Taylor & Francis Online

Home ▶ All Journals ▶ Economics, Finance & Business ▶ Financial Analysts Journal ▶ List of Issues ▶ Volume 72, Issue 4 ▶ Statement of the Financial Economists Ro ....

Financial Analysts Journal ›

Volume 72, 2016 - Issue 4

275 Views | 8 CrossRef citations to date | 4 Altmetric

Viewpoint

Statement of the Financial Economists Roundtable: Crowdfunding

Jennifer Conrad, Jonathan Karpoff, Craig Lewis & Jay R. Ritter

Pages 14-16 | Published online: 27 Dec 2018

Cite this article https://doi.org/10.2469/faj.v72.n4.6 Check for updates

Sample our Mathematics & Statistics Journals

>> Sign in here to start your access to the latest two volumes for 14 days

Full Article Figures & data Citations Metrics Reprints & Permissions

Read this article Share

Abstract

The Financial Economists Roundtable, a group of distinguished senior financial economists, discusses current issues and future developments in the crowdfunding market and offers suggestions regarding the regulation of the industry.

Editor's note: This article was reviewed and accepted by Executive Editor Stephen J. Brown.

Authors' note: This statement is an outcome of the Financial Economists Roundtable discussion at its annual meeting on 18–20 July 2015 in Vancouver, British Columbia, Canada. It reflects a consensus of more than two-thirds of the attending members. Although the statement provides suggestions to the US Securities and Exchange Commission (SEC) for how to improve crowdfunding, the issues involved affect

crowdfunding throughout the world. If adopted, these suggestions would improve crowdfunding globally.

Previous article View issue table of contents Next article

Notes

[1] The US SEC provides a short description of crowdfunding on its website: www.sec.gov/rules/proposed/2013/33-9470.pdf (p. 6).

[2] For two reports on the rapid growth, albeit from a small base, of the European alternative finance market, see Peter Baeck, Liam Collins, and Bryan Zhang, Understanding Alternative Finance: The UK Alternative Finance Industry Report (London: Nesta/University of Cambridge, November 2014) and Robert Wardrop, Bryan Zhang, Raghavendra Rau, and Mia Gray, Moving Mainstream: The European Alternative Finance Benchmarking Report (London: University of Cambridge/EY, February 2015). The United Kingdom has been the leader in this area, with peer-to-peer business lending and peer-to-peer consumer lending together composing 74% of the total alternative market in that country. Excluding the United Kingdom, the most important categories, in decreasing order of importance, have been peer-to-peer consumer lending, peer-to-peer business lending, rewards-based crowdfunding, and equity crowdfunding.

[3] For a description of the recent credit environment for small and medium-size enterprises in Europe, see, for example, “Treasure Hunt,” Economist (27 June 2015). For an analysis of small business in the United States, see Karen G. Mills and Brayden McCarthy, “The State of Small Business Lending: Credit Access during the Recovery and How Technology May Change the Game,” Harvard Business School Working Paper Series 15-004 (July 2014).

[4] Reflecting these potential benefits—and despite these concerns—the US Congress enacted the Jumpstart Our Business Startups (JOBS) Act in 2012 to facilitate crowdfunding. The JOBS Act provides some exemptions from SEC regulations to enable entrepreneurs to obtain funding from “the crowd,” not just from the roughly 8 million “accredited” investors who have traditionally provided private investment. From a regulatory perspective, the SEC’s recently adopted crowdfunding rule can be viewed as an extension of the current exemption from registration under Rule 504 of Regulation D of the Securities Act of 1933 because it shares a number of features with Rule 504. For

example, both the SEC's crowdfunding rule and Rule 504 of Regulation D permit issuers to sell up to $1 million of restricted securities within a 12-month period provided they do not generally solicit. The main differences are that crowdfunding portals allow issuers to engage in an extremely limited form of online solicitation and that investors are expected to adhere to relatively modest investment limits.

[5] For private businesses in the United States, see Tobias J. Moskowitz and Annette Vissing-Jørgensen, "The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle?" American Economic Review, vol. 92, no. 4 (September 2002): 745–778. For profitability and stock market returns of small-company IPOs in Europe, see Jay R. Ritter, Andrea Signori, and Silvio Vismara, "Economies of Scope and IPO Activity in Europe," in Handbook of Research on IPOs, edited by Mario Levis and Silvio Vismara (Cheltenham, UK: Edward Elgar Publishing, 2013): 11–34.

[6] For example, if the Gainesville Drone Company, founded by James Chen, is seeking funding, potential investors may have difficulty finding information about the founder. But if James Kuo-chiang Chen is listed as the founder, search engines are more likely to identify information about him without its being hidden in information about 20 other people with the name James Chen.

[7] For the SEC's crowdfunding rule, see www.federalregister.gov/articles/2015/12/22/2015-32106/crowdfunding-correction.



Related research

People also read | Recommended articles | Cited by 8

A Bottom-Up Approach to the Risk-Adjusted Performance of the Buyout Fund Market ›

Jean-François L'Her et al.
Financial Analysts Journal
Published online: 27 Dec 2018

Information for

Authors
R&D professionals
Editors
Librarians
Societies

Open access

Overview
Open journals
Open Select
Dove Medical Press
F1000Research

Opportunities

Reprints and e-prints
Advertising solutions
Accelerated publication
Corporate access solutions

Help and information

Help and contact
Newsroom
All journals
Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy
Cookies Terms & conditions Accessibility

Taylor & Francis by informa

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG