



16 March 2020

U.S. Securities and Exchange Commission  
Attn: Vanessa A. Countryman, Secretary  
100 F Street, NE  
Washington, DC 20549-1090

RE: Amending the “Accredited Investor” Definition  
Release Nos. 33-10734; 34-87784 File No. S7-25-19

Dear Ms. Countryman,

I appreciate the opportunity to comment on the proposed amendments contained in Release Nos. 33-10734; 34-87784 file No. S7-25-19. My comments are focused on the addition of licenses and certifications to the definition of an accredited investor.

The leadership of the Chartered Market Technicians Association, Inc. dba CMT Association, including its Board of Directors and Executive Staff individually and collectively, have multiple decades of experience in financial markets. Additionally, most of the leadership has been licensed by FINRA as well as having obtained one or multiple of the designations being considered by the SEC under the above proposed amendments.

I will focus my comments on Proposed Amendment Questions: 1, 2 and 3.

**Proposed Amendment Questions and Comments:**

1. Are professional certifications and designations or other credentials an appropriate standard for determining whether a natural person is an accredited investor? Do the types of certifications and designations that the Commission is considering indicate that an investor has the requisite level of financial sophistication and abilities to render the protections of the Securities Act unnecessary?

**Comments:** A demonstrated knowledge or credentialed based system for defining an Accredited Investor would be preferable to the current system which relies heavily on current income level and accumulated wealth. There are many high earners who earn their income fields that require no knowledge of investing or as the Commission has stated “financial sophistication”. Further, individuals may accumulate wealth excluding their primary residence in excess of \$1 million through activities and circumstances that have nothing to do with “financial sophistication”, such as inheritance.



2. Are the professional certifications and designations we preliminarily expect to designate as qualifying credentials in an initial Commission order accompanying the final rule appropriate to recognize for this purpose? Should we include a credential from an accredited educational institution, such as an MBA, in such initial order?

**Comments:** Generally, the answer to this question is yes, however I believe you are missing a designation from your list: Chartered Market Technician (CMT). I will address this more in the answer to proposed question #3 below. I do not believe adding a Master of Business Administration (MBA) to the list of qualifying credentials is appropriate. Much like the answer to Proposed Question #1 above, an MBA can be broadly based on business activities and obtained with areas of concentration outside finance and investing activity, such as marketing, manufacturing operations, business operations, and sales, to name a few. These areas of concentration do not address “financial sophistication” and provide the holder of an MBA with little to no knowledge of investment decision making.

3. Should we consider other certifications, designations, or credentials as a means for individuals to qualify as accredited investors? If so, which ones should we consider? For example, there are several FINRA Representative-level and Principal-level exams, as well as FINRA-administered NASAA exams, Municipal Securities Rulemaking Body exams, and National Futures Association exams, that cover a broad range of subjects relating to the markets, the securities industry and its regulatory structure. Should we consider any other FINRA-developed examinations or FINRA-administered examinations not discussed in this release? Should we consider designating any professional certifications or designations or credentials issued outside of the United States? Should we consider other certifications and designations administered by private organizations, such as the CFA Institute and the Certified Financial Planner Board of Standards? Does the fact that these private organizations are not subject to Commission oversight or regulation raise concerns with respect to the inclusion of certifications or designations such as the CFA Charter or the CFP Certification as a means of accredited investor qualification?

**Comments:** Focusing on FINRA qualifications only is too narrow as these examinations require sponsorship from a firm under the regulation of FINRA. As there are many financial service firms that exist and operate outside this environment, I believe limiting the list to these licenses removes a large group of individuals who are equally or more financially sophisticated than the holders of these licenses. However, if you focus your list of additional certifications only on FINRA licenses and include the Series 86, you will bring in two (2) professional certifications that FINRA recognizes for exemption from the Series



86 exam (Part 1). Details can be found on the FINRA website:

<https://www.finra.org/registration-exams-ce/qualification-exams/series86-87>

As noted above, I think your inclusion of only FINRA licenses is limiting, requires sponsorship of a member firm, and these examinations are not nearly as rigorous as several examinations for other industry certifications. The table<sup>1</sup> below highlights additional certifications, some of which you specifically mention in the request for comments that provide more rigor as well as in some cases experience working in the fields of finance and investing.

Certification	Recommend Study Time	Total Recommended Study Time	Number of Practitioner Sponsors Required	Years of Experience Required to Obtain Certification
Chartered Financial Analyst (CFA)	200-300 hours per level	600-900 hours over 3 exams	2-3 Investment Professionals	4 years (48 months)
Chartered Market Technician (CMT)	80 – 160 hours per level	300-420 hours Over 3 exams	3 CMT charterholders	3 years (36 months)
Financial Risk Manager (FRM)	100-400 hours per level	400-600 hours Over 2 exams	NA	2 years (24 months)
Chartered Alternative Investment Analyst (CAIA)	100-200 hours per level	200-400 hours Over 2 exams	NA	NA
Certified Public Accountant (CPA)	80-100 hours per level	320-400 hours Over 4 exams	NA	Generally, 2 years (24 months) depends on State
Certified Financial Planner (CFP)		Complete approved course	NA	6,000 hours approx. 3 years
Series 7		100 hours	Must be at a FINRA member firm	NA
Series 65		100 hours	Must be at a FINRA member firm	NA
Series 82		60-80 hours	Must be at a FINRA member firm	NA

As the table above clearly shows, the study time required for the FINRA examinations versus other industry certifications is significantly lower. Further, as highlighted above, many of the industry designations require several years of professional experience in order to earn and use the designation. Therefore, a holder of those designations has gained valuable years of supervised professional experience as well as demonstrating mastery of a body of knowledge through passing several high stakes examinations.

<sup>1</sup> Information in table obtained from issuing organization websites except Series 7, 65 and 82 study times which were obtained from Solomon Exam Prep website.



I appreciate the efforts of the Commission and its staff working to improve the protections afforded investors as well as addressing changing regulatory needs. The CMT Association supports the inclusion of industry designations, including the CMT designation, to categories of qualifying natural persons. I hope my comments are helpful and would be available to discuss any aspect of this letter or proposed questions not specifically address in greater detail.

Sincerely,

A handwritten signature in blue ink, appearing to read "A.P.K. III", with a stylized flourish at the end.

Alvin P. Kressler, III  
Chief Executive Officer  
CMT Association