

Policymakers move to allow retail investors more access to private markets



Shrinking markets and lack of accreditation

- Private companies, especially in tech, are increasingly seeking private funding instead of public markets
- Main street investors are primarily excluded from private investments by the “**accredited investor**” rule, which limits the number of non-accredited investors who can own shares in a private fund or company



House passed bill to expand “accredited investor” definition

- Accredited investors must have more than a relatively high threshold of either income or net worth, intended to protect Main Street investors from risky private assets
- H.R. 1585, which was included as part of the JOBS and Investor Confidence Act of 2018, allows investors to be accredited by education or experience rather than wealth



SEC Chair Clayton addresses access private assets

- Clayton suggested that the current state of affairs may be exacerbating wealth inequality
- The former Wall Street lawyer also suggested that current regulations may impede capital access for startups
- Clayton could further loosen the accredited investor definition or promote alternative capital formation methods
- The SEC is working on an in-depth report of how businesses raise capital, what challenges they face in doing so, and ways to make the process easier
- This report is expected to comment on how investors can more safely access private investments