

Fund Finance Friday



SEC Expands the Scope of Accredited Investors

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The U.S. Securities and Exchange Commission adopted rule changes that expand the definitions of “accredited investor” in Rule 501(a) of Regulation D and of “qualified institutional buyer” in Rule 144A under the Securities Act of 1933. The amendments are largely driven by a determination to move away from the rule’s historic use of wealth and income as the sole proxies for financial sophistication, looking to add “investors with reliable alternative indicators of financial sophistication to participate” in investments in “areas of the economy that disproportionately create new jobs, foster innovation, and provide for growth opportunities.” The primary additional categories include individuals holding financial credentials, such as FINRA Series 7, Series 65 or Series 82 licenses, knowledgeable employees of private funds, certain personnel of family offices, etc. Cadwalader’s detailed analysis of the amendments is available [here](#). From a practical perspective, we expect the result of the amendments to be de minimus for fund finance borrowing bases. In the short term, the actual number of persons scoped into the definition that will actually become PE investors in funds that are banked by the fund finance community will be modest.