

To Whom It May Concern:

I would like to comment on the proposed requirement that would force intermediaries to conduct background checks on the issuers that use their platforms. While I do agree that background checks and other anti-fraud measures are a necessity, I do believe this requirement will place a significant financial burden on funding portals.

Hypothetically let us assume that 10 issuers each posted an offering on an intermediary's platform. Assuming a background check on all of the owners and officers would cost an average \$400 per business, the funding portal in this scenario would be stuck fronting close to a \$4,000 bill. To make matters worse, if each of these 10 offerings failed to reach their target-offering amounts, the funding portal would not receive any compensation and would be forced to take a \$4,000 loss.

My recommendation is that intermediaries conduct background checks only after an issuer reaches his or her target-offering amount. This way, an intermediary would have the peace of mind knowing that they will eventually be compensated and that the background check will not have been done in vain. If an issuer for whatever reason does not pass the background check at this point, all the money raised would simply be refunded to the investors. This screening process would also serve as a deterrent for anyone planning to engage in fraud. Since posting a successful offering would take a lot of time and effort, I believe that people who would not pass a background check would not bother proceeding with their offerings. By doing things this way we would still be able to prevent fraud while simultaneously alleviating costs on intermediaries.