

SEC Expands Accredited Investor Definition

Alert

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On August 26, the Securities and Exchange Commission (SEC) [adopted rules](#) to expand the categories of natural persons that may qualify as “accredited investors” under the Securities Act to include persons with certain professional certifications, designations or credentials, or other credentials issued by an accredited educational institution, which the Commission may designate from time to time by order. In conjunction with the adoption of the new amendments, the Commission issued an order designating holders of Series 7, Series 65 and Series 82 licenses as qualifying natural persons. Under the new rules, the Commission also retains flexibility to reevaluate or add certifications, designations or credentials in the future.

The amendments also added the term “spousal equivalent” to the accredited investor definition to allow such persons to pool their finances for the purpose of qualifying as accredited investors.

The Commission also took action to broaden the types of entities that qualify as accredited investors by adding:

- SEC- and state-registered investment advisers, exempt reporting advisers and rural business investment companies (RBICs)
- Any entity, including Indian tribes, governmental bodies, funds and entities organized under the laws of foreign countries, that own “investments” in excess of \$5 million and that was not formed for the specific purpose of investing in the securities offered
- “Family offices” with at least \$5 million in assets under management and their “family clients,” as each term is defined under the Investment Advisers Act

The SEC’s amendments also expanded the definition of “qualified institutional buyer” in Rule 144A to include certain limited liability companies, RBICs and other entities meeting a \$100 million threshold for securities owned and invested.

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The Commission's related order designating certain specific credentials for natural persons to qualify as accredited investors is available [here](#).

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