

# Snapshot

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## SEC proposal harmonizes exempt offering framework

The SEC issued a [Proposed Rule, Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets](#), to simplify, harmonize, and improve the exempt offering framework under the Securities Act of 1933. The proposed amendments are intended to promote capital formation while providing investors with important protections and investment opportunities.

The comment period ends 60 days after the Proposed Rule is published in the *Federal Register*.

### Integration framework

The Proposed Rule would simplify the integration framework used to determine whether multiple securities offerings should be considered part of the same offering, by eliminating the five-factor test and replacing it with a general principle that looks to particular facts and circumstances for each securities offering.

### Offering and investment limits

The proposed amendments would raise the maximum amount for a Regulation A Tier 2 initial offering from \$50 million to \$75 million and from \$15 million to \$22.5 million for Tier 2 secondary sales.

The proposal would also amend eligibility requirements in Regulation A to exclude Securities Exchange Act of 1934 registrants that are delinquent in their reporting obligations from using this exemption.

The proposed amendments would raise the offering limit under Regulation Crowdfunding from \$1.07 million to \$5 million. In addition, the proposal would amend the

investment limits for investors so that accredited investors have no limits and non-accredited investors would be able to rely on the greater of their annual income or net worth.

The proposed amendments would raise the maximum amount of securities in an offering under Rule 504 of Regulation D from \$5 million to \$10 million.

### Offering communications

The proposal would set clear and consistent rules by amending the offering communications rules to expand the use of the “test-the-waters” accommodation for offerings under Regulation Crowdfunding, to permit an issuer to use generic solicitation of interest materials to test-the-waters before an exemption method is selected, and to provide that certain “demo day” communications would not be deemed general solicitation or general advertising.

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The Proposed Rule is largely based on comments to the Commission’s June 2019 [Concept Release](#) and seeks to address gaps and complexities in the exempt offering framework to facilitate capital formation. Entities that are considering raising capital on an exempt basis should consider reviewing and commenting on the proposal. The SEC welcomes feedback from interested parties and thoroughly reviews input for consideration in its rulemaking.

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