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Legislative Proposals Affecting Capital Markets Funding

Capital markets—the marketplace where securities such as stocks and bonds are issued and traded—provide major sources of funding for U.S. business operations. This In Focus summarizes selected legislative proposals aiming to expand access to funding through capital markets, some of which are under consideration in the 119th Congress. At House Financial Services Committee hearings in February and March of 2025, Members presented dozens of legislative proposals. A subset of these proposals entered markup in May 2025. Many of the proposals build on previous iterations of similar capital markets bills, while others are newly announced during the 119th Congress.

History of Legislative Proposal Packages

Congress has at times assembled capital markets and securities regulation packages that combine dozens of standalone proposals. Starting in 2012, the Jumpstart Our Business Startups Act (JOBS Act, P.L. 112-106) established several new options for fundraising. These new options included emerging growth company (EGC), Regulation A+, and Regulation Crowdfunding (**Table 1**). In 2015, parts of the Fixing America's Surface Transportation Act (P.L. 114-94)—referred to as JOBS Act 2.0—provided additional regulatory amendments for smaller companies. Following the JOBS Act and JOBS Act 2.0, Congress has considered numerous legislative proposals, building on existing JOBS Act provisions, including the JOBS and Investor Confidence Act of 2018 (House-amended S. 488 in the 115th Congress, known as JOBS Act 3.0)—a package of 32 proposals that passed the House by a 406-4 vote in 2018 but was not enacted. Around the 10th anniversary of the JOBS Act, some Members of Congress released a draft legislation package informally referred to as the JOBS Act 4.0 that included some JOBS Act 3.0 proposals as well as other proposed amendments to capital markets regulation. During the 118th Congress, two additional legislative proposal packages emerged—the Empowering Main Street in America Act of 2024 (S. 5139 in 118th) and Expanding Access to Capital Act of 2023 (H.R. 2799 in 118th).

Examples of Proposals by Category

Although capital markets proposals are varied, when viewed in aggregate, such proposals can be grouped into several categories, including proposals to (1) expand public and private securities offerings, (2) incentivize intermediation at investment funds, (3) promote market structure efficiency, (4) promote investor protection, and (5) provide special consideration for smaller businesses.

Expand Public and Private Securities Offerings

Businesses can obtain funding from investors through securities offerings—a process where investors provide money in exchange for stock or debt issued by a firm. The Securities and Exchange Commission (SEC), the primary

capital markets regulator, requires that offers and sales of securities be either registered with the SEC or undertaken pursuant to specific exemptions. The goal of registration is to ensure that investors receive key information on the securities being offered. Securities issued in registered offerings, often called *public offerings*, can be purchased by all types of investors. By contrast, *private offerings* are securities offerings exempted from certain registration requirements and thus provide investors less information. Private offerings are available only to investors who meet certain net worth, income, or technical expertise thresholds. **Table 1** illustrates the main types of securities offerings.

Table 1. Examples of Public and Private Offerings

Types of Securities Offerings	Maximum Offering Amounts
Public Offering	No limit
Emerging Growth Company (EGC or "IPO On-Ramp")	No limit, but subject to EGC status eligibility
Regulation A-Tier 1	\$20 million in 12 months
Regulation A-Tier 2 (or "Mini-IPO")	\$75 million in 12 months
Regulation Crowdfunding	\$5 million in 12 months
Regulation D-Rule 504	\$10 million in 12 months

Source: CRS, based on SEC reporting.

Notes: For more details and the full description of each offering type, see CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

The amount that can be raised in a particular securities offering may depend on certain attributes of the offering. Viewed together rather than in isolation, these attributes can help inform consideration of a holistic design that addresses both capital access capacity and risk mitigation for investor protection. Below are some examples.

Nonaccredited investor access. Generally, the higher the amount of disclosure, the more open an offering is to nonaccredited investors, who are perceived as less able to sustain risks. For more details, see CRS IF11278. ► *Some proposals focus on changing the definition of accredited investor, such as accounting for additional forms of investor sophistication, allowing investors themselves to opt in, or expanding the eligible investor base, subject to investment limits (e.g., H.R. 3339, H.R. 3348, and H.R. 3394).*

Maximum amount thresholds. This could include the maximum amount that can be raised by an offering under a given exemption. For example, Regulation Crowdfunding

has a size limit of \$5 million in a 12-month period, limiting the program to smaller businesses. In contrast, public offerings have no limit, but issuers that conduct public offerings must abide by more rigorous disclosure and compliance requirements. ► *Some legislative proposals require adjustments to the upper limits of offering amounts or change certain issuer size measures, such as changing certain numerical thresholds for EGC, Regulation A, or Regulation Crowdfunding (e.g., H.R. 3323).*

Disclosure requirements. As mentioned previously, disclosure is at the core of securities regulation and is also the dividing point between public and private offerings. Generally, a higher level of disclosure (which may be associated with higher costs) leads to larger offering size limits and broader investor access, as well as reduced resale restrictions. ► *Some legislative proposals focus on sustaining a scaled-down version of disclosure and compliance, such as requiring fewer audited financials or prolonging the EGC status for certain public offerings (e.g., H.R. 3301, H.R. 3323, and H.R. 3343).*

Marketing and solicitation. Securities issuers face some restrictions on how they contact potential investors. ► *One proposal exempts certain startup company promotional events referred to as “demo day” from restrictions governing general solicitation (H.R. 3352). ► Another proposal codifies SEC Rule 163B, which permits issuers to gauge investor interests (“test the waters”) during certain public filing processes (H.R. 3381).*

Incentivize Intermediation at Investment Funds

Investment funds are pooled investment vehicles that aggregate money from retail and institutional investors and invest the money on their behalf for a fee. Investment funds are important intermediaries channeling money from investors to businesses in need of funding. ► *Some legislative proposals focus on making it easier for investment funds to maintain reduced compliance status or expand funding capacity in certain restricted markets. For example, some proposals aim to expand capital formation at venture capital funds (i.e., a type of fund that provides money to startup financing), through expanding the legal definition or adjusting the numerical thresholds with which a fund obtains eligibility for certain compliance exemptions. ► Other proposals would aim to channel more access to liquidity for private securities markets by expanding the publicly traded closed-end funds as a vehicle to increase public access to private securities markets (e.g., H.R. 3383). ► One proposal allows certain fees to be excluded from a registered fund’s calculation of certain operating expenses, addressing concerns that the current calculation adversely affects business development companies (H.R. 2225). ► One proposal directs the SEC to promulgate rules to allow investment management companies and registered broker-dealers and investment advisors (among other covered entities) to offer electronic delivery of certain disclosure documents (H.R. 2441).*

Promote Market Structure Efficiency

Market structure normally refers to the “plumbing system” of capital markets, especially in relation to how securities trading orders are executed, priced, and disclosed. Key

market structure participants include securities exchanges, broker-dealers, and entities facilitating clearing and settlements. ► *Some legislative proposals would direct the SEC to study the minimum trading price increments (tick size) to see if narrower or wider tick sizes could enhance capital formation. Other proposals focus on creating new marketplaces, such as trading venues (referred to as “venture exchanges”) for stocks issued by smaller issuers.*

Promote Investor Protection

Policy debates involving capital markets often revolve around a perceived trade-off between capital formation and investor protection (through disclosure and other compliance requirements), two of the SEC’s core missions. Expanded capital formation allows businesses to more easily obtain funding for new projects, which in turn spurs economic growth. At the same time, lax regulations could leave investors unprotected against risks such as fraud and market manipulation. However, expanding capital formation and investor protection need not always be in conflict. Investor protection could contribute to market health and efficiency, because investors may be more willing to provide capital—and at a lower cost—if they have faith in the integrity and transparency of the markets. Certain compliance rules may also mitigate risks of market failure, safeguarding both investors and the financial system. ► *Some legislative proposals would target illicit finance by requiring the SEC to create a more extensive public database of bad actors subject to criminal, civil, and administrative actions. ► Other proposals provide targeted protection to senior citizen investors, who are more vulnerable to financial exploitation (e.g., H.R. 1469). ► One proposal enhances disclosure of multi-class shares, where shares could have unequal voting rights relative to investors’ economic commitments (H.R. 3357). ► There are also proposals concerning the protection of personally identifiable information in the consolidated audit trail.*

Special Consideration for Smaller Businesses

Smaller businesses may face extra capital formation challenges due to their reduced capability to absorb compliance costs and their resource limitations for understanding and navigating complex compliance systems. There is considerable demand for capital from U.S. small businesses. ► *Some legislative options would provide tailored forms of assistance to smaller businesses, aiming to provide new resources to small businesses owned by members of certain underrepresented groups and assist small businesses in rural areas (e.g., H.R. 1190 and H.R. 3422). ► One proposal requests a study on direct and indirect costs for small- and medium-size companies to undertake the initial public offering process (H.R. 3395). ► One proposal excludes from the Paperwork Reduction Act (which specifies procedures for collecting information from the public) certain actions taken by the SEC’s Office of the Advocate for Small Business Capital Formation (H.R. 3351). ► Another proposal directs the SEC to study the definition of small entity under the Regulatory Flexibility Act (which requires federal agencies to consider the effects of their regulations on small businesses) and follow up with related rulemaking (H.R. 3382).*

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