

# SEC and FINRA Issue Proposed Rules on Crowdfunding

On October 23, 2013, the SEC in an Open Meeting issued proposed regulations enabling crowdfunding under Title III of the JOBS Act. The new regulation is called Regulation Crowdfunding and if finalized will create rules under the 33 Act and the 34 Act that will enable small businesses to raise capital with an exemption from registration of their securities.

The SEC stated that their approach to drafting the rules was “to align crowdfunding ...with the central tenets of the original concept of crowdfunding, in which the public-or the crowd – is presented with the opportunity to invest ... after sharing information.”

The SEC is seeking comments on a variety of issues related to the issuers and the intermediaries that will facilitate the offerings. [Click here](#) to read the entire release.

On October 24, 2013, FINRA issued proposed rules for funding portals, intermediaries engaged in crowdfunding, which are exempt from registration as a broker-dealer, although they will be registered with the SEC and must apply for membership with FINRA. FINRA is proposing seven rules. They are

- Funding Portal Rule (FPR) 100 – General Standards
- FPR 10 – Application with Forms FP-NMA, FP-CMA and FP-SD
- FPR 200 – Funding Portal conduct
- FPR 300 – Funding Portal Compliance
- FPR 800 – Investigations and Sanctions
- FPR 900 – Code of Procedure
- FPR – 1200 Arbitration and Mediation

These rules appear to be creating a broker-dealer light.

The proposed regulations from both the SEC and FINRA will require funding portals to maintain anti-money laundering programs. Comments for the FINRA rules are due by February 3, 2014. [Click here](#) to read the entire release.

Over the next few weeks we will follow submitted comments and discuss some of the issues raised.