

The header features the firm's name 'Schulte Roth & Zabel' in a teal color, followed by the title 'Private Funds Regulatory' in white, and the word 'UPDATE' in teal below it. The background is a dark blue gradient with abstract teal geometric shapes on the right side.

Schulte Roth & Zabel
Private Funds Regulatory
UPDATE

SEC Accredited Investor Definition Updated

October 2020

As we discussed in an earlier *Alert*,¹ on Aug. 26, 2020, the SEC broadened² the definitions of “accredited investor” (“AI”) in Regulation D under the Securities Act of 1933. The AI definition is key in determining who is eligible to participate, under the safe harbor contained in Rule 506 of Regulation D, in offerings of securities not subject to registration under the Securities Act. The exemption afforded by Regulation D is widely relied upon by private fund managers as well as other types of issuers.

The final rule largely reflects the SEC’s December 2019 proposal, and is primarily a collection of gap-filling amendments. Among other changes, the Final Rule adds to Rule 501(a) two new categories of natural person AIs (“knowledgeable employees” as defined in Rule 3c-5(a)(4) of the Investment Company Act of 1940, and holders of the FINRA Series 7, 65 and 82 exam credentials) and several new categories of qualifying entities (including exempt reporting advisers, family offices and their clients, and, as a “catch all,” entities not otherwise covered with more than \$5 million in investments generally).

While the expansion of the types of investors that qualify as AIs is relatively modest, they should be understood by all private fund managers that rely on Regulation D, if only because these amendments likely will require changes to fund subscription documentation.

This article appeared in the October 2020 edition of SRZ’s Private Funds Regulatory Update. To read the full Update, [click here](#).

¹ See *SRZ Alert*, “SEC Updates Accredited Investor and QIB Definitions,” (Sept. 21, 2020), available [here](#).

² See SEC, Amending the “Accredited Investor” Definition, Release Nos. 33-10824; 34-89669, (Aug. 26, 2020), available [here](#).