

Pre-IPO Companies Can Stay Private Longer: SEC Wraps Up JOBS Act Rulemaking

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On May 3, the SEC approved rule [amendments](#) that will make it easier for many private companies to remain private, and easier for some public financial companies to terminate their SEC reporting obligations. With the adoption of these amendments, the SEC has completed the rulemaking mandated by Congress under the JOBS Act of 2012.

The amendments:

- Increase numerical thresholds for triggering SEC reporting by pre-IPO companies, based on the extent to which the company's investor base includes “accredited investors” and employee shareholders – providing some companies with the flexibility to stay private longer and develop a larger shareholder base before conducting an IPO;
- Allow companies, when counting their shareholders to see if they are required to register with the SEC, to exclude securities held by persons who received them under equity compensation plans in transactions not subject to SEC registration; and
- Make it easier for some banks, bank holding companies and savings and loan holding companies to exit the SEC reporting regime, based on the size of their shareholder base.

The amendments will become effective on June 9, 2016.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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