

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: Hearing Entitled: Beyond Silicon Valley: Expanding Access to Capital Across America

Dear Chairman Hill and Ranking Member Waters:

Carta provides the technology infrastructure for the innovation economy, supporting private companies at every stage from idea to IPO and the investors that back them. Today, Carta provides equity management and valuation services for more than 45,000 private companies with over 2.4 million stakeholders and over \$2.5 trillion in equity. We also provide fund administration services, portfolio management, and investor communications for nearly 7,000 funds and fund vehicles, representing over \$150 billion in assets under administration. Our end-to-end platform connects the private capital ecosystem and brings transparency, accuracy, and timeliness to private markets, helping to unlock even greater potential.

Carta applauds the work of this Committee and broader congressional efforts to promote capital formation to drive innovation, economic growth, job creation, and opportunity. While private capital markets have driven remarkable innovation, their benefits are limited to a small segment of founders and investors. We believe expanding access to these markets is the catalyst for economic growth and is critical to ensuring American innovation remains at the forefront. We appreciate the continued focus to further improve access to capital and investment opportunities, particularly for entrepreneurs and investors outside of traditional funding hubs.

Importance of private capital markets

Private capital—angel investors, venture capital, private equity—serves as the lifeblood of startups and growth-stage companies at every stage of development, providing patient, risk-forward funding to solve ambitious problems. This structure democratizes ingenuity, drives innovation and value creation, and promotes

economic growth and job creation—all of which are critical to maintaining our nation’s competitive advantage. Put simply, the private capital ecosystem is America’s economic and innovation engine.

Unless we modernize our policy infrastructure, the benefits of this economic and innovation engine will be limited. As private markets continue to grow, this gap will only widen. We need to bolster private capital, but importantly, we need to broaden its reach to more investors, more entrepreneurs, more companies, and more communities. Many of the proposals under consideration by this Committee can help achieve this goal.

Expanding access to investment opportunities

Private capital is a wealth and opportunity creator, offering diversification to its investors and delivering returns that historically outperform public markets. Today, however, private market opportunities are largely reserved for institutional or wealthy investors. This is because most individuals are generally prohibited from participating in the private markets because of the wealth-based [accredited investor](#) standard. For most investors, the public markets are often the only available option. As the number of public companies has declined, so has the number of investment opportunities. But even companies that go public are doing so later in their lifecycle, which means everyday investors miss out on growth and upside potential.

Expanding private market investment opportunities while preserving important investor protections will not only drive innovation, but will also help broaden economic opportunity.

Modernizing the accredited investor standard

Carta supports efforts in Congress to provide more on-ramps for individuals to qualify as accredited investors. Although financial means can create financial resiliency—which is important—such metrics do not necessarily equate to financial sophistication. It is important for individuals to understand the risks of investing and their ability to withstand loss with respect to any investment—public, private, real estate, crypto—but individuals should not be denied the ability to invest on the basis of financial circumstance or socioeconomic background.

In 2020, the SEC expanded the accredited investor definition to enable sophistication on-ramps for certain credentialed investment professionals. While this step untethered the designation from wealth-based means for the first time, its impacts have been limited and more should be done. Carta supports the bipartisan

efforts in this Committee to expand additional pathways for individuals to qualify as accredited through nonfinancial means, including based on education and experience or by examination designed to measure financial sophistication.

Even beyond accredited investor criteria, more individuals should have access to private capital markets and their diversification and return potential. Permitting investors to access private market opportunities through an investment professional (who is, by SEC definition, accredited) could be another avenue to increase exposure while maintaining important safeguards.

Increasing structured access to private market investments

Modernizing the policy framework to broaden structured access for retail investors can unlock more growth and economic opportunity. To that end, Carta supports efforts to expand investment opportunities through professionally managed fund vehicles. A fund structure provides a number of important protections for retail investors, including diversification, institutional due diligence, and professional management through a regulated fiduciary.

Private market access through registered funds and retirement accounts: Closed-end funds are publicly available registered investment companies that are regulated by the SEC. The closed-end fund structure makes it suited to hold less liquid securities, including private market securities. But because of SEC staff-imposed guidance, these funds are not able to invest more than 15% of their assets in private funds. The bipartisan [Increasing Investor Opportunities Act](#) would remove these restrictions and allow investors to access private market investments under the strong securities law protections of publicly traded, registered funds.

Congress could also examine opportunities to increase participation in private market investments through retirement accounts, which pairs longer duration capital with longer-term investment, in addition to the benefits of professional management and diversification.

Direct access to private funds: Enabling structured access to private market investments through private fund vehicles can also help democratize access for retail investors while preserving important investor protections. One avenue would be allowing private funds to raise capital through crowdfunding, as contemplated by the draft proposal to expand crowdfunding opportunities. Congress could also consider additional

reforms to permit retail investors to participate alongside and on the same terms as institutional investors.

Promoting access to capital and bolstering entrepreneurial ecosystems

Capital has become more mobile, but proximity matters, particularly for the earliest stages. To broaden the startup ecosystem, we must broaden the investor ecosystem beyond the traditional tech funding hubs. Emerging managers are the key.

Regional growth and the diversification of private capital will be driven by emerging managers that identify and fund entrepreneurs across the country. These smaller funds are more likely to invest early, invest locally, and support a more diverse pool of entrepreneurs. Policy should lower barriers and help drive capital to this segment, which will help broaden local networks, create more economic opportunity, and lead to a more robust ecosystem.

Expanding size and investor limits for qualifying venture capital funds

Congress created “[qualifying venture capital funds](#)” to make capital formation easier for smaller venture capital funds. The higher limit of beneficial owners was intended to help emerging managers assemble competitive funds by collecting smaller contributions from a greater number of accredited investors. In practice, however, the current parameters limit the utility of this provision. The [Improving Capital Allocation for Newcomers \(ICAN\) Act](#) expands the size and investor limits for qualifying venture capital funds to help smaller funds reach more investors, which will help foster the development of more localized networks and provide greater access to capital for entrepreneurs in these regions.

Expanding qualifying venture capital investments

Venture capital funds are largely limited to making direct investments in private companies without facing SEC registration. The [Developing and Empowering our Aspiring Leaders \(DEAL\) Act](#) will help drive more capital into emerging markets. Expanding the category of qualifying investments to include fund-of-fund investments could help incentivize established funds to invest in regional funds, unlocking a significant source of capital for growing entrepreneurial ecosystems. Further, enabling secondary investments to count as qualifying investments will facilitate greater value realization and recycle more capital into the system.

Carta is proud to provide the infrastructure to support the innovation economy and the founders, investors, and employees who power it forward. Our goal is to ensure the private market infrastructure and policy framework helps expand access to capital, enables more investors to participate in private markets, and helps companies build along their lifecycle to prepare them to go public when they are ready.

We look forward to continuing to work with you to modernize the policy infrastructure to provide more opportunities for investors and ensure America's entrepreneurs and innovators across the country can access the capital they need at each stage in their lifecycle.

Sincerely,

A handwritten signature in black ink, appearing to be 'Anthony Cimino', with a stylized, cursive 'A' and a long horizontal flourish extending to the right.

Anthony Cimino
Head of Policy