

**MEMO# 32225**

February 20, 2020

# **ICI Draft Comment Letter on SEC Proposal to Update Accredited Investor and Qualified Institutional Buyer Definitions - Your Comments Requested by March 3**

[32225]

February 20, 2020 TO: SEC Rules Committee RE: ICI Draft Comment Letter on SEC Proposal to Update Accredited Investor and Qualified Institutional Buyer Definitions - Your Comments Requested by March 3

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.<sup>[1]</sup> The Proposal would expand the pool of individuals and entities that would meet both definitions.

Comments on the Proposal are due to the SEC on March 16. ICI has prepared the attached draft comment letter for your review and feedback. The letter is summarized briefly below. Please provide your written comments to [bridget.farrell@ici.org](mailto:bridget.farrell@ici.org) **by March 3**.

The SEC proposed to:

- Allow individuals with credentials that demonstrate securities and investing expertise to be accredited investors, regardless of income or wealth;
- Add limited liability companies (LLCs), registered investment advisers, family offices, rural business investment companies (RBICs), and entities that own in excess of \$5 million to the list of entities that qualify as institutional 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 SEC requested comment on expanding the definition of accredited investor to include individuals advised by a financial intermediary and adjusting the financial thresholds in the definition for inflation.

ICI's comment letter recommends that the SEC accompany any expansion of retail investor access to private markets with sufficient investor protection measures. In response to an

SEC request for comment, we do not recommend permitting individuals who are advised by a financial intermediary to be deemed to be accredited investors on that basis alone. Further, we recommend that the SEC index the current financial thresholds in the individual accredited investor definition for inflation to offset erosion in those benchmarks since 1982. We recommend that the SEC can best promote retail investor access to private fund offerings through registered funds, which offer investors a strong degree of protection.

We support the SEC's expansion of the definitions for institutional accredited investors and QIBs. We request that the SEC clarify that non-U.S. regulated funds, such as UCITS, can qualify as institutional accredited investors under the proposed "catch-all" category, regardless of a fund's legal form of organization.

Bridget Farrell  
Assistant General Counsel

## [Attachment](#)

### **endnotes**

[1] See *Amending the "Accredited Investor" Definition*, Securities Act Release No. 10734 (Dec. 18, 2019) (the "Proposal" or "Release"), available at <https://www.sec.gov/rules/proposed/2019/33-10734.pdf>. For a summary of the Proposal, see [https://www.ici.org/my\\_ici/memorandum/memo32129](https://www.ici.org/my_ici/memorandum/memo32129). The Proposal builds on ideas discussed in a concept release that the Commission issued in June 2019. See *Concept Release on Harmonization of Securities Offering Exemptions*, Securities Act Release No. 10649 (June 18, 2019) (the "Concept Release"), available at <https://www.sec.gov/rules/concept/2019/33-10649.pdf>. See also the Institute's comment letter in response to the Concept Release, available at <https://www.sec.gov/comments/s7-08-19/s70819-6190597-192465.pdf>.