

[DISCUSSION DRAFT]

119TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Investment Company Act of 1940 to encourage startup venture funds, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Ms. WATERS introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Investment Company Act of 1940 to encourage startup venture funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ENCOURAGING STARTUP VENTURE FUNDS.**

4 (a) **BENEFICIAL OWNER LIMIT INCREASE.**—Section  
5 3(c)(1) of the Investment Company Act of 1940 (15  
6 U.S.C. 80a–3) is amended by striking “one hundred per-  
7 sons” and inserting “300 persons”.

1 (b) QUALIFYING VENTURE CAPITAL FUND LIMITS  
2 INCREASE.—Section 3(c)(1) of the Investment Company  
3 Act of 1940 (15 U.S.C. 80a-3(c)(1)) is amended—

4 (1) by striking “250 persons” and inserting  
5 “500 persons”; and

6 (2) in subparagraph (C)(i), by striking  
7 “\$10,000,000” and inserting “\$50,000,000”.

8 (c) DISCLOSURE REQUIREMENTS FOR VENTURE  
9 CAPITAL FUNDS UNDER SECTION 3(c)(1).—

10 (1) IN GENERAL.—Section 203 of the Invest-  
11 ment Advisers Act of 1940 (15 U.S.C. 80b-3) is  
12 amended by adding at the end the following new  
13 subsection:

14 “(o) DISCLOSURE REQUIREMENTS FOR VENTURE  
15 CAPITAL FUNDS.—The Commission may, by rule or regu-  
16 lation, require venture capital funds that rely on the ex-  
17 emption provided under section 3(c)(1) of the Investment  
18 Company Act of 1940 (15 U.S.C. 80a-3(c)(1)) to dis-  
19 close—

20 “(1) in detail, to their investors, including all  
21 limited partners, information concerning the busi-  
22 nesses and startup entities in which they invest, spe-  
23 cifically including—

24 “(A) geographic location of the principal  
25 business operations;

1           “(B) socio-economic characteristics of  
2 founders or controlling persons;

3           “(C) veteran status of founders or control-  
4 ling persons;

5           “(D) industry sector, size, stage of devel-  
6 opment, and related details; and

7           “(E) other factors or metrics deemed by  
8 the Commission as relevant for the public inter-  
9 est or investor protection; and

10          “(2) publicly, a summary of the information de-  
11 scribed in paragraph (1), in a form and manner pre-  
12 scribed by the Commission to promote transparency  
13 and accountability while respecting confidential or  
14 proprietary information.”.

15          (2) RULEMAKING.—Not later than 180 days  
16 after the date of enactment of this Act, the Securi-  
17 ties and Exchange Commission shall issue rules or  
18 regulations necessary to implement subsection (o) of  
19 section 203 of the Investment Advisers Act of 1940,  
20 as added by this subsection.

21          (3) EFFECTIVE DATE.—The amendments made  
22 by this subsection shall apply to disclosures required  
23 on or after the date that is one year following the  
24 date of enactment of this Act.