Crowdwise, LLC
1 Hardy Road #1107
Bedford, NH 03110

March 1, 2020

Via Online Submission
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: Amending the "Accredited Investor" Definition
File No. S7-25-19

Dear Commissioners,

I sincerely thank the Commission for considering the proposed changes to the accredited investor definition and for providing the opportunity to comment. I strongly support the proposed changes, with one recommendation as follows:

1. The need for a specific **accredited investor examination,** *in addition to* the Series 7, 65, 82, as a means for qualifying *accredited investors who work outside the finance industry*.
    a. After studying for both the Series 65 and Securities Industry Essentials (SIE) exams, my opinion is that the latter is more practical and relevant for future accredited investors, and could thus serve as an interim qualifying exam for accreditation until an accredited investor exam can be developed and administered.

As a non-accredited, non-finance industry professional and a self-taught early-stage investor, I will justify my recommendation to the Commission by discussing:

1. Why the existing Series 7, 65, 82, and other examinations and licenses are either infeasible or improper to use for qualifying retail investors who are self-taught, do not work for a sponsoring firm, and/or work outside the finance industry,
2. Why non-accredited investors who currently invest under Reg CF and Reg A+ would be interested in and benefit from becoming accredited investors,
3. How I, along with other non-accredited investors under Reg CF and Reg A+, have demonstrated the financial sophistication required without having a professional financial license, credential or industry experience,
4. My responses to the Commission's Request for Comments (#4, #13, #14)

1) The need for developing an accredited investor examination

The primary shortcoming I see in the proposed changes is that there is still no practical way for Main Street investors who are *outside* the finance industry to be able to qualify as an accredited investor. As proposed, the only way that a non-finance industry professional could qualify as an accredited investor would be by taking the Series 65 examination.

The Series 65 Uniform Investment Advisor Law Examination, as the name implies, goes deep into the details of clients and fiduciary duties, rules and regulations of Registered Investment Advisers (RIAs) and Investment Adviser Representatives (IARs), ERISA issues, compensation, and other topics that are irrelevant to an accredited investor in the private markets.

This proposal would incentivize a large portion of non-finance industry professionals to take the Series 65 examination for the sole reason of becoming an accredited investor, while most, if not all, of them would never use a large amount of the content. **Thus, an unintended consequence of this proposal would create a pool of Series 65 license holders that quickly fall out of practice on the relevant investment adviser content.**

Instead of diluting the Series 65 license pool with unpracticed individuals and testing these non-finance professionals about material that they'll never use, an accredited investor examination would focus solely on the relevant securities exemptions, risks and other content that an accredited investor would expect to encounter, especially under Regulation D.

The means by which accreditation is achieved should:

1. Give a practical understanding of the specific risks and opportunities that will be presented to an accredited investor under Reg D, and
2. Not require a career change for non-finance industry retail investors to demonstrate investor sophistication, and
3. Not require the memorization of irrelevant material (e.g. RIA-specific rules and regulations) that will not be practiced by an accredited investor simply to pass a qualifying exam.

Therefore, I recommend the development and administration of a new accredited investor examination, such as that proposed by the Crowdfunding Professional Association[1]. See Response to Question #4 in Section 4 below for thoughts on how the SIE examination could serve as an interim qualifying examination until the accredited investor examination is developed.

---

[1] CfPA response to Concept Release on Harmonization of Securities Offering Exemptions, dated October 15, 2019. https://www.sec.gov/comments/s7-08-19/s70819-6291727-193398.pdf

2) Why Reg CF and Reg A+ aren't sufficient for non-accredited investors

One counterpoint that opponents to amending the definition may cite is that non-accredited investors are already given sufficient exposure to the private markets under Regulation Crowdfunding (Reg CF) and Regulation A (Reg A+) offerings.

I commend the Commission's efforts thus far on Reg CF and under the recent Concept Release on the Harmonization of Securities Offering Exemptions. Despite this progress, and even assuming that the Commission adopts some changes to Reg CF as currently proposed, I believe there is still a compelling case for allowing non-accredited investors to become accredited through means of an examination.

A few of the reasons that a non-accredited investor under Reg CF or Reg A+ would seek accreditation are to:

1. Seek additional liquidity or purchase shares on secondary markets, due to transfer restrictions under Reg CF for non-accredited investors,
2. Prevent information asymmetry and adverse selection of Reg CF offerings due to the lower cost of capital for private placements (see additional discussion below),
3. Gain access to diversify into additional private offerings that don't have the same annual investment limits on how much can be invested under Reg CF (i.e. the "lesser of" clause in Reg CF may severely limit someone who has a high net worth but low annual income or vice versa),
4. Diversify and invest in other types of alternative investments and financial innovations (e.g. Income Share Agreements (ISAs), etc.).

In particular, the second point about the potential for adverse selection in Reg CF offerings is one that deserves discussion. Based on my own experience since early 2018, I believe that there are many myths about adverse selection in Reg CF, especially about only having second-rate businesses that have exhausted all other options as being the ones who raise on funding portals.

However, there is still some truth to these claims, at least under Reg CF as it exists today. The fact is, if the cost of capital is lower for private placements under Rule 506(b) of Regulation D, then more higher quality issuers will be attracted to that exemption as a means for raising capital in the most cost-efficient manner.

Nick Tommarello, CEO and Co-Founder of WeFunder, the number one Reg CF funding portal by capital raised since 2016, has gone on record stating that "...without the SPV and 12g fixes, retail investors will be heavily disadvantaged as compared to accredited investors and equity crowdfunding will ultimately be seen as a failure.”[2]

Until (and even after) any updates to Reg CF, allowing investors to demonstrate sophistication and gain access to Reg D offerings is one way to mitigate potential disadvantages that non-accredited investors have compared to accredited investors.

The Association of Online Investment Platforms (AOIP) states that their hope is that policymakers will “...strive to make the very best deals accessible to smaller investors and not just the wealthy who have easier routes to investing in private companies.”[3]

Furthermore, as Chairman Clayton stated in his recent U.S. Senate Testimony, “We also are committed to ensuring that our Main Street investors continue to have the best possible mix of investment opportunities.”[4]

I believe that the Chairman and the SEC are truly committed to this vision. But I don’t believe that the Commission can claim success for investors having the “best possible mix of investment opportunities” if there are still some investments that are off-limits to investors, no matter how sophisticated and driven one may be, simply because they don’t have the current wealth or professional credentials.

The market will always have inefficiencies, but these inefficiencies are exacerbated today by outdated regulations. It would create a more fair market for all investors, and increase the access to capital to early-stage businesses, if we gave the dedicated and sophisticated non-finance industry investors today the ability to become accredited investors.

---

[2] Nick Tomarello - CEO, WeFunder. Letter to Committee on Financial Services, dated June 8, 2016. https://drive.google.com/viewerng/viewer?url=https://wefunder-production.s3.amazonaws.com/static/WefunderLetterofSupport.pdf

[3] Association of Online Investment Platforms (AOIP). Policy Position Paper, dated June 18, 2019. https://static1.squarespace.com/static/5b8dd688cc8fedec3a482ce8/t/5d152294390eec000118b6d3/1561666196448/AOIP+Policy+Position+Paper++%28June+2019%29.pdf

[4] Chairman Clayton’s US Senate Testimony, dated December 10, 2019. https://corpgov.law.harvard.edu/2019/12/10/u-s-senate-testimony-by-sec-chairman-clayton-on-oversight-of-the-securities-and-exchange-commission/

3) How self-taught investors who have no professional ties to the finance industry can be financially sophisticated

I assert that it is crucial for the Commission to not only consider finance industry professionals, but also to consider how self-taught, sophisticated investors who do *not* have any other financial credentials (nor the ability to get them) or finance industry experience can still have access to the same investment opportunities that are available to accredited investors today.

I am an example of someone who does not come from a financial, early-stage, or accredited investor background. My background is in aerospace engineering. Despite this, I educated myself on exempt offerings and over the past two years have built a portfolio of more than 80 early-stage businesses under Reg CF and Reg A+.

In 2019 I founded Crowdwise.org, which provides education to non-accredited investors in Reg CF, Reg A+, and intrastate offerings. Through this, I have helped thousands of non-accredited (and accredited) investors learn how to navigate the private markets.

My interactions with hundreds of these non-accredited investors has demonstrated both the willingness and drive of these investors to be as sophisticated as possible, as well as the demand for gaining access to higher quality deal flow and additional portfolio diversification.

Thus, while I strongly support the proposed changes, I also request that the Commission considers what they can do to ensure that non-finance industry professionals have a practical and reasonable way to become an accredited investor.

4) Responses to the Commission's Request for Comments: #4, #13, #14

4. A FINRA introductory-level examination, the "Securities Industry Essentials" (SIE) examination, is a co-requisite to the Series 7 and Series 82 examinations and assesses a candidate's knowledge of basic securities industry information.100 The SIE examination is open to any individual aged 18 or over, and association with a firm is not required. Passing the SIE examination alone does not qualify an individual for registration with a FINRA member firm or to engage in securities business. We have not included the SIE examination among those we expect initially to designate as qualifying credentials because the SIE examination is relatively new and evaluates introductory-level comprehension of the securities industry. Should we consider the SIE examination as a means for individuals to qualify as accredited investors? Should we consider the SIE examination, in addition to the completion of an investing-related course at an accredited college or university, as a means for individuals to qualify as accredited investors?

Yes, I would support considering the SIE exam as an *initial* qualification exam until a specific accredited investor exam can be developed and administered. I ask that the Commission considers this in combination with a simple supplementary private market knowledge exam, or perhaps a self-certification in private market risks and knowledge, until a *specific accredited investor examination* can be developed that addresses all of the specific risks and topics relevant to Reg D investors today (Reference Section 1).

This SIE exam and supplemental knowledge check would provide an interim solution for investors to become accredited, while the accredited investor examination is developed in parallel. Allowing the SIE to act as an interim qualifying examination helps to avoid the unintended consequence discussed in Section 1 of creating a pool of Series 65 license holders that never practice as investment advisers. Feedback from this group of initially qualified accredited investors could provide the added benefit of a quicker feedback loop for regulators and policy makers to influence the development of the new accredited investor examination.

Regarding my recommendation for a supplemental knowledge check or self-certification: I feel there is a lack of focus on the SIE (as well as Series 65 and other exams) that gives a deep understanding of the different types of securities exemptions and their associated risks. This is based on my own experience of studying for and taking practice exams for both the SIE and the Series 65. In my opinion, neither of those exams give the investor more than a 40,000 foot view of the various exemptions and leaves them with a lack of practical understanding for private market investing. I believe that a solid understanding of the differences between Reg CF, Reg A+, Reg D, intrastate offerings, and other securities exemptions was one of the most nuanced yet important aspects to grasp when assessing exempt securities offerings when starting out. Thus, I would like to see more focus on this for investors who wish to become accredited than the SIE and Series 65 currently provide.

13. Should we consider developing an accredited investor examination as another means for determining investor sophistication? What are the advantages and disadvantages of such an approach? What should be considered in developing and designing such an examination?

Yes, for all the aforementioned reasons (reference Section 1).

Advantages are that it would prevent the unintended consequence of having a large number of non-finance industry professionals take the Series 65 exam for the sole purpose of becoming accredited, thus creating a diluted pool of Series 65 license holders that quickly

fall out of practice on relevant investment adviser content. It would also allow more specificity and focus on the relevant regulations, risks, and content for private market investors.

Disadvantages are that it would require time to develop and administer, which is why I am recommending using the SIE as an interim qualifying examination.

14. Should we consider permitting individuals to self-certify that they have the requisite financial sophistication to be an accredited investor as another means for determining investor sophistication?

No, unless that self-certification is in addition to a qualifying examination, such as the Series 65 or SIE, or perhaps for those who already have sufficient private market and/or early-stage investing experience under Regulation Crowdfunding or Regulation A+.

Summary

Once again, I sincerely thank the Commission for the opportunity to comment on the proposed changes to the accredited investor definition. I am both grateful for and optimistic of the Commission's willingness to revisit these outdated policies to keep the US competitive in today's world.

Should you require any additional information or perspective, I am more than willing to be of service.

Sincerely,

Brian Belley
Founder and Managing Member - Crowdwise, LLC
[redacted]