

## **Capital Raising: The Need for Vibrant Public Markets\***

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# **Capital Raising: The Need for Vibrant Public Markets**

## **Introduction**

Stock exchanges are a cornerstone of the global economy and financial system. They allow small and large companies to raise capital to invest and expand their operations which in turn leads to innovation, job creation, and economic growth hence benefitting Main Street and all citizens. The markets also provide an opportunity for investors to grow their savings and participate in the growth of businesses, thereby increasing their net worth and retirement income. Even though the nature of holding companies that exchanges are part of has changed significantly as discussed by Aggarwal (2024), the main purpose of exchanges has not changed. Unlike private markets, public markets and public listings provide investment opportunities for both retail and institutional investors that have no or limited access to private markets. This democratization of wealth ensures that a broader investor base benefits from corporate growth. Market efficiency ensures that resources are allocated effectively and that companies are valued based on their actual performance. Vibrant markets and access to capital is necessary for the U.S. to maintain its competitive position in the global economy.

There are many forms of capital available to businesses via public and private markets. The line between private and public markets is increasingly blurred, as companies shift between funding sources in response to shifting macroeconomic conditions, geopolitical tensions, regulatory changes, and evolving valuations. However, the differences between the regulatory and disclosure regimes for the two markets is quite different. Markets have changed significantly and there is demand from investor's side to be able to invest in private products including retirement funds that are being explored by regulators.

This paper examines the position of U.S. capital markets relative to other countries, identifies factors causing the decline in public companies, examines the benefits and challenges of being a public company, and provides recommendations for making public markets more attractive.

Initial Public Offerings (IPOs) are an important source of capital and play a crucial role in driving innovation and fostering job creation. The number of public companies listed on U.S. exchanges reached its peak in 1997 and has steadily declined since then. Notably, the first half of

2025 marked the strongest start in the IPO market since 2021 partly driven by AI and crypto firms such as Circle and CoreWeave.

U.S. financial markets are large, deep, liquid, and are the envy of the world. This is partly because the United States has strong regulations and governance. A public offering provides companies with the capital needed to expand, innovate, hire talent, and develop new products and services, which, in turn, stimulates economic growth and job opportunities.<sup>1</sup> Therefore, it is essential to ensure that the mechanisms supporting capital raising using public markets are well-maintained and effectively regulated to continue reaping these benefits. Even private equity firms need well-functioning public markets with IPOs providing an important route to exit out of their investment and yield returns to their investors. For early-stage investors, venture capitalists, and employees with stock options, an IPO is a crucial exit strategy. When a company goes public, it creates a liquid market for its shares, allowing investors and employees to monetize their holdings. Securities trading on public markets provide liquidity and therefore investors are able to buy and sell these securities easily. By providing liquidity, IPOs create a pathway for early stakeholders to realize returns on their investments. Firms continue to access the public markets to raise capital much after their initial offering.

Public markets are often referred to as “lit” markets because regulators require trading-related quote data, such as bids and asks, to be displayed to give investors insights into the current market price and depth. Transactions-level data is also provided in real time after a transaction is completed. This dissemination of information helps with price discovery of individual stocks and therefore the value of the companies listed. Publicly traded companies operate in a transparent environment where market forces determine share prices. In addition, the Securities and Exchange Commission (SEC) and stock exchanges require public companies to disclose all material information related to their financials, compensation, and management structure. Stock exchanges facilitate efficient price discovery, allowing investors to assess a company's value based on available financial information, industry performance, and economic conditions. It should be noted that exchanges are now also providing solutions for private markets.

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<sup>1</sup> [https://www.sec.gov/info/smallbus/acsec/rebuilding\\_the\\_ipo\\_on-ramp.pdf](https://www.sec.gov/info/smallbus/acsec/rebuilding_the_ipo_on-ramp.pdf);  
<https://www.sec.gov/info/smallbus/acsec/ipotaskforceslides.pdf>

## 1. The U.S. Capital Markets: A Global Leader

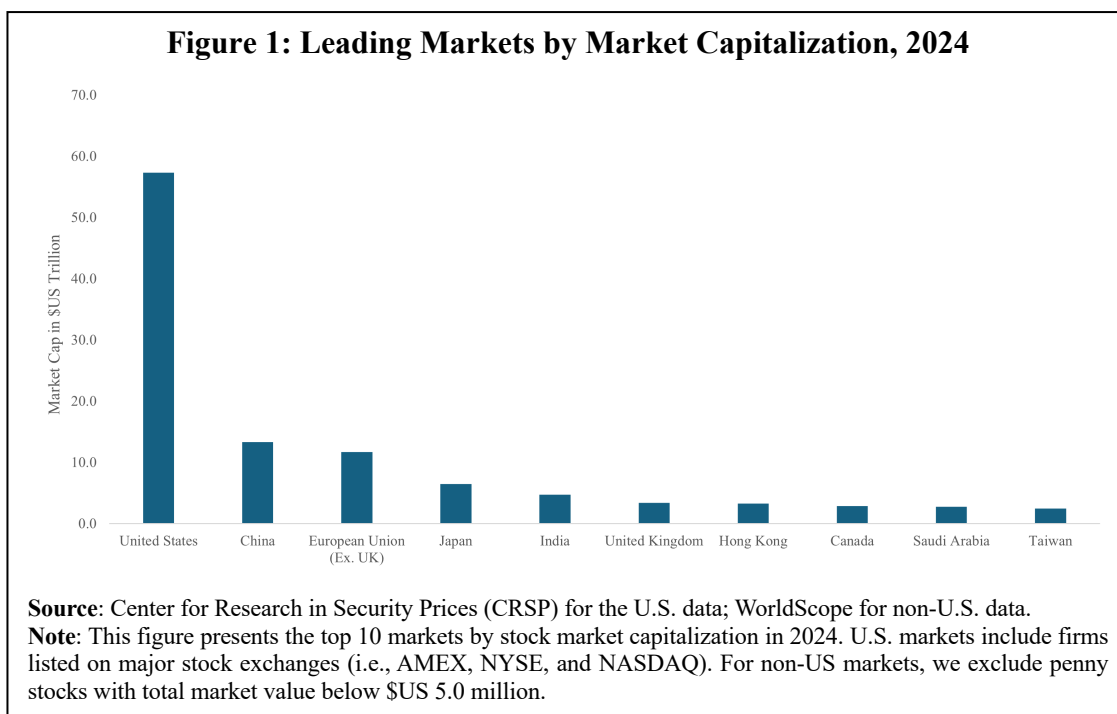
The U.S. capital markets are the deepest and most liquid markets.

- **Market Depth and Liquidity:** The U.S. markets offer great liquidity hence making it easier for investors to buy and sell securities without causing significant price fluctuations.
- **Regulatory Environment:** The strong regulation of public markets attracts both issuers and investors.
- **Deep Pockets:** Large institutional investors in the U.S. have deep pockets. Retail investors invest directly in individual stocks, mutual funds, and ETFs. In addition, they hold securities via their pension plans and/or retirement plans.

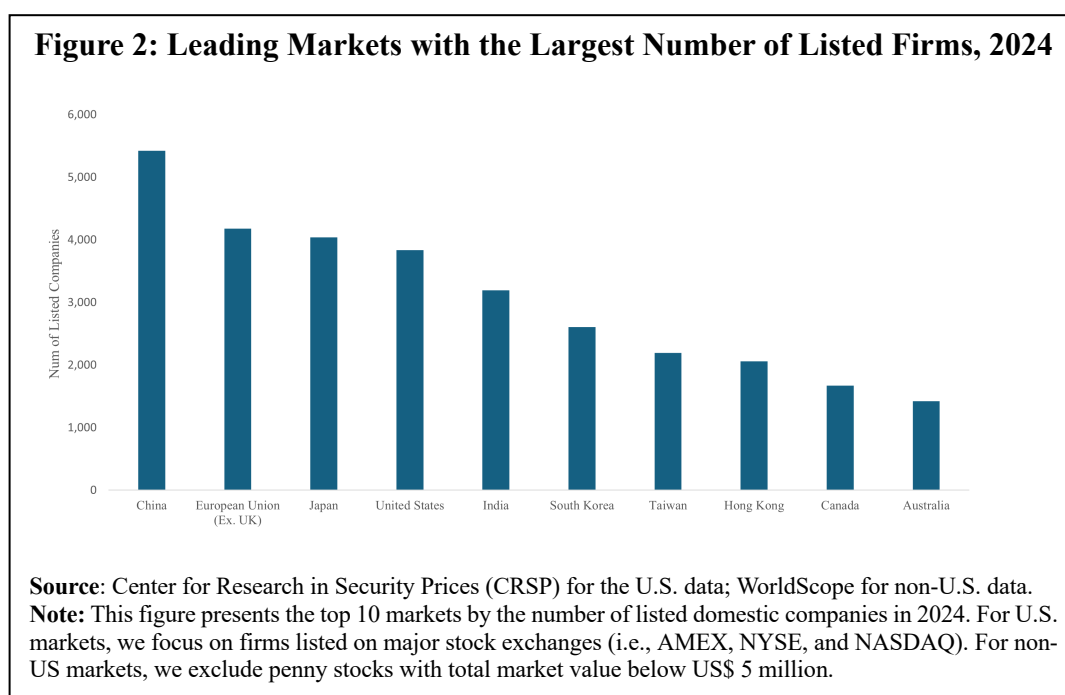
The United States has the largest stock market based on the market capitalization of listed companies at almost \$60 trillion, significantly surpassing other countries (Figure 1) and even higher than the GDP of many countries. China follows at a distant second, with the European Union, Japan, India, United Kingdom, and Hong Kong rounding out the countries with the largest markets based on market

**United States is by far the largest market in terms of market capitalization.**

**United States is #4 behind China, the European Union, and Japan based on number of listed firms.**



capitalization. Other countries, including Canada, Saudi Arabia, and Taiwan, have relatively smaller market capitalizations. The chart highlights the dominance of the United States in global financial markets.

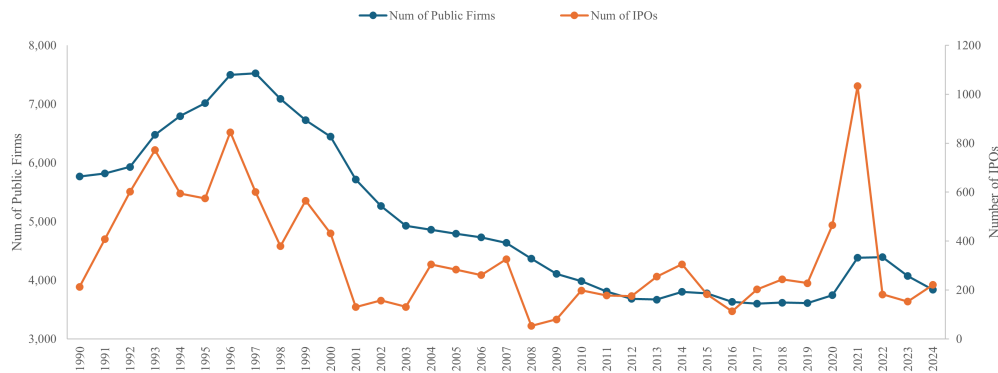


In terms of the number of companies listed, China leads with the largest number of listed firms, followed by the European Union, Japan, and the United States. India, South Korea, Taiwan, and Hong Kong also have a significant number of listed firms, though notably fewer than the top four (Figure 2). Canada and Australia round out the list with lower but still substantial numbers of listed firms.

The number of public companies listed on U.S. exchanges peaked at 7522 in 1997 and bottomed out at 3602 in 2017 as shown in Figure 3. Over the last 25 years, the number of listed firms increased from 1990 to 1997 leading to a peak partly due to the internet bubble during the 1996–1999 period, followed by a sharp decline after the dot-com bubble burst with the decline continuing until 2017. Over the period 2020 to 2021, there was a noticeable increase in public firms, largely due to the popularity of Special Purpose Acquisition Companies (SPACs), however, in 2023 and 2024, the number of listed companies decreased again.<sup>2</sup> We next examine the trend in new listings resulting from IPOs.

<sup>2</sup> The number of IPOs for Closed End Funds, SPACs, and REITs amount to 257 and 633 in 2020 and 2021, respectively.

**Figure 3: The Number of U.S. Public Firms from 1990 to 2024**



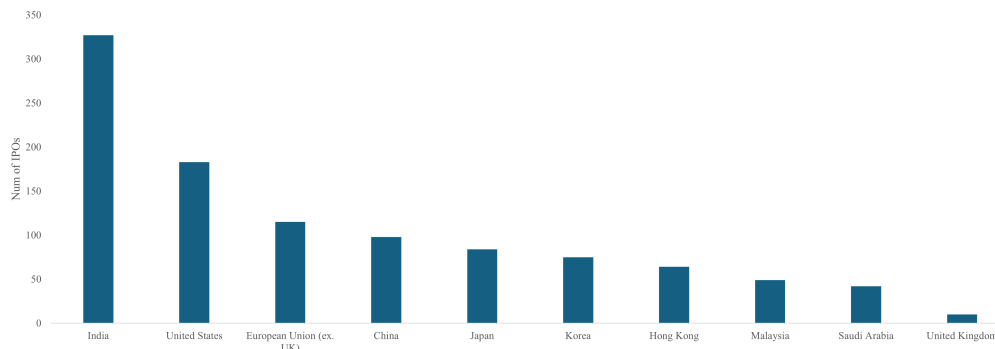
**Source:** Center for Research in Security Prices (CRSP). The number of IPO data are collected from Professor Jay Ritter's website, <https://site.warrington.ufl.edu/ritter/ipo-data/>.

**Note:** This figure presents the number of listed domestic firms at major U.S. stock exchanges (CRSP includes Amex, NYSE, and NASDAQ stocks) from 1990 to 2024.

Figure 3 shows the number of IPOs each year from 1990 to 2024. During the period 1990 to 1996 both IPOs and number of listed firms increased before seeing a severe decline related to the dot com bubble burst in 1999-2000. For the next almost 20 years very few IPOs took place and the decline in number of public companies continued. The spike in the number of IPOs in 2021 was mostly due to SPACs. The SPACs market came to a halt quickly partly due to regulatory concerns.

**The number of listed firms in the United States peaked in 1997 at 7,522 and currently stands at 3,838.**

**Figure 4: Leading Markets by Number of IPOs, 2024**



**Source:** Visual Capitalist: <https://www.visualcapitalist.com/visualizing-global-ipos-in-2024-by-country/>.

**Note:** This figure presents the top ten markets by the number of IPOs in 2024.

In 2024, in terms of number of IPOs, India leads with the highest number, followed by United States and European Union. China, Japan, Korea, and Hong Kong also have a significant

number of IPOs (Figure 4). Other countries, including Malaysia, Saudi Arabia, and United Kingdom are also in the top ten markets for IPOs.

Globally, the United States leads with the highest IPO proceeds, followed by India and the European Union. Hong Kong and China also have vibrant IPO markets (Figure 5). Other countries, including Japan, Saudi Arabia, Korea, Malaysia, and the United Kingdom, have relatively smaller IPO proceeds. The chart highlights the dominance of the U.S. and India in global IPO activity.

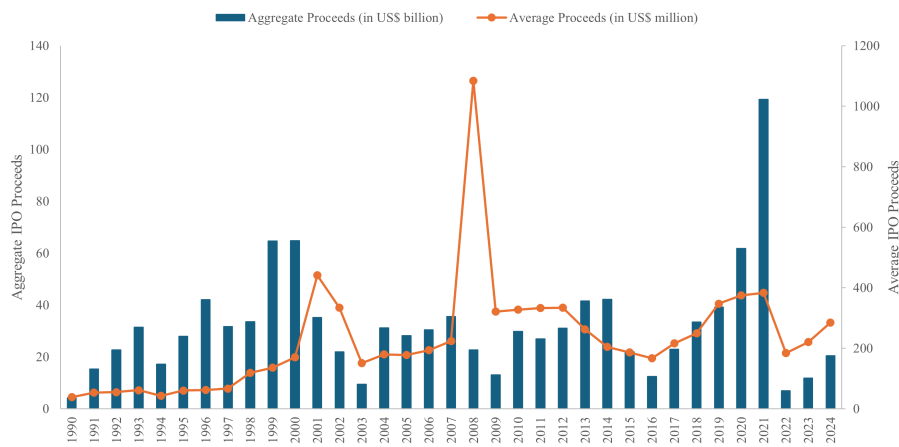
The number of listed firms is impacted by the addition of newly listed firms via an IPO and also delistings which can happen due to several reasons including mergers/acquisitions and going private. As shown in Figure 6, aggregate IPO proceeds in the U.S. varies from year to year and peaked in 2021 at \$119 billion. Even though there has been a decline in the number of IPOs, both the aggregate and average size of offerings has fluctuated.

**The number of IPOs peaked in 2021 at 1,033 and dropped to 221 by 2024.**

**IPO proceeds ranged from \$4 billion to \$65 billion during the period 1990-2000, \$7 billion to \$119 billion during 2001-2024, and peaked in 2021 at \$119 billion.**



**Figure 6: U.S. IPO Proceeds from 1990 to 2024**



**Source:** Visual Capitalist: <https://www.visualcapitalist.com/visualizing-global-ipos-in-2024-by-country/>.

**Note:** This figure presents the top ten markets by the number of IPOs in 2024.

## 2. Factors Driving the Decline in Public Companies

Despite the U.S. still leading in IPO proceeds, concerns have been expressed by regulators and market participants about the decline in the number of publicly listed companies. In his 2023 annual letter to shareholders, the CEO of JP Morgan addressed factors contributing to this decline, including “intensified reporting requirements [...], higher litigation expenses, costly regulations, cookie-cutter board governance, shareholder activism, less compensation flexibility, less capital flexibility, heightened public scrutiny and the relentless pressure of quarterly earnings.”<sup>3</sup> He expressed concern that these elements “may be driving companies from the public markets.” The SEC has also noted that this trend could lead to reduced transparency and

### Potential Reasons for Decline in Public Companies

- **Regulatory Impediments**
- **Reporting Requirements**
- **Proxy Voting**
- **Shareholder Activism**
- **Threat of Litigation**
- **Heightened Public Scrutiny**
- **Pressure of Quarterly Earnings**
- **Popularity of M&A for Exit**
- **Loss of Flexibility**
- **Easy availability of Private Capital**

<sup>3</sup> <https://www.jpmorganchase.com/ir/annual-report/2023/ar-ceo-letters#section-3> and <https://www.cnn.com/2024/04/09/investing/premarket-stocks-trading/index.html>



diminished investor trust in the market.<sup>4</sup> Several initiatives to reverse this trend have been proposed and will be discussed later in this paper. Nasdaq has recently proposed a set of recommendations to advance the U.S. public markets.<sup>5</sup> These observations from regulators and the financial industry underscore the potential negative impacts of the shrinking public market on transparency and investor confidence, cornerstones of efficient markets.

While many have argued that the costs of regulation, disclosure, and compliance have resulted in fewer firms going public, Gao, Ritter and Zhu (2013) and Doige, Karolyi and Stulz (2013) point out that the number of public firms started dropping even before major new regulations such as the Sarbanes-Oxley Act were introduced. Other reasons to explain the decline in public companies include trade laterization and global competitive landscape (Griffin, 2023), declining business dynamism (Decker, Haltiwanger, Jarmin and Miranda, 2016; Doidge, Karolyi and Stulz, 2017), shift to intangibles (Kahle and Stulz, 2017; Doidge, Kahle, Karolyi and Stulz, 2018), changing economies of scale and scope (Gao, Ritter and Zhu, 2013), changing acquisition behavior (Gao, Ritter and Zhu, 2013; Eckbo and Lithell, 2025), and availability of private equity (Ewens and Farre-Mensa, 2020). While stricter regulations are often cited as a reason for fewer publicly traded companies, there are other factors at play, particularly the increasing preference for private funding, which allows companies to focus on long-term growth without the pressure of meeting public market expectations and quarterly reporting requirements associated with being publicly listed on a stock exchange.

## **2.1 Regulatory Impediments to Going Public and Remaining Public**

Regulatory costs and complexity are challenges facing public companies. The initial registration and the ongoing reporting processes require significant time and capital, which can be an outsized burden especially on small and medium sized firms, absent of exemptions<sup>6</sup>. The Sarbanes-Oxley Act (SOX) of 2002 and the Dodd-Frank Act of 2010 introduced new financial reporting and disclosure requirements, increasing the regulatory burden of being a publicly traded company. Being implemented post financial crises, companies have complained that certain

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<sup>4</sup> “Going Dark: The Growth of Private Markets and the Impact on Investors and the Economy,” October 12, 2021, <https://www.sec.gov/newsroom/speeches-statements/lee-sec-speaks-2021-10-12>.

<sup>5</sup> <https://www.nasdaq.com/Elevate>

<sup>6</sup> SEC Commissioner, “Remarks at the Florida Bar’s 41st Annual Federal Securities Institute and M&A Conference,” February 24, 2024, <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-florida-bar-022425>

requirements are prescriptive, with industry finding such information to be costly and complex to gather, with little perceived benefit. Examples include disclosure of conflict minerals and executive compensation relative to the workforce ratios.<sup>7</sup> The SEC proposed climate disclosure rules of 2024 (recently withdrawn), which were aimed at enhancing and standardizing climate-related disclosures for public companies, have drawn similar sentiments.<sup>8</sup>

There are multiple layers to the regulatory landscape that firms have to navigate. Complying with securities law, state requirements, exchange listing standards, and SEC registration filings is necessary to become a publicly traded company, and upon becoming registered, continued disclosure and compliance with financial reporting standards, corporate governance, and investor protection policies. Heightened involvement of intermediaries including lawyers, auditors, brokers, and investment bankers is needed to navigate increased complexity in their respective spheres further makes going public a costly and labor-intensive process.

### **Estimates of Regulatory Costs**

Estimating the costs of regulation, disclosure and compliance for a public company is challenging. A recent study by Ewens, Xiao and Xu (2023) examine those costs around three major regulatory thresholds that are triggered when a firm's public float exceeds a threshold.<sup>9</sup> They estimate the costs for a median public firm to be 4.3% of its market capitalization and the range from 2.1% to 6.3%. While substantial, these costs only explain a small fraction of the decline in public firms. Costs of compliance affect firms by size in an inverted U pattern. Costs are highest for medium sized firms that do not qualify for the exemptions of small firms but do not have the scale of large firms. Evidence suggests "bunching" around the thresholds for regulatory exemptions. Firms weigh the costs of compliance with the cost of avoiding the threshold. As long as the cost of compliance exceeds the firm's cost of avoidance, firms tend to concentrate below exemption thresholds.

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<sup>7</sup> <https://www.sec.gov/newsroom/press-releases/2012-2012-163-related-materials> and <https://www.sec.gov/files/rules/final/2015/33-9877.pdf>

<sup>8</sup> <https://www.sec.gov/newsroom/press-releases/2024-31>

<sup>9</sup> The three thresholds examined are \$25m related to the Small Business Issuers introduced in 1992; the second threshold is \$75m introduced in 2002, firms below this amount are exempt from SOX 404 requirement to have an outside auditor attest to internal controls; and the third threshold is \$700m introduced in 2012 as part of the JOBS Act, firms below the threshold are classified as Emerging Growth Companies and are exempt from certain financial reporting requirements and SOX 404(b).

As discussed later, several measures have been taken and are being put forward to lighten the regulatory burdens impeding capital formation and being a public company.

## **2.2 Threat and Cost of Litigation**

Some private companies prefer not to go public due to the increased risk of litigation. Public companies are more visible and scrutinized, and face the possibility of shareholder activism and higher litigation risks. Public companies also assume greater liability due to stricter regulations.

Public companies must adhere to several securities laws including the Securities Act of 1933 and the Securities Exchange Act of 1934, which regulate timely financial reporting and other disclosures. As a public company, there is more likely to face shareholders lawsuits, particularly in times when the share price is not doing well, alleging manipulation, lack of disclosure, and inadequate governance. Shareholder lawsuits can drag on for years and place considerable costs on the firm. It can also damage the firm's reputation resulting in further drop and volatility in the stock price. Moreover, management became responsible for financial reporting and internal controls under the Sarbanes-Oxley Act, exposing them to increased legal accountability.

## **2.3 Proxy Voting and Role of Proxy Advisors**

The U.S. proxy voting system is supposed to enhance shareholder engagement and corporate governance. There have been several attempts to reform the process. Any reforms should ensure that they serve both investors and issuers. Aggarwal, Saffi and Sturgess (2015) estimate the value of a vote and show that institutional investors take their fiduciary responsibility to vote seriously. The proxy ballot contains both management-sponsored and shareholder-sponsored proposals to be voted on. Most firms do not have any shareholder-sponsored proposals and many shareholder-sponsored proposals get withdrawn partly due to successful engagement with the firm. However, some firms have a large number of shareholder proposals addressing many different issues related to issues such as compensation, board composition, financial performance, and governance as documented by Aggarwal, Briscoe-Tran, Erel, and Starks (2025). Almost 80 percent of management-sponsored proposals are related to director election.<sup>10</sup> Even though the

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<sup>10</sup> See Aggarwal, Dahiya and Yilmaz (2024)

average support for directors is 87%, Aggarwal, Dahiya and Prabhala (2019) show that there are consequences for directors if they receive dissent votes far below the 50 percent threshold. The recommendation of proxy advisors is strongly associated with voting outcome, however, the recommendation is also associated with shareholder concerns.

In 2019, rules were proposed to increase transparency of proxy advisory firms, requiring them to share their reports with companies before distribution to clients. However, these proposals faced opposition, with critics arguing they imposed undue burdens on proxy advisors and infringed on shareholder rights. In September 2024, the Sixth Circuit Court ruled in favor of the SEC's decision to rescind some regulations on proxy advisors, marking again a significant shift in the regulatory landscape. Some market participants are arguing for changes in the proxy voting system, while others recommend that issuers view the draft proxy reports prepared by proxy advisory firms, a disclosure of conflict of interest and the reinstatement of the SEC authority. Many aspects of shareholder voting rights are still evolving, especially regarding “dual-class structures, ballot access, broker voting, and the universal proxy.”<sup>11</sup> These proposals reflect the need to balance regulatory oversight with shareholder empowerment in corporate governance.

There have also been notable changes in shareholder proposals over the years, highlighting a shift in investors' sentiment. Aggarwal, Briscoe-Tran, Erel, and Starks (2025) document the extent to which public sentiment (not just investor sentiment) on different issues is reflected in proposals. While ESG-related proposals gained traction, those focused on governance and compensation have declined.<sup>12</sup> However, this trend is starting to reverse.

## **2.4 Increased Availability of Private Capital**

Private equity and private credit have grown substantially in the last two decades, providing companies with funding without the regulatory burden and scrutiny of being a public company. There is greater flexibility in getting this capital without the need to go through a registration process and road show.

Ewens and Farre-Mensa (2020) highlight two key aspects regarding private capital that can inform the decision of many companies to stay private. First, it explains how the trade-off between going public and staying private has evolved since the early 1990s. More founders now possess

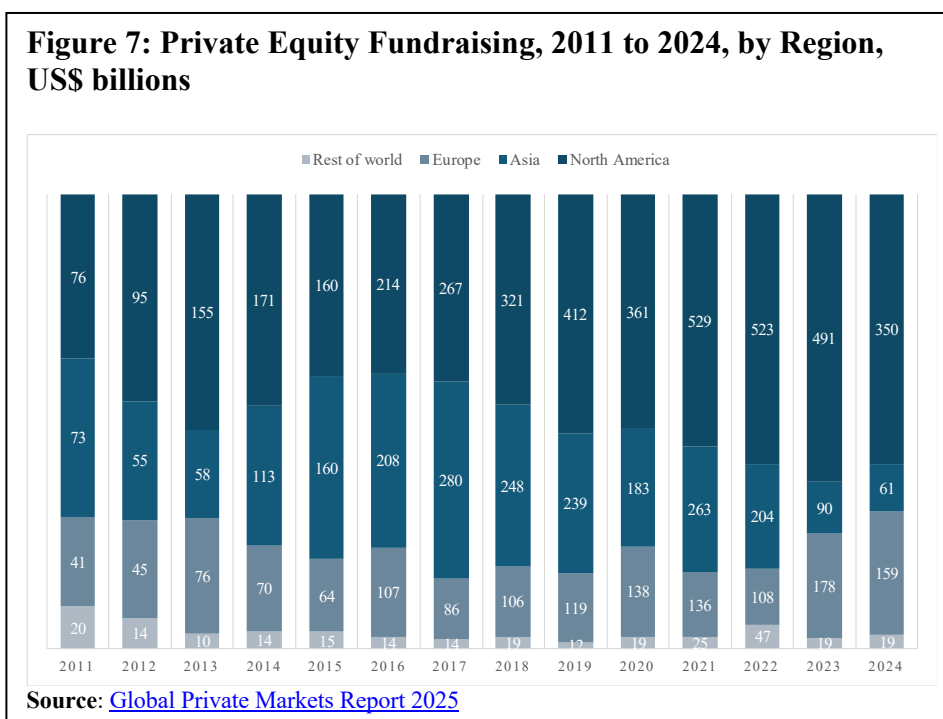
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<sup>11</sup> <https://corpgov.law.harvard.edu/2023/01/31/voting-rights-in-corporate-governance-history-and-political-economy/>

<sup>12</sup> <https://corpgov.law.harvard.edu/2024/11/18/u-s-shareholder-proposals-a-decade-in-motion/>

both the board authority and private funding to stay in control longer, either by postponing or bypassing an IPO altogether.

The growing share of private credit used by private companies could also be a consequence of traditional banks' "tightening lending standards" since the passage of the Dodd-Frank Act and of the "lines between public and private markets [...] blurring."<sup>13</sup> It should also be noted that a shift towards merger and acquisitions as an exit strategy for growing firms has been documented over the period of IPO decline.<sup>14</sup> Whether the use of this option is a consequence of a burdensome regulatory environment for public firm is still up for debate.



### 3. Efforts to Reduce the Burden of Being a Public Company

#### 3.1 JOBS Act

The Jumpstart Our Business Startups (JOBS) Act of 2012 established exemptions and benefits designed to promote capital formation. Most notably, it established an Emerging Growth Company (EGC) status for companies with \$700m in public float and \$1.07b in revenue that serves

<sup>13</sup> <https://www.wellington.com/en-us/intermediary/insights/2025-private-credit-outlook-5-key-trends>

<sup>14</sup> <https://www.sec.gov/info/smallbus/acsec/ipotaskforceslides.pdf>

as the threshold for firms to receive certain exemptions and benefits. EGCs represent 91% of the IPOs completed in 2023, up from 87% in 2022, demonstrating that firms are taking advantage of the benefits provided by the Act, as the quantity of IPOs per year has also grown sizably. Dambra, Field and Gustafson (2015) find that IPO activity partially increased after the regulatory relief of the 2012 JOBS Act.<sup>15</sup>

Exemptions from certain compensation reports and SOX 404(b) that requires an independent audit of internal controls, which are widely regarded as expensive regulations, imply cost-savings for EGCs while eligible. The confidential review and “test the waters” opportunities have been noted as the most effective benefits established by the JOBS Act. Confidential review enables companies to have their draft statements reviewed by the SEC without the submission becoming public. “Test the waters” enables companies to educate and gauge the interest of investors confidentially, prior to exposing the endeavor to competitors. Since 2019, “test the waters” can be used by all registrants, not just EGCs, demonstrating the potential for the benefits of the Act to expand in reach moving forward.

### **3.2 Relevant Legislative and Regulatory Proposals**

Since the JOBS Act, concerns about capital formation have remained due to the fact that the number of IPOs has stayed “below long-term averages” and smaller businesses continue to struggle with accessing capital.<sup>16</sup> In response, Congress has explored various legislative proposals aimed at expanding the scaled approach, with some building upon the provisions of the JOBS Act.

The most notable proposals on Capitol Hill related to capital formation were introduced in 2024.<sup>17</sup> Particularly, the Empowering Main Street in America Act of 2024 looks to expand the benefits of the JOBS Act to capital-raisers and broaden the definition of Accredited Investor to those who pass a qualitative certification.<sup>18</sup> Some of its proposals are highlighted in the box below. The bill passed the House on February 24, 2025 and is currently with the Senate for consideration.<sup>19</sup>

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<sup>15</sup> <https://www.wilmerhale.com/en/insights/publications/2024-ipo-report>

<sup>16</sup> <https://www.congress.gov/crs-product/R45221>

<sup>17</sup> <https://www.congress.gov/bill/118th-congress/house-bill/2799>

<sup>18</sup> <https://www.sec.gov/files/review-definition-accredited-investor-2023.pdf> and <https://www.congress.gov/bill/118th-congress/senate-bill/5139>

<sup>19</sup> <https://punchbowl.news/wp-content/uploads/EMSAA-Section-by-Section-Final-2024-PDF-final.pdf>

## Empowering Main Street in America Act, 2024

**Sec. 101.** Helping startups continue to grow. Extends the JOBS Act emerging growth company exemption status to companies with annual gross revenues of \$2 billion or less while extending the qualifying runway from five years to ten years.

**Sec. 202.** Encouraging investments in Main Street. Requires the SEC, in consultation with the Secretary of Labor, to study the impact of prohibiting retail investors and retirement plans from investing in private placements.

**Sec. 301.** Study regarding retail investor readability of financial statements. Directs the SEC to examine the readability of financial statements among retail investors, identify ways to improve investor disclosures to make information clearer and easier to navigate, ensuring the most useful and relevant information is made accessible and available for retail investors.

**Sec. 303.** Publication on economic data on securities markets. Requires the Division of Economic and Risk Analysis to publish, annually, information on the economic performance of the capital markets, including information on offerings, compliance costs, enforcement actions, market capitalization and market participants. Information will be freely available and downloadable to the public.

**Sec. 304.** Study on IPO fees. Requires the SEC to study and provide reports to Congress on the cost of undertaking an initial public offering (IPO) for small and medium-sized companies.

**Sec. 305.** Putting investors first. Clarifies that public companies may exclude shareholder proposals that interfere with their ordinary business operations, regardless of whether the proposal concerns a significant social policy issue.

Source: [United States Senate Committee – Banking, Housing and Urban Affairs](#)

### SEC Initiatives

The SEC Chairman has expressed a desire to reduce the impediments of being a public company while recognizing the role of private markets.<sup>20</sup> In order to “make IPOs attractive again” the SEC staff has been asked to review what types of newly public companies should qualify as emerging growth companies and for how long, and whether EGCs should be permitted “an on-ramp to comply with certain existing disclosure obligations.” For those companies that are already public, the Commission wants to reconsider thresholds for accelerated and large accelerated filers, consider whether to realign the smaller reporting company and non-accelerated filer definitions, and review the associated disclosure obligations so that the framework is appropriately scaled for

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<sup>20</sup> <https://www.cnbc.com/2025/07/02/first-on-cnbc-transcript-sec-chair-paul-atkins-speaks-with-cnbc-squawk-box-today.html>

today's public companies and avoids overlapping definitions to prevent unnecessarily complex and expensive regulatory regime.<sup>21</sup> By scaling back these regulatory requirements, the SEC seeks to streamline the overall regulatory system and make it easier to navigate for companies, ultimately reducing barriers to capital access.

### **Private Offerings**

In November 2020, the SEC made key amendments to **private offerings regulations** to expand capital access for growing ventures. Regulation Crowdfunding<sup>22</sup> (Reg CF) saw its offering limit rise from \$1.07 million to \$5 million per year. Regulation A (Reg A) was expanded into two tiers, allowing companies to raise up to \$20 million (Tier 1) and \$75 million (Tier 2) annually, with Tier 2 offerings benefiting from streamlined state registration requirements. Additionally, Regulation D (Reg D) amendments increased the offering limit under Rule 504 from \$5 million to \$10 million, facilitating capital formation for smaller companies.

## **4. Recommendations**

Past regulatory updates, along with the proposals for future ones, reflect a commitment by the SEC and Congress to strengthening the financial landscape and making it easier for businesses, particularly small and emerging companies, to access the funding they need to thrive. Recently Nasdaq has proposed a number of recommendations to advance the public markets. While these are a positive step forward, more is needed to truly revitalize the U.S capital markets.

### **Investor Protection and Market Integrity**

- Legislation must strike a careful balance between investor protection and the need to encourage capital formation.
- Legislation should focus on preventing fraud, manipulation, and other misconduct that could erode investor confidence and market stability.
- Legislation should address corporate governance, disclosure standards, and shareholder rights to ensure fair treatment for all investors.
- Transparency in financial reporting and market operations will help investors make informed decisions and foster trust in the system.

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<sup>21</sup> SEC Commissioner, "Remarks at the Florida Bar's 41st Annual Federal Securities Institute and M&A Conference," February 24, 2024, <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-florida-bar-022425>

<sup>22</sup> <https://www.sec.gov/rules-regulations/2020/11/facilitating-capital-formation-expanding-investment-opportunities-improving-access-capital-private>  
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## **Balancing Investor Protection and Facilitating Vibrant Public Markets**

- Reducing unnecessary regulatory burdens can facilitate capital formation for businesses.
- Simplifying regulation and disclosure to reduce the burden of being a public company.
- Extending the exemptions of the JOBS Act to other scenarios and higher thresholds.
- Protecting companies from frivolous litigation.
- Modifying the proxy voting process to make it more efficient.
- A comprehensive cost-benefit analysis to ensure the benefits of proposed changes outweigh their costs.

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