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# US: Investment Crowdfunding

## Top Securities Crowdfunding Exemptions in the US

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There are three main securities crowdfunding exemptions in the US:

### **Regulation Crowdfunding [Reg CF]**

Under Reg CF an issuer may raise up to \$5 million in a securities offering hosted on a FINRA regulated funding portal or broker dealer. Investors may be non-accredited. Currently, there are over 90 approved funding portals and multiple broker dealers offering Reg CF online capital formation.

### **Regulation A [Reg A+]**

Under Reg A+ an issuer may raise up to \$75 million (Tier 2) or \$20 million (Tier 1). Offering documents must be qualified by the Securities and Exchange Commission, a process that can take several months and typically involves engaging a securities attorney. This exemption is sometimes referenced as a “mini-IPO.” Issued shares may trade on an exchange or an ATS following the completion of a funding round. The offering page may be hosted on a platform or a website managed by the issuer. Investors may be non-accredited.

### **Regulation D 506c [Reg D]**

Reg D 506c is an update to old Reg D (506b) as issuers may “generally solicit” the securities offering online. This exemption only accepts accredited investors and individuals participating in the securities offering must validate their accredited status, typically via a third party provider. An unlimited amount of funds may be raised and the issuer may promote the offering on a platform or otherwise.

The above should not be viewed as legal advice and we recommend that any firm interested in raising capital online seek legal advice from an experienced securities attorney.

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# Online Capital Formation

## Reg CF\*

- ❖ In 2022, firms raising money using the Reg CF exemption raised \$506.7 million
- ❖ During 2022, 1132 firms successfully raised growth capital under Reg CF
- ❖ The average funding round in 2022 was \$428,000
- ❖ Investment volume since 2016 now stands at around \$1.63 billion.
- ❖ Job creation by issuers using Reg CF has been estimated at 226,000
- ❖ Average size investment was \$1.057\*\*
- ❖ 70% of capital is being raised outside top 10 traditional capital hubs\*\*
- ❖ Almost half (46%) of funding rounds that raised \$1+ million had women founders\*\*

## Reg A+\*\*

- ❖ From July 1, 2021 to June 30, 2022 \$1.8 billion was raised using Reg A+
- ❖ The median amount raised during this period was \$2.2 million
- ❖ The most active sector using Reg A+ is real estate which raised \$755 million
- ❖ Most issuers seek to raise less than \$50 million

## Reg D 506c\*\*

- ❖ Issuers raised \$148 billion using Reg D 506c
- ❖ In comparison to old Reg D (506b), issuers raised \$2.3 trillion
- ❖ The median funding round was for \$800,000

\*Source is Crowdfund Capital Advisors for full year 2022

\*\* Source is the SEC Division of Economic and Risk Analysis for the period July 1 2021 to June 30, 2022.

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