

JRGES SEC NOT TO MOVE FORWARD WITH PROPOSAL TO EXPAND ACCESS TO HIGH-RISK PRIVATE OFFERINGS WITHOUT ADDED PROTECTIONS

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NASAA Urges SEC Not to Move Forward with Proposal to Expand Access to High-Risk Private Offerings Without Added Protections

WASHINGTON, D.C. (March 17, 2020) – State securities regulators are urging the Securities and Exchange Commission (SEC) not to move forward with its proposal to expand access to high-risk private securities offerings to individual investors, and particularly to seniors living on fixed incomes from retirement savings, without additional investor protections and oversight.

In a comment letter to the SEC, the North American Securities Administrators Association (NASAA) said the agency’s proposal (Release No. 33-10734) to amend its definition of “accredited investors” falls short of increasing the protections and regulatory oversight Main Street investors would need if the proposal is approved as currently drafted. NASAA’s letter is available online [here](#).



Gerold noted that although the proposed expansions of accredited investor status regarding certain organizations or entities are not unreasonable, the SEC’s proposal as drafted “widely misses the mark” in its proposed treatment of individual investors. Before any final rulemaking, NASAA suggests that the Commission should gather data on private offerings to individual investors to better understand the types of companies and investors that reasonably should be dealing with one another.

NASAA also states that the SEC can and should raise the income and net worth thresholds for individual investors who are considered as “accredited investors.” Notably, these thresholds have not been adjusted to account for inflation since first put in place in 1982. Over nearly 40 years since, inflation has significantly deteriorated these thresholds leading to a dramatic increase in the percentage of U.S. households that qualify as accredited investors. In 1982, for example approximately 1.6 percent of American households qualified to be offered high-risk private securities, compared to about 13 percent (or 16 million) today.

“It is implausible that 16 million American households currently have both the financial sophistication and the capacity to bear the kinds of investment losses that courts and prior Commissions have considered essential prerequisites for participation in private offerings,” Gerold wrote.

NASAA is particularly concerned that many elderly Americans may meet current income and net worth thresholds solely through asset accumulation and savings, which they need for retirement



assets, and indexed to inflation going forward in order to continue serving the interests of retail investor protection. “The SEC has considered implementing many of these changes in the past; it is high time the Commission did so,” Gerold wrote.

—NASAA—

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