



Why Regional Centers Should Partner with U.S. Securities Broker-Dealers

While it is always “best practices” for SEC and FINRA registered broker-dealer firms to manage private securities offerings, particularly in the event the EB-5 Reform and Integrity Act of 2021 (“EB-5 Reform Act”) is approved, Regional Centers (RCs) should partner with a U.S. securities broker-dealer for all their EB-5 securities offerings, to not only protect the Regional Center and its owners and assist them in complying with the EB-5 Reform Act, but also to provide the upmost safety to prospective investors as follows:

- ★ The proposed legislation states, "**Regional centers must clarify EB-5 project offerings are subject to U.S. securities laws and regional centers must make commercially reasonable efforts to ensure compliance with securities laws**". Partnering with a broker-dealer on EB-5 securities transactions directly provides a mechanism to comply with this very component of the new legislation. Not only does a broker-dealer transfer and mitigate considerable securities and compliance risk away from the sponsoring regional center, but it shows authorities RCs are making reasonable efforts to comply with U.S securities laws.
- ★ The proposed legislation states, "**third-party promoters and migration agents must register with the USCIS and establish requirements for transparency in payment of all fees to such third parties**". As part of the scope of services from a broker-dealer, they will have detailed policies and procedures in compliance with U.S. securities laws with regards to managing migration agents, and third-party promoters, including transparency around fees for all securities offerings.
- ★ The proposed legislation states, "**source of funds vetting by USCIS strengthened to ensure investment funds are lawfully sourced**". Broker-dealers within the EB-5 space must perform their own source of funds (SOF) review from a securities and Anti-Money Laundering (AML) standpoint for every investor. This added layer of scrutiny will not only ensure the RC is protected against fraudulent investors, but it will complement the intensified SOF review from USCIS, and will likely result in fewer RFEs, and a more complete SOF review for each prospective investor.
- ★ The proposed legislation states, "**Regional Centers will be audited by USCIS at least once every 5 years**". Broker-dealers have extensive experience in audits, most notably the rigorous FINRA audit, which generally comes around at least once every four years. Due to the complex, and detailed U.S. securities laws broker-dealers must follow for each investment offering, broker-dealers are ideal partners for RCs to prepare for an intense USCIS audit. Experienced broker-dealers are experts in the management and filing of several reports required by USCIS, and as a result the most prudent RCs always partner with a broker-dealer for their respective securities offerings.

To learn more about InvestAmerica’s compliance and administrative services, which provides solutions for each point covered in this note and beyond, please contact us now to prepare for the implementation of the requirements of the EB-5 Reform Act.

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- ★ The proposed legislation states, "**Regional centers must have policies and procedures in place to protect against fraud.**" Broker-dealers have a wide range of experience in this very subject, as securities laws were introduced to protect investors against fraud and misinformation. Furthermore, a broker-dealer will have detailed steps in how it mitigates against illicit securities activity as part of its Written Supervisory Procedures (WSPs).
- ★ The proposed legislation states, "**Regional centers must file proposed EB-5 Project business plans including offering documents, and marketing materials with the DHS.**" As part of a broker-dealer's full scope of services, they can assist in preparing EB-5 securities documentation alongside third-party professionals, as well as preparing all marketing materials in compliance with U.S. securities laws. In addition, broker-dealers can provide a platform to file all documentation with the DHS, in a safe, trackable and secure manner.
- ★ The proposed legislation states, "**Regional centers must disclose to investors material business risks and conflicts of interest in EB-5 Projects.**" As a U.S. securities broker-dealer, it is our responsibility to disclose all project risks, merits and conflicts of interests to prospective investors, in a measurable and trackable format that FINRA can easily understand.
- ★ The proposed legislation states, "**Regional centers must notify DHS of significant changes to their structure and also Regional centers must provide annual statements to DHS and to their investors accounting for investor capital and certifying compliance with program requirements.**" Part of a broker-dealer's compliance and administrative services is being the lead on all reporting to USCIS, and the DHS with regards to our RC clients' EB-5 project offerings and the RC in general.
- ★ The proposed legislation requires, "**Regional centers to perform rigorous background checks of regional center and certain project principals.**" As part of a broker-dealer's onboarding process for sponsoring RCs, broker-dealers will perform thorough background checks, OFAC checks, SEC "Bad Actor" evaluations and other procedures on the RC, certain key owners of the RC and principals of each EB-5 offering. These checks will satisfy USCIS requirements.

Track Record and Current Clients

InvestAmerica currently has four EB-5 regional center clients, representing EB-5 projects in Las Vegas, Texas, Arkansas, and Seattle. InvestAmerica has been in the EB-5 industry since 2010 and through our broker-dealer affiliate, Sequence Financial Specialists LLC, is the leading EB-5 broker-dealer of both compliance and administrative services, as well as capital raising services. InvestAmerica has successfully processed hundreds of EB-5 investors, with a 100% track record with regards to I-526 and I-829 investor petitions.

To learn more about InvestAmerica's compliance and administrative services, which provides solutions for each point covered in this note and beyond, please contact us now to prepare for the implementation of the requirements of the EB-5 Reform Act.

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