

FUND FINANCE FRIDAY

SEC Proposes a Broadened Accredited Investor Definition

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The Securities and Exchange Commission voted on Wednesday to propose amendments to the definition of accredited investor, a step towards allowing more individual investor participation in private funds. Under the newly **proposed rule**, additional categories of investors may be qualified to participate in private markets beyond the current monochrome standard based on income and net worth.

More specifically, the SEC proposes to qualify as accredited investors (1) individuals with certain professional designations or credentials from a qualifying educational institution, (2) a private fund's "knowledgeable employee," and (3) certain entities meeting investment tests and family offices with at least \$5 million under management and their family clients. The SEC also proposes to broaden the qualified institutional buyer definition in Rule 144A.

The change comes in the context of a blurring private/public market divide. An obvious theme in the past two years has been that companies can achieve all the scale and recognition they want in the private market – an IPO is no longer the rite of passage it had once been. With the growing prominence of private markets, the appropriateness of the decades-old access rules have come into question.