



June 20, 2018

The Honorable Thom Tillis
185 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Catherine Cortez Masto
204 Russell Senate Office Building
Washington, DC 20515

Dear Senators Tillis and Cortez Masto:

On behalf of the Institute for Portfolio Alternatives (IPA), I write to express our support for S. 2756, “Fair Investment Opportunities for Professional Experts Act.” We appreciate your leadership on this legislation, which will broaden the definition of accredited investor in a safe and responsible manner.

For over 30 years the Institute for Portfolio Alternatives has raised awareness of portfolio diversifying investment (PDI) products among stakeholders and market participants, including: investment advisers, public policymakers and the investing public. We support increased access to investment strategies with low correlation to the equity markets: lifecycle real estate investment trusts (Lifecycle REITs), net asset value REITs (NAV REITs), business development companies (BDCs), interval funds and direct participation programs (DPPs). Through advocacy and industry-leading education, the IPA is committed to ensuring all investors have access to real assets and the opportunity to effectively balance their investment portfolios.

S. 2756 updates and modernizes the current definition of “accredited investor” under Section 2(a)(15) of the Securities Act of 1933, by, in part, codifying the income and net worth requirements under Rule 501 of Regulation D and indexing them for inflation based on the Consumer Price Index on a going-forward basis. The bill also recognizes that people with certain credentials such as registered broker-dealers, investment advisers and their representatives, should qualify as accredited investors, and provides the U.S. Securities and Exchange Commission (“Commission”) with authority to qualify additional categories of investors as accredited based on education, job or professional experience and/or certain non-financial thresholds.

Many IPA members offer private placement products to accredited investors under Regulation D. We strongly support legislation that will expand the current definition of accredited investor in a manner that is safe and responsible, while not unduly shrinking the current pool of eligible investors. We believe that S. 2756 is a substantial step in that direction. The IPA strongly supports provisions that allow people with a Series 7, CFA or other credentials to be considered accredited for the purpose of being able to invest in non-public offerings. We also support the bill’s provision that would allow the Commission to include persons based on factors such as financial sophistication, net worth, knowledge, experience in financial matters, or amount of assets under management.

The IPA would also support an inclusion in the bill of a reasonable belief standard in its codification of income and net worth standards. A reasonable belief standard currently exists in Rule 501(a) of Regulation D—allowing an issuer to establish a reasonable belief as to an investor’s accredited investor

status—and should be consistent in S. 2756.¹ We also support a grandfathering provision to allow existing investors to participate in future investments in the same issuer to avoid dilution of their current investments.²

The IPA looks forward to working with your offices to support this sensible bill's passage. If the IPA may be of any assistance, please do not hesitate to contact me or Anya Coverman, IPA's Senior Vice President, Government Affairs and General Counsel at 202.548.7190 with any questions.

Sincerely,



Anthony Chereso
President & CEO, Institute for Portfolio Alternatives

¹ Accredited investor shall mean any person who comes within any of the following categories, *or who the issuer reasonably believes comes within any of the following categories*, at the time of the sale of the securities to that person..." 17 CFR 230.501 (emphasis added). Under Rule 506(c), unlike other Rules under Regulation D, the issuer must "verify" accredited investor status.

² The SEC staff made a recommendation to grandfather issuers' existing investors that are accredited investors under the current definition with respect to future offerings of their securities. *See* SEC Report on the Review of the Definition of "Accredited Investor," December 18, 2015, *available at* <https://www.sec.gov/files/review-definition-of-accredited-investor-12-18-2015.pdf>.