



Gary L. Goldsholle
Vice President and Associate General Counsel
FINRA
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Mr. Goldsholle:

I'm writing today on behalf of GATE Technologies, LLC and its broker-dealer subsidiary GATE US in response to FINRA Regulatory Notice 12-34 Request for Comment on Proposed Regulation of Crowdfunding Activities. GATE Technologies is an innovative financial technology company creating new market infrastructure for bringing transparency, efficiency, and liquidity to the unstructured global alternative asset markets. The company's core technology, the GATE Platform is a sophisticated, user-friendly technology that joins trading, dematerialized settlement, portfolio management, research, news and analytics. GATE US is a New York-based broker-dealer, member FINRA and SIPC, which provides a regulatory-compliant market infrastructure for the transacting of restricted, illiquid and alternative assets, and access to third-party research through the GATE Platform.

First I wanted to thank FINRA for the opportunity to provide these comments. More importantly, I wanted to express gratitude for the tremendous amount of time and effort that FINRA and its staff have dedicated to engaging and interacting with market participants in order to assess, understand, and provide the most effective rules and regulation surrounding Title III of the JOBS Act. My experience and interaction with not only FINRA but the SEC representing GATE Technologies and GATE US, but also as co-chair of Crowdfund Intermediary Regulatory Advocates (CFIRA, cfira.org), should publicly be recognized that FINRA and the SEC have been open, engaging, and has spent the time and effort in educating and informing market participants and other interested parties during the rule-making phase.

The Jumpstart Our Business Startup Act, or the JOBS Act, was an overwhelmingly bipartisan approved bill that was the culmination of several individual bills that were designed to make capital formation more accessible and efficient to entrepreneurs and businesses in order to help facilitate job creation and economic growth. One of President Obama's goals when signing this legislation into law on April 5th was to cut red tape for companies accessing capital. We at GATE Technologies applaud the incredibly hard work of our legislators and regulators in moving the JOBS Act into implementation and realize the amount of work, diligence, and complexities associated with instituting new rules that integrate new modalities such as social media, effectuating the legislative intent of the JOBS Act while maintaining the utmost investor protections. We at GATE Technologies believe that HR 3606, or Title III - Crowdfunding is the first iteration of financial services being able to utilize and integrate the power and benefits of Web 3.0, social media, and the wisdom of crowd intelligence. Additionally, I believe this iteration continues under title II of the Jobs Act as Commissioner Shapiro's release of the proposed rules for comment, under the Sunshine Act, which speaks to the removal of the solicitation ban, which allows the advertisement of private securities offerings to be subscribed to by accredited investors (<http://www.sec.gov/news/press/2012/2012-170.htm>). As this is the first evolution of what is becoming



a new investment practice, we understand the new and unique challenges of integrating new media into many decades of historic regulation. However, we do believe that many of these challenges can be met utilizing newly developed and the ongoing development of technologies that help ensure investor protections, full-disclosure, standardization and best practices.

I do believe that broker-dealers engaging in crowdfunding are currently equipped to efficiently, effectively, and in a compliant manner effectuate crowdfunding for securities, given their existence written supervisory procedures, compliance with anti-money laundering, and suitability requirements. I was fortunate to testify in front of Congressman McHenry's Subcommittee on Capital Markets and Government Sponsored Enterprises

(<http://financialservices.house.gov/uploadedfiles/092111molinari.pdf>) within that testimony I stated that I do not believe we need to overhaul the current broker-dealer structure in order to conduct crowdfunding for equity. To that end I think that crowdfunding activity for existing Broker-dealers should be a business line extension that should require an additional approved business line under a Broker-dealer's private placement activity.

All startups and early stage companies inherently have a high degree of risk, in fact the majority of startup and small companies do not succeed. I believe that this information, as part of the education requirement under Title III of the JOBS Act, should be displayed foremost so that investors are aware and understand the high degree of risk associated with investing in a crowdfunded security investment. I would recommend, in keeping with suitability requirements and know your customer rules for investors, FINRA create a new category on the investment profile, that indicates the investor's awareness and recognition of the high degree of risk, which should be a checkbox beyond speculative, a new category denoting crowdfunding as extreme risk. I believe disclosures and acknowledgment consistent with this will help enable both regulators, issuers, and the investment community, to highlight the inherit risks associated with crowdfunding and understand and help differentiate between business failure and fraud.

I believe it's incumbent on all market participants who wish to engage in securities activities utilizing the power of technology and social media, to foster and engage in best practices in order to demonstrate the viability of these new tools and regulation in the financial service community, in order to have it grow and deliver the intended legislative results of efficient capital formation and job creation while instituting investor protections.

I do recognize some of the unique challenges associated with portal activity versus broker-dealers that will conduct crowdfunding transactions. I believe the portals and their inability to disperse investment advice, hold customer funds, have commission sharing agreements and limited fee generation can be more transparent, efficient and afford protections to investors if the portals work in conjunction or forge strategic partnerships with the broker-dealer community. I believe this largely utilizes the benefits and core competencies of the respective groups to achieve the most powerful end result while advancing investor protections.



For example, portals largely have exceptional marketing, customer experiences, and user interface expertise, which lend itself to efficient customer acquisition utilizing the internet and social media. On the other hand, broker-dealers have historically been empowered and accustomed to dealing with such regulatory and compliance requirements as anti-money laundering, know your customer, suitability requirements, disclosures, and investor protections to name a few. Additionally I believe when broker-dealers such as GATE US innovate, create, and utilize new market infrastructure and technologies, it lends itself to enabling new investment practices, creating efficiencies, while being auditable, archivable, and regulated while offering investor protections to advance marketplaces. For example, GATE Technologies has seen the emergence of crowdfunding as an excellent opportunity to offer its back-end solutions that include electronic clearing, settlement the use of escrowing services through strategic partnerships and the dematerialization and record-keeping of crowdfunded instruments. These tools allow for a seamless transition, after a twelve month waiting period, on to a secondary trading platform for potential liquidity. In addition the dematerialization of holders of record would allow for direct communication and updates from the issuer to shareholders via electronic transmission. This electronic format would allow issuers to easily communicate annual updates as is required under Title III; in fact given this format issuers can communicate as frequently as they wish.

We at GATE Technologies believe that new technology and thought process applied to the crowdfunding space lends itself to the development of standardization and best practices for this emerging sector, which will allow for more transparent marketplaces, the reduction of bad actors, more efficient regulatory oversight, and greater investor protections, while fostering capital formation to entrepreneurs and small businesses. These best practices can lead to centralized databases which will allow for greater ability to assess data, track investor investments across multiple portals, helping to ensure compliance with investment caps for crowdfunding as mandated in Title III.

Quickly addressing two specific comments relative to broker-dealers wishing to conduct crowdfunding for equity placements, I would request and encourage FINRA to issue guidance on acceptable placement fees associated with such. Additionally I do believe that broker-dealers conducting traditional securities business can rather easily segregate their crowdfunding business effectively creating the equivalent of separation of trading from investment banking in an historic setting. This can be done utilizing the appropriate firewalls and use of current technologies. I believe that brokers referring clients to the firm's crowdfunding business should be able to participant in revenue or commission sharing opportunities as they would currently in other investment products.

In closing I am providing a link to the Milken Institute Roundtable on Crowdfunding (<http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801360&cat=resrep>) that I participated in, as I believe it reflects many thoughts and opinions that prevail on the crowdfunding topic. I'd like to take the opportunity to again thank FINRA for the work it's been doing and its diligent work with the SEC during the rulemaking phase as mandated by Title III of the JOBS Act. GATE Technologies and GATE US, along with many market participants, broker-dealers,



portals, and other industry professionals recognize and appreciate the unique challenges and complexities that the JOBS Act presents particularly the strain that this workload puts onto a staff already engaged in so many other initiatives. I do believe that the thoughtfulness and work extended today will result in the best possible rules for the industry.

A handwritten signature in black ink, appearing to read "Vincent Molinari", is written over a solid black horizontal line.

Vincent Molinari
CEO GATE Technologies