

# Financial Intermediary Comparison for Crowdfunded Offerings

Many exempt offerings that rely on the use of internet-based marketing efforts are loosely referred to as “crowdfunded offerings.” These may include: Regulation A offerings that are conducted using internet-based marketing; offerings made in reliance on Rule 506(b) that use internet-based marketing to reach investors that already have been qualified as “accredited investors;” Rule 506(c) offerings made using internet-based marketing; and crowdfunded offerings made in compliance with Regulation Crowdfunding. Below, we summarize briefly the requirements applicable to financial intermediaries, including broker-dealers and funding portals in the case of crowdfunded offerings made pursuant to Regulation Crowdfunding.

	BROKER-DEALER	FUNDING PORTAL
REGULATORY ENVIRONMENT	Well-established SEC and FINRA rules regarding registration and ongoing compliance and regulatory obligations.	A new, “broker-dealer”-like framework; subject to both SEC and FINRA oversight.
CONDUCT OF BUSINESS	Handling customer funds and securities, making recommendations, getting compensated for sales of securities, etc.	Activities of a funding portal are quite circumscribed. Transaction-based compensation is prohibited. Owning a financial interest in issuers is prohibited. Certain “referral” arrangements with broker-dealers may be permissible.
COSTS	Significant registration costs, as well as ongoing compliance costs.	Although both the SEC framework and the FINRA framework applicable to funding portals is scaled back (by comparison to the regulation of broker-dealers), funding portals are subject to registration, compliance requirements, and inspection and oversight by both agencies. In addition, funding portals have substantial obligations to issuers and investors and also must comply with AML and privacy regulations.
AVAILABILITY OF CROWDFUNDING EXEMPTION	Available for issuers using broker-dealer’s platform.	Available for issuers using funding portal’s platform.