



[Home](#) / [Newsroom](#) / [Speeches and Statements](#) / Finders/Seekers: Exemption
Features

STATEMENT

Finders/Seekers: Exemption Features

Commissioner Hester M. Peirce (</about/sec-commissioners/hester-m-peirce>)

Remarks at the SEC's Small Business Capital Formation
Advisory Committee Meeting

July 22,
2025

Thank you to the Committee members for your continued service and to today's speakers. In this morning's follow-up discussion on Regulation A, please continue to provide your candid views about what changes could make Regulation A a more effective capital-raising tool. The discussion at the last meeting, as you thought through different aspects of Regulation A, already has helped to inform my thinking. I am looking forward to seeing your recommendations on the topic.

Later this morning, the Committee will be thinking about a common marketplace question that frustrates founders and investors alike: "where is what I'm looking for?" A founder with a product is looking for an angel investor or venture capitalist with a compatible investment philosophy. Simultaneously, an investor with capital to allocate is looking for a company with a vision that resonates with her. Time spent looking for one another is a mutually incurred transaction cost that hampers the growth of individual businesses and the broader economy. One part of the Commission's three-part mission is to ensure fair, orderly, and efficient markets. Ensuring efficient markets means creating a regulatory environment that facilitates, rather than impedes, the coming together of entrepreneurs and investors.

Finders play a crucial role, particularly for small businesses, by connecting entrepreneurs and investors. Finders often are engaged just as much in social behavior as they are in economic behavior. As a result, well-intentioned friends, colleagues, and industry acquaintances may find themselves unwittingly acting as broker-dealers and therefore subject to an onerous regulatory framework ill-suited for the connections and introductions these individuals facilitate. Companies, on the other hand, also face uncertainty in knowing when they can engage a finder that is not registered as a broker-dealer to help locate investors. Despite these consequences, the Commission has failed to provide clarity in this area, which has forced finders and companies to rely on highly fact-specific no-action letters from Commission staff. This lack of clarity has persisted for so long it transcends committees; this Committee's predecessor, the Advisory Committee on Small and Emerging Companies, lamented that, "[t]here is significant uncertainty in the marketplace about what activities require broker-dealer registration."^[1] And this Committee too has asked for years for the Commission to adopt a framework to permit finders to engage in limited capital raising activities involving accredited investors.^[2]

Finally, in October 2020 the Commission proposed an exemptive order which would have permitted natural persons to engage in certain limited activities on behalf of issuers without registering as brokers (the "2020 Proposal").^[3] A month later, this Committee provided helpful feedback.^[4] Commenters caused me to question the proposed approach, which involved two tiers of finders. As one commenter explained with respect to proposed Tier 1 finders, "limiting them to one transaction annually and prohibiting them from having **any** contact with an investor makes the category virtually useless."^[5] Though the 2020 Proposal was never adopted, as you consider the staff's overview of the 2020 Proposal and discuss issues surrounding finders more generally, please consider the following questions:

1. Is the 2020 Proposal a good starting point for exemptive relief, or would a different approach be more effective? Have market practices changed since 2020 in a way that would warrant changes to the 2020 Proposal?
2. Would the 2020 Proposal, or any action related to providing clarity for finders, benefit from a full rulemaking process, as some commenters suggested in 2020?^[6]
3. Is the Committee still supportive of a blanket exemption for finders for offerings under a certain size?^[7]
4. Should any exemption for finders cover activities related to secondary offerings?

5. In 2020 commenters were divided on whether an exemption should be provided only to natural persons.[8] Does this committee favor one approach over the other?

I look forward to hearing how today's discussion builds on the previous work of the Committee.

[1] U.S. Securities and Exchange Commission, Advisory Committee on Small and Emerging Companies, *Recommendation Regarding the Regulation of Finders and Other Intermediaries in Small Business Capital Formation Transactions* (May 15, 2017), <https://www.sec.gov/info/smallbus/acsec/acsec-recommendation-051517-finders.pdf> [_ \(https://www.sec.gov/info/smallbus/acsec/acsec-recommendation-051517-finders.pdf\)](https://www.sec.gov/info/smallbus/acsec/acsec-recommendation-051517-finders.pdf).

[2] See, Letter from the Small Bus. Cap. Formation Advisory Comm., U.S. Sec. & Exch. Comm'n, to Jay Clayton, Chairman, U.S. Sec. & Exch. Comm'n (May 28, 2020), <https://www.sec.gov/spotlight/sbcfac/capital-formation-proposal-recommendation-2020-05-08.pdf> [_ \(https://www.sec.gov/spotlight/sbcfac/capital-formation-proposal-recommendation-2020-05-08.pdf\)](https://www.sec.gov/spotlight/sbcfac/capital-formation-proposal-recommendation-2020-05-08.pdf); Letter from the Small Bus. Cap. Formation Advisory Comm., U.S. Sec. & Exch. Comm'n, to Jay Clayton, Chairman, U.S. Sec. & Exch. Comm'n (Nov. 13, 2020), <https://www.sec.gov/spotlight/sbcfac/finders-recommendation.pdf> [_ \(https://www.sec.gov/spotlight/sbcfac/finders-recommendation.pdf\)](https://www.sec.gov/spotlight/sbcfac/finders-recommendation.pdf); Letter from the Small Bus. Cap. Formation Advisory Comm., U.S. Sec. & Exch. Comm'n, to Gary Gensler, Chair, U.S. Sec. & Exch. Comm'n (Nov. 16, 2022), <https://www.sec.gov/spotlight/sbcfac/entrepreneurial-ecosystems-recommendation-101322.pdf> [_ \(https://www.sec.gov/spotlight/sbcfac/entrepreneurial-ecosystems-recommendation-101322.pdf\)](https://www.sec.gov/spotlight/sbcfac/entrepreneurial-ecosystems-recommendation-101322.pdf); Letter from the Small Bus. Cap. Formation Advisory Comm., U.S. Sec. & Exch. Comm'n, to Gary Gensler, Chair, U.S. Sec. & Exch. Comm'n (Feb. 28, 2023), <https://www.sec.gov/files/committee-perspectives-letter-022823.pdf> [_ \(https://www.sec.gov/files/committee-perspectives-letter-022823.pdf\)](https://www.sec.gov/files/committee-perspectives-letter-022823.pdf).

[3] U.S. Securities and Exchange Commission, *Notice of Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain*

Activities of Finders, Exchange Act Release No. 34-90112, File No. S7-13-20 (Oct. 7, 2020), <https://www.sec.gov/files/rules/exorders/2020/34-90112.pdf> [.\(https://www.sec.gov/files/rules/exorders/2020/34-90112.pdf\)](https://www.sec.gov/files/rules/exorders/2020/34-90112.pdf).

[4] Letter from the Small Bus. Cap. Formation Advisory Comm., (Nov. 13, 2020), *supra* note 2.

[5] The Heritage Foundation, *Letter to Vanessa A. Countryman*, Re: S7-13-20 (Nov. 12, 2020), at 8, <https://www.sec.gov/comments/s7-13-20/s71320-8011714-225387.pdf> [.\(https://www.sec.gov/comments/s7-13-20/s71320-8011714-225387.pdf\)](https://www.sec.gov/comments/s7-13-20/s71320-8011714-225387.pdf).

[6] Securities Industry and Financial Markets Association, *Letter to Vanessa A. Countryman*, Re: S7-13-20 (Nov. 12, 2020), at 6-7, <https://www.sec.gov/comments/s7-13-20/s71320-8011715-225372.pdf> [.\(https://www.sec.gov/comments/s7-13-20/s71320-8011715-225372.pdf\)](https://www.sec.gov/comments/s7-13-20/s71320-8011715-225372.pdf); CompliGlobe Ltd., *Letter to Vanessa A. Countryman*, Re: S7-13-20 (Nov. 13, 2020), at 3, 6, <https://www.sec.gov/comments/s7-13-20/s71320-8048443-225747.pdf> [.\(https://www.sec.gov/comments/s7-13-20/s71320-8048443-225747.pdf\)](https://www.sec.gov/comments/s7-13-20/s71320-8048443-225747.pdf).

[7] Letter from the Small Bus. Cap. Formation Advisory Comm., (Nov. 13, 2020), *supra* note 2.

[8] *Compare*, e.g., CrowdCheck, Inc., *Letter to Vanessa A. Countryman*, Re: S7-13-20 (Nov. 30, 2020), at 2, [s71320-8065248-225954.pdf](https://www.sec.gov/comments/s7-13-20/s71320-8065248-225954.pdf) [.\(https://www.sec.gov/comments/s7-13-20/s71320-8065248-225954.pdf\)](https://www.sec.gov/comments/s7-13-20/s71320-8065248-225954.pdf); *with* CompliGlobe Ltd., *Letter*, *supra* note 6, at 4.

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