SPEECH

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Remarks at Open Meeting

Chair Mary Jo White

Washington, D.C.

Oct. 23, 2013

Good morning. This is an open meeting of the U.S. Securities and Exchange Commission on October 23, 2013, under the Government in the Sunshine Act.

Today, we are considering whether to propose Congressionally-mandated rules under the JOBS Act that would permit startups and small businesses to raise capital by offering and selling securities through crowdfunding.

Crowdfunding is a term that has come to describe an evolving method of raising money using the Internet. In the past, this method has been used by individuals and companies to fund a variety of projects from innovative product ideas to artistic endeavors like movies or music. In return, individuals providing funds have in some cases been rewarded with a token of value related to the project, such as a film credit or a CD.

This funding method to date, however, has not involved the offer of a share in any financial returns or profits from business activities. Doing so could trigger the application of the federal securities laws, under which the offer and sale of securities are required to be registered with the SEC unless an exemption is available.

The JOBS Act created an exemption for this kind of crowdfunding and also established the foundation for a regulatory structure for this funding method. The intent was to try to make it easier for businesses to raise capital from a wide range of potential investors and to provide additional investment opportunities for investors.

When it passed the JOBS Act, Congress directed the SEC to adopt rules to implement the new regulatory structure. And in doing so, it set certain parameters:

- Specifying the aggregate amount of money that companies could raise and individuals could invest.
- Requiring disclosures to be provided to investors and potential investors.
- Identifying when securities could be resold.
- Mandating that crowdfunding transactions be conducted through broker-dealers or a new intermediary called a funding portal.

These provisions among others are intended to help protect those looking to invest. We also, as required by the JOBS Act, are proposing a “bad actor” provision to bar certain issuers from taking advantage of the crowdfunding exemption. This provision, which is designed to protect investors, is substantially similar to the bad actor rule for Regulation D offerings we adopted in July.

The revisions to the Securities Act mandated by the JOBS Act and the proposal we are considering today to implement those revisions would significantly change the federal securities laws and the means available to small businesses to raise capital. We will be very interested in commenters’ reactions to the proposal.

Because of the impact that this rule could have on the market, we have directed the staff to develop a comprehensive work plan to review and monitor the use of the crowdfunding exemption. If the proposal is adopted, the staff will proceed under the work plan to evaluate the types of issuers using the new crowdfunding exemption, how issuers and intermediaries are complying with the rule, and whether the exemption is promoting capital formation and effectively protecting investors.

There is a great deal of excitement in the marketplace about the crowdfunding exemption. And I am pleased that we are in in a position today to adopt a rule proposal that would, upon adoption, permit crowdfunding to begin. We want this

Related Materials

- Video of Chair White's Remarks

market to thrive, in a safe manner for investors.

Before turning it over to Keith Higgins, the Director of the Division of Corporation Finance, and John Ramsay, the Acting Director of the Division of Trading and Markets, to discuss the rule proposal, I would like to thank members of the staff from across the agency for their work on this proposal.

Specifically, I would like to thank Keith Higgins, Jonathan Ingram, Sebastian Gomez, and Jessica Dickerson in the Division of Corporation Finance; John Ramsay, David Blass, Paula Jenson, Joe Furey, Joanne Rutkowski, Leila Bham, Timothy White, Shaheen Haji Zuver, Carla Carriveau, and Heather Percival in the Division of Trading and Markets; Annie Small, Richard Levine, David Fredrickson, Janice Mitnick, and Dorothy McCuaig in the Office of the General Counsel; Craig Lewis, Scott Bauguess, Vanessa Countryman, Chris Meeks, Vladimir Ivanov, Simona Mola Yost, and Ivan Ivanov in the Division of Economic and Risk Analysis; Gerald Hodgkins, Conway Dodge, and Anita Bandy in the Division of Enforcement; Diane Blizzard, Daniel Kahl, Sarah Buescher, Sara Crovitz, Parisa Haghshenas, and Christopher McHugh in the Division of Investment Management; Paul Beswick, Jeff Minton, Brian Croteau, and John Cook in the Office of the Chief Accountant; Paula Drake, Jen McCarthy, Song Brandon, and Elizabeth Blase in the Office of Compliance Inspections and Examinations; and Robert Fisher, Elizabeth Jacobs, Eric Pan, Gloria Dalton, Marianne Olson, and Lesli Sheppard in the Office of International Affairs.

Now, I will turn the meeting over to Keith Higgins to provide an explanation of the staff's recommendations.

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