

March 16, 2020

ATTORNEY GENERAL RAOUL OBJECTS TO PROPOSAL TO REDUCE INVESTOR PROTECTIONS

Chicago — Attorney General Kwame Raoul today, as part of a coalition of 11 attorneys general, [filed a comment letter](#) objecting to the Securities and Exchange Commission's (SEC) proposed rule that would significantly diminish protections for individual investors.

The rule would expand the SEC's definition of "accredited investors" to include an increased number of individuals who are not equipped to bear significant losses from non-transparent and risky private non-publicly traded offerings. Additionally, the rule fails to account for almost 40 years of inflation by keeping the same financial thresholds to determine accredited investor status as existed in the 1980s. Doing so leaves millions of investors, including many seniors, at unnecessary risk.

"The SEC's proposed changes would expose investors, especially seniors, to risk," Raoul said. "I will oppose any policy changes that will reduce protections for those investors who can least afford significant losses."

In addition to failing to index financial thresholds to inflation, the SEC proposes allowing individuals who have been advised by a broker-dealer or an investment advisor to qualify as accredited investors, despite evidence that broker-dealers and investment advisors who recommend private offerings are more likely to have conflicts of interest than those who advise in public offerings. An accredited investor is an investor that companies can solicit with no requirement to provide disclosures about the investment. Furthermore, the rule seeks to expand the accredited investor definition to include individuals with qualifications that the SEC unilaterally – and without accountability – deems appropriate.

Raoul and the coalition oppose SEC's proposed rule and instead advocate for the SEC to consider the following recommendations:

- The SEC should raise the accredited investor financial thresholds set in the 1980s to account for inflation and should adjust the thresholds at least every four years going forward.
- Before making any changes to expand the accredited investor definition, the SEC should gather data and study private securities offerings, including outcomes for issuers and investors.
- In light of the significant evidence that individual investors are likely to be harmed, the SEC should reject any proposal to allow individuals advised by broker-dealers or investment advisors to qualify as accredited investors.
- The SEC should abandon the proposed rule's structure, which allows the SEC to decide the qualifications for accredited investors in the future without notice to and comment from stakeholders.

Joining Raoul in filing the comment letter are the attorneys general of California, Connecticut, Delaware, Iowa, Maryland, Massachusetts, New Jersey, New Mexico, New York and Oregon.