

FINRA Enters Crowdfunding Mix

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While the crowds are waiting for the SEC to act, FINRA is taking steps to prepare. It recently issued a voluntary [Interim Form for Funding Portals](#) designed for prospective “funding portals” under the JOBS Act. The JOBS Act provides that an intermediary involved in a crowdfunding transaction must be registered with the SEC as either a broker-dealer or a “funding portal.” Funding portals, like broker-dealers, must become members of a national securities association (i.e. FINRA).

FINRA has now asked firms intending to become funding portals to voluntarily submit an Interim Form with information regarding their businesses. The information is meant to help FINRA to become more familiar with the funding portal community and to develop the necessary rules.

The Interim Form asks for specific information regarding the portal’s business including:

- The portal’s owners, funding and key business and contractual relationships;
- The portal’s management, including details regarding disciplinary actions
- Information about the compensation that the portal expects to receive; and
- Details of how the portal intends to implement the JOBS Act-mandated protection measures.

It also asks firms to supplement the information with “any additional information or documents that they believe would be helpful.” FINRA indicates that it will treat information that prospective portals file on the interim form as confidential.

Once final SEC and FINRA rules become effective, voluntary filers of the form will still need to complete a new membership application. In applying for membership, funding portals will not be bound by the responses provided on the Interim Form.

On a side note, please keep in mind that until the SEC and FINRA finalize the rules, funding portals cannot legally act as crowdfunding intermediaries.

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