

Accredited Investor Definition Updated

By: Jeffrey T. Haughey
October 6, 2020

In late August, the [SEC adopted amendments](#) to the definitions of “accredited investors” and “qualified institutional buyers” (QIBs) to more effectively identify institutional and individual investors that have the appropriate knowledge and expertise to participate in private offerings in the U.S. The amendments will become effective 60 days after publication in the Federal Register. The revised definitions cover the following:

Accredited Investor Definition

An update to the definition now allows natural persons to qualify as “accredited investors” if they hold certain professional certifications, designations or credentials or other credentials designated by the Commission in the future by order. Concurrently, the SEC designated by order holders in good standing of the Series 7 (General Securities Representative), Series 65 (Investment Adviser Representative), and Series 82 (Private Securities Offerings Representative) licenses as qualifying natural persons.

The amendments clarify that limited liability companies (LLCs) with \$5 million in assets may be accredited investors. SEC and state registered investment advisers, exempt reporting advisers, and “rural business investment companies” (RBICs) are now included in the list of entities that may qualify under the accredited investor definition. In addition, other entities not included in other categories, such as Indian tribes, governmental bodies, and funds that own investments as defined in Rule 2a51(b) under the Investment Company Act in excess of \$5 million and that were not formed for the specific purpose of investing in the securities offered, have been added to the definition of accredited investor. “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 are also now included in this definition.

The amendments also include as accredited investors, natural persons who are “knowledgeable employees” of a private fund (such as hedge funds, private equity funds, and venture capital funds) that is offering securities. The amendments also add “spousal equivalents” (a cohabitant in a relationship equivalent to that of a spouse) to the definition of accredited investor, allowing such persons to pool their finances for the purpose of this definition.

Qualified Institutional Buyer Definition

The definition of a QIB in Rule 144A has been expanded by the amendments to include LLCs and RBICs if they meet the \$100 million threshold of securities owned and invested. Other institutional investors included in the definition of accredited investor that were not otherwise enumerated in the QIB definition were added so long as they satisfy the \$100 million threshold.

The SEC amended the “test-the-waters” communication provisions in Rule 163B under the Securities Act to maintain consistency with the categories of institutional investors added by these amendments.

For questions regarding the amendments to these definitions, please contact your GableGotwals attorney or a member of our [Corporate & Securities team](#).



[Jeffrey T. Haughey](#)
918-595-4837
jhaughey@gablelaw.com

www.gablelaw.com

This article is provided for educational and informational purposes only and does not contain legal advice or create an attorney-client relationship. The information provided should not be taken as an indication of future legal results; any information provided should not be acted upon without consulting legal counsel.