Hedge Fund Association Cautions SEC on Impact of Raising Accredited Investor Net Worth Requirements

On behalf of the private investment funds industry and other growing businesses the HFA offers the SEC alternative solutions to avoid stifling job creation and capital formation

NEW YORK – October 7, 2014 - The Hedge Fund Association ("HFA"), an international not-for-profit organization representing the interests of investors, hedge funds and service providers, has submitted a comment letter to the U.S. Securities and Exchange Commission (SEC) as the regulatory agency considers proposed changes to the definition of an "accredited investor" under Rule 501 of Regulation D.

On behalf of the private investment fund industry, including hedge funds, private equity funds, venture capital funds and real estate funds and other growing operating businesses seeking capital in the United States from private investors, the HFA strongly and respectfully urges the SEC to reject an increase in the current requirements, originally set in 1982, to account for inflation. The definition was already significantly narrowed when the value of an investor's primary residence was excluded under The Dodd–Frank Wall Street Reform and Consumer Protection Act.

"While the HFA fully appreciates and shares the SEC's goal of protecting investors from making investments which are beyond their financial sophistication, the HFA believes using net worth or income as a litmus test for investor sophistication is outdated," said David Friedland, HFA Chairman.

The HFA favors a number of alternatives, such as (i) a knowledge or education-based standard, (ii) a requirement that a non-sophisticated investor engage an independent registered investment professional to review and approve the investment, or (iii) limiting the maximum percentage of net worth that any investor may contribute.

"The HFA believes that changes to the net worth requirements would fundamentally undermine the private placement market which infused nearly $50 Billion into the United States' economy in 2013 and will materially and negatively impact small business growth by reducing the number of accredited investors in the U.S. by more than half," said Ron S. Geffner, HFA Vice President.

"The HFA supports any sensible change that enhances investor protection, but is strongly opposed to any change in the rule which would further restrict the investor pool resulting in a higher barrier to entry for start-up funds, increased challenges for emerging funds and growing operating businesses, and a stifling of capital formation," added Simon Riveles, Chairman of HFA's Regulatory and Government Advisory Board.

About The Hedge Fund Association

The Hedge Fund Association, HFA, is a leading global nonprofit trade and nonpartisan lobbying organization devoted to advancing transparency, development, education and trust in alternative investments. Membership in HFA includes hedge fund firms, global financial institutions with hedge fund offerings including private banks, asset management firms and broker dealers, investors including funds of hedge funds, family offices, public and private pension funds, endowments and foundations, high-net-worth individuals, allocators and service providers including prime brokers, administrators, custodians, auditors, attorneys, risk managers, technology firms, third party marketers and other industry consultants. To learn more please visit theHFA.org.

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