August 10, 2026

The Honorable Tim Scott
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

RE: August 6, 2026, Senate Banking Committee Hearing on "Empowering Main Street by Unlocking Access to Capital" & IPA Support for a Capital Formation Package

Dear Chairman Scott:

On behalf of the Institute for Portfolio Alternatives ("IPA")[1], thank you for scheduling this important hearing and for your continued leadership on policies that strengthen America's capital markets. As you know, the Senate has a timely opportunity to advance a legislative package that would expand investor opportunity, improve retirement outcomes, strengthen businesses and support Main Street America.

With that in mind, we respectfully urge the Committee to prioritize the following reforms as it builds any prospective capital formation package.

1. Modernize the Accredited Investor Definition

Private markets play an increasingly important role in supporting businesses, job creation and economic growth, yet access to most private offerings remains limited to individuals who satisfy income or net worth thresholds. Those thresholds do not necessarily reflect a person's financial knowledge, sophistication or ability to evaluate risk, and we believe Congress should add additional, objective pathways that recognize professional guidance, relevant expertise and demonstrated financial knowledge.

[1] For more than 40 years, the IPA has served as the leading voice for global asset managers, distributors and service providers in the private markets and alternative investment industry. We deliver best-in-class education for practitioners and champion policies that expand investor access to wealth-building private market strategies, including real estate, credit, infrastructure, private equity and venture capital, among other asset classes. These investments offer lower correlation to public markets, strengthen retirement outcomes and enhance portfolio diversification while operating within robust investor-protection standards. Over the past 25 years, private market and alternative investments have driven more than $1 trillion in capital formation, playing a critical role in fueling national and local economic growth.

Investors Working with an RIA or Broker-Dealer
Individuals working with a registered investment adviser ("RIA") or a registered representative of a broker-dealer ("BD") should be able to access investment opportunities currently limited to accredited investors. RIAs and BDs operate under robust conduct and regulatory standards, including fiduciary or Regulation Best Interest ("Reg BI") obligations, and must assess an investor's financial circumstances, objectives and risk tolerance. These licensed professionals are well positioned to judge whether a particular investment is appropriate for an individual investor.

As the Securities and Exchange Commission ("SEC") staff has explained, the fiduciary standard for investment advisers and Reg BI obligation for broker-dealers are both built on the same core principle – that a financial professional must act in the investor's best interest:

> *Both Reg BI for broker-dealers and the IA fiduciary standard for investment advisers are drawn from key fiduciary principles that include an obligation to act in the retail investor's best interest and not to place their own interests ahead of the investor's interest. Complying with their care obligations is an important aspect of how firms and financial professionals form a reasonable belief that their investment advice and recommendations are in the retail investor's best interest. Although the specific application of Reg BI and the IA fiduciary standard may differ in some respects and be triggered at different times, in the staff's view, they generally yield substantially similar results in terms of the ultimate responsibilities owed to retail investors.*[2]

Qualifying Credentials and Professional Experience
Relevant credentials, education and job experience can also demonstrate the knowledge needed to evaluate private investment opportunities. The bipartisan Fair Investment Opportunities for Professional Experts Act (H.R. 3394) offers a strong foundation for this approach, and we encourage the Committee to direct the SEC to recognize appropriate credentials and professional experience as an additional pathway to accredited investor status.

A Financial Sophistication Examination
An objective examination would offer a further knowledge-based pathway for individuals who do not have qualifying credentials or industry experience. The bipartisan Equal Opportunity for All Investors Act (H.R. 3339) would direct the SEC to establish such an examination, measuring what an investor knows rather than the size of their bank account.

Together, these pathways would complement, not replace, the existing income and net worth tests. They would not alter federal and state anti-fraud protections, issuer obligations or the conduct standards that already apply to financial professionals.

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[2] SEC Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers Care Obligations, https://www.sec.gov/about/divisions-offices/division-trading-markets/broker-dealers/staff-bulletin-standards-conduct-broker-dealers-investment-advisers-care-obligations (April 30, 2023).

Broader eligibility would let more Americans participate in wealth-building opportunities and give businesses additional sources of capital.

2. Advance Existing Bipartisan Senate Legislation

The Committee can also build a capital formation package around three bipartisan bills already introduced in the Senate. Each would remove a specific barrier facing investors, retirement savers or growing businesses:

- **S. 424 - Retirement Fairness for Charities and Educational Institutions Act.** Introduced by Senator Britt, this legislation would enable eligible 403(b) plans to invest in collective investment trusts ("CITs"). Workers in 403(b) plans - including teachers and employees of charities and educational institutions - should have access to the same efficient investment structures available to many 401(k) plans. Allowing plan fiduciaries to consider CITs can expand investment choice, reduce costs and improve retirement outcomes while preserving fiduciary review and oversight.

- **S. 1808 - Access to Small Business Investor Capital Act.** Introduced by Senator McCormick, this legislation would improve the accuracy and transparency of disclosures involving business development company ("BDC") fees and expenses. Current acquired fund fees and expenses treatment can effectively double-count BDC expenses and make an acquiring fund's costs appear artificially high. Correcting that treatment would provide investors with clearer information and remove an unnecessary impediment to capital flowing through BDCs to small and middle-market businesses.

- **S. 1877 - Improving Disclosure for Investors Act.** Introduced by Senator Tillis, this legislation would modernize SEC rules to permit electronic delivery of required regulatory and disclosure documents while preserving investor choice. Electronic delivery can provide investors with more timely and accessible information and reduce unnecessary administrative costs. Importantly, the legislation preserves the ability to receive paper documents and includes notice, readability and failed-delivery safeguards.

3. Expand Investor Opportunity Through Registered Closed-End Funds

The IPA also urges the Committee to consider and advance legislation reflecting Representative Ann Wagner's bipartisan Increasing Investor Opportunities Act (H.R. 3383).

The bill addresses restrictions that can prevent registered closed-end funds from investing more substantially in private funds, or that condition that flexibility on limiting the fund's shares to accredited investors.

Registered closed-end funds already offer individual investors access to professionally managed, diversified portfolios within the protections of the Investment Company Act of 1940. Limiting individual participation whenever these funds invest in private funds denies many investors access to private-market exposure, even though the investment is held through a registered vehicle with an investment adviser, a board of directors and established disclosure and oversight requirements.

Specifically, H.R. 3383 would:

- Statutorily remove the 15-percent limit that can constrain a registered closed-end fund's investment in private funds unless the fund restricts its shares to accredited investors; and
- Prevent the SEC and national securities exchanges from restricting a closed-end fund's investment in private funds, or the offer, sale, listing or trading of the fund's shares, solely because the underlying funds are private.

Importantly, the legislation would not diminish fiduciary duties or alter the valuation, liquidity or redemption obligations that already apply under the Investment Company Act.

Including this policy in a Senate package would expand investor choice, allow registered funds to construct more diversified portfolios and support capital formation without limiting participation to individuals who meet a wealth test.

The IPA thanks the Committee for convening this hearing and for its bipartisan work to strengthen America's capital markets, small businesses and investor opportunity. We stand ready to support your efforts. Please contact Jeff Evans, IPA's Director of Government Affairs and Policy, at jevans@ipa.com, if you or your staff have any questions.

Sincerely,

Anya Coverman
President & CEO