

## FUND FINANCE FRIDAY

**SEC Mulls More 'Main Street' Private Market Participation**

November 22, 2019 | Issue No. 55



**By Chris van Heerden**  
Associate | Fund Finance

Potential revisions to the private placement framework continue to percolate at the SEC. Last week, in remarks to the SEC Small Business Capital Formation Advisory Committee, SEC Chairman Jay Clayton advocated for a critical review of the existing framework of registration exemptions, with an eye towards providing “Main Street” investors with the same extent and quality of investment opportunities as institutional investors. Cadwalader partner Steven Lofchie summarized those remarks [here](#).

At issue from a fund finance perspective is the potential for some relaxation of the restrictions on individual investors’ participation in private funds. The SEC initiated the discussion with the publication of its Concept Release on Harmonization of Securities Offering Exemptions, 84 FR 30460 on June 26, 2019, in which it asked for input on opening up its rules to allow smaller investors access to a broader range of private investment offerings. According to the SEC, registered offerings accounted for \$1.4 trillion of new capital raised in 2018, compared to approximately \$2.9 trillion raised through exempt offerings.

The vast majority of comments received in response to the concept release touched on potential changes to the accredited investor definition, according to remarks made by Jennifer Zepralka, Chief of the SEC’s Office of Small Business Policy at the meeting of the Securities and Exchange Commission Investor Advisory Committee on November 7. While interest in revising the accredited definition is high, it’s unclear whether there is any emerging consensus on balancing the interests in investor protection with expanding investor opportunities.