

Are Massachusetts Crowdfunding Actions a Sign of Things to Come?

By: Bettina Eckerle

<http://eckerlelawyers.com/blog-news/>

Massachusetts's regulators recently filed fraud actions against two companies who sold unregistered securities to local investors. The cases could signal a new wave of enforcement actions as crowdfunding prepares to take off under the JOBS (Jumpstart Our Business Startups) Act.

Per our [prior posts](#), the JOBS Act allows companies to offer up to \$1 million in unregistered securities annually through online crowdfunding portals. While Congress believes that the new rules will provide additional sources of capital for small businesses, states securities regulators are concerned about the risks for investors.

The SEC has not yet released rules implementing the JOBS Act's crowdfunding regulations. However, Massachusetts's top securities regulator is urging the agency to ensure "bad actors," like those named in the recent enforcement actions, are kept out of the marketplace.

"I support rules that allow early-stage companies to raise capital more easily," William Galvin said in a statement. "But I would urge the Securities and Exchange Commission to adopt meaningful and effective 'bad actor' rules that will disqualify securities law violators, brokers with revoked licenses and other fraud operators from using these exemptions from the securities registration requirements."

The North American Securities Administrators Association has also issued a warning to investors, after noting a significant uptick in "crowdfunding" websites. "An analysis of Internet domain names by state and Canadian securities regulators found nearly 8,800 domains with 'crowdfunding' in their name as of Nov. 30, up from fewer than 900 at the beginning of the year," NASAA said in a statement. It further warned that investors should expect to be "inundated with crowdfunding pitches, legitimate or otherwise."

[Eckerle Law](#) offers a highest-quality and cost-effective alternative to the traditional law firm model for a wide variety of transactional and regulatory matters serving all your business law needs. Our experienced attorneys also provide a full range of [compliance services for investment advisers](#), offering compliance tools that are tailored to fit the ever changing regulatory landscape as well as your business needs. If your company would like to strengthen its business practices, please contact us today so we can leverage our experience to create real-life business and legal solutions to help your business thrive.