

House Financial Services Committee

Subcommittee on Capital Markets

Hearing: Sophistication or Discrimination? How the Accredited Investor Definition Unfairly Limits Investment Access for the Non-wealthy and the Need for Reform

Wednesday, February 8, 2023 10:00 AM

Good morning Chairman McHenry, Ranking Member Waters, Subcommittee Chairman Wagner, Subcommittee Ranking Member Sherman, and the esteemed members of the Subcommittee on Capital Markets. and the esteemed members of the Subcommittee on Capital Markets. It's an honor to speak with you today about the importance of access to financial education and opportunity through investment. My name is Shelly Omilàdè Bell (please call me "Omi"), and I am the CEO and Founder of Black Girl Ventures. We are a non-profit organization that provides access to capital, capacity, and community to Black and Brown women founders. To date, Black Girl Ventures has funded 450 Black and Brown woman-owned businesses in 15 cities. Our founders represent \$10M in revenue for the US economy and over 3000 jobs.

I founded Black Girl Ventures after a wide-ranging career path: I am an HBCU graduate, a computer scientist and a serial entrepreneur. I have worked in workforce development, for the US Patent & Trademark Office, as a teacher and as a performance poet. And in every role, at every milestone of life, I have both experienced personally and witnessed in the communities I serve how systemic barriers to financial education prevent middle-class, low-income, and especially Black and Brown people from gaining economic mobility and building wealth.

Entrepreneurship was my pathway out of poverty. As a single mother who just had her second child, I found myself on public assistance, despite holding a full-time job as a teacher and a degree in computer science because, as almost 12% of Americans know well, holding a traditional full-time job was not enough to provide financial security for my family. In 2015, I launched a custom merchandise print shop that was profitable enough to deliver my family and me out of public assistance and into a six-figure income. My mom invested \$10,000 of her retirement money into my print shop, and if she had not, I would likely still be receiving public assistance. And I am so lucky she could make that investment in me. Due to systemic barriers to generational wealth and widening wealth inequity, most founders in the Black community cannot tap a network of friends or family to provide seed funding for their business, and investment opportunities to scale businesses are even further out of reach. In 2016, I read a report that Black women in the United States started businesses at 6 times the national average yet received less than 1% of venture capital. In 2023, that rate has not changed.

I launched Black Girl Ventures from a living room in southeast DC with this statistic in mind and history as inspiration. In the early 1900s, during the Harlem Renaissance, when White landowners raised rents, Black tenants would throw parties for an admission fee that would be used to pay the rent. I used this same model to build Black Girl Ventures and essentially built the largest rent party for entrepreneurs on the east coast. Black Girl Ventures is the family and friends round for Black and Brown woman founders.

Over the course of the last 7 years, I have read and reviewed over 1,000 applications and pitches for funding. I have trained over 5,000 people in marketing, business development and fundraising. My organization has provided over \$3M in funding to early-stage businesses that have gone on to hire employees and gain shelf space in the largest retailers in the country. And yet, even after all of my professional experiences building businesses for myself and others, and the life experience of receiving public assistance, graduating from college, managing a household, raising two children, and becoming financially self-sufficient via entrepreneurship, under the current definition of an accredited investor, I would not qualify until I held an annual income of more than \$200,000 for two years or reached a net worth of over \$1 million. This means I am effectively shut out of investing in the businesses I believed in before anyone else did, while investors who are already wealthy stand to benefit.

The SEC's definition of an accredited investor is designed to safeguard individuals from the risks of unregistered securities. However, the SEC puts the onus of verification on the issuer of the security. This incentivizes companies and brokers to seek funding from traditional investors with the wealth and a level of financial sophistication that exceeds the minimum requirements, denying not just opportunity but awareness to historically excluded communities. The SEC last updated its definition in 2020,¹ in an attempt to address diversity and equity concerns, but the addition of credential and certification requirements neglects equally relevant markers of financial sophistication, such as those identified by the SEC Small Business Capital Formation Advisory Committee. Black and Brown people, low-income people, and the middle class are standing at the back of a proverbial line ordered by race, generational wealth, and access to resources. Every time you feel like you have gotten closer, the rules are continuously being changed to help or protect those at the front of the line. The lack of access even to the systems that aren't perfect should still be considered a diversity and equity issue. Diversity is good for investment; therefore, it is also good for investors.

I am not advocating for deregulation, but education and increased access to financial education and investing. Reviewing the definition of accredited investors must involve striking the right balance between protecting investors and the public interest while increasing access and investment opportunities for historically excluded communities.

It's a step in the right direction to have such an esteemed panel today to share expertise and to further efforts to build an economy where all people can have equitable access to all pathways to create wealth.

I look forward to working with you as your conversations continue because, quite frankly, change can't come soon enough for the founders we serve at Black Girl Ventures and the hundreds of Black and Brown business owners across the country.

Thank you.

¹ <https://www.sec.gov/corpfin/amendments-accredited-investor-definition-secg>