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VIA E-MAIL AND HARD COPY

Securities and Exchange Commission
100 F Street NE,
Washington, D.C. 20549-1090
Attn: Secretary

Re: File No. S7-05-20 --- Request for Comments

Dear Sir or Madam:

I am writing to submit comments relating to the Securities and Exchange Commission's recent proposing release entitled "Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets" [Rel. Nos. 33-10763 and 34-88321; File No. S7-05-20] (the "Release"). I understand that the formal comment period elapsed on June 1, but I am hopeful that the Staff will still consider my brief comments below.

Among other things, the Release solicits comments on Rule 506(c) of Regulation D. In particular, the SEC asks for comment on the following question: "Are there additional or alternative verification methods that we should include in the non-exclusive list of reasonable verification methods that would make issuers more willing to use Rule 506(c) or would better address investor protection." [See Request for Comment No. 38] I would submit that the non-exclusive list of reasonable verification methods (the "Non-Exclusive List") should be expanded to include reliance upon representations by a financial intermediary that the intermediary has procedures in place to ensure that the intermediary will only sell securities in a Rule 506(c) offering to clients that the intermediary has verified as being "accredited investors."

The SEC's approach to the verification requirement of Rule 506(c) is "principles-based." The Release notes that "[t]he principles-based method of verification requires an objective determination by the issuer (*or those acting on its behalf*) as to whether the steps taken are "reasonable" in the context of the particular facts and circumstances of each purchaser and transaction" (emphasis added). The italicized language in the foregoing sentence, as well as other statements in the Release (e.g., the last sentence in Footnote 174), indicate that an issuer may rely on information provided by a third party to satisfy the issuer's responsibility under Rule 506(c) to take "reasonable steps to verify" an investor's accredited status prior to selling a security to the investor in a Rule 506(c) offering. The SEC further notes in the Release that "... an issuer's receipt of a representation from an investor as to his or her accredited status could

meet the “reasonable steps” requirement if the issuer reasonably takes into consideration a prior substantive relationship with the investor *or other facts that make apparent the accredited status of the investor*” (emphasis added).

In light of the foregoing language from the Release, I would submit that an issuer making a Rule 506(c) offering should be able to satisfy the “reasonable steps to verify” requirement of Rule 506(c) by relying on an investor’s representation as to the investor’s accredited status, if the investor is purchasing the securities through a financial intermediary that has entered into a selling agreement with the issuer or its distributor in which the financial intermediary has represented that:

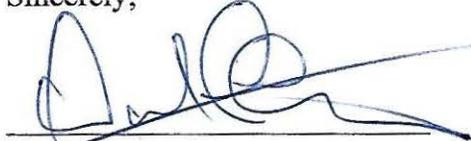
- the financial intermediary has procedures in place to verify accredited investor status in connection with selling securities in such offering; and
- the financial intermediary will follow those procedures and verify the accredited status of each client before allowing such client to purchase securities in such offering.

That an investor would purchase securities in a Rule 506(c) offering through a financial intermediary that follows such verification procedures would be the “fact that makes apparent the accredited status of the investor.” That, in turn, would make it reasonable for an issuer to rely on the investor’s representation as to the investor’s accredited status.

I believe that the inclusion of this additional verification method in the Non-Exclusive List will greatly clarify the application of Rule 506(c) to securities sold through financial intermediaries and result in more widespread use of Rule 506(c).

Thank you for your consideration.

Sincerely,



David F. Connor
Senior Vice President/General Counsel, Americas
Macquarie Investment Management