

U.S. Securities and Exchange Commission  
**SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE**

November 13, 2020

The Honorable Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1070

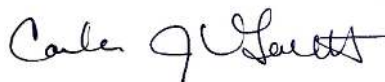
Dear Chairman Clayton:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendation approved at the Advisory Committee's November 9, 2020 meeting.

On October 7, 2020, the Commission [proposed](#) a new limited, conditional exemption from broker registration requirements for "Finders" who assist companies with raising capital in private markets from accredited investors. In order to promote small business capital formation, especially underrepresented businesses (such as minority owned and women owned businesses) and businesses that are not in regions with robust capital raising networks, the Committee supports a framework to permit certain Finders to engage in limited capital raising activities involving accredited investors with the following principles in mind:

- 1) The framework should be kept simple.
- 2) The framework should keep out bad actors.
- 3) The Commission should consider requiring a notice filing for all Finders, which includes information on fees charged for Finders' services.
- 4) The Commission should work with state securities regulators to provide additional certainty for market participants with coordination among the states and the Commission.
- 5) It is important that Finders and Issuers know the rules on how Finders can assist with capital formation for small businesses.
- 6) The Commission should consider a blanket exemption for Finders for offerings under a certain size.
- 7) The Commission should consider the issue of fees to Finders, including the reasonableness around Finders' fees and/or limits on the amount of Finders' fees.
- 8) The Commission should add clarity on prohibited and permissible activities. For example, the contact restrictions, the one time per year, and the natural person requirements in the proposal may be too limiting.
- 9) The Commission should clarify whether broker-dealers are allowed to pay Tier 2 finders that are non-associated persons.

Respectfully submitted on behalf of the Advisory Committee,



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