



CrowdFund Intermediary Regulatory Advocates

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**CFIRA Unveils Anti-Fraud Initiative for Crowdfunding,
and Invites NASAA to Participate in Advocacy Efforts**

May 24, 2012 (New York, NY) – As the leading advocacy group for the crowdfunding industry, Crowdfund Intermediary Regulatory Advocates (CFIRA) is launching an aggressive program to minimize the risk of fraud that may be associated with crowdfunding offered under the Jumpstart Our Businesses and Startups (JOBS) Act. This week, CFIRA launches a working group to review and implement a centralized anti-fraud database for crowdfunding portal. Moreover, CFIRA actively is reaching out to affected regulatory bodies and associations to formulate a comprehensive anti-fraud strategy.

On May 15, the North American Securities Administrators Association (NASAA) issued an advisory, warning investors to approach crowdfunding investment opportunities with great caution. The NASAA’s advisory mentioned that Congress had enacted the JOBS Act in April to legalize crowdfunding for individuals, but only after the Securities and Exchange Commission (SEC) adopts rules to govern and regulate crowdfunding, due this coming January. As the leading advocacy group for the crowdfunding industry, CFIRA echoes NASAA’s concerns, and wants to assure potential crowdfunding investors and issuers that appropriate steps are being taken to protect their interests. This is CFIRA’s mission.

“We commend them on this proactive stance in protecting investors and issuers,” said Candace Klein, co-chair of CFIRA and founder of SoMoLend.com, a debt-based platform. “CFIRA and its partner organizations are working diligently with the SEC to



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ensure that investors and borrowers are protected from fraudulent practices, and we welcome NASAA to join us in this effort. The first step for all involved is to establish a clear understanding of the new crowdfunding environment and to clear up any misconceptions.”

In its advisory, NASAA’s president stated, “Once exempt, crowdfunding investments will not be reviewed by regulators before they are offered to the public, nor will they be required to provide the same level of disclosures to investors or regulators required of securities offerings. Investors will need to prepare themselves to be bombarded with all manner of offerings and sales pitches.”

The advisory related the JOBS Act to the 1996 passage of the National Securities Markets Improvement Act (NSMIA), which prohibited states from reviewing private offerings made under SEC Regulation D Rule 506 before they were sold to the public. The advisory went on to state, “Since NSMIA, the provisions of Rule 506 and other limited or private offering provisions have been used – and continue to be used – by unscrupulous promoters to fleece investors.”

With this response to that advisory, CFIRA wishes to clarify some of NASAA’s concerns.

- Crowdfunding isn’t new. It has been taking place online for about five years, but has been donation-based with no monetary return on investment.
- Current crowdfunding sites have reported that instances of fraud have been extremely limited, but, more importantly, have been consistently uncovered and removed within 24 hours, thanks to crowd intelligence.
- Issuers will not be permitted to participate in crowdfunding or take advantage of the new crowdfunding exemption until January 2013, at the earliest, when rules and regulations will have been established by the SEC.
- As with any other industry, no regulation can completely prevent unscrupulous practitioners from taking advantage of investors or issuers. However, CFIRA and its partner organizations will continue to advocate for safe crowdfunding practices, in conjunction with SEC regulations.
- The crowdfunding rules and regulations for portals will still be enforced by resident state authorities, similar to other investment practices.



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NASAA has an opportunity now to work with the SEC and CFIRA to institute best practices, fraud tracking, and monitoring. As such, the NASAA is encouraged to join CFIRA in building a safe and secure crowdfunding environment.

"The available data and evidence simply does not support the conclusion that crowdfunding will engender more fraud than other investment environments. In fact, crowdfunding has the potential to be more transparent and therefore less susceptible to Bad Actors than other current investments. Nevertheless, CFIRA is committed to working with the NASAA and other key regulatory bodies to ensure a safe and secure environment for accredited and non-accredited investors alike," said D.J. Paul, Chief Strategy Officer, crowdfunder.com.

Those interested in learning more about CFIRA can visit www.CFIRA.org. CFIRA also welcomes comments at [CFIRA's LinkedIn Group](#) page.

Additionally, each Monday, those interested can join the CFIRA leadership group for a Live Chat at 9 am PDT / 12pm EDT / 5pm BST on Crowdsourcing.org. Post any questions to the group or topics you would like the group to address here: <http://www.crowdsourcing.org/question/add>. Follow this link to register or to read more about the Live Chat session: <http://www.crowdsourcing.org/chat>.

About CFIRA

Crowdfund Intermediary Regulatory Advocates, or CFIRA, was established following the signing of the Jumpstart Our Business Startups (JOBS) Act. CFIRA is an organization formed by the crowdfunding industry's leading platforms and experts. The group will work with the Securities & Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and other affected governmental and quasi-governmental entities to help establish industry standards and best practices. For more information, visit www.CFIRA.org.

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