

SPEECH

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Statement at an Open Meeting of the Commission to Consider a Proposal to Implement Title III ("Crowdfunding") of the JOBS Act

Commissioner Daniel M. Gallagher

Washington, D.C.

Oct. 23, 2013

I am glad to be able to support today's proposal, and I want to thank those who have worked so hard to get us to this point. In particular, I want to thank Jonathan Ingram and Sebastian Gomez Abero of the Division of Corporation Finance and David Blass and his team – *my old team* – in the Division of Trading and Markets. I also want to acknowledge the key role played by FINRA in this rulemaking, so my thanks go out to Rick Ketchum, Bob Colby, and their team.

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In Title III of the JOBS Act, Congress recognized the potential of the internet to facilitate capital formation for very small companies at a critical stage of their growth in a process known as "crowdfunding." Congress required the Commission to issue rules that permit securities to be issued for small investments made over the internet, up to a \$1 million annual limit, all without incurring the obligation to register either issuers or offerings with us.

Title III reflects the vision of small business entrepreneurs nationwide, and is part of a statute, the JOBS Act, that received overwhelming bipartisan support in Congress and was singled out by the President as a key component of his Administration's effort to combat one of the most serious crises we face today – joblessness. The President both encouraged enactment of the law in his 2012 State of the Union address and praised it in a bipartisan signing ceremony, saying that the law was a "potential game changer" for small businesses. I am glad that the President and Congress have forced the Commission to focus on small businesses, as they are the engine of growth for our economy, and they have been tragically overlooked as we rotely promulgate countless mandated rules that guarantee nothing other than the gradual demise of smaller market participants.

The JOBS Act was able to command impressive bipartisan support because, as its preamble states, it was responsive to a real crisis – chronic unemployment. That crisis continues to this day. According to figures released yesterday, unemployment is still at an unacceptable 7.2 percent, and remains at still higher levels for young people and minorities. I'm glad, therefore, that the Commission is, albeit very belatedly, making further progress in implementing the JOBS Act, and I hope we can give effect to the will of Congress and the President by completing our JOBS Act mandates soon.

So I think it's high time we proposed our crowdfunding rule.

The JOBS Act has provided for many investor protections in Title III, including disclosure requirements and the mandatory use of intermediaries called funding portals, and I believe our proposal is generally careful to not add additional, unnecessary frictions into this marketplace. That said, the proof is in the pudding and I look forward to hearing from commenters on whether the balance of investor protection and innovation we are seeking is appropriate.

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And to be sure, there is a lot to comment on. In addition to the substantive rule *proposal* reflected in the proposed rule text and related release language, there are 295 questions in the release. On the actual rule *proposal* as well as the questions, I especially want to hear from both the small business entrepreneurs we seek to assist, and those investors who look forward to supporting them.

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