

U.S. Securities and Exchange Commission
SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE

December 11, 2019

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1070

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendation that was approved at the Advisory Committee's November 12, 2019 meeting.

The Commission's Concept Release on Harmonization of Securities Offering Exemptions, Release No. 33-10649 (June 18, 2019) included a discussion of whether the SEC should amend the accredited investor definition. With respect to the definition of "accredited investor" as set forth in Securities Act Rule 501(a) of Regulation D, the Committee recommends that the Commission:

- a. Leave the current financial thresholds in place, subject to possibly adjusting such thresholds downwards for certain regions of the country.
- b. Going forward, index the financial thresholds for inflation on periodic basis.
- c. Revise the definition to allow individuals to qualify as accredited investors based on measures of sophistication. In doing so, the Commission should create bright line rules for qualifying as an accredited investor by sophistication, which could include professional credentials, work experience, education, and/or a sophistication test.

Respectfully submitted on behalf of the Advisory Committee,



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