Proposed SEC Exemption for Certain Finders

October 12, 2020 – Governance & Compliance Insider
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On October 7, 2020, the Securities and Exchange Commission (”SEC”) proposed a new limited, conditional exemption from broker-dealer registration requirements of Section 15(a) of the Securities and Exchange Act of 1934, as amended (“Exchange Act”) for “finders” who assist issuers with raising capital in private markets from accredited investors. The proposed exemption would permit
natural persons to engage in certain defined and limited activities involving accredited investors without registering with the SEC as brokers. The proposed exemption seeks to assist small businesses to raise capital and to provide regulatory clarity to investors, issuers, and the finders who assist them.

There will be a 30-day comment period for the proposed exemption following publication in the Federal Register. The SEC published a series of 45 questions at the end of the proposal seeking feedback.

For additional information, see this eUpdate.

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