

[DISCUSSION DRAFT]

118TH CONGRESS
1ST SESSION

H. R. _____

To require the Securities and Exchange Commission to revise the definition of an Accredited Investor to include a natural person that passes an examination established and administered by the Commission, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the Securities and Exchange Commission to revise the definition of an Accredited Investor to include a natural person that passes an examination established and administered by the Commission, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “[To be added Act of
5 2023]”.

1 **SEC. 2. ESTABLISHMENT OF ACCREDITED INVESTOR EXAM-**
2 **INATION.**

3 (a) IN GENERAL.—The Securities and Exchange
4 Commission shall revise the definition of “Accredited In-
5 vestor” under Regulation D (15 CFR 230.501 et seq.) to
6 include as an Accredited Investor any natural person that
7 passes an examination, that includes certain required ele-
8 ments, established and administered by the Commission.

9 (b) DEFINITIONS.—In this section:

10 (1) EXAMINATION.—The term “examination”
11 includes any test, certification, or examination pro-
12 gram established by the Commission, by rule, that
13 tests the understanding of any natural person of the
14 aspects, set by the Commission, related to investing
15 in unregistered securities, private companies, or pri-
16 vate funds.

17 (2) CERTAIN REQUIRED ELEMENTS.—The term
18 “certain required elements” includes thorough un-
19 derstanding of risks associated with and techniques
20 to mitigate such risks, including—

21 (A) illiquid aspects of unregistered securi-
22 ties, securities issued by private companies, or
23 investments into private funds, including risks
24 associated with—

25 (i) limited liquidity;

26 (ii) price volatility;

- 1 (iii) lack of disclosures;
- 2 (iv) difficulty in valuing the invest-
- 3 ment;
- 4 (v) wider bid-ask spreads;
- 5 (vi) information asymmetry;
- 6 (vii) managers' risks;
- 7 (viii) leverage risks;
- 8 (ix) counterparty risk;
- 9 (x) regulatory risk;
- 10 (xi) operational risk;
- 11 (xii) concentration risk;
- 12 (xiii) longer investment horizon; and
- 13 (B) conflicts of interest, when the interests
- 14 of the financial professionals and their clients
- 15 are misaligned or when their professional re-
- 16 sponsibilities are compromised by personal or fi-
- 17 nancial motivations, including conflicts of inter-
- 18 ests risk stemming from practices related to—
- 19 (i) commissions and fees;
- 20 (ii) proprietary products;
- 21 (iii) sales targets and bonuses;
- 22 (iv) revenue sharing arrangements;
- 23 (v) gifts and entertainment;
- 24 (vi) affiliated companies;
- 25 (vii) personal investments;

1 (viii) churning; and

2 (ix) soft dollar arrangements.

3 (c) RULEMAKING AND IMPLEMENTATION.—The
4 Commission—

5 (1) is authorized to set any terms and condi-
6 tions to protect investors while enabling willing and
7 able natural persons to pass the examination de-
8 scribed under subsection (a); and

9 (2) shall establish the examination described
10 under subsection (a) and begin the administration of
11 the examination within 24 months after the date of
12 the enactment of this Act.