

SEC Adopts Temporary Amendments to Regulation Crowdfunding to Provide Relief to Smaller Companies Affected by COVID-19

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On May 4, 2020, the SEC announced final rules that provide temporary, conditional relief from certain requirements of Regulation Crowdfunding, relating to the timing of the offering and the availability of financial statements in issuers' offering materials. This relief was effective immediately and is available to certain issuers that meet the eligibility criteria described below.

The SEC adopted the temporary rules in response to feedback received by the Small Business Capital Formation Advisory Committee. The rules are intended to expedite the offering process for smaller companies directly or indirectly affected by COVID-19 that are seeking to use Regulation Crowdfunding to meet their funding needs.

The amendments apply to securities offerings initiated under Regulation Crowdfunding between May 4, 2020, and August 31, 2020.

The amendments provide flexibility for smaller issuers that meet the following eligibility criteria (in addition to current eligibility criteria to use Regulation Crowdfunding):

- the issuer cannot have been organized and cannot have been operating less than six months prior to the commencement of the offering; and
- any issuer that has sold securities in a Regulation Crowdfunding offering in the past must have complied with the requirements in section 4A(b) of the Securities Act of 1933, as amended, and the related rules.

Such issuers may assess interest in an offering prior to preparation of full offering materials.

If such issuers launch an offering, they may close and have access to funds sooner than under existing rules. Subject to certain qualifications detailed in the table below, under the temporary relief, such issuers may close as soon as binding commitments are received for the target amount of the offering. Under existing rules, issuers could not

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close for at least 21 days following the target amount being reached.

The temporary rules also provide an exemption from certain financial statement review requirements for issuers offering more than \$107,000 but not more than \$250,000 in securities in reliance on Regulation Crowdfunding within a 12-month period.

The following table from the SEC's release summarizes the existing rules and the temporary amendments: [Click here to view the table](#)