CrowdFund Intermediary Regulatory Advocates
1345 Avenue of the Americas
New York, NY 10105
Telephone: (212) 370-1300

January 19, 2014

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: File No.: S7-09-13; Related to Funding Portal Proposed Safe Harbor and Recordkeeping; Section II.D.1. of Release 33-9470

Dear Ms. Murphy,

We are writing you on behalf of the Crowdfund Intermediary Regulatory Advocates ("CFIRA"), a crowdfunding trade organization that advocates for regulations that will support the crowdfunding industry in connection with Title II and Title III of the Jumpstart Our Business Startups Act of 2012. CFIRA's role is to protect the interests of investors and issuers, and advance the common business interest of intermediaries and third party service providers in the securities industry. Our members are comprised of intermediaries (broker-dealers and funding portals), issuers, investors, and third party service providers who are engaged in or who intend to engage in business under Titles II and III.

The purpose of this letter is to provide CFIRA's comments in response to Questions 216 through 230 with regards to the proposed safe harbor for funding portals in the proposed rules. First and foremost, the list of proposed safe harbors do meet many of the needs of this burgeoning industry and these proposed safe harbors do clarify appropriate procedure for a number of important activities that the funding portals will engage in. In short, thank you. There is room for improvement and/or further clarity in a few areas, which we outline below:

#216: The proposed safe harbor does appropriately define many of the activities a portal will be involved in. The other main class of activities that should be addressed in the proposed safe harbor is the use of third party service providers for certain activities that the funding portal would like to outsource in order to attain greater reliability, economies of scale, or simply a service it cannot or would not provide on its own.

Some examples are:

1) licensing necessary platform software or software components from third parties to power their online platform;
2) website maintenance or development services provided securely by third parties;
3) reliance on third party stock transfer agents;

4) the use of external or embedded investor relations tools;
5) providing communication channel applications on their platform that are licensed from third parties;
6) the use of shareholder record keeping systems provided by third party software firms and used external to the platform or embedded on the platform; and
7) the use of external third party ratings or curation technology.

Use of these services will be very commonplace amongst intermediaries of both types, and certainly amongst the new funding portals. The industry needs clarity that funding portals may use these services and where necessary integrate them into their platforms in order to provide investors and issuers with added security, flexibility, and better service.

#217: Except as outlined above and below, no additional conditions should apply to the activities covered under the proposed safe harbor.

#218: To provide further clarity to funding portals and calm any fears of liability not expressly covered in the proposed safe harbor, we request that the commission provide additional guidance regarding the status of funding portals under the Investment Advisers Act of 1940.

#219: Yes, the proposed safe harbor should absolutely permit a funding portal to limit the issuers and offerings on its platform. We understand the importance of a funding portal not using criteria based on an assessment of the characteristics, merits, or the shortcomings of a particular issuer or offering. The examples of objective criteria that would be allowed is a good start; security type, geography, and industry are all likely criteria that funding portals will use to limit issuers on their platforms. We recommend including the following objective criteria for use by funding portals to limit the issuers on their platform:

1) Amount of money being raised pursuant to the 4(a)(6) offering
2) Whether the issuer is pre or post revenue
3) How long the issuer has been operational
4) How much revenue the issuer earns per year
5) Size of the management team for the issuer

While these are important factors for limiting the issuers and offerings on a given funding portal, if they are deemed by the commission to be too limiting, then they should be included as permissible objective criteria for highlighting/advertising/searching/filtering for issuers or offerings on the platform.

#220: In general, any characteristic or objective categorical information provided in mandatory disclosures or filings by all issuers on the platform should be permissible criteria for highlighting/advertising/searching/filtering for issuers or offerings on the platform. This is all information that the investors have access to and will determine through their own due diligence and review of the disclosure documents provided by the issuer, so it seems natural to speed up that process and make it as easy as possible for an investor to find the types of offerings they are looking for. While the broader point just stated is the real matter, more specifically, as referenced above, we recommend including the following additional objective criteria for use by funding portals for highlighting/searching/filtering for issuers or offerings on the platform:

1) Amount of money being raised pursuant to the 4(a)(6) offering
2) Whether the issuer is pre or post revenue
3) How long the issuer has been operational
4) How much revenue the issuer earns per year
5) Size of the management team for the issuer

These specific objective criteria are suggested because they are often important to investors when deciding for themselves what type or size of issuers they want to invest in.

#221: Yes it seems fair, and in keeping with desired transparency by all parties, for the commission to require that as a condition of the proposed safe harbor the funding portal must clearly display on a public page on their platforms, the objective criteria they use in limiting or highlighting offerings.

#222: If objective criteria are used and, most importantly, the funding portal or issuer is not in any way cherry picking the most flattering or positive news or other content, then yes a funding portal should be allowed to post a third party feed of news results related to issuers or offerings on the platform. If the feed is equally capable of surfacing beneficial and critical content, then it will be of good use to the investors on the site to have up to date information available to them at the point where they are considering an investment.

#223: The advertising portion of the proposed safe harbor should be consistent with the highlighting, limiting, and search/filter sections of the proposed safe harbor. All the sections should allow for use of the same kinds of objective criteria, as they are all very closely linked and should all be permitted to use the same criteria. It would help clarify the meaning of "a broad selection of issuers" in the proposed safe harbor as something to the effect of "not less than 5 issuers, so long as 5 or more issuers are listed on the funding portal at the time in question." Separately, a fine point, this comment request may be out of sync with the version of proposed rules released. The question seems to imply a limitation on the funding portal to only advertise its past offerings. This limitation is not to be found in the related advertising section of the proposed safe harbor on pages 241 and the top of 242 and would be overly restrictive if it was.

#226: Both issuers and out-sourced transfer agents currently provide transfer services for corporate actions involving investor funds without handling those funds, and have always done so. Issuers and or their outside transfer agents may undertake offerings, dividend payments, stock buy-backs, acquisitions, etc., all of which may involve investors' funds. There are many transfer agents, and issuers acting as their own transfer agents, that are not either trust companies, commercial banks, or broker dealers, so in order to effectuate the above described corporate actions and others, they engage a trust company or a registered commercial bank to provide escrow services for them.

In many offerings, if an issuer is not a bank, trust company or broker dealer, the functions are split, i.e., the issuer or transfer agent may act as the subscription agent, receiving and processing the subscriptions, while the subscription funds, which are made out to the order of the bank, trust company or broker, are forwarded to the engaged entity.

It appears that the Commission has already anticipated that this is a methodology that funding portals could use to handle investor funds for subscription commitments. As this is already a long standing practice between issuers (or their outside transfer agent if they engage one) and banks, trust companies, or broker dealers, we see no obstacle to funding portals being able to establish the same kinds of relationships with either banks, trust companies, or broker dealers, as may be appropriate.

#227: The only thing we would add to the Providing Communication Channels section is clarity that the funding portal can utilize third party communication channel tools embedded in their platform so long as they meet the conditions for the proposed safe harbor.

#229: Yes it seems fair, and in keeping with desired transparency by all parties, for the Commission to require that as a condition of the proposed safe harbor the funding portal must document in a written

agreement, its arrangement with the issuer. In most cases, we presume this will be the acceptance of the terms of use, but if not then it would be even more important to document the arrangement in writing.

#230: We would recommend the proposed safe harbor permit funding portals to provide a mechanism by which investors can rate an issuer or an offering. The key point here is that it be limited to investors who actually invested or committed to invest in the offering. If the mechanism is left open to anyone who simply has an account on the platform, then the mechanism is too exposed to being gamed or abused.

#241: *Concerns regarding the records to be maintained by funding portals and intermediaries in general*
It seems reasonable to require similar recordkeeping for funding portals and intermediaries. After all, funding portals are acting as financial services entities and face many compliance obligations that require the maintenance of transaction records. However, we are concerned that the proposed rules do not adequately address the recordkeeping of offering materials used by issuers and create uncertainty about the types of documents that may be used in the course of a Section 4(a)(6) offer.

Policy goal for maintaining records
The SEC has established a goal of creating a central repository of all the disclosures and updates used in a Section 4(a)(6) offering. Proposed Rule 201 sets out what information is required to be disclosed in the course of the offering. However, proposed Rule 201 does not include the full universe of possible documents and disclosures used in a Section 4(a)(6) offering. There is no catch-all within proposed Rule 201 to require non-enumerated information to be filed with the SEC. Further, the SEC's EDGAR filing system is not capable of handling the videos and media used in online offerings. In effect, if the SEC allows issuers to take full advantage of the online medium for providing information to investors, the SEC will not have established a central repository for the offering information. Later enforcement actions for fraudulent offers will require the recordkeeping of the offering materials used in the Section 4(a)(6) offering. The proposed Rules do not require intermediaries in Section 4(a)(6) transactions to maintain these records.

Proposed solution
The JOBS Act, by requiring the use of an intermediary in any transaction under Section 4(a)(6), has effectively made the intermediary the primary repository of information to carry out a Section 4(a)(6) offering. The SEC should allow that to take place by requiring the intermediary to maintain records (or arrange for a third party to keep such records) of the offering materials used by issuers on its platform.

Because there is a complete record of the offering materials used by issuers with each intermediary, the SEC should not require each issuer to file the additional material to Form C as attachments. Instead, the SEC should consider reducing the amount of information that is required to be filed with the SEC through EDGAR to those documents most suited to police against fraud while maintaining the intermediary as the primary repository of the issuer's offering materials.

Burdens of solution
This proposal would reduce the burdens on issuers, who would no longer be required to transcribe offering materials into something that can be filed with EDGAR. At the same time, it would not dramatically increase the recordkeeping burden of intermediaries, which are already required to be capable of hosting the information. Additionally, this proposal would be beneficial to regulator enforcement of anti-fraud provisions of the securities laws and plaintiff recovery in instances of securities fraud by providing for the recordkeeping of all offering materials, not just those materials filed with the SEC as part of the Form C.

#242: *Books and records requirements for funding portals must account for the limited authority of the funding portal as intermediary.*

The proposed rules do not impose unreasonable recordkeeping requirements for funding portals. The key reason that the rules are not unreasonable is that funding portals are not required to generate content for their records that is outside their daily business activities. While the format of the records will be specific to its purpose of maintaining easy to access information for the purpose of compliance review and discovery during legal actions, the content is not an additional burden to generate. Service providers have already entered the space to assist broker-dealers with their recordkeeping requirements and will be able to do the same for funding portals. While funding portal managers may not have the same experience with securities law compliance as registered broker-dealers, the third-party recordkeeping firms have developed experience that will aid in compliance with the proposed rules and may alleviate the time and effort required for funding portals to maintain their books and records.

#243: It is reasonable to model the safe harbor for certain insignificant deviations after the similar provision in Rule 508 of Regulation D.

#244: *It is appropriate and reasonable for the SEC to use the same terminology (and impose the same standards) regarding insignificant deviations as it does for Regulation D and Regulation A. It is appropriate to provide, for the issuer, a safe harbor if the failure occurred on the part of the intermediary in offerings unconnected to the issuer's offering or the issuer did not know a violation had occurred.*

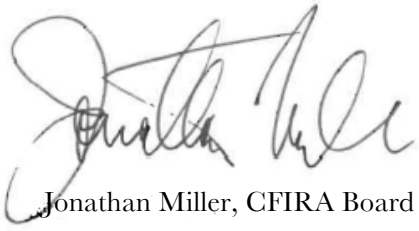
Consistent terminology aids the securities industry in the application of SEC rules and standards. While crowdfunding will bring new entrants into the market, many of the professional services and intermediaries available to issuers already participate in the securities markets and are familiar with the rules and standards established by the SEC for Regulation D and Regulation A. The scope of the insignificant deviation safe harbor is sufficient to protect well-meaning issuers that made a good faith attempt to comply with the regulations. The application of the safe harbor to errors by the intermediary is reasonable, but further clarification is required.

Issuers will likely not be familiar with the requirements placed upon intermediaries and so holding issuers accountable for the mistakes of the intermediary would not be reasonable. However, the SEC should clarify whether the safe harbor applies only if the issuer did not know about the action or non-action that resulted in a failure to comply by the intermediary, or if the safe harbor applies to additional situations in which that the issuer knew about the action or non-action but not that it resulted in a failure to comply with Regulation Crowdfunding. Stated more briefly, the issuer should not be required to know and understand the rules applying to intermediaries under Regulation Crowdfunding.

Thank you for your time and consideration. If we can provide any further clarity about our comments, please contact Freeman White by phone at 917-767-9863 or via email to freeman@launcht.com.

Sincerely,

Freeman White, CFIRA Board Member



Jonathan Miller, CFIRA Board Member

Andrew Stephenson, CFIRA Member