

119<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 4431

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## AN ACT

To amend the Investment Company Act of 1940 with respect to the definition of qualifying venture capital 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Improving Capital Al-  
3 location for Newcomers Act of 2025”.

4 **SEC. 2. QUALIFYING VENTURE CAPITAL FUNDS.**

5 Section 3(c)(1) of the Investment Company Act of  
6 1940 (15 U.S.C. 80a–3(c)(1)) is amended—

7 (1) in the matter preceding subparagraph (A),  
8 by striking “250 persons” and inserting “500 per-  
9 sons”; and

10 (2) in subparagraph (C)(i)—

11 (A) by striking “\$10,000,000” and insert-  
12 ing “\$50,000,000”; and

13 (B) by striking “beginning from a meas-  
14 urement made by the Commission on a date se-  
15 lected by the Commission” and inserting “be-  
16 ginning from a measurement made on the date  
17 of the enactment of the Improving Capital Allo-  
18 cation for Newcomers Act of 2025”.

19 **SEC. 3. STUDY AND RULEMAKING.**

20 (a) STUDY REQUIRED.—

21 (1) IN GENERAL.—Beginning 5 years after the  
22 date of enactment of this Act, the Advocate for  
23 Small Business Capital Formation, in consultation  
24 with the Investor Advocate, shall conduct a study on  
25 the effect of the amendments made by section 2 on  
26 the businesses and startup entities in which quali-

1       fying venture capital funds invest, specifically includ-  
2       ing, with respect to such businesses and startup en-  
3       tities, changes or trends relating to—

4               (A) the geographic distribution of capital  
5       to portfolio companies;

6               (B) the socio-economic characteristics of  
7       founders or controlling persons;

8               (C) the veteran status of founders or con-  
9       trolling persons;

10              (D) the industry sector, size, stage of de-  
11       velopment, and related details; and

12              (E) other factors or metrics determined by  
13       the Advocate for Small Business Capital For-  
14       mation.

15              (2) AUTHORITIES RELATED TO REQUIRED  
16       STUDY.—For purposes of conducting the study re-  
17       quired by paragraph (1), the Advocate for Small  
18       Business Capital Formation and the Investor Advoca-  
19       cate shall have authority to—

20              (A) obtain from the Securities and Ex-  
21       change Commission (in this section referred to  
22       as the “Commission”) and utilize any data or  
23       information necessary to carry out the study;

24              (B) request and receive assistance from  
25       any division or office of the Commission, includ-

1           ing the Division of Economic and Risk Anal-  
2           ysis; and

3           (C) enter into agreements with third par-  
4           ties to assist in data analysis.

5           (b) REPORT.—The Advocate for Small Business Cap-  
6           ital Formation shall issue a report to the Congress con-  
7           taining all findings and determinations made in carrying  
8           out the study required by subsection (a)(1), and make  
9           such report available to the public on the website of the  
10          Commission.

11          (c) PUBLIC COMMENT.—During the 180-day period  
12          beginning on the date the report is issued under sub-  
13          section (b), the Commission shall solicit feedback from the  
14          public on the findings and determinations contained in the  
15          report.

16          (d) RULEMAKING.—

17           (1) IN GENERAL.—The Commission, in con-  
18           sultation with the Investor Advocate and the Advo-  
19           cate for Small Business Capital Formation, may,  
20           after considering all comments received under sub-  
21           section (c) and only if the Commission determines in  
22           such report that the amendments made by section 2  
23           have had a demonstrable effect on increasing the ge-  
24           ographic distribution of capital to portfolio compa-  
25           nies, increasing the variety of the socio-economic

1 characteristics of founders or controlling persons, or  
2 increasing the number of founders or controlling  
3 persons who are veterans, issue rules to—

4 (A) increase or decrease the 500 person  
5 threshold described in the matter preceding  
6 subparagraph (A) of section 3(c)(1) of the In-  
7 vestment Company Act of 1940, but such  
8 threshold may not exceed 750 persons or be re-  
9 duced below 250 persons; and

10 (B) increase or decrease the \$50,000,000  
11 dollar figure in section 3(c)(1)(C)(i) of the In-  
12 vestment Company Act of 1940, but such dollar  
13 figure may not exceed \$100,000,000 or be re-  
14 duced below \$10,000,000.

15 (2) DEADLINE FOR RULEMAKING.—The rule-  
16 making authority in paragraph (1) only applies to a  
17 rule with respect to which the proposed rule was  
18 issued during the 180-day period beginning at the  
19 end of the public comment period described in sub-  
20 section (c).

21 (3) NO EFFECT ON INFLATION ADJUST-  
22 MENTS.—A rule issued under this subsection shall  
23 have no effect on the requirement under clause (i)  
24 of section 3(c)(1)(C) of the Investment Company  
25 Act of 1940 (15 U.S.C. 80a-3(c)(1)(C)), as amend-

1 ed by section 2, to index the first dollar amount in  
2 such clause for inflation.

Passed the House of Representatives December 1,  
2025.

Attest:

*Clerk.*



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