
SEC Regulation of Crowdfunding Intermediaries Under Title III of the JOBS Act

By Thomas V. Powers

A potentially lucrative new market for brokers and broker-like intermediaries will commence after January 1, 2013. Title III of the Jumpstart Our Business Startups Act (“JOBS Act”) creates a new “crowdfunding” exception to the registration requirements of the Securities Act of 1933 (“Securities Act”).¹ Under this exception, startup companies will be able to sell up to \$1 million in securities to the general public provided that they conduct the transaction through a registered broker or “funding portal” (a broker-like intermediary created under the JOBS Act) and satisfy certain other conditions.² The JOBS Act requires that the SEC adopt rules implementing the new crowdfunding exception by December 31, 2012.³ In the interim, startup companies, as well as brokers and prospective funding portals (together, “Crowdfunding Intermediaries”) are prohibited from relying on the exception and have limited insight into what the SEC’s final rules will look like.⁴ This article will discuss the recent popularity of crowdfunding as a financing option for startups, highlight the major JOBS Act provisions pertaining to Crowdfunding Intermediaries, and suggest ways the SEC can implement these provisions in order to promote Crowdfunding Intermediary formation and thereby facilitate startup company financing under the exception.

Pre-JOBS Act “Crowdfunding”

Crowdfunding has become an increasingly popular method for entrepreneurs to raise capital quickly and inexpensively in the wake of the financial crisis. Narrowly defined, crowdfunding is a financing mechanism that allows startup companies to solicit funds from the general public through website intermediaries.

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These websites display company business models and allow investors to make online contributions in exchange for nominal gifts or company equity. Crowdfunding eschews more traditional forms of early stage financing that can be uncomfortable (e.g. asking family and friends for money) or prohibitively difficult, such as procuring a bank loan or finding angel investors and venture capital firms willing to invest. Moreover, crowdfunding can generate significant early-stage capital for companies. Since 2010, over 978 startup companies have received an aggregate of \$1.1 billion in funding through the website AngelList.⁵ This year, the entrepreneurs behind “Pebble,” a watch that synchs with smartphones and alerts users of incoming calls, texts and emails, raised over \$10 million in just 37 days through the crowdfunding website Kickstarter.⁶

Crowdfunding has the potential to also become a lucrative industry for the websites that facilitate these transactions. For example, Kickstarter takes 5% of the funds raised by a company as a servicing fee.⁷ In the case of Pebble, this amounts to over \$500,000 for coordinating a 37 day financing. But crowdfunding transactions also implicate a variety of federal securities laws that can subject intermediaries to substantial regulation as broker-dealers. Section 3(a)(4)(A) of the Securities Exchange Act of 1934 (“Exchange Act”) defines a “broker” as any intermediary “engaged in the business of effecting transactions in securities for the account of others.”⁸ The Exchange Act requires that brokers engaged in the sale of securities register with the SEC as broker-dealers and join a self-regulatory organization (“SRO”).⁹ Broker-dealer registration subjects intermediaries to myriad fees, disclosure requirements and conduct rules that limit how intermediaries may conduct their business, and it raises the specter of substantial fines and suspensions for non-compliance.¹⁰ Crowdfunding websites are particularly susceptible to broker-dealer registration for two reasons: (a) they are in the business of “effect[ing] transactions” between startup companies and investors, and (b) the

consideration startup companies offer investors in exchange for funding often meets the broad definition of “securities” under Section 2(a) of the Securities Act, which includes stock, convertible debt, membership interests, profit sharing arrangements and perhaps even royalties.¹¹

To date, crowdfunding websites have generally avoided broker-dealer registration in one of two ways. First, intermediaries like Kickstarter sidestep the “securities” issue by prohibiting investors from receiving financial stakes in the companies listed on their websites.¹² Instead, investors are entitled only to receive nominal gifts from the startup company, such as a Pebble watch. Alternatively, intermediaries like AngelList permit startup companies listed on their website to issue equity to investors, but they avoid the “broker” definition by (a) not effecting equity transactions in companies listed on their platform, (b) not recommending investments in companies they list and (c) not charging fees for their services.¹³ Both models of avoiding broker-dealer registration have clear drawbacks: the former deters investors looking to take equity positions in early-stage companies, and the latter cannot be monetized. Title III of the JOBS Act provides the SEC with a framework for creating “funding portal” intermediaries that are not subject to the limitations of current crowdfunding websites.

Title III of the JOBS Act

The “Crowdfunding” Exception

On April 5, 2012, President Obama signed the JOBS Act.¹⁴ Title III of the JOBS Act creates new Section 4(6) of the Securities Act, which exempts qualified “crowdfunding” transactions from Securities Act registration.¹⁵ Once implemented, Section 4(6) will permit startup companies to issue up to \$1 million in securities per year to the general public subject to certain conditions.¹⁶ First, Section 4(6) limits individuals’ annual investments under the exception based on certain monetary thresholds. For investors with less than \$100,000 in annual income or net worth, the maximum investment is the greater of \$2,000 or 5% of annual income or net worth.¹⁷ Investors with more than \$100,000 in annual income or net worth can invest up to 10% of their annual income or net worth up to a maximum of \$100,000.¹⁸ Second, Section 4(6) requires startup company issuers to make numerous

disclosures to the SEC, Crowdfunding Intermediaries and potential investors, including the company’s (a) legal status and contact information; (b) business plan; (c) principals and shareholders of greater than 20% of company equity; (d) tax returns and financial statements for the previous year (which must be audited if the offering exceeds \$500,000); (e) ownership and capital structure, including any preemptive rights of current securities holders and (f) the valuation method for the securities offered under Section 4(6).¹⁹ Last, issuers must conduct crowdfunding transactions through a broker or funding portal that complies with the requirements of new Section 4A(a) of the Securities Act.

Brokers and Funding Portals

New Section 4A(a) requires that intermediaries relying on the Section 4(6) crowdfunding exception register with the SEC and any applicable SRO as either (a) a broker or (b) a funding portal (defined below).²⁰ Once registered, Crowdfunding Intermediaries must comply with numerous disclosure and due diligence requirements for each crowdfunding transaction effected on their platform, including:

- providing investors with educational materials and disclosures regarding the risks of crowdfunding transactions;
- ensuring that crowdfunding investors (a) review investor-education materials; (b) affirm that they understand the risk of losing their investment and can bear the loss and (c) answer questions demonstrating an understanding of the risks associated with crowdfunding transactions, including the volatility of startups, the potential illiquidity of Section 4(6) exempted securities and any other risks the SEC by rule requires;
- taking measures to reduce the risk of fraud, including obtaining background checks and securities enforcement regulatory histories on principals of the issuer;
- taking steps to ensure that investors do not exceed their annual investment limits for Section 4(6) exempted crowdfunding transactions;
- distributing all issuer disclosures to the SEC and investors at least 21 days before the first sale; and
- satisfying any other requirements the SEC establishes by rulemaking.²¹

Section 4A(a) also restricts certain activities of Crowdfunding Intermediaries and their principals.

Both brokers and funding portals are prohibited from compensating promoters, finders and other agents for providing personal identifying information on potential investors.²² Moreover, principals of Crowdfunding Intermediaries are prohibited from investing in issuers that conduct crowdfunding transactions through their platforms.²³

Funding Portals

Funding portals are a new type of intermediary created specifically under Title III of the JOBS Act. Funding portals are defined under new Section 3(a)(80) of the Exchange Act as intermediaries that offer or sell securities for the accounts of others “solely pursuant to [S]ection 4(6)” of the Securities Act.²⁴ New Section 3(h) of the Exchange Act requires that the SEC “conditionally or unconditionally” exempt funding portals from broker-dealer registration.²⁵ Nevertheless, funding portals must (a) register with the SEC, (b) submit to SEC examination, enforcement and rulemaking and (c) become members of a national SRO registered under Section 15A of the Exchange Act.²⁶ The JOBS Act specifically tasks qualifying SROs with creating a separate rulebook to regulate funding portals.²⁷ Currently, the Financial Industry Regulatory Authority (“FINRA”) is the only national Section 15A-registered SRO.²⁸ Thus, all registered funding portals will be required to register with FINRA and become subject to its yet-to-be-created funding portal rulebook. Subject to very narrow exceptions, states are preempted from regulating funding portals.²⁹

In addition to the restrictions on broker and funding portal activities discussed above, new Section 3(a)(80) also prohibits funding portals (but not brokers) from:

- offering investment advice or recommendations;
- soliciting investors to purchase securities sold through their platforms;
- holding, managing, possessing or otherwise handling investor funds or securities;
- compensating employees, agents or other persons for soliciting investors or for selling securities displayed on their platforms; and
- engaging in other activities the SEC by rule prohibits.³⁰

The restrictions on funding portal activities discussed above are included in the definition of “Funding Portal” under new section 3(a)(80) of the Exchange Act.³¹

Consequently, funding portals that engage in such prohibited activities may be required to re-register with the SEC as broker-dealers and face potential sanction for operating as unregistered brokers.

SEC Regulation of Crowdfunding Intermediaries

Both the SEC and FINRA have issued notices requesting public comment on their prospective Crowdfunding Intermediary rules.³² FINRA’s notice suggested that the regulator did not intend to impose overly restrictive rules on funding portals, asking commenters to “tak[e] into account the relatively limited scope of activities by a registered funding portal permitted under the JOBS Act.”³³ The SEC, however, has provided very limited guidance on how it plans to implement the Crowdfunding Intermediary provisions of the JOBS Act.³⁴ This section offers rulemaking suggestions the SEC should consider in order to, as FINRA characterized its own rulemaking goals, “ensure that the capital raising objectives of the JOBS Act are advanced in a manner consistent with investor protection.”³⁵

Disclosure and Due Diligence

New Section 4A of the Securities Act requires that Crowdfunding Intermediaries “ensure” that prospective investors understand the risks associated with crowdfunding investments.³⁶ To that end, Section 4A directs Crowdfunding Intermediaries to (a) distribute educational materials to investors, (b) affirm that investors have reviewed the materials and (c) require investors to answer questions demonstrating their understanding of the risks associated with their investment.³⁷ However, requiring Crowdfunding Intermediaries to create their own educational materials and Q&A’s for investors has the potential to be very expensive, lead to inconsistent disclosures and expose Crowdfunding Intermediaries to liability for material misstatements or omissions in their materials. To reduce these risks, the SEC should provide model language for investor-education materials and Q&A’s.³⁸ The model language should be sufficiently broad to cover a variety of startup company business models (such as life science technology and mobile applications). To further reduce costs, the SEC should also permit Crowdfunding Intermediaries to post their investor-education and Q&A materials online and clarify that Crowdfunding Intermediaries can rely on electronic confirmations that investors have reviewed and completed the materials.³⁹

Section 4A also requires that Crowdfunding Intermediaries provide the SEC and investors with all disclosures made to the Crowdfunding Intermediary by the issuer at least 21 days prior to the first sale in a crowdfunding transaction.⁴⁰ However, Section 4A does not impose any specific due diligence requirements on Crowdfunding Intermediaries with respect to issuer disclosures. Certain issuer disclosures would require particularly rigorous review by Crowdfunding Intermediaries and may even require the assistance of legal counsel, including the ownership and capital structure of the issuer, preemptive rights of existing shareholders and rights associated with the securities sold in the crowdfunding transaction.⁴¹ The cost of retaining personnel to carry out detailed due diligence reviews and the risk of liability for failing to adequately review issuer disclosures will likely chill Crowdfunding Intermediary registration. Moreover, Section 4A(a) already requires Crowdfunding Intermediaries to perform background checks on all principals of the issuer and receive acknowledgment from investors that they understand the risks inherent to crowdfunding transactions.⁴² Accordingly, the SEC rules should not impose additional due diligence requirements on Crowdfunding Intermediaries. The SEC rules should instead require only that Crowdfunding Intermediaries disclose in their investor-education materials that they have not independently reviewed issuer disclosures. In the alternative, the SEC could substantially reduce Crowdfunding Intermediary due diligence expenses by requiring that issuers use standardized offering documents with standardized terms, such as those drafted by the National Venture Capital Association.⁴³

Last, Section 4A requires that Crowdfunding Intermediaries take steps to ensure that investors do not exceed the 12-month limit on their aggregate crowdfunding investments.⁴⁴ Because of the practical difficulties of verifying investor transactions on other Crowdfunding Intermediary platforms, the SEC rules should permit Crowdfunding Intermediaries to rely on investor representations regarding their other crowdfunding investments and ensure compliance with this provision strictly with respect to the Crowdfunding Intermediary's own platform.⁴⁵

Liability

New Section 4A(c) of the Securities Act creates a private right of action for investors against issuers for

material misstatements and omissions made in disclosure materials.⁴⁶ Section 4A(c) is silent, however, with respect to Crowdfunding Intermediaries' potential liability. Consistent with the position taken above that Crowdfunding Intermediaries should not be required to review issuer disclosures required under Section 4A(b), the SEC rules should clarify that the private right of action created under Section 4A(c) does not extend to brokers and funding portals. Additionally, Crowdfunding Intermediaries may want to impose additional disclosure requirements on issuers beyond those mandated by Section 4A(b).⁴⁷ The SEC rules should clarify whether an issuer's material misstatement or omission in response to these enhanced disclosures will impute liability on Crowdfunding Intermediaries.⁴⁸

Funding Portal Regulation

The SEC's biggest challenge in implementing Title III of the JOBS Act will be creating rules that make funding portal registration an attractive alternative to broker-dealer registration or operating crowdfunding platforms akin to Kickstarter and AngelList. The JOBS Act does not require funding portals to register as brokers, but it places considerable restraints on funding portal activities. As discussed below, the SEC should implement rules that give funding portals a sufficient degree of autonomy to distinguish themselves from other crowdfunding platforms while also having the ability to derive meaningful revenue for their services.

Operating Structure. Title III of the JOBS Act does not specify whether a funding portal must operate as a website. Although funding portals will likely (as a practical matter) be web-based, the SEC should permit funding portals to operate through alternative mediums provided that they comply with the JOBS Act's other funding portal provisions.

Broker-dealer Registration. New Section 3(h) of the Exchange Act requires that the SEC "conditionally or unconditionally" exempt funding portals from broker-dealer registration.⁴⁹ Under new Section 4A of the Securities Act, funding portals will still be required to register with the SEC and FINRA and submit to each regulator's enforcement and rulemaking authority.⁵⁰ The JOBS Act also prohibits funding portals from engaging in activities traditionally permitted

for brokers, such as offering investment advice, soliciting customers and holding investor funds.⁵¹ Given the limited scope of funding portal activities and their already heavy regulation under the JOB Act, the SEC should “unconditionally” exempt funding portals from broker-dealer registration. In order to make funding portal registration a meaningful alternative to broker-dealer registration, the SEC should also ensure that the registration requirements for funding portals are less onerous than for their broker counterparts.

Advertising. The Jobs Act specifically prohibits funding portals from soliciting investors directly or compensating finders and others agents for locating potential investors.⁵² However, funding portals will need some flexibility in advertising in order to distinguish themselves from other intermediaries and attract investors. The SEC should clarify that funding portals can advertise, among other things, (a) past issuers who were successfully financed through their platforms, (b) the types of issuers that typically utilize their platform, (c) the average offering amount of crowdfunding transactions they intermediate and (d) the aggregate amount of funds raised through their platform.⁵³ Crowdfunding websites like Kickstarter and AngelList provide similar advertising statistics, so investors would have the ability to draw meaningful distinctions between a funding portal and its competitors.

Investment Advice. New Section 3(a)(80) of the Exchange Act prohibits funding portals from offering investment advice or recommending issuers to prospective investors.⁵⁴ In order to distinguish themselves, however, funding portals will need some latitude in choosing the types of businesses and the offering sizes they want to list on their platforms. Accordingly, the SEC should implement rules that permit funding portals to limit the pool of issuers they present to investors without having it constitute investment advice.⁵⁵ The SEC can strike this balance in several ways. First, it can require that funding portals publish pre-existing guidelines for how they select issuers to list on their platform.⁵⁶ The SEC can also make funding portals provide a disclaimer to investors that their “selection or rejection of an issuer does not constitute investment advice.”⁵⁷ Last, the SEC can require that funding portals disclose their issuer-selection guidelines to investors and require that investors acknowledge that they understand the

guidelines.⁵⁸ These suggestions retain the spirit of the JOBS Act’s investment advice prohibition while allowing funding portals to customize their platforms as they see fit.

Fee Structure. Title III of the JOBS Act is silent on the fees that Crowdfunding Intermediaries may charge for their services. As several commenters have argued, it is important that the SEC give funding portals “flexibility on how certain fees and expenses are allocated” in order to account for the varying size of crowdfunding offerings.⁵⁹ Because funding portal revenue is derived exclusively from Section 4(6) crowdfunding transactions, the SEC should also permit funding portals to collect a percentage of the total issuance as a fee. This practice would not run afoul of the Investment Company Act or Investment Advisors Act because new Section 3(a)(80) of the Exchange Act prohibits funding portals from managing client accounts or offering investment advice.⁶⁰ Moreover, this fee structure would likely encourage funding portal registration because it allows intermediaries to monetize their platforms like Kickstarter while having the unique ability to effect securities transactions without registering as a broker-dealer.

Conclusion

Title III of the JOBS Act has the potential to reinvent early-stage financing for startup companies. The long-term viability of the JOBS Act’s crowdfunding exception, however, will depend largely on whether the SEC implements flexible and cost effective rules to encourage Crowdfunding Intermediary registration. The rulemaking suggestions in this article provide some examples of how the SEC can accomplish this goal. We will soon find out how far the SEC is prepared to go to “ensure that the capital raising objectives of the JOBS Act are advanced.”⁶¹

Notes

1. Jumpstart Our Business Startups Act, Pub. L. No. 112-106, § 302(a), 126 Stat. 306, 315 (2012) [hereinafter *JOBS Act*].
2. *JOBS Act*, § 302(a), 126 Stat. 315.
3. *JOBS Act*, § 302(c), 126 Stat. 320.
4. *Information Regarding the Use of the Crowdfunding Exemption in the JOBS Act*, SEC.GOV (last visited Aug. 4, 2012), <http://sec.gov/spotlight/jobsact/crowdfundingexemption.htm>.
5. *Done Deals*, AngelList, <https://angel.co/done-deals> (last visited Aug. 4, 2012); Rip Empson, *The Power Of AngelList Revealed*

- In Its New Look: 978 Deals, 48 Acquisitions*, TechCrunch (April 24, 2012), <http://techcrunch.com/2012/04/20/the-power-of-angellist-revealed-in-its-new-look-978-done-deals-48-acquisitions/>.
6. *Pebble: E-paper Watch for iPhone and Android*, Kickstarter, <http://www.kickstarter.com/projects/597507018/pebble-e-paper-watch-for-iphone-and-android> (last visited Aug. 4, 2012) (stating that Pebble's funding period launched on April 11, 2012 and ended on May 18, 2012).
 7. *Project Basics*, Kickstarter, <http://www.kickstarter.com/help/faq/kickstarter%20basics> (last visited Aug. 4, 2012) (noting that Kickstarter only charges a fee if companies reach their pre-set funding goals).
 8. 15 U.S.C. §78c (2006).
 9. 15 U.S.C. §78o (2006); SEC Division of Trading and Markets, *Guide to Broker-Dealer Registration*, at Part I (Apr. 2008), www.sec.gov/divisions/marketreg/bdguide.htm [hereinafter *SEC Guide to Broker-Dealer Registration*].
 10. SEC Guide to Broker-Dealer Registration, *supra* note 9, at Part V.
 11. 15 U.S.C. § 77b (2006); see *SEC v. Howey Co.*, 328 U.S. 293, 301 (1946) (defining the term "investment contract" under Section 2(a) of the Securities Act to mean any "investment of money in a common enterprise with profits to come solely from the efforts of others").
 12. *Project Basics*, *supra* note 7.
 13. Fateyma Yasmine, *Naval Ravikant and AngelList: The Match.com of Funding [Interview]*, TheNextWeb (Feb. 17, 2011), <http://thenextweb.com/entrepreneur/2011/02/17/naval-ravikant-angellist-the-match-com-of-funding-interview/>. AngelList also requires that every person registering as an "investor" on its website verify their status as an "accredited investor" under Rule 501 of Regulation D, which includes registered investment companies, business development companies and natural persons with greater than \$1 million in net worth or \$200,000 in annual income in each of the two years. *Terms of Service*, AngelList (last visited Aug. 4, 2012), <https://angel.co/terms>.
 14. JOBS Act, Pub. L. No. 112-106, 126 Stat. 306 (2012).
 15. JOBS Act, § 302(a), 126 Stat. 315.
 16. JOBS Act, § 302(a), 126 Stat. 315. The JOBS Act expressly prohibits investment companies, foreign companies and Exchange Act reporting companies from availing themselves of the Section 4(6) crowdfunding exception.
 17. JOBS Act, §302(a), 126 Stat. 315.
 18. JOBS Act, §302(a), 126 Stat. 315.
 19. JOBS Act, §302(b), 126 Stat. 317-318. The language of Title III suggests that the offering thresholds tied to issuers' financial disclosures under Section 4(6) include all offerings in a 12 month period, not just the issuer's Section 4(6) offerings. For example, an issuer raising \$50,000 through Section 4(6) and \$450,000 through a Rule 506 private placement would be required to disclose audited financial statements to crowdfunding investors.
 20. JOBS Act, § 302(b), 126 Stat. 316.
 21. JOBS Act, § 302(b), 126 Stat. 316.
 22. JOBS Act, § 302(b), 126 Stat. 316.
 23. JOBS Act, § 302(b), 126 Stat. 316.
 24. JOBS Act, § 304(b), 126 Stat. 322.
 25. JOBS Act, § 304(b), 126 Stat. 321.
 26. JOBS Act, § 304(b), 126 Stat. 321.
 27. JOBS Act, § 304(b), 126 Stat. 322.
 28. Jumpstart out Business Startups Act: Frequently Asked Questions About Crowdfunding Intermediaries (May 7, 2012), <http://www.sec.gov/comments/s7-10-09/s71009-481.pdf>, at question 2 [hereinafter *SEC Crowdfunding Intermediary FAQ*].
 29. JOBS Act, § 305(d), 126 Stat. 323.
 30. JOBS Act, § 304(b), 126 Stat. 322.
 31. JOBS Act, § 304(b), 125 Stat. 322.
 32. *Comments on SEC Regulatory Initiatives Under the JOBS Act: Title III — Crowdfunding*, SEC.Gov (last visited Aug. 4, 2012), <http://www.sec.gov/comments/jobs-title-iii/jobs-title-iii.shtml>; FINRA Reg. Notice 12-34, *FINRA Requests Comment on Proposed Regulation of Crowdfunding Activities* (July 5, 2012) [hereinafter *FINRA Reg. Notice 12-34*], <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p131268.pdf>.
 33. FINRA Reg. Notice 12-34, *supra* note 32, at 3.
 34. SEC Crowdfunding Intermediary FAQ, *supra* note 28. The SEC Division of Trading and Markets published this "Frequently Asked Questions" ("FAQ") about Crowdfunding Intermediaries in May 2012, but the FAQ did not address how the SEC might implement the Crowdfunding Intermediary provisions of the JOBS Act.
 35. FINRA Reg. Notice 12-34, *supra* note 32, at 3.
 36. JOBS Act, § 302(b), 126 Stat. 316.
 37. JOBS Act, § 302(b), 126 Stat. 316.
 38. See, e.g., *Meeting with Representatives from the National Crowdfunding Association*, Nat'l Crowdfunding Ass'n (May 14, 2012), <http://www.sec.gov/comments/jobs-title-iii/jobstitleiii-64.pdf>, at 2 [hereinafter *NCA Comment Letter*].
 39. NCA Comment Letter, *supra* note 38, at 2.
 40. JOBS Act, § 302(b), 126 Stat. 316.
 41. JOBS Act, § 302(b), 126 Stat. 317-318.
 42. JOBS Act, § 302(b), 126 Stat. 316.
 43. See *Model Legal Documents*, Nat'l Venture Capital Ass'n (last visited Aug. 4, 2012), http://www.nvca.org/index.php?option=com_content&view=article&id=108&Itemid=136.
 44. JOBS Act, § 302(b), 126 Stat. 316.
 45. SEC Regulatory Initiatives, JOBS Act Title III: Crowdfunding Exemption, CFIRA (May 30, 2012), <http://www.sec.gov/comments/jobs-title-iii/jobstitleiii-80.pdf>, at 2 [hereinafter *CFIRA Comment Letter*].
 46. JOBS Act, §302(a), 126 Stat. 318-319.
 47. NCA Comment Letter, *supra* note 38, at 2.
 48. NCA Comment Letter, *supra* note 38, at 2.

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49. JOBS Act, § 304(b), 126 Stat. 321.
50. JOBS Act, § 302(b), 126 Stat. 316.
51. JOBS Act, §304(b), 126 Stat. 322; *see generally* SEC Guide to Broker-Dealer Registration, *supra* note 9.
52. JOBS Act, §§ 302(b) and 304(b), 126 Stat. 316, 322.
53. CFIRA Comment Letter, *supra* note 45, at 3.
54. JOBS Act, § 304(b), 126 Stat. 322.
55. CFIRA Comment Letter, *supra* note 45, at 4.
56. CFIRA Comment Letter, *supra* note 45, at 4.
57. CFIRA Comment Letter, *supra* note 45, at 4.
58. CFIRA Comment Letter, *supra* note 45, at 4.
59. NCA Comment Letter, *supra* note 38, at 2.
60. JOBS Act, § 304(b), 126 Stat. 322.
61. FINRA Reg. Notice 12-34, *supra* note 32, at 3.