

OCTOBER 2, 2026

PROPOSED EXPANSIONS TO THE ACCREDITED INVESTOR DEFINITION FOR NATURAL PERSONS

Earlier this week, the Securities and Exchange Commission (the “Commission”) continued to implement its capital-formation agenda by publishing a number of notices aimed at modernizing the definition of “accredited investor,” including introducing the possibility of a long-discussed accredited investor exam.

The “accredited investor” definition, set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, is a central component of several exemptions from Securities Act registration, and in large part dictates the types of investors that are eligible to participate in the private capital markets. The definition, which the Commission has described as “intended to encompass those persons whose financial sophistication and ability to sustain the risk of loss of investment or ability to fend for themselves render the protections of the Securities Act’s registration process unnecessary,” has focused since its adoption in 1982 largely on a person’s wealth as a proxy for such sophistication. As such, the definition has been the subject of significant criticism over the years for restricting access to attractive private market investment opportunities only to wealthy investors, without regard for other possible measures of sophistication. In response, in 2020 the Commission amended the definition by adopting Securities Act Rule 501(a)(10), which allows for accredited investor status for investors holding certain certifications, designations, or credentials that are designated by the Commission. At the time, the Commission designated a limited number of Financial Industry Regulatory Authority (“FINRA”) and North American Securities Administrators Association (“NASAA”) license holders as accredited investors under this new category.

Further revising and expanding this definition has been top of mind for the Commission for some time; for example, in February, Chairman Paul S. Atkins spoke about potential changes, “[a] modernized accredited investor definition, meanwhile, such as a knowledge-based exam, would recognize that financial sophistication can scarcely be measured by income or net worth alone. Why should we prohibit a finance professor earning \$100,000 a year from private offerings, while presuming that people who inherit wealth are better qualified?”¹ Further, the Commission’s most recent regulatory agenda includes a proposed rulemaking titled “Updating the Exempt Offering Pathways,” including potential amendments to the accredited investor definition.

The Commission cited various potential benefits to issuers of expanding the pool of accredited investors, including “greater capital formation, lower cost of capital, and greater efficiency in raising capital due to an expanded pool of accredited investors (especially for issuers that are small or do not have access to a network of institutional accredited investors or persons with the required net worth or income to qualify as accredited investors).” For investors, the Commission notes that expansion of the definition may enable more individuals to qualify as accredited, thereby allowing them to access a broader range of investment

¹ See [Remarks at U.S. Chamber of Commerce Center for Capital Markets Competitiveness](#).

options, “potentially enhancing their ability to diversify and optimize portfolio allocations.” Against this background, the notices propose several possible expansions to the accredited investor definition, all aimed at increasing the eligibility of natural persons to participate in private offerings.

REGULATORY BACKGROUND

As noted earlier, Securities Act Rule 501(a)(10), adopted in 2020, provides that any natural person holding one or more professional certifications or designations or credentials from certain accredited educational institutions, in good standing, qualifies as an accredited investor. The Commission has the authority to designate which certifications or designations meet this threshold, based on a non-exclusive list in the rule. These criteria include (i) the certification or designation arises out of an exam administered by a self-regulatory organization or other accredited educational institution, (ii) the exam is “designed to reliably and validly demonstrate an individual’s comprehension and sophistication in the areas of securities and investing,” (iii) those with the certification can reasonably be expected to have the knowledge and experience needed to evaluate the merits and risks of a prospective investment, and (iv) there is publicly available information in order to verify individuals that hold the certification.

Currently, the licenses meeting these criteria consist of the General Securities Representative license (Series 7) and the Private Securities Offerings Representatives license (Series 82), based on exams run by the FINRA, and the Investment Adviser Representatives license (Series 65), based on an exam run by the NASAA. As the proposals point out, the Commission has now had over five years of experience working with Rule 501(a)(10), and “there is no evidence that we are aware of to suggest that the expansion in 2020 of the accredited investor definition to include these types of financially sophisticated investors has created investor protection concerns.” Therefore, each of the proposed changes would rely on the Commission’s authority under the rule to expand the group of natural persons that qualify as accredited investors, as detailed below.

ACCREDITED INVESTOR EXAM

The possibility of the Commission permitting individuals who pass an accredited investor examination to qualify as accredited investors has long been a topic of discussion among market participants, the Commission, and Congress. The Staff in the Division of Corporation Finance recommended that the Commission consider the approach as far back as 2015, in the first Staff review of the definition required under the Dodd-Frank Act², participants in the Commission’s annual Small Business Forum have also expressed support for creation of an examination for many years, and legislation requiring that the Commission and FINRA create an accredited investor examination has been proposed multiple times. With this proposal, the Commission has taken a concrete step toward making such an exam a reality.

In its notice, the Commission states that FINRA is developing an accredited investor exam specifically to satisfy the requirements of Rule 501(a)(10) and to assess a candidate’s comprehension and sophistication of

² See Report on the Review of the Definition of “Accredited Investor” (Dec. 18, 2015), available at <https://www.sec.gov/files/review-definition-accredited-investor-12-18-2015.pdf>.

securities and investing, including if the candidate has sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of a prospective investment. The new exam would be based on FINRA's existing multiple-choice Securities Industry Essentials Exam ("SIE") for prospective securities industry professionals, which assesses a candidate's knowledge of basic securities industry information. In the Commission's view, modeling the accredited investor exam on the SIE would enable the public to more easily understand the logistics of the exam and streamline development.

The exam would be available to all individuals age 18 or over, and there would be no requirement that the individual be associated with a FINRA member firm. Specifically, the test would cover knowledge, comprehension and skills with regard to the following subjects:

- Types of securities and investment structures involved in exempt offerings of securities under the Securities Act, and how such offerings compare to registered offerings, as well as knowledge of different investment structures.
- Investment risks associated with exempt offerings.
- Disclosures and regulatory concepts and requirements, including the types of disclosures provided under different regulatory regimes and the regulatory requirements in exempt offerings.
- Financial statements, including understanding different types of financial statements, financial statement numeracy, and investment-related ratios and metrics.
- Conflicts of interest, including the variety of conflicts investors may encounter in exempt offerings.
- Corporate governance, such as board, management, and investor rights and obligations.

Status as an accredited investor would be valid for ten years following passing the exam (a "good standing" period); individuals would need to re-test after this point. Individuals would be permitted to take the accredited investor exam multiple times, subject to certain timing requirements. FINRA plans to develop a process by which the status of exam holders, as well as the passage date of the exam and date the ten-year validity period ends, can be independently publicly verified.

PROFESSIONAL DESIGNATIONS

In a series of notices, the Commission also proposed to allow holders of several additional professional certifications, designations, and licenses to qualify as accredited investors. Each notice sets forth a discussion of the Commission's basis for determining that the particular designation meets the non-exclusive attributes identified in Rule 501(a)(10).

Potential Designation	Description
FINRA Investment Banking Representative License (Series 79) and Research Analyst License (Series 86)	• Holding a Series 79, 86 and/or 87 license requires passing an exam and demonstrating "knowledge and skill" in the applicable subject area. Specifically, Series 79 registration relates to the "functions of an investment banking representative, including advising on or

and Series 87), held in good standing	facilitating debt or equity securities offerings through a private placement or a public offering and mergers and acquisitions,” while Series 86 and 87 registrations relate to the “functions of a research analyst, including preparation of written or electronic communications that analyze equity securities and/or companies and industry sectors.” • Candidates for all such licenses must be sponsored by a FINRA member or other applicable self-regulatory organization member firm. In addition, license holders must comply with ongoing continuing education requirements. • The identity of those who hold each license is readily publicly available on FINRA’s BrokerCheck website, and can be independently verified.
U.S. Certified Public Accountant (“CPA”) License, held in good standing	• CPA licenses are issued by 55 U.S. jurisdictions (the fifty states plus the District of Columbia, the Northern Mariana Islands, Guam, Puerto Rico, and the U.S. Virgin Islands). • Criteria for obtaining a license includes (i) meeting certain requirements, which vary by jurisdiction, but generally include an education component, such as an accounting degree, along with supervised employment experience, and (ii) passing the Uniform CPA Examination, which tests accounting skills and knowledge. CPAs must also comply with ongoing continuing education requirements. • The National Association of State Boards of Accountancy maintains CPAVerify.org, a website where the public can access information about the identity of licensed CPAs. While Hawaii and New Mexico do not provide information to CPAVerify.org, each maintains a public website containing information regarding CPAs that are licensed in such jurisdiction. Many jurisdictions also maintain look-up tools that allow for public verification of CPA status specific to such jurisdiction.
Chartered Financial Analyst (“CFA”) Designation, held in good standing	• Holders of CFA charters must (i) meet eligibility requirements related to education, such as a bachelor’s degree, and work experience, consisting of a minimum of 4,000 qualified work hours over a minimum 36-month period, (ii) enroll in the CFA Program, (iii) pass all three levels of the CFA exam, which tests “CFA candidates’ knowledge and skills related to investment analysis, valuation, portfolio construction, and ethical decision-making,” and (iv) join the CFA Institute and annually reaffirm adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

	• The CFA Institute member directory website allows the public to search for free for current CFA Institute members.
Certified Financial Planner (“CFP”) Certification, held in good standing	• CFPs must satisfy (i) educational requirements, including coursework on financial planning and a bachelors degree, earned within five years of passing the CFP exam, and experience requirements, including 6,000 hours of work experience, or 4,000 hours of work experience via a CFP-supervised apprenticeship, and (ii) pass the CFP exam, which tests candidates’ “knowledge and skills in the areas identified by the CFP Board as relevant to the CFP certification,” such as financial planning and risk management. CFPs must also comply with ongoing continuing education requirements and commit to certain ethics standards. • The CFP Board maintains a website that allows the public to search for individuals who currently hold a CFP certification for free.

COMMISSIONER SUPPORT AND QUESTIONS

Chairman Atkins noted his agreement with the sentiment underlying the proposed changes, namely that “accredited investor access to private offerings should not be limited solely to individuals satisfying financial thresholds and that such thresholds are not the sole indicators of a person’s ability to assess the merits and risks of an investment.” Commissioner Hester Peirce, while in favor of the changes and opposed to the “paternalistic limitations” created by the accredited investor definition, raised some important questions. Among other points, she questioned the Commission’s continuing role as “judge” in “evaluating the merits of particular credentials, degrees, or certifications,” and noted that an exam “still embodies a government-as-gatekeeper mentality.” She also questioned FINRA’s role in developing and administering an accredited investor exam, asking whether a non-governmental organization might be a more appropriate home for these tasks.

Find more information about the proposed designations [here](#). Read Chairman Atkins’ statement [here](#) and Commissioner Peirce’s statement [here](#). Comments can be submitted based on the instructions in each notice, and are due 60 days after the date of publication in the Federal Register.



The Free Writings & Perspectives, or FW&Ps, blog provides news and views on securities regulation and capital formation. The blog provides up-to-the-minute information regarding securities law developments, particularly those related to capital formation. FW&Ps also offers commentary regarding developments affecting private placements, mezzanine or “late stage” private placements, PIPE transactions, IPOs and the IPO market, new financial products and any other securities-related topics that pique our and our readers’ interest. Our blog is available at: www.freewritings.law.

CONTACTS

For more information about the topics raised in this Legal Update,
please contact any of the following lawyers.

PARTNER
ANNA PINEDO

NEW YORK +1 212 506 2275
APINEDO@MAYERBROWN.COM

COUNSEL
LIZ WALSH

WASHINGTON DC +1 202 263 3883
LWALSH@MAYERBROWN.COM

PARTNER
JENNIFER ZEPRALKA

WASHINGTON DC +1 202 263 3446
JZEPRALKA@MAYERBROWN.COM

AMERICAS | ASIA | EMEA

MAYERBROWN.COM

Mayer Brown is a leading international law firm positioned to represent the world's major corporations, funds and financial institutions in their most important and complex transactions and disputes. Please visit www.mayerbrown.com for comprehensive contact information for all our offices. This Mayer Brown publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is not a comprehensive treatment of the subject matter covered and is not intended to provide legal advice. Readers should seek legal advice before taking any action with respect to the matters discussed herein. Mayer Brown is a global services provider comprising associated legal practices that are separate entities, including Mayer Brown LLP (Illinois, USA), Mayer Brown International LLP (England & Wales), Mayer Brown (a Hong Kong partnership) and Tauil & Chequer Advogados (a Brazilian law partnership) and non-legal service providers, which provide consultancy services (collectively, the "Mayer Brown Practices"). The Mayer Brown Practices are established in various jurisdictions and may be a legal person or a partnership. PK Wong & Nair LLC ("PKWN") is the constituent Singapore law practice of our licensed joint law venture in Singapore, Mayer Brown PK Wong & Nair Pte. Ltd. Details of the individual Mayer Brown Practices and PKWN can be found in the Legal Notices section of our website. "Mayer Brown" and the Mayer Brown logo are the trademarks of Mayer Brown.