



Via Electronic Mail

March 13, 2020

Vanessa A. Countryman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Proposed Changes to the Accredited Investor Standard
File No. S7-25-19 Release Nos. 33-10734; 34-87784; RIN 3235-AM19

Dear Ms. Countryman:

We appreciate this opportunity to comment on the Securities and Exchange Commission's ("Commission") Request for Comment on Amending the Accredited Investor Definition (the "Amendments"). The Amendments focus on broadening the definition of "Accredited Investor" to include a wider group of investors based on professional knowledge, experience, or certifications with the goal of broadening access to private market investing without adversely impacting investor protections. The Commission acknowledged in the Release that accredited investors may obtain exposure to private equity investment opportunities through exempt offerings, while similar opportunities are typically limited to investing in business development companies for retail investors. Broadening the definition of "accredited investor" will provide more investors with the opportunity to gain exposure to investment opportunities in early stage and high growth firms, which they currently have limited or indirect access given the existing regulatory requirements. As demonstrated by the performance of private equity funds over the past decades, investing in these types of products can deliver returns at or above investments in the public markets, and can contribute to a well-diversified portfolio.

As acknowledged in the Release, in recent years U.S. companies have raised more equity through exempt offerings that are only available to institutional and high net worth individuals than through offerings that are available to the general public. As a result, the number of U.S. public companies has been declining while the valuations of privately-held companies have grown significantly. However, due in part to the current exempt offering framework, retail investors have not been able to participate in this appreciation.

In a speech to the Economic Club of New York in September 2019, Commission Chairman Jay Clayton said that the lack of more public offerings and the inability of the Main Street investing public to access private markets was a "growing concern." Chairman Clayton noted that the current private markets included private equity and expressed a desire to expand opportunities for Main Street investors to

participate in such markets. Chairman Clayton said he wants the Commission to take a “fresh look” at initiatives to expand access to the private markets while at the same time providing “appropriate investor protections.”

We agree with the Chairman’s remarks and believe private equity has been, and can continue to be, used in professionally managed multi-asset portfolios and other structures to minimize risk and maximize returns. We believe the Commission should enable broader retail participation in private equity by permitting a greater number of individuals to benefit from investment opportunities that are currently limited to “accredited investors.” In particular, we highlight our support for the following measures that we believe could benefit appropriate groups of investors without adversely impacting proper oversight and informed investing.

Certifications as a Means of Qualifying

We agree that natural persons should qualify as accredited investors based on certain professional certifications and designations, such as a Series 7, 65 or 82 license, or other credentials issued by an accredited educational institution since this would be appropriate demonstration that the individual has the ability to weigh the opportunity and potential downside risks associated with exempt offerings. These Series licenses are designed to educate professionals on how to properly evaluate, diligence, and invest in such private market opportunities and we feel that individuals who have this education should not be prevented from investing in such opportunities solely because they do not meet the net worth requirements to be considered an “accredited investor”.

Knowledgeable Employee Inclusion

Like the certification qualification, we believe that knowledgeable employees of funds are also able to understand investment opportunities and potential downside risks since they are exposed to the inside workings, performance, and risks of the opportunity as employees of the product sponsor. In addition, most knowledgeable employees of a fund will have a combination of work experience, licenses, and formal education which directly relates to investments and how to properly evaluate them. We categorize “knowledgeable employee” as individuals who are directly involved in the investment process of the fund. We believe employees involved in operational support should also qualify under the knowledgeable employee inclusion if they take educational programs designed to strengthen their knowledge in this area.

Reliance on RIA Sophistication

Finally and most importantly, we believe that individuals who leave their portfolio management discretion to a registered investment advisor should be classified as accredited investors. In this scenario,

individuals will be able to rely on the due diligence, decision-making, and monitoring of sophisticated investment opportunities by investment professionals. This would be a promising way to expand retail investor access to private placements while keeping appropriate oversight and protective measures in place, so that retail investors who lack extensive financial expertise are able to participate in a secure way.

Additional Investor Protections

While we believe the above expanded qualifications provide helpful additional standards, we believe they remain insufficient. Tens of millions of other Americans are well-educated, qualified and experienced, but have chosen to pursue other professions, or have chosen to manage their own money. We believe the Commission should take further steps to enable this population to participate in private investments.

However, we believe imposing an income or net worth test is flawed, and as the Commission noted, would benefit some geographic areas of the country at the expense of others. We believe a more equitable standard would involve some combination of the investor demonstrating or certifying they have sufficient knowledge and experience to appreciate the risks inherent in the investment, coupled with that specific investor being able to bear the risk of loss of the investment. In other words, permitting otherwise knowledgeable and experienced individuals to invest a percentage (e.g., up to 10%) of their net worth or liquid assets in private placements.

Conclusion

We believe these proposed changes in the accredited investor standards could help to include a greater number of investors in private market investing while still ensuring proper investor protections. We believe the Commission should take steps to reduce the barriers on an investor's ability to gain exposure to private investment opportunities, and that these suggestions would be positive initial steps.

If you have any questions regarding the foregoing, feel free to contact Anna Pinedo at (212) 506-2275 or me at (781) 540-1080. Thank you.

Sincerely,

Joseph Bonvouloir

ALTI LLC

Cc: Anna Pinedo, Mayer Brown LLP