Modernizing the procurement process, in addition to other aforementioned efforts, would significantly increase innovation and technological superiority for the DoD.
- **MD Carried Interest Surtax Proposal Revival:** Facing a significant budget deficit, Maryland lawmakers are looking for non-income tax revenue sources to plug the gap and are considering a long list of ideas. Among them will be a proposal to impose a 17% surtax on carried interest earned by any VC general partner with a portfolio company in the state. NVCA had previously fought this proposal off in prior years but given the budget deficit, it is gaining new traction.
- **Treasury Outbound Investment EO:** President Biden issued an [Executive Order](#) instructing the Treasury Department to impose notification requirements, and in some cases prohibitions, on U.S. investments in Chinese companies that involve semiconductors and microelectronics, quantum information technologies, or artificial intelligence.
 - NVCA believes that some targeted changes can help ensure that the forthcoming rules do not deter investment in key sectors of the U.S. economy. Our [comments](#) focus on potential unintended consequences for the U.S. venture ecosystem, with two overarching concerns:
 - First, if the rules are promulgated on the terms in the proposed rulemakings, they are likely to create significant costs in cases where that cost effectively brings no national security benefit.
 - Second, the proposed rulemaking's proposals and definitions do not provide the requisite clarity to enable investors to understand which investments should be notified or must be prohibited.
- **Fed Takes on Stablecoin Regulation:** This week, the Federal Reserve Bank issued [new guidance](#) via two letters that cover a wide swath of crypto activity

in the banking system. This is a small but significant move coming after a bipartisan slew of House Financial Services Committee members advanced legislation that would limit the Fed's role in the future of state-issued stablecoins among nonbanks.

- **The first letter** announces a new program supervising novel activities, which includes anything “related to crypto-assets, distributed ledger technology (DLT), and complex, technology-driven partnerships with nonbanks to deliver financial services to customers.”
- **The second letter** outlines the Fed's plan to zero in on dollar tokens, which are essentially a form of private money that seeks to mimic the value and function of the U.S. dollar.
- **Proposed Amendments to PCAOB Auditing Standards:** NVCA sent [comments](#) to the Public Company Accounting Oversight Board (PCAOB) urging it to withdraw detrimental proposed changes to the PCAOB Auditing Standards (Docket No. 051) that would hurt the innovation economy. The total cost of audits under the Proposal would outweigh the benefits to venture capital and public company investors especially if the proposed change applied to audits of emerging growth companies (EGCs).
- **SEC Adopts Private Funds Final Rule:** the Securities and Exchange Commission (SEC) approved the long-awaited final [Private Fund Advisor rule](#) with a 3-2 vote. NVCA strongly opposed the [initial proposal](#) which sought to place several new prohibitions on private funds, including VCs, and commonly negotiated industry terms.
- **SBIC Policy Guidelines Released:** the Small Business Administration (SBA) released policy guidance on the newly finalized Small Business Investment Companies (SBIC) [Investment and Diversification rule](#).

SEPTEMBER

- **Climate & Sustainability WG Briefing & Happy Hour:** the NVCA team hosted Climate & Sustainability Working Group policy briefing and happy hour in San Francisco. The event brought together like-minded investors to discuss climate policy issues, industry trends, and what we can accomplish together going forward. The networking happy hour followed a members-only policy roundtable event.
- **NVCA Joins Coalition Filing Lawsuit Against SEC:** NVCA joined a coalition of asset management associations in filing a lawsuit in the United States Court

of Appeals for the Fifth Circuit against the United States Securities and Exchange Commission (SEC) to prevent the adoption of the recently approved Private Fund Adviser rule, contesting the legality of the rule. For further details please read the [official complaint](#), [press release](#), [press kit](#), [NVCA's reaction to the final rule here](#), and [background information about the original proposal in our April 26, 2022 response here](#).

- **Fearless Fund Amicus Brief Filed:** NVCA and Venture Forward filed an amicus brief in support of Fearless Fund in the lawsuit brought by the American Alliance for Equal Rights. You can view the amicus brief filed in support of Fearless Fund [here](#).
- **SB 54 Passes CA State Assembly:** the California State Assembly passed SB 54, a bill that would create an onerous diversity reporting regime that is posed to dramatically overstate diversity in the California startup ecosystem.
 - While significant improvements have been made through the process, including the removal of the \$100,000 penalty for noncompliance, the underlying structure will still present misleading data that could hurt diversity efforts in California and elsewhere.
 - We believe they are more in tune with concerns around data quality and compliance costs, but the outcome is uncertain.
- **DoD Announces \$238M CHIPS and Science Award:** Deputy Secretary of Defense Kathleen Hicks announced \$238M for CHIPS and Science Act funding for the establishment of eight Microelectronics Commons (Commons) regional innovation hubs.

OCTOBER

- **CHIPS for America Funding Opportunity:** the U.S. Department of Commerce announced a [funding opportunity](#) for smaller supply chain projects and businesses to access CHIPS for America funds.
- **NVCA NYC National Security Happy Hour and Policy Roundtable:** hosted National Security Working Group policy roundtable and happy hour in New York City.
- **E-signatures for 83(b) Elections Become Permanent:** the Internal Revenue Service (IRS) [permanently allowed](#) e-signature capability for 83(b) elections.
 - In response to a request from NVCA, during the pandemic the IRS allowed taxpayers to use digital signatures when filing 83(b) elections.

- NVCA is part of a coalition that sent a [letter](#) to the IRS asking for the agency to make permanent the ability to electronically sign and to consider allowing the electronic filing of 83(b) elections.
 - Before this change, the process to file a sec. 83(b) election was outdated, inefficient, and burdened already-strained IRS resources. It also imposed an onerous process on filers and often left them uncertain of their election filing status.
- **31 Regional Tech Hubs Unveiled:** The U.S. Department of Commerce's Economic Development Administration (EDA) has [announced](#) the designation of 31 Regional Technology and Innovation Hubs (Tech Hubs) and 29 Strategy Development Grants (SDG) in urban and rural regions across 32 states and Puerto Rico.

NOVEMBER

- **Coalition Files Opening Brief in SEC Lawsuit:** NVCA's coalition of asset management organizations filed an [opening brief](#) in the lawsuit against the Securities and Exchange Commission (SEC) to prevent the adoption of the recently approved Private Fund Adviser rule, contesting the legality of the rule. For further details please read the [official complaint](#), [press release](#), [press kit](#), [NVCA's reaction to the final rule here](#), and [background information about the original proposal in our April 26, 2022 response here](#).
- **Biden Administration Unveils AI Executive Order:** President Biden issued a sweeping [executive order](#) on artificial intelligence (AI) with the goal of promoting the "safe, secure, and trustworthy development and use of artificial intelligence."
 - The EO tasks government agencies with examining the application of AI to their areas of responsibility and provides them discretion to issue guidance specific to each agency. Additionally, the President designated Vice President Harris as the administration's point-person on AI policy, starting with an AI safety summit in London this week.
 - The National Institute of Standards and Technology (NIST) will be foundational in the development of guidelines and best practices under the EO. Earlier this year, NIST released an [AI Risk Management Framework](#) to develop a baseline and prepare for additional guidance to be released from relevant agencies and regulatory bodies.
 - Notably, the EO uses the definition of "artificial intelligence" found at 15 U.S.C. 9401(3): "a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations or decisions influencing real or virtual environments." Therefore, the scope

of the EO is not limited to generative AI; any machine-based system that makes predictions, recommendations or decisions is impacted by the EO.

- Additionally, the Office of Management and Budget (OMB) is seeking public input on developing federal artificial intelligence policy. It developed a website where the public can submit its comments, which can be accessed [here](#).
- **Senate Democrats Introduce Ending the Carried Interest Loophole Act:** Senate Finance Committee Chair Ron Wyden (D-OR), Sen. Sheldon Whitehouse (D-RI), and Sen. Angus King (I-ME) introduced the *Ending the Carried Interest Loophole Act* [legislation](#) (see detailed [summary](#) and [one-pager](#)), which aims to close the carried interest loophole by preventing the deferral of tax payments.
- **NVCA Signs Coalition Letter to Judiciary Committees on Antitrust Concerns:** NVCA signed a coalition [letter](#) with 30 other innovation-focused trade associations to House and Senate Judiciary Committee leaders around the FTC and DOJ's Hart-Scott-Rodino proposed rulemaking.
- **Legislation Introduced to Expand Angel Investment and Funds for Startups:** Senators Jerry Moran (R-KS), Mark Warner (D-VA), and Tim Scott (R-SC) introduced the *Expanding American Entrepreneurship Act*, which would expand the size of allowable angel funds for a higher number of investors in startup companies.
 - The bipartisan legislation is expected to increase the cap on permissible funds, established by the *Investment Company Act of 1940*, from \$10 million to \$50 million.
 - In addition, the legislation will double the number of permitted investors from 250 to 500.
 - If enacted, these changes would allow larger funds to be raised by emerging fund managers, thus enabling more investors, including traditionally underrepresented investors, to utilize these funds.
- **NVCA Artificial Intelligence Resources Page:** NVCA launched a [landing page](#) on our website to serve as a centralized hub of information on artificial intelligence (AI), offering resources to help venture investors and portfolio companies stay informed about the latest policy initiatives in the field of artificial intelligence.