Capital Raise Opportunities

regulatory capital

Summary: Community banks can raise capital by utilizing Regulation A, which exempts companies from having to register public offerings with the SEC under certain circumstances. Could this work for your institution?

People check their email all the time. For example, did you know research by One Poll finds 20% of people say they have woken up in the middle of the night to check their work email? Also, about 50% of people say they read their work email after waking up in the morning but while still in bed.

No matter when you check your email, if you see one from the boss saying the bank needs to raise capital, know that when you do so, you have more flexibility.

Community banks can raise capital by utilizing Regulation A (Reg A), which exempts companies from having to register public offerings with the SEC under certain circumstances.

On March 25, 2015, the SEC adopted final rules to implement Section 401 of the Jumpstart Our Business Startups (JOBS) Act. In so doing, it expanded Reg A into two tiers. Tier 1 is for securities offerings of up to $20mm in a 12-month period and Tier 2 is for securities offerings of up to $50mm in a 12-month period.

Companies must still file offering statements similar to a prospectus and abide by eligibility requirements, bad actor disqualification provisions, disclosure and other basic requirements, but those utilizing Reg A are given "distinct advantages" over companies that must fully register.

Smaller issuers can file more-streamlined financial statements without audit obligations and they can choose between three possible format choices to arrange the offering circular.

Under the final rules, Tier 2 issuers are required to include audited financial statements in their offering documents and to file annual, semiannual, and current reports with the SEC on an ongoing basis. In addition, purchasers in Tier 2 offerings must either be accredited investors or subject to certain investment limitations.

Here, Reg A limits the amount of securities that an investor who is not an accredited investor under Rule 501(a) of Reg D can purchase in a Tier 2 offering to no more than: (a) 10% of the greater of annual income or net worth (for natural persons); or (b) 10% of the greater of annual revenue or net assets at fiscal year-end (for non-natural persons). This limit does not apply to securities that will be listed on a national securities exchange.

While the JOBS Act originally created Reg A for private companies with fewer than 1,200 shareholders, the SEC has also begun allowing some Exchange Act-reporting companies to utilize Reg A. That opens up options for community banks.

If you have questions here, we suggest your experts work with your financial team to contact the SEC to see what the story is and what sort of flexibility you might have. Doing so might not only capture some new investors for your institution, but also perhaps even some customers as well.

Be sure to thoroughly check out all of the various fundraising choices you now have to obtain the capital you need to grow your institution. There should be one that fits your needs.

AUTOMATED INTERNATIONAL WIRES

Your team can automatically send international wires using your own existing domestic platform. Learn more by contacting us today.