

[Securities Regulation Daily Wrap Up, TOP STORY—SEC issues proposal to improve ‘patchwork’ system of offering exemptions, \(Mar. 4, 2020\)](#)

Securities Regulation Daily Wrap Up

[Click to open document in a browser](#)

By [Amanda Maine, J.D.](#)

According to Chairman Clayton, the proposal would rationalize an overly complex regulatory framework and promote capital formation while preserving and enhancing important investor protections.

The SEC has issued a release for public comment intended to harmonize, simplify, and improve the Commission's exempt offering framework. In addition to increasing the offering limits for Regulation A, Regulation Crowdfunding, and Rule 504 offerings, the proposed amendments would relax rules on "demo day"/"testing-the-waters" communications, harmonize requirements in bad actor disqualification provisions, and offer safe harbor provisions for the integration of offerings.

Proposal. The proposal, which stems from a [concept release](#) issued by the Commission in June 2019, would facilitate capital formation and expand investment opportunities by streamlining access to capital for entrepreneurs, [according to Commission](#). The proposed amendments include the following changes:

- offering and investment limits for Regulations A, D, and Crowdfunding;
- "test the waters" and "demo day" exceptions to the current rules on general solicitation;
- eligibility restrictions in Regulation Crowdfunding and Regulation A to permit the use of special purpose vehicles for certain Reg CF issuers; and
- the Commission's integration framework for determining whether multiple securities transactions should be considered part of the same offering, with four specific safe harbors.

Commissioner statements. In a [statement](#) posted to the SEC's website, Chairman Jay Clayton said that the proposed amendments are centered on small and medium-sized companies that do not have "the sophistication to effectively navigate complex rule sets" that make up the current exempt offering framework. Clayton cited in particular the desire to help smaller issuers that are more likely to rely on the exemptions to raise capital—including rural issuers, women, and minority and veteran-owned issuers.

Commissioner Hester Peirce also [supported](#) the proposal, but she stated her wish to go further in deregulating private offerings. For example, Peirce said that these changes may not be enough to enable the crowdfunding exemption "to live up to its true promise." She also expressed her support for a "micro-offering exemption," calling it a potentially "life-changing way for entrepreneurs to raise small amounts of capital from the people who know them best."

Commissioner Allison Herren Lee [opposed](#) the proposal. According to Lee, the proposal would not be enough to help protect investors because it blurs important differences between public and private markets. Lee singled out the proposed amendments relating to general solicitation and accredited investors as running afoul of the Commission's investor protection mandate. The proposal would "chip away at the differences in these markets from both sides, dismantling significant legal and policy barriers between public and private markets," Lee warned.

Commissioner Elad Roisman had not yet issued a statement at press time. The SEC's proposal will be covered in more detail in tomorrow's *Securities Regulation Daily*.

The release is [No. 33-10763](#).

MainStory: TopStory ExchangesMarketRegulation SecuritiesOfferings