



U.S. Securities and Exchange Commission

Small Business Capital Formation Advisory Committee

February 28, 2023

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1070

Dear Chair Gensler:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendations approved at the Advisory Committee's February 7, 2023 meeting, where the Committee discussed the Commission's February 9, 2022 proposal on private fund reforms.

The Commission [proposed](#) rules and amendments related to the regulation of private fund advisors under the Investment Advisors Act of 1940 (Release No. IA-5955). The Committee discussed the scope of the proposed rulemaking, including implementation challenges and costs for smaller funds (including early-stage venture capital funds) and smaller fund advisors (in particular those advisors not registered with the Commission), as well as potential downstream impacts on deployment of capital to early-stage founders and their small businesses.

As the Commission works towards finalizing the proposed rules, we encourage the Commission to highlight what problem it is that the proposal is trying to solve, as it is not clear that the magnitude of the proposed rule changes corresponds to the scale of the rationales set forth so far. It would be helpful to specifically mention how this proposal addresses that problem. We also encourage the SEC to carefully consider rules like this that are so encompassing and that are "one size fits all". We believe that the proposed rules may have an adverse impact on small funds that attract sophisticated investors for small companies' growth. Finally, we urge the Commission to closely examine how this proposed rule will affect capital deployment for smaller private companies in need of capital to grow, innovate and hire employees.

Respectfully submitted on behalf of the Advisory Committee,

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Committee Chair

Jeffrey M. Solomon
Committee Vice Chair

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