



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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January 20, 2026

The Honorable French Hill (R-AR)
Chairman
U.S. House Committee on Financial Services
Washington, DC 20515

The Honorable Maxine Waters (D-CA)
Ranking Member
U.S. House Committee on Financial Services
Washington, DC 20515

RE: NASAA Opposes the Small Entrepreneurs' Empowerment and Development Act and the Restoring the Secondary Trading Market Act

Dear Chairman Hill and Ranking Member Waters:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I write to provide NASAA’s views in advance of the January 22, 2026, markup and to recommend a NO vote on H.R. 4171, the Small Entrepreneurs’ Empowerment and Development Act (the “SEED Act”), and H.R. 7127, the Restoring the Secondary Trading Market Act.²

NASAA appreciates the U.S. House Committee on Financial Services’ (“HFSC”) continued focus during the 119th Congress on capital formation and market efficiency and supports policies designed to strengthen investor confidence in our local and national capital markets. However, for the reasons communicated in our April 2025 testimony and as outlined below, NASAA does not support these measures and believes they raise significant investor protection concerns.³

I. The SEED Act Would Expose Investors to Fraud

The SEED Act would establish a broad federal exemption (or safe harbor) for so-called “micro-offerings” (offerings up to \$250,000) and add micro-offerings as a federal covered security, thereby preempting state registration or qualification requirements with respect to micro-offerings. The SEED Act would disempower the very securities regulators who are doing the most work to educate issuers about micro-offerings, while also sowing further opportunities to defraud investors.

NASAA urges the HFSC to oppose the SEED Act for five (5) key reasons.

¹ NASAA’s membership includes state securities and commodities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam, as well as regulators from Canada and México.

² See HFSC, [January 22 Markup of Various Measures](#) (accessed Jan. 20, 2026).

³ See NASAA, [NASAA Response to Questions for the Record Regarding Beyond Silicon Valley: Expanding Access to Capital Across America](#) (Apr. 29, 2025).

First, the proposal is inconsistent with the longstanding balance in the securities regulatory framework that supports well-regulated capital markets and investor confidence.

Second, the exemption is unnecessary. Existing federal and state exemptions already provide multiple pathways for issuers to raise capital at or below the \$250,000 level.⁴

Third, the legislation would add further complexity to an already intricate exemptive framework, increasing the risk of misunderstanding or misuse by issuers and investors alike.

Fourth, registration and notice filings—often limited, straightforward submissions—are essential tools that allow state securities regulators to understand who is operating within their jurisdictions. Without this information, regulators lack visibility into local offerings and are less able to provide guidance, education, and compliance assistance to issuers and small businesses.

Finally, in the absence of any enforced filing requirements, state regulators may become aware of offerings only through investor complaints or other third-party communications, requiring the initiation of investigations without the benefit of baseline information that otherwise would have been available. This outcome can increase regulatory burden for both issuers and regulators, rather than reduce it.

Taken together, these factors lead NASAA to conclude that, rather than supporting local entrepreneurs and efficient capital raising, the SEED Act would weaken investor protections, reduce the effectiveness of state-level regulatory engagement with small businesses and increase the risks that come with investing in a small business.

II. The Restoring the Secondary Trading Market Act Is Unnecessary and Would Erode Trust in Capital Markets

The Restoring the Secondary Trading Market Act would preempt state regulation of certain off-exchange secondary trading transactions involving issuers that make “current information publicly available,” as defined under federal law.

NASAA believes this proposal is unnecessary in light of existing state efforts to facilitate secondary trading while preserving appropriate investor protections.⁵ A majority of states

⁴ See U.S. Securities and Exchange Commission, [Overview of Capital-Raising Exemptions](#) (accessed Jan. 20, 2026).

⁵ In August 2020, the SEC issued a report—as mandated by Congress—on the performance of Regulation A and Regulation D. SEC staff examined Regulation A offerings conducted between June 2015 and the end of 2019. During this time period, the total amount raised under Regulation A was \$2.4 billion, including \$2.2 billion under Tier 2 and \$230 million under Tier 1. Issuers sought an average of \$30.1 million in Tier 2 offerings but raised on average only \$15.4 million. In Tier 1 offerings, issuers sought an average of \$7.2 million and raised \$5.9 million. Data is not available to show the extent to which retail investors other than accredited investors were participants in these offerings. SEC staff found that the typical issuer does not experience an improvement in profitability, continuing to realize a net loss in the years following an offering that utilizes Regulation A. This was based on available data, which necessarily overstated the success rate because it only included issuers that continued to file periodic reports after the offerings and not those that ceased operations and reporting. Despite the infusion of capital,

maintain a manual exemption to support secondary market transactions, and many permit the use of the SEC’s Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system as a designated information source for purposes of that exemption.

In addition, the bill would not address the primary factors that continue to limit liquidity in the Regulation A market. Issues such as share transfer inefficiencies and issuer rights of first refusal persist independent of state regulation. Further preemption of state authority, without addressing these underlying issues, is unlikely to meaningfully improve secondary market activity.

NASAA is also concerned that the proposed preemption could reduce investor remedies and oversight, potentially undermining confidence in Regulation A offerings. If Congress wishes to further evaluate the effectiveness of Regulation A, NASAA believes it would be appropriate to direct the U.S. Securities and Exchange Commission to study the market’s performance and assess whether the current framework remains effective.

In closing, NASAA looks forward to continued engagement with the HFSC on these issues. At this time, however, NASAA respectfully recommends a NO vote at markup on H.R. 4171 and H.R. 7127 as currently drafted. Should you have any questions, please do not hesitate to contact me or Kristen Hutchens, NASAA’s Director of Policy and Government Affairs, and Policy Counsel, at khutchens@nasaa.org.

Sincerely,



Marni Rock Gibson
NASAA President

only 45.8 percent of issuers continued filing periodic reports for three (3) years following the offering. *See* SEC, [Report to Congress on Regulation A / Regulation D Performance as Directed by the House Committee on Appropriations in H.R. Rept. No. 116-122](#) (Aug. 2020) at 88, 89, 91, 94, and 98.