



March 25, 2025

The Honorable French Hill  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

**Re: National Venture Capital Association (NVCA) Supports Capital Markets Solutions in House Committee on Financial Services Hearing, *Beyond Silicon Valley: Expanding Access to Capital Across America***

Dear Chairman Hill and Ranking Member Waters:

On behalf of the National Venture Capital Association (NVCA), all U.S.-based venture capital firms, and the infinite entrepreneurs across the country who leverage venture capital support, I write to express our support for today's hearing on identifying policy solutions to strengthen both the public and private markets.

Founded over 50 years ago, NVCA is the trade association that represents the U.S. venture capital ecosystem.<sup>1</sup> Our organization advocates for policies that encourage American innovation and reward long-term investment across all critical technology areas. Our goal is to empower the next generation of American companies that will fuel the economy of tomorrow.

**Value of Venture Capital**

As the Committee discusses expanding capital access opportunities across America in today's hearing, the value of venture capital (VC) in catalyzing American innovation cannot be understated. It is because of the competitive private sector market that the U.S. remains the global leader in venture capital, accounting for 57% of the total worldwide deal value.<sup>2</sup> Last year alone, U.S. VC firms closed 14,320 deals worth \$215.4 billion.

As the private financiers of the entrepreneurial ecosystem, VCs assume the highest risk needed for research and development (R&D) to create higher-value companies, drive job creation, and catalyze innovation in frontier technologies. As a result, our nation is driving forward cutting-edge developments across artificial intelligence (AI), quantum computing, biotechnology, and more.

While venture capital continues to thrive in traditional hubs such as California, New York, and Massachusetts, it is important to note that the median fund size outside of these states is just \$10 million, significantly lower than the overall U.S. median of \$21.3 million.<sup>3</sup> As the national trade association

---

<sup>1</sup> About NVCA. <https://nvca.org/>

<sup>2</sup> 2025 NVCA Yearbook.

<sup>3</sup> 2025 NVCA Yearbook.



representing the greater VC community at large, we prioritize bolstering opportunity and capital access for both investors and entrepreneurs across America, especially in nontraditional tech hubs.<sup>4</sup>

As the Committee explores solutions to expand capital access, we ask that you consider the following:

***Developing and Empowering our Aspiring Leaders (DEAL) Act***

NVCA has long championed the passage of the *Developing and Empowering our Aspiring Leaders (DEAL) Act*.<sup>5</sup> If passed, this legislation will effectively modernize the Exempt Reporting Adviser (ERA) definition for VC funds and limit the number of VCs that must unnecessarily register with the U.S. Securities and Exchange Commission (SEC). A previous NVCA survey found that Registered Investment Adviser (RIA) funds report annual compliance costs eight times as large as ERA funds<sup>7</sup> – rulemaking by the SEC in recent years has only amplified this reality. This legislation supports the growth and sustainability of the VC ecosystem by easing burdensome regulations and enhancing liquidity options for funds, founders, and long-term employees that are compensated through equity.

Under current law, a VC fund must register with the SEC if more than 20 percent of its portfolio is comprised of “nonqualifying investments”. To maintain ERA status and, therefore, be exempt from registering, at least 80 percent of a VC’s portfolio must be in “qualifying investments,” defined as direct investments in private companies. These parameters do not reflect the current market. We ask the Committee to consider expanding the “qualifying investments” bucket to include:

- *Secondary Markets*: As companies have stayed private longer, secondary investments have become more prominent in VC financing rounds. These secondary investments are a significant source of liquidity for founders and early-stage investors who can then recycle the capital into a new round of companies.
- *Fund of Funds*: “Fund of funds” investments from established VC funds seed emerging managers and encourage greater distribution of venture capital activity.

The *DEAL Act* would allow VC funds to provide capital to emerging VC funds without triggering the costs and burdens of fund registration. These early-stage investors would then be able to reinvest their gains into the next generation of new American companies, enhancing the flywheel effect that drives so much of our nation’s innovation and economic growth.

***Improving Capital Allocation for Newcomers (ICAN) Act***

---

<sup>4</sup> NVCA Venture Across America State Breakout Data. <https://nvca.org/research/venture-across-america/>

<sup>5</sup> NVCA Letter on DEAL Act & HFSC Cap Markets Hearing, February 8, 2023. <https://nvca.org/document/nvca-letter-re-02082023-hfsc-cap-markets-hrg-final-1-2/>

<sup>6</sup> NVCA Letter of Support for DEAL Act, July 10, 2018. <https://nvca.org/document/nvca-letter-of-support-for-the-deal-act-7102018-final-2/>

<sup>7</sup> NVCA Compliance & Financial Reporting Costs Group Therapy: Analyzing the Impact with Data, November 2, 2017. <https://nvca.org/document/compliance-financialreporting-costs-group-therapy-analyzing-the-impact-with-data/>



NVCA also continues to advocate for the passage of the *Improving Capital Allocation for Newcomers (ICAN) Act*, which would modify the Qualifying Venture Capital Fund Exemption under Section 3(c)(1) of the Investment Company Act of 1940 by increasing the cap on aggregate capital contributions and uncalled capital commitments from \$10 million and 250 investors to \$150 million and 600 investors.<sup>8</sup> These changes would expand capital access for emerging and smaller venture capital fund managers, particularly those operating in emerging ecosystems. Additionally, the ICAN Act aligns with recommendations from the SEC’s Small Business Capital Formation Advisory Committee, aiming to provide greater flexibility and resources for new and diverse entrepreneurs across various regions.

**Helping Angels Lead Our Startups (HALOS) Act**

In addition, NVCA supports the *Helping Angels Lead Our Startups (HALOS) Act*, which would clarify the definition of general solicitation contained in the Securities Act of 1933 to ensure that startups can discuss their products and business plans at certain events, known as “demo days,” without such discussions being considered an investment offering. Allowing startups to engage investors during demo days can expedite capital access opportunities and encourage greater participation for entrepreneurs and investors. Demo days are fundamental to supporting startups and are where entrepreneurs can pitch their ideas to investors and help educate the broader startup ecosystem.

We are thrilled to see the Committee spotlight improvements to the capital formation process and expand investment opportunities for emerging fund managers, VCs, and the next generation of American startups. Thank you for your leadership and efforts to foster new company creation, economic opportunity, and American competitiveness. We look forward to working with you as a resource on these critical issues.

Sincerely,

A handwritten signature in black ink that reads "Bobby Franklin". The signature is written in a cursive, flowing style.

Bobby Franklin  
President and CEO  
National Venture Capital Association (NVCA)

---

<sup>8</sup> NVCA Letter on DEAL Act & HFSC Cap Markets Hearing, February 8, 2023. <https://nvca.org/document/nvca-letter-re-02082023-hfsc-cap-markets-hrg-final-1-2/>