

## SEC Approves Final Rules for Crowdfunding

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January 6, 2016 Bruce Newsome

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**PRACTICES** Corporate, Capital Markets and Securities, Emerging Companies and Venture Capital

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The Securities and Exchange Commission (the “**SEC**”) adopted the final rules to Regulation Crowdfunding on October 30, 2015, which implemented Title III of the JOBS Act to allow companies to raise capital through crowdfunding. The final rules are codified as Regulation Crowdfunding in furtherance of Section 4(a)(6) of the Securities Act of 1933. Regulation Crowdfunding creates a regulatory framework for small businesses and startups to raise capital by selling unregistered securities through an Internet-based platform to individual investors. Regulation Crowdfunding will be effective May 16, 2016, although funding portals may begin to register with the SEC starting January 29, 2016. Release No. 33-9974 can be found [here](#).

### Background

Crowdfunding allows companies to use the Internet to raise capital, typically by soliciting small individual contributions from a large number of investors. Before Regulation Crowdfunding, websites such as AngelList already allow companies to sell unregistered securities to accredited investors. Other websites such as Kickstarter also allow companies to raise capital by offering goods or services that are not securities to non-accredited investors. Regulation Crowdfunding does not affect these two other types of crowdfunding, as it governs primarily the offer and sale of unregistered securities to investors regardless of accreditation.

***To read the full alert, please click on the PDF linked below.***

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