

MEMO# 32278

March 12, 2020

ICI Files Comment Letter with the SEC on Proposal to Update Accredited Investor and Qualified Institutional Buyer Definitions

[32278]

March 12, 2020 TO: ICI Members

SEC Rules Committee SUBJECTS: Closed-End Funds
Compliance

Disclosure RE: ICI Files Comment Letter with the SEC on Proposal to Update Accredited Investor and Qualified Institutional Buyer Definitions

In December, the Securities and Exchange Commission issued a proposal to update the definitions of accredited investor and qualified institutional buyer (QIB) under the Securities Act.[\[1\]](#) Many investment opportunities in the private market are available only to investors who qualify as accredited investors. Likewise, the resale of restricted securities is largely limited to QIBs.

ICI has filed a comment letter with the SEC regarding the proposal. Our comment letter is attached and is summarized below.

Background

The proposal would expand the pool of persons and entities that would meet the accredited investor and QIB definitions. Specifically, the Commission proposed to:

- Maintain the current income and net worth test thresholds for individuals to qualify as accredited investors, without adjustment for inflation;
- Allow individuals with credentials that demonstrate securities and investing expertise to be accredited investors, regardless of income or net worth;
- Add limited liability companies (LLCs), registered investment advisers, family offices, rural business investment companies (RBICs), and entities that own investments in excess of \$5 million to the list of entities that qualify as accredited investors; and
- Add LLCs, RBICs, and any institutional accredited investors that own \$100 million or more in securities to the list of entities that qualify as QIBs.

In addition, the Proposal requested comment on other possible ways to expand the definition of accredited investor, such as permitting clients of registered financial

intermediaries to be deemed accredited investors.

ICI Comment Letter

Overall, the ICI comment letter recommends that the Commission accomplish its goals of providing retail investors with access to growth opportunities and appropriate protection by promoting registered fund investment in private market offerings. Further, we recommend that the Commission take steps to more appropriately calibrate the scope of the accredited investor definition with an investor's ability to bear loss from potentially riskier investments.

To implement these and other recommendations, our comment letter recommends that the Commission:

- Require retail investors to meet financial thresholds to be deemed accredited investors, even if those investors are advised by registered investment advisers or broker-dealers;
- Adjust the current financial thresholds in the individual accredited investor definition for inflation;
- Encourage retail investors' access to the private market through registered funds; and
- Clarify that the accredited investor and QIB definitions will include regulated non-US funds, such as UCITS.

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[Attachment](#)

endnotes

[1] For a summary of the Proposed Rule, please see ICI Memorandum No. 32133, available at https://www.ici.org/my_ici/memorandum/memo32133.

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