January 23, 2026

The Honorable French Hill
Chairman
U.S. House Committee on Financial Services
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
U.S. House Committee on Financial Services
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters,

I write regarding H.R. 4171, the Small Entrepreneurs' Empowerment and Development (SEED) Act, and H.R. 7127, the Restoring the Secondary Trading Market Act, which I understand were not taken up at the Committee's January 22 markup. I respectfully urge the Committee to advance these bills at the earliest opportunity.

In its January 20 letter, NASAA recommended a "NO" vote on both measures, citing investor protection concerns. I write to offer a market-practitioner perspective on why these concerns, while sincere, do not reflect the operational reality of secondary markets for crowdfunded securities—and why the current system harms the very investors NASAA seeks to protect.

I am the Founder of Crowdfund Capital Advisors and co-author of the original policy framework that became Regulation Crowdfunding. Since the market's launch in 2016, my team and I have built and maintained what is widely regarded as the most complete dataset on Regulation Crowdfunding in the United States—tracking every live offering daily across more than 8,800 issuers and 10,000+ offerings representing over $3.2 billion in capital formation. Through direct advisory work, research, regulatory engagement, and my book *INVESTOMERS*, I have worked with and analyzed thousands of issuers, offerings, and securities filings.

These observations are grounded in operational reality across Regulation Crowdfunding, Regulation A, and the broader private markets.

THE DATA REFUTES NASAA'S CORE CLAIM

NASAA asserts that "existing federal and state exemptions already provide multiple pathways for issuers to raise capital at or below the $250,000 level." This is technically true for primary offerings. It is demonstrably false for secondary liquidity.

The numbers are stark:

Less than 1% of Regulation Crowdfunding issuers have achieved meaningful secondary liquidity. StartEngine, the largest platform offering secondary trading for crowdfunded securities, reports that while over 400 issuers have signed up for its secondary marketplace, only 25 companies have been quoted to date. According to StartEngine's own offering materials, total trading volume on the platform has reached approximately $1.4 million across 1,200 investors since launch.

Compare that to the scale of the primary market: more than $3.2 billion raised across 8,800+ issuers since 2016. Secondary trading volume represents a fraction of a percent of primary capital raised. This is not a functioning market. It is a rounding error.

The problem is not that these companies failed. Many succeeded. Our analysis of institutional funding data shows that 257 companies that raised capital through Regulation Crowdfunding subsequently attracted institutional investment totaling $5.04 billion in follow-on funding. These are companies with VC-validated valuations—Series A rounds, venture funding, real institutional interest.

Yet the retail investors who took the earliest risk—often at the lowest valuations—remain trapped. They cannot sell into these higher valuations. They cannot realize the gains they created on paper. The infrastructure does not exist.

This is not a story of failure. It is a story of success that retail investors cannot access.

NASAA's claim that "existing exemptions already provide multiple pathways" may apply to raising capital. It does not apply to exiting investments. The pathways do not function.

THIS IS AN INFRASTRUCTURE FAILURE, NOT A MARKET FAILURE

Some may argue this data suggests Regulation Crowdfunding itself should be reconsidered. That argument confuses cause and effect.

Regulation Crowdfunding has succeeded at capital formation: over $3 billion raised, thousands of companies funded, and more than two million Americans participating in early-stage investing for the first time. The liquidity failure is not a defect in the primary market—it is the predictable result of building an on-ramp with no exit.

The 2+ million investors who already hold these securities cannot be helped by dismantling RegCF. They can only be helped by building the secondary infrastructure that should have accompanied it from the start.

The question before this Committee is not whether Regulation Crowdfunding was a good idea. It is whether Congress will complete the work it started.

A DIRECT RESPONSE TO NASAA'S FIVE OBJECTIONS TO THE SEED ACT

NASAA offers five reasons to oppose the SEED Act. Each deserves a direct response.

First, NASAA argues the proposal is "inconsistent with the longstanding balance in the securities regulatory framework." But that balance was designed for a different era. When Congress passed the Securities Act of 1933, there was no internet, no crowdfunding, and no realistic way for small issuers to reach dispersed investors. The JOBS Act began updating that framework. These bills continue that work. Preserving regulatory architecture for its own sake is not investor protection.

Second, NASAA claims the exemption is "unnecessary" because existing pathways exist. As documented above, those pathways have produced negligible secondary liquidity despite billions in primary capital raised. A system that works on paper but fails in practice is not a system that works.

Third, NASAA warns the legislation would "add further complexity to an already intricate exemptive framework." This is backwards. The complexity exists *because* of state-by-state fragmentation. Federal preemption with clear disclosure standards reduces complexity. One issuer that engaged our firm spent more than $90,000 and over a year attempting state-by-state registration solely to permit secondary trading. That is the complexity the current system creates.

Fourth, NASAA argues that registration and notice filings "allow state securities regulators to understand who is operating within their jurisdictions." This is a legitimate function, but it does not require blocking secondary trading. A qualified federal disclosure system can provide the same visibility to state regulators while enabling functional markets. The question is not whether regulators should have information—they should—but whether that information must flow through 50 incompatible filing systems.

Fifth, NASAA warns that without filing requirements, regulators may only learn of offerings through investor complaints. This concern applies to primary offerings. For secondary trading in already-issued securities where the issuer has made standardized disclosure, the risk profile is different. The investor already owns the security. The question is whether they can sell it.

NASAA'S OBJECTIONS TO THE SECONDARY TRADING ACT MISS THE POINT

NASAA argues that H.R. 7127 is "unnecessary" because a majority of states maintain a manual exemption and many permit EDGAR as a designated information source.

This fundamentally misunderstands the problem.

Yes, 43 states recognize some form of manual exemption. But recognition is not implementation. In the course of building infrastructure designed to operate within existing law, we worked with state securities offices to be recognized as a securities manual. That work revealed a systemic dysfunction: there is no consistent interpretation of what must be filed, how it must be filed, or which standards apply. We routinely encountered circular referral chains between agencies, conflicting instructions from different officials within the same jurisdiction, and uncertainty about how decades-old rules apply to modern digital markets.

NASAA also argues that "share transfer inefficiencies and issuer rights of first refusal persist independent of state regulation" and therefore preemption will not meaningfully improve liquidity.

This is partially correct—but it argues for more reform, not less. Removing the state patchwork is necessary but not sufficient. The bills should be paired with infrastructure that addresses the full transaction lifecycle. That said, the existence of other frictions does not justify preserving regulatory fragmentation. Congress should address the problems it can address.

THE INFRASTRUCTURE SOLUTION: QUALIFIED DISCLOSURE PUBLISHERS

The deeper issue is not whether states or the federal government should regulate secondary trading. It is whether the disclosure infrastructure exists to make secondary trading possible at all.

Secondary trading volume remains negligible because pricing is impossible. A buyer sees a company that raised at a $10 million valuation in 2021. It is now 2026. The most recent annual report is two years old, compliance with ongoing disclosure is inconsistent across the market, and there is no mechanism for price discovery between filings. The buyer cannot price the security. No trade occurs.

The solution is not to build more exchanges. Exchanges exist. The solution is to build the disclosure infrastructure that gives buyers and sellers the information they need to transact.

Through our firm GUARDD (*guardd.com*), we have built exactly this: a Qualified Disclosure Publisher that collects standardized issuer information, verifies and authenticates core financial data, proactively reminds issuers of ongoing obligations, enforces update cadence, withdraws eligibility when issuers fail to comply, and makes information freely accessible to investors, regulators, and trading venues.

This approach increases compliance, not reduces it. It outperforms passive EDGAR filing by creating affirmative obligations with real consequences for non-compliance. And it provides state regulators with the visibility NASAA seeks—through a standardized federal framework rather than 50 incompatible systems.

Both bills would benefit from explicit recognition of qualified disclosure publishers as compliant pathways for non-reporting issuers. This would preserve investor protection while enabling functional markets.

DIGITAL SECURITIES MAKE THIS REFORM URGENT

Congress, the SEC, and other agencies are actively considering how to regulate digital assets. Any tokenized security, NFT deemed a security, or digital asset classified as an investment contract will face the same impossibility of lawful secondary trading unless this structural defect is addressed.

There are already indications that a structure similar to Regulation Crowdfunding may be considered for digital asset offerings. If Congress creates new pathways for primary issuance without simultaneously addressing secondary trading, it will replicate the same liquidity trap that has left millions of crowdfunding investors with no exit.

The window to get this right is now. Legislating primary issuance rules for digital assets while leaving secondary trading subject to 50 incompatible state regimes would be a policy failure with consequences measured in billions of dollars of trapped capital.

Modern markets require modern infrastructure. These bills provide the foundation.

LIQUIDITY IS INVESTOR PROTECTION

NASAA frames federal preemption as a threat to investor protection. The opposite is true.

Liquidity is not a luxury. It is a form of risk mitigation for households. When investors are locked into illiquid positions solely because regulatory fragmentation makes lawful trading impossible, the cost is borne by families—not institutions. They cannot rebalance portfolios. They cannot respond to life events. They cannot realize gains or cut losses.

The current system does not protect these investors. It traps them.

Federal preemption with standardized disclosure is not deregulation. It is infrastructure that makes investor protection functional rather than theoretical.

CLOSING

Preserving investor protection and enabling functional secondary markets are not competing goals. With standardized federal disclosure as the foundation, they are complementary.

I respectfully urge the Committee to advance H.R. 4171 and H.R. 7127 at the next available opportunity. To fully realize their promise, they should be paired with a clear federal framework that treats standardized disclosure as the core investor-protection mechanism and recognizes modern, qualified disclosure publishers as compliant pathways for non-reporting issuers.

I would welcome the opportunity to provide further data, case studies, or technical input to the Committee or its staff.

Respectfully,

Sherwood Neiss
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