CfPA
Crowdfunding Professional Association

July 30, 2026

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: SEC Request for Comments on IPO Modernization
File No. CLL-16 — IPO Modernization (Chairman's Comment File opened May 26, 2026)

Dear Ms. Countryman,

The Crowdfunding Professional Association ("CfPA") respectfully submits this comment letter in response to the Securities and Exchange Commission's ("SEC" or the "Commission") invitation for "bold and creative" ideas to modernize initial public offerings.[1]

The CfPA is the leading trade association representing the regulated investment crowdfunding industry, including funding portals, broker-dealers, issuers, investors, and service providers operating under Regulation Crowdfunding ("Reg CF") and Regulation A ("Reg A"). Our members are on the front lines of democratizing access to capital for small businesses and expanding investment opportunities for everyday Americans. CfPA members serve entrepreneurs who raise growth capital directly from their customers and communities often before they have garnered the attention of institutional investors. For many of these companies, Reg CF and Reg A are not simply private-capital alternatives, they are the first, and necessary, gateway towards eventual public company status.

The CfPA supports the Commission's efforts to modernize regulations impacting the ability of companies to raise capital in the United States and appreciates the opportunity to comment. We believe the Commission's initiative to modernize the IPO process should be viewed not simply as a reform for companies preparing to list on a national securities exchange, but as an opportunity to strengthen the entire capital formation continuum, including other public markets that do not require formal SEC registration. With that broader perspective in mind, we are pleased to offer the following recommendations.

<u>I. Extend Consideration Of Reforms to Regulation A</u>

As the SEC's Small Business Capital Formation Advisory Committee has observed, a company's decision to go and remain public ultimately comes down to a straightforward cost-benefit calculation: the ongoing burdens of public status must be justified by a commensurate

[1] Paul S. Atkins, Chairman, SEC, remarks at the Stanford Rock Center for Corporate Governance (May 26, 2026).

improvement in access to capital.[2] That calculation is especially unforgiving for smaller companies, for which compliance costs consume a far larger share of revenue than for their large-cap peers. We urge the Commission, as it modernizes the traditional IPO, not to overlook the Reg A on-ramp used by the smallest issuers, one that, if strengthened, could meaningfully expand the pipeline of companies eventually capable of a traditional listing.

II. Calibrate Offering Limits to Reflect Current Capital Needs

Modernizing Reg Cf and Reg A offerings by increasing the maximum annual amount a company can raise will provide smaller companies with the capital required to thrive, grow and eventually supply the modern IPO market.

CfPA members support increasing the Reg CF annual offering cap from $5 million to $20 million,[3] and the Reg A (Tier 2) annual limit from $75 million to $150 million. The current caps were last increased in 2021. Cumulative inflation since then exceeds 20 percent, which on its own warrants incrementally increasing the annual offering cap.[4] Further, the capital intensity of several sectors now using these exemptions that are most likely to consider an IPO in the future, such as AI, biotechnology and media, has grown substantially. For issuers already approaching the current caps, a higher ceiling would remove a limiting constraint and could draw larger, more capital-intensive companies into these exemptions.

The larger cap would also provide an alternative to the traditional IPO pathway referenced in Section I. For smaller companies, the underwriting costs of a traditional IPO can be prohibitive, putting these companies at an immediate disadvantage. Alternatively, direct public offerings, (for example, through a Regulation A Tier 2 offering), can provide a more practical path to a public listing.

III. Reduce Regulatory Friction While Maintaining Investor Protections

Beyond offering limits, our members consistently identify five areas of regulatory friction that impose disproportionate costs on small issuers - costs that larger companies, with far greater time and resources, can more easily absorb. This friction puts small companies at an immediate

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[2] SEC Small Business Capital Formation Advisory Committee, public meeting discussion of cost-benefit considerations in going and remaining public 2025-2026 sessions (April 28, 2026 meeting).
[3] The SEC Small Business Forum recently recommended the same Reg CF increase. See: SEC Report on the 45th Small Business Forum (March 9, 2026), recommendation number 5 on early stage capital raising: "5. Revise Regulation Crowdfunding to increase the annual amount a company can raise under the exemption from $5M to $20M."
[4] U.S. Bureau of Labor Statistics, CPI Inflation Calculator (2021-2026).

disadvantage and acts as a strong disincentive to consider any pathway to accessing public markets that increases costs without a material increase in access to capital.[5]

The five areas of friction are as follows:

- **Financial Statement Requirements:** The Commission should consider size and stage based accommodations for exempt offering issuers. The current regulations require GAAP-compliant financial statements even for the smallest Reg CF offerings. Given that many first-time issuers have historically used cash accounting, transitioning to GAAP financials can be prohibitively expensive,[6] often keeping companies from accessing capital or materially limiting their offering duration.[7] In comparison, Reg A Tier 2, requires audited financial statements regardless of offering size.
- **Communications Ambiguity:** Navigating the distinction between "terms" and "non-terms" communications in public communications creates constant friction for smaller exempt-offering issuers, many of whom lack in-house securities counsel and must guess between a permissible testing-the-waters communication and an unregistered offer. We urge the Commission to explicitly provide communication clarity for exempt offerings, not only registered offerings.
- **Divergent Individual Investment Limits:** Reg CF and Reg A Tier 2 apply different formulas to calculate how much a non-accredited investor may invest, creating confusion for investors and intermediaries operating across both exemptions. In the name of investor protection, we recommend the Commission harmonize the formula methodology**.**
- **Section 12(g) Uncertainty:** Reg CF and Reg A issuers need extensive guidance to avoid triggering the requirements of Section 12(g) of the Exchange Act. Reg CF's conditional exemption from Exchange Act Section 12(g) registration requires an issuer to remain below defined public float and revenue thresholds, engage a registered transfer agent, and maintain current financial statements, conditions a fast-growing issuer can inadvertently breach. The CfPA recommends re-evaluating the 12(g) criteria and, separately, adjusting the regulations to provide a defined transition period for registration when the exemption criteria is exceeded, rather than immediate registration obligations upon breach.

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[5] Burke, Gregory (CfPA board member), and Riley League, "The Cost of Financial Disclosure for Start-Up Firms" (available on request) and "Compliance with Ongoing Financial Reporting Mandates: Field Experimental Evidence on the Decision to Issue an Annual Report," Working papers, 2026 (available on SSRN).

[6] "Compliance with Ongoing Financial Reporting Mandates: Field Experimental Evidence on the Decision to Issue an Annual Report," Working papers, 2026 (available on SSRN). The authors find that only 28 percent of issuers file their required annual report by the deadline, consistent with the high cost of ongoing GAAP compliance.

[7] Burke, Gregory (CfPA board member), and Riley League, "The Cost of Financial Disclosure for Start-Up Firms" (available on request). The authors find that 71 percent of Reg CF issuers are willing to close their offering at least six weeks early to avoid filing updated GAAP financial statements, reducing the capital raised in this market.

- **Secondary Trading And Brokerage Account Eligibility:** Many Reg CF and Reg A investors hold securities directly on an issuer's or transfer agent's books rather than through DTC-eligible brokerage accounts, complicating both everyday secondary trading and an eventual uplisting or IPO. The Commission's own Small Business Capital Formation Advisory Committee has recommended that the Commission address state-level barriers to secondary liquidity in these markets. We support that recommendation and further urge the Commission to work with FINRA and transfer agents on standardized, industry-wide procedures for depositing Reg CF and Reg A securities into brokerage accounts well in advance of any uplisting.[8]

Conclusion

Thank-you for the Commission's consideration of these recommendations. We welcome the opportunity to provide additional data or testimony as Commission staff develops its recommendations on IPO modernization. We appreciate the Commission's continued engagement with our members and the broader exempt-offering ecosystem, and we look forward to supporting your efforts to modernize the public-company process for companies of every size.

Sincerely,

/s/Brian Belley
Brian Belley
President
Crowdfunding Professional Association (CfPA)

CC:
Jason Fishman, Vice President
Jenny Kassan, Chair of the Board of Directors
Brian Christie, Vice Chair of the Board of Directors
Scott McIntyre, Vice Chair of the Board of Directors
Devin Thorpe, Treasurer and Vice Chair of the Board of Directors
Andrew Stephenson, Secretary
Meighan Leon, Chair of the Policy Committee

[8] SEC Small Business Capital Formation Advisory Committee, recommendations on state-level restrictions on secondary trading liquidity for Reg A securities (August 2, 2022).