

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
United States

Chris Barnard

29 January 2011

- **File No. S7-04-11**
- **Net Worth Standard for Accredited Investors**

Dear Sir.

Thank you for giving us the opportunity to comment on your proposed rule: Net Worth Standard for Accredited Investors.

You are proposing amendments to the accredited investor standards in the rules under the Securities Act of 1933 to reflect the requirements of Section 413(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Section 413(a) requires the definitions of “accredited investor” in the Securities Act rules to exclude the value of a person’s primary residence for purposes of determining whether the person qualifies as an accredited investor on the basis of having a net worth in excess of \$1 million.

I would generally support the proposals, which codify changes required under Dodd-Frank. The proposals are a temporary minimum. I would therefore support the definition of net worth under Rule 501 of Regulation D and Rule 215 as the excess of total assets at fair market value, excluding the value of the primary residence, over total liabilities, excluding indebtedness secured on the primary residence. If the primary residence is underwater, then the excess debt should be considered a liability and thus deducted from the net worth of the individual and his or her spouse, if any.

However, I would strongly recommend that the entire accredited investor standards should be reviewed and revised at the next opportunity, so that they would represent a principles-based approach, and better reflect modern markets and more complex investment products.

Please note that the comments expressed herein are solely my personal views

I do not like “bright lines”, such as the \$1 million here, as they are subject to manipulation and are rather arbitrary. I would instead recommend that a revised accredited investor standard should include a minimum standard of required investment expertise and knowledge.

According to section 413(b)(2)(A) of Dodd-Frank concerning ongoing reviews of the accredited investor standards, the SEC shall “...undertake a review of the definition...to determine whether the requirements of the definition should be adjusted or modified for the protection of investors, in the public interest, and in light of the economy”. I would argue that a minimum standard of required investment expertise and knowledge would meet these requirements.

Yours faithfully

Chris Barnard