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House overwhelmingly approves expanding accredited-investor pool

Lawmakers sent a strong signal this week to financial regulators that more investors should qualify to buy unregistered securities



The House of Representatives sent a strong signal this week to federal financial regulators that lawmakers would like to see more investors qualify to buy unregistered securities.

In a 347-8 vote Monday, the House approved legislation that would expand the definition of an accredited investor. Under current rules, a person must have a net worth of \$1 million, not including the value of a home, or make \$200,000 or more annually.

The legislation would allow anyone who has a securities license or who has professional knowledge and experience related to a specific security **to participate in private placements.** This would apply, for instance, to a doctor who wants to invest in a medical-device manufacturing startup.

The bill's author, Rep. David Schweikert, R-Ariz., cast the measure as an effort to democratize investing in emerging companies. **"In America today, some of the greatest investment opportunities are available only to those who meet a certain wealth threshold,"** Mr. Schweikert said on the House floor. **"With passage (of his bill), Congress took a step towards expanding (private placement) investment opportunity to include hard-working Americans (heretofore excluded).** In today's hyper-efficient economy, that expansion opportunity is a key part of driving economic growth."

Banking Committee. "With such a strong vote, you have to feel that there's an opportunity for this," said Beau Brunson, Mr. Schweikert's legislative director.

Under the Dodd-Frank financial reform law, the SEC must **regularly review** the accredited-investor standard. In December, the agency released a **staff report** about options for reforming the criteria.

The SEC Investor Advisory Committee also has **expressed support for an update**, while calling for appropriate investor protections to be included. The House vote likely will get the agency's attention. "When they see the writing on the wall, they start moving a little faster," Mr. Brunson said.