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The Incentivizing New Ventures and Economic Strength Through Capital Formation (INVEST) Act of 2025 (H.R. 3383)

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Introduction

Capital markets have continuously drawn policy attention, especially with regard to capital formation; investor protection; and fair, orderly, and efficient markets—the three-part mission of the markets’ primary regulator, the Securities and Exchange Commission (SEC).¹ In recent Congresses, some capital markets legislative proposals, such as those that aim to expand on the *Jumpstart Our Business Startups Act* (JOBS Act, P.L. 112-106), have evolved through multiple iterations. In the 119th Congress, the *Incentivizing New Ventures and Economic Strength Through Capital Formation* (INVEST) Act of 2025 (H.R. 3383) passed the House by a vote of 302-123 and was referred to committee in the Senate. The act includes 22 sections organized across three titles.

In general, the INVEST Act provisions aim to loosen certain regulatory requirements, expand businesses’ access to capital markets, broaden retail investor access to private market investments, facilitate certain investor protections, and incentivize public market participation by making it easier for companies to go public and remain publicly traded. Proponents of the bill assert that these measures would advance economic growth, improve small businesses’ access to capital, and provide more investment opportunities for investors of all kinds.² Opponents of the bill argue that it would expand certain capital formation at the expense of weakened investor protection and may not result in more public offerings by well-run companies.³

This report explains the individual provisions within the act and their general implications. Examples of bills in the 119th Congress that contain similar provisions are listed in parenthesis next to the corresponding INVEST Act sections. Selected policy issues are discussed under each title, with additional details available through relevant CRS reports referenced in footnotes.⁴

Legislative History

In 2012, the JOBS Act established several new options for capital markets fundraising in U.S. securities markets. Starting in 2015, parts of the Fixing America’s Surface Transportation Act (P.L. 114-94)⁵—informally referred to as JOBS Act 2.0—provided additional regulatory amendments for smaller companies.

Following the enactment of the JOBS Act and JOBS Act 2.0, Congress has considered numerous legislative proposals, building on existing JOBS Act provisions and tending to focus on policy alternatives to expand capital formation, which is one of the SEC’s core missions discussed previously. These proposals have included the JOBS and Investor Confidence Act of 2018 (House-amended S. 488 in the 115th Congress, referred to as JOBS Act 3.0), a package of 32 provisions that passed the House by a vote of 406-4 on July 17, 2018. On April 4, 2022, Senator Patrick Toomey announced a package of 29 capital markets provisions, referred to as JOBS Act

¹ For more on capital markets and securities regulation, see CRS In Focus IF11062, *Introduction to Financial Services: Capital Markets*, by Eva Su; and CRS In Focus IF11714, *Introduction to Financial Services: The Securities and Exchange Commission (SEC)*, by Eva Su.

² House Committee on Financial Services, “ICYMI: Chairman Hill and Committee Members Support INVEST Act,” December 15, 2025, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=410958>.

³ North American Securities Administrators Association, “Vote NO on H.R. 3383, the Increasing Investor Opportunities Act, as Amended,” December 10, 2025, <https://www.nasaa.org/wp-content/uploads/2025/12/NASAA-Urges-Congress-to-Oppose-the-INVEST-Act-As-Written-12.10.25-F.pdf>.

⁴ For example, see CRS Report R48521, *Capital Markets and Securities Regulation: Overview and Policy Issues*, by Eva Su, for general policy discussions.

⁵ Titles LXXI, LXXII, LXXVI, LXXXIV, and LXXXV.

4.0.⁶ On April 24, 2023, Representative Patrick McHenry introduced the Expanding Access to Capital Act of 2023 (H.R. 2799 in the 118th Congress), a package of 22 provisions that passed House by a vote of 212-205 on March 8, 2024.⁷ On September 24, 2024, Senator Tim Scott announced the Empowering Main Street in America Act (S. 5139 in the 118th Congress), which consisted of 23 provisions.⁸ None of these packages was ultimately enacted. The current INVEST Act incorporates certain proposals similar to those included in previous iterations of the capital markets legislative packages.

Title I—Expanding Access to Capital for Small Businesses

Section-by-Section Summary

Title I of the INVEST Act consists of nine individual provisions (bills with similar provisions are included in parenthesis):

Section 101 would expand the functions of the SEC’s Office of the Advocate for Small Business Capital Formation to support “rural-area small businesses.” The Small Business Advocate Act of 2016 established the office to support small businesses and their investors.⁹ (H.R. 3422, H.R. 1190, and S. 577)

Section 102 would direct the SEC to exempt, under certain conditions, specific startup company promotional events from restrictions governing general solicitation under Regulation D (which is the most frequently used exemption to sell securities in unregistered offerings).¹⁰ Examples of such events include “demo days,” which are events organized by early-stage investors for prospective corporate issuers to market their private offerings.¹¹ (H.R. 3352 and S. 3342)

Section 103 would increase the securities-based crowdfunding exemptive offering upper limits (1) from \$100,000 to \$250,000 for requiring financial statements reviewed by independent public accountants and (2) from \$250,000 to \$400,000 for SEC discretionary adjustments of the thresholds.¹² Crowdfunding offerings provide a method for small businesses to raise capital from large numbers of investors through online, SEC-regulated platforms. (H.R. 3645)

Section 104 would expand certain private fund adviser exemptions by increasing the threshold from \$150 million to \$175 million and creating an inflation adjustment. (H.R. 3673)

⁶ Senate Committee on Banking, Housing, and Urban Affairs, “Banking Republicans Roll Out Capital Formation Legislation to Mark 10th Anniversary of JOBS Act,” press release, April 4, 2022, <https://www.banking.senate.gov/newsroom/minority/banking-republicans-roll-out-capital-formation-legislation-to-mark-10th-anniversary-of-jobs-act>.

⁷ House Financial Services Committee, “House Passes Expanding Access to Capital Act,” press release, March 8, 2024, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409192>.

⁸ Senate Committee on Banking, Housing, and Urban Affairs, “Scott Leads Banking Republicans in Introducing Capital Markets Reform Legislation,” press release, September 24, 2024, <https://www.banking.senate.gov/newsroom/minority/scott-leads-banking-republicans-in-introducing-capital-markets-reform-legislation>.

⁹ 15 U.S.C. §§78d and 78qq.

¹⁰ For more details, see “Private Offerings” section of CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

¹¹ For example, see Carastone Law Firm, “SEC Says Demo Days and Pitch Events May Not Be General Solicitation,” August 13, 2015, <https://carastone.com/sec-says-demo-days-and-pitch-events-may-not-be-general-solicitation/>.

¹² For more on the crowdfunding exemptive offering, see “Securities-Based Crowdfunding” section of CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

Section 105 would establish a new Office of Small Business within three existing SEC divisions (the Division of Corporation Finance, the Division of Investment Management, and the Division of Trading and Markets) to coordinate with the Office of the Advocate for Small Business Capital Formation on capital formation rules. (H.R. 4449)

Section 106 would direct the SEC to study the “small entity” definition under the Regulatory Flexibility Act (P.L. 96-354),¹³ which requires federal agencies to consider the effects of their regulations on small businesses, and follow up with related rulemaking. (H.R. 3382 and S. 2924)

Section 107 would exclude certain actions taken by the SEC’s Office of the Advocate for Small Business Capital Formation from the Paperwork Reduction Act (P.L. 104-13),¹⁴ which specifies procedures for collecting information from the public. (H.R. 3351 and S. 3411)

Section 108 would raise the thresholds for persons and committed capital for venture capital qualification requirements (from 250 persons to 500 persons and from \$10 million to \$50 million), thus increasing the number of investment funds that could potentially use the venture capital exemption.¹⁵ (H.R. 4431)

Section 109 would change the definition of venture capital *qualifying investment*, which generally consists of direct equity investments in qualifying portfolio companies,¹⁶ to include certain secondary transactions (i.e., the selling of existing shares) and fund of funds (i.e., a fund that invests in other funds). (H.R. 4429)

Market Implications and Policy Considerations

The INVEST Act Title I provisions focus on:

- creating new organizational structures at the SEC dedicated to supporting certain small businesses and their investors (Sections 101 and 105);
- making it easier for certain smaller companies to communicate with potential investors and qualify for potential regulatory compliance reduction considerations (Sections 102, 106, and 107); and
- raising the upper limits for certain exemptions or expanding specific legal definitions, thereby allowing increases in related exempt securities offerings and intermediation activities, reducing compliance costs for affected firms (Sections 103, 104, 108, and 109).

Funding for Small Businesses: Background and Policy Issues

Almost all (99.9%) of the more than 36 million U.S. businesses are small businesses with fewer than 500 employees. Small businesses account for close to half (45.9%) of U.S. employment overall, with higher employment concentrations in some states reaching over 65% (**Figure 1**). Many of these businesses finance themselves outside of capital markets, such as with bank loans, credit cards and other lines of credit, and financial support from family and friends. According to

¹³ For more on the Regulatory Flexibility Act, see CRS In Focus IF11900, *The Regulatory Flexibility Act: An Overview*, by Maeve P. Carey.

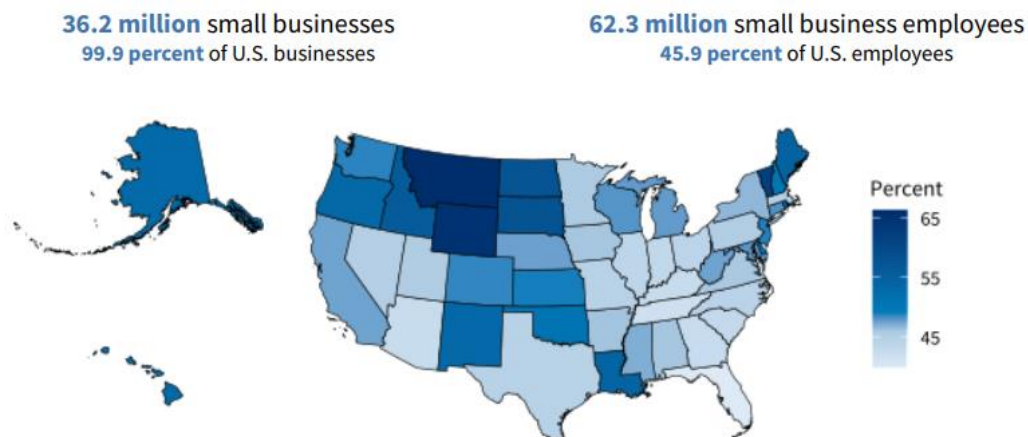
¹⁴ For more on the Paperwork Reduction Act, see CRS In Focus IF11837, *The Paperwork Reduction Act and Federal Collections of Information: A Brief Overview*, by Maeve P. Carey and Natalie R. Ortiz.

¹⁵ For more on venture capital, see CRS In Focus IF12412, *Venture Capital Operations and Regulation*, by Eva Su.

¹⁶ Venture capital qualifying investments generally consist of direct equity investments in qualifying portfolio companies. Secondary transactions (i.e., the selling of existing shares), fund of funds, pure debt instruments, public issuance, and some digital assets are generally not qualifying investments.

the SEC’s staff report on small business capital formation, due in part to their limited size and resources, many small businesses face significant financial challenges and barriers related to ongoing access to capital.¹⁷ Some observers suggest that this problem could be addressed by increasing access for small businesses to capital markets (e.g., selling ownership stakes or offering debt to investors). The INVEST Act Title I provisions address issues related to general small business capital market access as well as a targeted segment of venture funding for high-growth startups.

Figure I. 2025 U.S. Small Business Profile



Share of employees working at small businesses by state

Source: U.S. Small Business Administration Office of Advocacy, “2025 Small Business Profile,” https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf.

Smaller companies that are not publicly traded could conduct private securities offerings—such as Regulation D, Regulation A, or Regulation Crowdfunding—to raise funding from capital markets.¹⁸ Section 102 provisions affect Regulation D requirements. Regulation D is a popular exemption to sell securities in unregistered private offerings.¹⁹ Companies relying on Regulation D exemptions do not need to register their offerings with the SEC and provide extensive disclosure, but they face limitations regarding investor type, investor solicitation, and resale restrictions of their offerings.²⁰ In 2025, companies raised \$2.4 trillion through 34,553 Regulation D offerings.²¹

Section 103 provisions affect Regulation Crowdfunding, which generally supports small businesses using the internet to raise capital through small investments from a large number of investors.²² Between 2016 (when this exemption became effective) and 2025, there were 9,461

¹⁷ SEC, *Staff Report from the Office of the Advocate for Small Business Capital Formation: Fiscal Year 2025*, p. 5, <https://www.sec.gov/files/2025-oasb-staff-report.pdf>.

¹⁸ For a detailed discussion of different securities offerings, see CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

¹⁹ 17 C.F.R. §§230.501 et seq.

²⁰ SEC, “Regulation D Offerings,” <https://www.sec.gov/fast-answers/answers-regdhtm.html>.

²¹ SEC, “Regulation D Offerings: Number of Offerings and Capital Raised,” <https://www.sec.gov/data-research/statistics-data-visualizations/regulation-d-offerings/regulation-d-offerings-number-offerings-capital-raised>.

²² 17 C.F.R. §§200, 227, 232, 239, 240, 249, 269, and 274. Financial Industry Regulatory Authority (FINRA), “Crowdfunding: What Investors Should Know,” May 1, 2024, [http://www.finra.org/investors/alerts/crowdfunding-and-\(continued...\)](http://www.finra.org/investors/alerts/crowdfunding-and-(continued...))

Regulation Crowdfunding offerings, raising a total of \$1.5 billion in proceeds.²³ Crowdfunding’s expansion of capital access and “wisdom of the crowd” characteristics are widely cited as benefits of the funding method.²⁴ Some argue that because crowdfunding shows real-world demand for a company’s product or service, it may reduce the need for disclosures, because a successful crowdfunding campaign itself may signal a company’s quality.²⁵ Others caution that overly stringent investor protections could hinder small businesses and entrepreneurial initiatives.²⁶ At the same time, some observers express concern that existing investor protections may be insufficient given relatively low compliance levels among certain early-stage issuers.²⁷ Opponents also highlight the inherent risks of investing in startups without established track records and argue that such risks may warrant stronger, rather than weaker, regulatory safeguards.²⁸

Venture capital funds are sources of startup financing for small early-stage, high-growth firms, such as technology startups. Sections 108 and 109 contain provisions related to venture capital. According to the SEC, as of the second quarter of 2025, more than 3,600 venture capital funds were managing about \$473 billion in assets.²⁹ Although the size of venture capital investments appears small compared to the overall size of U.S. capital markets (which exceeds \$120 trillion), the industry nonetheless plays a key role in funding entrepreneurs who carry out innovations. These startups form the pipeline for potentially transformative companies that could become drivers of economic growth. Many well-known publicly traded technology companies—such as Alphabet (Google’s parent company), Apple, Meta, and Amazon—were once funded by venture capital.

Proponents of relaxing regulations applicable to capital formation view the potential expansion of funding to small businesses as supporting job creation and economic growth.³⁰ Opponents of these proposals raise concerns about reductions in regulatory oversight and investor protection in certain market segments.³¹ With regard to venture capital, some venture capital advocates argue that certain existing limitations may cause venture funds to forgo general investment opportunities and hinder the funds’ capabilities to help startups. However, some investor advocates are concerned that by permitting an expanded venture fund investment presence in secondary market shares, it could shift fund activity away from direct primary investments in

jobs-act-what-investors-should-know; and SEC, “Regulation Crowdfunding: A Small Entity Compliance Guide for Issuers,” May 13, 2016, <https://www.sec.gov/info/smallbus/secg/rccomplianceguide-051316.htm>.

²³ SEC, “Regulation Crowdfunding (CF) Offerings,” <https://www.sec.gov/data-research/statistics-data-visualizations/regulation-crowdfunding-cf-offerings>.

²⁴ Wharton School of Business, “Crowdfunding Research,” <https://crowdfunding.wharton.upenn.edu/research>.

²⁵ Darian Ibrahim, “Crowdfunding Signals,” *Georgia Law Review*, vol. 53, no. 197 (2019), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3068323.

²⁶ Lars Hornuf and Armin Schwienbacher, “Should Securities Regulation Promote Equity Crowdfunding?,” August 15, 2016, <https://ssrn.com/abstract=2412124>.

²⁷ Nathaniel Popper, “Doubts Arise as Investors Flock to Crowdfunded Start-Ups,” *New York Times*, January 24, 2017, <https://www.nytimes.com/2017/01/24/business/dealbook/crowdfunding-fraud-investing-startups.html>.

²⁸ For example, Americans for Financial Reform, letter to Members of Congress, June 7, 2017, <http://ourfinancialsecurity.org/wp-content/uploads/2017/06/AFR-Floor-Vote-Letter-CHOICE-Act-07-07-17.pdf>.

²⁹ SEC, *Private Fund Statistics: Form PF and Form ADV Data, Second Calendar Quarter 2025*, <https://www.sec.gov/files/investment/private-funds-statistics-2025-q2.pdf>.

³⁰ House Committee on Financial Services, “ICYMI: Chairman Hill and Committee Members Support INVEST Act,” December 15, 2025, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=410958>.

³¹ North American Securities Administrators Association, “Vote NO on H.R. 3383.”

startups toward secondary investments, spurring transactions in existing shares rather than new capital for startups.³²

Title II—Increasing Opportunities for Investors

Section-by-Section Summary

Title II of the INVEST Act consists of six individual provisions:

Section 201 would expand the *accredited investor* definition—which generally includes financial and other criteria to determine who can invest in private securities markets—to include individuals with certain investment professional knowledge and creates a new inflation adjustment for net worth measures.³³ (H.R. 3394)

Section 202 would amend the Investment Company Act of 1940 to allow 403(b) retirement plans to invest in collective investment trusts and insurance company separate accounts,³⁴ providing these investors similar opportunities as investors in 401(k) plans.³⁵ (H.R. 1013 and S. 424)

Section 203 would direct the SEC to establish an examination program for investors to demonstrate their financial knowledge. Individuals who pass the examination would be certified as accredited investors. (H.R. 3339)

Section 204 would establish an SEC Senior Investor Task Force to identify challenges facing senior investors and to report to Congress every two years over a 10-year period. The section would also direct the Government Accountability Office (GAO) to study the issue. (H.R. 1469)

Section 205 would direct the SEC to promulgate rules that allow certain intermediaries (e.g., investment companies, broker-dealers, and investment advisors) to deliver regulatory documents electronically as a default setting, with investors retaining the option to receive paper copies. (H.R. 2441)

Section 206 would remove certain limitations on closed-end funds (i.e., a type of public fund that issues a fixed number of shares and is generally publicly traded and accessible to retail investors)³⁶ investing in private funds (i.e., the funds that operate through SEC registration exemptions, including private equity,³⁷ venture capital,³⁸ and hedge funds).³⁹ The provision would codify the reversal of a long-standing SEC staff position that prohibited public funds from investing more than 15% in illiquid assets. This position required public funds investing more

³² For more background on secondaries, see Blazej Kupec, “Venture Capital Secondaries,” August 29, 2025, <https://www.moonfare.com/glossary/venture-capital-secondaries>. For a venture capital overview, see CRS In Focus IF12412, *Venture Capital Operations and Regulation*, by Eva Su.

³³ CRS In Focus IF11278, *Accredited Investor Definition and Private Securities Markets*, by Eva Su.

³⁴ Collective investment trusts are pooled investment vehicles maintained by banks and trust companies. SEC, “Collective Investment Trust (CIT),” <https://www.investor.gov/introduction-investing/investing-basics/glossary/collective-investment-trust-cit>.

³⁵ For more on 403(b) plans, see CRS In Focus IF12518, *403(b) Pension Plans: Overview and Legislative Developments*, by Elizabeth A. Myers; and Internal Revenue Service, “401(k) Plans,” <https://www.irs.gov/retirement-plans/401k-plans>.

³⁶ For more on closed-end funds and other investment management company types, see CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su.

³⁷ CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su.

³⁸ CRS In Focus IF12412, *Venture Capital Operations and Regulation*, by Eva Su.

³⁹ CRS In Focus IF12511, *Hedge Funds: Background and Policy Issues*, by Eva Su.

than 15% of assets in private funds to limit sales to accredited investors and impose minimum investment thresholds.⁴⁰ (H.R. 3383)

Market Implications and Policy Considerations

The INVEST Act Title II provisions focus on:

- expanding investor access to broader investment opportunities (Sections 201, 202, 203, and 206);
- enhancing senior investor protection (Section 204); and
- reducing compliance costs and adjusting investor communication channels through electronic delivery of certain regulatory documents (Section 205).

Private Investment Markets: Background and Policy Issues

Companies turn to capital markets to raise funding from investors, a process referred to as a *security offering*.⁴¹ *Public* offerings are open to a wide range of investors and must meet comprehensive SEC registration and compliance requirements. By contrast, *private* offerings are exempt from certain SEC registration requirements and are generally available only to accredited investors. As such, changes to the accredited investor definition and to the structure of retail-accessible closed-end funds (such as those proposed in Sections 201, 203, and 206) would affect who can access private securities markets, including investments in privately held companies and offerings by private funds, such as hedge funds, venture capital, private credit, and private equity.⁴²

The number of U.S.-listed public companies has declined by half since the mid-1990s (**Figure 2**). SEC data (from July 1, 2024, to June 30, 2025) indicate that, excluding pooled investment vehicles (e.g., investment funds), public companies raised \$1.5 trillion (64% of all capital raised), while private companies raised \$840 billion (36%).⁴³ Public companies can raise capital through both public (registered) and private offerings, whereas private companies are limited to private offerings. In addition, the vast majority of American businesses are operating as private companies. There are more than 36 million businesses in the United States, but only around 4,000 are publicly traded on national securities exchanges (**Figure 1** and **Figure 2**). One source indicates that around 2,800 publicly traded companies have annual revenue greater than \$100 million, while around 18,000 private businesses are of that size.⁴⁴ Other research indicates that, as

⁴⁰ SEC Chair Paul Atkins, “Prepared Remarks Before SEC Speaks,” May 19, 2025, <https://www.sec.gov/newsroom/speeches-statements/atkins-prepared-remarks-sec-speaks-051925>.

⁴¹ For more on public and private securities offerings, see CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

⁴² For a complete background, see CRS In Focus IF12642, *Private Credit: Trends and Policy Issues*, by Eva Su; CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su; CRS In Focus IF12412, *Venture Capital Operations and Regulation*, by Eva Su; CRS In Focus IF12511, *Hedge Funds: Background and Policy Issues*, by Eva Su; and CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

⁴³ SEC, *Staff Report from the Office of the Advocate for Small Business Capital Formation*, p. 16. The SEC staff report states, “U.S. public companies raised: 81% of this capital in about 2,448 registered offerings and 17% of this capital in about 380 other exempt offerings. U.S. private companies raised: 57% of this capital in about 607 other exempt offerings and 40% of this capital in about 12,313 Rule 506(b) private placement offerings.”

⁴⁴ Hamilton Lane, “Private Market Investing: Staying Private Longer Leads to Opportunity,” April 14, 2022, <https://www.hamiltonlane.com/en-us/insight/staying-private-longer>.

of 2025, around 81% of U.S. companies with over \$100 million in revenue are privately held.⁴⁵ Expanding access to private markets could thus lead to diversification benefits and broadened investor participation in opportunities at private companies. The decline in the number of publicly traded companies has shaped policy discussions around proposals to encourage public offerings, facilitate both public and private market efficiency, and enable proper investor access to private securities market investment opportunities.

Public and private investment markets are composed of different financial instruments and face different types of risks and operational characteristics. In general, compared with public investment markets, private markets tend to be less regulated, less liquid (i.e., harder to sell assets without affecting their prices), and less transparent. They also charge higher fees and face challenges in arriving at reliable asset valuations.⁴⁶ **Table 1** summarizes these key differentiating attributes.

Table 1. Comparison Between Public and Private Investment Markets

	Public Markets	Private Markets
Examples of financial instruments	Publicly traded company stocks, mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts.	Private securities offerings, private equity, private credit, venture capital, hedge fund, family office, and secondaries.
Regulation and transparency	More regulation and transparency.	Less regulation and generally opaque to public.
Investor access	Broadly available to all investors.	Generally limited to accredited investors.
Liquidity	High liquidity derived from redemption and exchange trading features.	Generally low liquidity with redemption restrictions and lockup periods.
Valuation	Easier to obtain real-time trading data and market-valuation comparable.	Valuation challenges associated with the illiquid and opaque nature of the markets.
Fees and expenses	Lower costs to investors. For example, the average expense ratio for equity mutual funds and index equity ETFs were 0.40% and 0.14%, respectively, in 2024.	Higher costs to investors. For example, hedge funds usually charge an annual fee of 1%-2% plus 20% performance fee on any profits.

Source: CRS. Public fund expense ratios data from Investment Company Institute, “Trends in the Expenses and Fees of Funds, 2024,” March 2025, <https://www.ici.org/system/files/2025-03/per31-01.pdf>.

Notes: For detailed explanations of the financial instruments and their characteristics referenced in the table, see CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su; CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su; CRS Report R45318, *Exchange-Traded Funds (ETFs): Issues for Congress*, by Eva Su; CRS Report R47309, *Money Market Mutual Funds: Policy Concerns and Reform Options*, by Eva Su; CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su; CRS In Focus IFI2642, *Private Credit: Trends and Policy Issues*, by Eva Su; CRS In Focus IFI2511, *Hedge Funds: Background and Policy Issues*, by Eva Su; CRS In Focus IFI1825, *Family Office Regulation in Light of the Archegos Fallout*, by Eva Su; CRS In Focus IFI2412, *Venture Capital Operations and Regulation*, by Eva Su; and CRS In Focus IFI1278, *Accredited Investor Definition and Private Securities Markets*, by Eva Su.

⁴⁵ BlackRock, “Larry Fink’s 2025 Annual Chairman’s Letter to Investors,” <https://www.blackrock.com/corporate/investor-relations/larry-fink-annual-chairmans-letter>.

⁴⁶ SEC, “SEC Announces Roundtable on Private Markets Valuation as Retail Investor Access Accelerates,” press release, February, 26, 2025, <https://www.sec.gov/newsroom/press-releases/2026-21-sec-announces-roundtable-private-markets-valuation-retail-investor-access-accelerates>; Silas Brown and Libby Cherry, “BlackRock Slashed Private Loan Value from 100 to Zero,” *Bloomberg*, March 5, 2026, <https://www.bloomberg.com/news/articles/2026-03-05/blackrock-slashes-another-private-loan-value-from-100-to-zero>.

Several Title II provisions seek to expand retail investor access to private investments by modifying requirements related to closed-end funds and the accredited investor definition. With regard to expanding investor access to private markets, some observers are concerned that restrictions on investor access to private securities could hinder equal access to investment opportunities and investment portfolio diversification, especially in light of the rapid growth of private markets.⁴⁷ Other observers are concerned about investor protection and the lack of transparency in private securities markets. They also contend that the opacity of private securities markets could pose risks related to market disruptions and misallocation of capital.⁴⁸

Title III—Strengthening Public Markets

Section-by-Section Summary

Title III of the INVEST Act consists of seven individual provisions:

Section 301 would allow an emerging growth company (EGC)—a publicly traded company that has annual gross revenue of less than \$1.2 billion (inflation-adjusted) and receives reduced SEC compliance requirements—to submit profit and loss statements for two years instead of three years.⁴⁹ It would also codify the option for issuers to submit draft registration statements to the SEC for confidential review during their filings for the public offerings process.⁵⁰ (H.R. 3301)

Section 302 would allow registered funds to exclude certain fees from the *acquired fund fees and expenses* calculations,⁵¹ addressing concerns that the calculations adversely affect business development companies.⁵² (H.R. 2225 and S. 1808)

Section 303 would codify the SEC’s testing-the-waters accommodation (which allows issuers to meet with qualified institutional buyers and institutional accredited investors to gauge their interest in potential offerings during the registration process) for all issuers⁵³ and would allow issuers to submit to the SEC for confidential review of draft registration statements during initial public offering (IPO) registration⁵⁴ or follow-on offerings. (H.R. 3381)

⁴⁷ SEC Commissioner Mark T. Uyeda, “The Diversification Deficit: Opening 401(k)s to Private Markets,” November 20, 2025, <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-diversification-deficit-opening-401ks-private-markets-112025>.

⁴⁸ SEC Commissioner Allison Herren Lee, “Going Dark: The Growth of Private Markets and the Impact on Investors and the Economy,” October 12, 2021, <https://www.sec.gov/newsroom/speeches-statements/lee-sec-speaks-2021-10-12>.

⁴⁹ See “Expansion of ‘IPO On-Ramp’—Emerging Growth Company Status” section of CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

⁵⁰ SEC, “Enhanced Accommodations for Issuers Submitting Draft Registration Statements,” March 3, 2025, <https://www.sec.gov/about/divisions-offices/division-corporation-finance/draft-registration-statement-processing-procedures-expanded>.

⁵¹ James Chen, “Acquired Fund Fees and Expenses (AFFE): Definition and Overview,” Investopedia, February 13, 2026, <https://www.investopedia.com/terms/a/acquiredfundfeesandexpenses.asp>.

⁵² Coalition for Business Development, “Re: Investment Company Act Release No. 33963 (File No. S7-09-20); Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements,” January 4, 2021, <https://www.sec.gov/comments/s7-09-20/s70920-8204377-227514.pdf>. For more on business development companies, see “Business Development Companies” section of CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su.

⁵³ SEC, “SEC Adopts New Rule to Allow All Issuers to ‘Test-the-Waters,’” press release, September 26, 2019, <https://www.sec.gov/newsroom/press-releases/2019-188>.

⁵⁴ SEC, “Enhanced Accommodations for Issuers Submitting Draft Registration Statements.”

Section 304 would limit how far back an EGC and former EGC must present certain financial statements, including acquired company financials, to no earlier than the earliest audited period presented in connection with the issuer’s IPO. (H.R. 3343 and S. 3216)

Section 305 would direct GAO, in consultation with the SEC and the Financial Industry Regulatory Authority (FINRA), to carry out a study of the costs associated with small- and medium-sized companies to undertake an IPO. (H.R. 3395)

Section 306 would reduce the well-known seasoned issuer (WKSI) public float (market value of outstanding voting and non-voting common equity shares) threshold to \$400 million from \$700 million,⁵⁵ thereby expanding the number of issuers eligible for WKSI status, which permits expedited public offerings through automatic shelf registration.⁵⁶ (H.R. 4430)

Section 307 would require issuers of securities with multi-class share structure⁵⁷—where different classes of shares could carry unequal voting rights despite equal economic interests—to disclose the structure in proxy statements or other materials provided to shareholders.⁵⁸ (H.R. 3357)

Market Implications and Policy Considerations

The INVEST Act Title III provisions focus on:

- expanding incentives by adjusting compliance requirements to make it easier for companies to go public and remain publicly traded (Sections 301-306), and
- enhancing shareholder disclosure regarding certain corporate governance practices exercised through shareholder voting rights (Section 307).

Publicly Traded Companies: Background and Policy Issues

An IPO is the first time a company offers its shares of capital stock to the public.⁵⁹ Once a company goes through SEC registration and public disclosure, it is generally referred to as a public company. Title I of the JOBS Act established the streamlined compliance options for companies that meet the definition of a new type of issuer, called an EGC.⁶⁰ The EGC is also referred to as the “IPO On-Ramp,” because it is a scaled-down version of a traditional IPO. The advantages of going public include increased access to capital and liquidity, higher brand awareness, and more flexibility with regard to employee stock compensation.⁶¹ The costs associated with an IPO process (as well as ongoing costs after the company becomes publicly

⁵⁵ 17 C.F.R. § 230.405 and SEC, *Revised Statement on Well-Known Seasoned Issuer Waivers*, April 24, 2014, <https://www.sec.gov/about/divisions-offices/division-corporation-finance/revised-statement-well-known-seasoned-issuer-waivers-april-24-2014>.

⁵⁶ James Chen, “Shelf Offering: What It Is, How It Works, Advantages, and Example,” *Investopedia*, May 31, 2025, <https://www.investopedia.com/terms/s/shelfoffering.asp> and Mayer Brown, *Shelf Registration Statements & Shelf Takedowns*, <https://www.mayerbrown.com/-/media/files/perspectives-events/publications/2020/07/whats-the-deal—shelf-registrations-statements—shelf-takedowns.pdf>.

⁵⁷ FINRA, “Supervoters and Stocks: What Investors Should Know About Dual-Class Voting Structures,” June 6, 2022, <https://www.finra.org/investors/insights/supervoters-stocks-what-investors-should-know-dual-class-voting>.

⁵⁸ For more on proxy voting, see CRS Report R48691, *Proxy Advisor Regulation: Recent Litigation, State Law Developments, and Federal Legislation*, by Jay B. Sykes.

⁵⁹ SEC, “Investing in an IPO,” <https://www.sec.gov/investor/alerts/ipo-investorbulletin.pdf>.

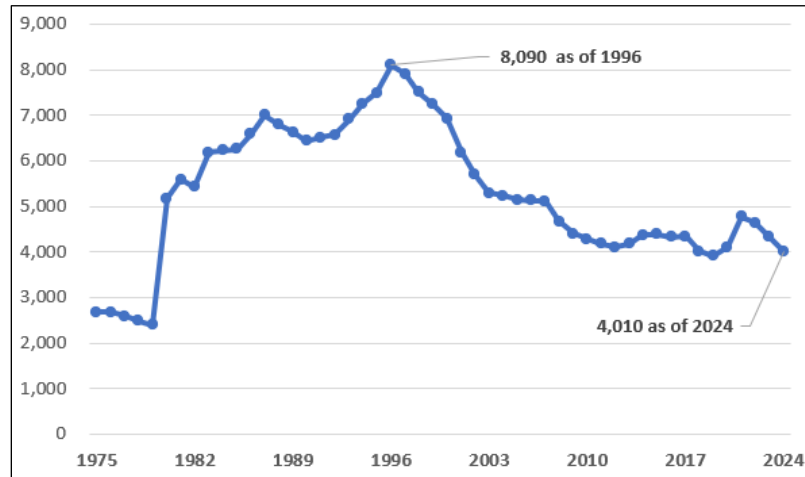
⁶⁰ P.L. 112-106.

⁶¹ SEC, “Should My Company ‘Go Public’?,” June 29, 2024, <https://www.sec.gov/smallbusiness/goingpublic/companygoingpublic>.

traded) include underwriting fees, legal and accounting service fees, SEC registration fees, and national securities exchange listing fees that could total millions of dollars.

A public offering was traditionally viewed as a significant funding source for growing companies, but its importance has generally deteriorated in the past decades. The number of U.S.-listed domestic public companies has declined by half from the previous peak (**Figure 2**), whereas listings rose in other countries.⁶² The companies that fundraise through public offerings are increasingly large in size and market capitalization concentration. Although there is a general consensus that regulatory relief could reduce entry barriers and the costs of going public, disagreement persists regarding the nature of the decline in the number of IPOs and whether the issue warrants regulatory intervention.⁶³ Some argue that companies' decisions to shift from public offerings to private offerings are a structural change within the economy that does not require a regulatory fix. Others argue that the IPO decline is a consequence of the high costs of disclosure—an issue that could be remedied by policy.⁶⁴

Figure 2. Number of U.S.-Listed Public Companies (1975-2024)



Source: CRS using data from the World Bank Group, “Listed Domestic Companies, Total—United States,” <https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US>.

Notes: The chart includes U.S.-listed domestic companies and foreign companies that are exclusively listed in the United States. The calculation includes only companies admitted to listing on the U.S. national securities exchanges. A company with several classes of shares is counted once. The total count excludes pooled funds, such as investment funds and unit trusts, which have business goals of holding shares of other companies.

⁶² Craig Doidge et al., “Are There Too Few Publicly Listed Firms in the US?,” March 3, 2025, <https://ssrn.com/abstract=5163070>.

⁶³ Steven Davidoff, “A Dearth of IPOs, but It’s Not the Fault of Red Tape,” *New York Times*, March 28, 2017, <https://www.nytimes.com/2017/03/28/business/dealbook/fewer-ipos-regulation-stock-market.html>.

⁶⁴ For more detailed discussions, see “Facilitating Public Offerings” section of CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su.

Title III focuses on different ways to streamline the regulatory process for publicly traded companies and directs GAO in consultation with the SEC and FINRA to research the costs for companies to undertake IPO. Three INVEST Act Title III provisions (Sections 301, 303, and 304) relate to EGC operations and benefits. Title III would modify the EGC privileges and codify two existing SEC agency-level regulatory practices that make certain EGC-specific benefits available to all issuers. Since the JOBS Act established the EGC designation in 2012, around 90% of IPO issuers have qualified as EGC, meaning that only a small portion of IPOs follow the full conventional IPO process.⁶⁵ Proponents of regulatory relief argue that the EGC regime has facilitated capital formation without sacrificing investor protection.⁶⁶ Critics characterize EGC as a label indicating lighter standards for public listing.⁶⁷

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⁶⁵ Wilmer Hale, "IPO Report," 2025, p. 4, https://www.wilmerhale.com/-/media/files/shared_content/editorial/publications/documents/2025-wilmerhale-ipo-report.pdf#page=4.

⁶⁶ Testimony of Edward S. Knight, Executive Vice President, General Counsel, and Chief Regulatory Officer, Nasdaq, in House Financial Services Committee, Subcommittee on Capital Markets and GSEs, *The JOBS Act at Five: Examining Its Impact and Proposals to Further Enhance Capital Formation*, hearings, March 22, 2017, <https://financialservices.house.gov/uploadedfiles/hhrg-115-ba16-wstate-eknight-20170322.pdf>.

⁶⁷ Testimony of Andy Green, Managing Director of Economic Policy, Center for American Progress, in House Financial Services Committee, Subcommittee on Capital Markets and GSEs, *The JOBS Act at Five: Examining Its Impact and Ensuring the Competitiveness of the U.S. Capital Markets*, hearings, March 22, 2017, <https://financialservices.house.gov/uploadedfiles/hhrg-115-ba16-wstate-agreen-20170322.pdf>.