

REVERSEinquiries

Accredited Investor Definition Expanded

Originally published in REVERSEinquiries Volume 3, Issue 8

On August 26, 2020, the Securities and Exchange Commission (the "SEC") adopted amendments to the definition of "accredited investor" and related amendments to the definition of "qualified institutional buyer."¹ "Accredited investor" is defined in Rule 501(a) of the Securities Act of 1933 (the "Securities Act"), and "qualified institutional buyer" is defined in Rule 144A under the Securities Act. The amendments add new categories of natural persons and additional entities, as further discussed in our [Legal Update](#).

These changes are particularly important for structured products issuers such as national banks. Offers and sales of securities of national banks are subject to the Part 16 Securities Offering Disclosure Rules of the Office of the Comptroller of the Currency ("OCC"). Part 16.6, in particular, which provides an exemption from registration with the OCC for offerings of non-convertible debt, limits sales to accredited investors and in \$250,000 minimum denominations. Consequently, offerings under Part 16.6 tend to be aimed solely at institutional accredited investors rather than accredited investors who are natural persons. These offerings may now include additional categories of potential offerees.

Because Part 16.6 is so limited in its scope of offerees, national banks may also offer and sell securities under Part 16.7 of the Securities Offering Disclosure Rules, which provides an exemption from OCC registration for offerings conducted in reliance on Regulation D under the Securities Act, with no minimum denomination requirement. These offerings also tend to be directed to institutional accredited investors, but may include some accredited investors who are natural persons. In either case, the pool of potential investors has been expanded.

¹ Release 33-10824 (Aug. 26, 2020) is available at: <https://bit.ly/3hTpXxk>.