



Consumer Federation of America

October 31, 2017

Vote NO on H.R. 1585, the “Fair Investment Opportunities for Professional Experts Act”

Dear Representative:

We understand that the House is scheduled to vote this week on H.R. 1585, the “Fair Investment Opportunities for Professional Experts Act.” I am writing on behalf of the Consumer Federation of America to urge you to vote no.

If all this bill did was add licensed securities professionals and other subject matter experts to the list of those who qualify as accredited investors, this would be an uncontroversial, albeit largely inconsequential, bill. However, this bill would lock in place an approach to the definition of accredited investor based on financial thresholds that have been shown to be ineffective in defining a population of investors capable of fending for themselves without the protections afforded in the public market.

We appreciate that this bill adjusts the definition’s net worth and income thresholds to keep pace with future inflation. We nonetheless have concerns about this approach. First, the financial thresholds to qualify for accredited investor status were first set in 1982. As a result, those thresholds, which have already have been seriously eroded by 35 years of inflation, clearly do not represent the type of wealth and liquidity necessary to shoulder the potential risks of a private offering.

We are also concerned that adoption of the bill would foreclose the opportunity to develop more thoughtful approaches that have the potential to expand the pool of individuals who qualify as accredited investors without the same increased risk. (We refer, for example, to the proposals recommended by the SEC’s Investor Advisory Committee, available here: <http://bit.ly/22HoUHW>.) And toward what end? If successful, this bill would make it modestly easier for companies to raise capital in our private markets, undermining efforts to stem the decline in public companies.

For these reasons, we urge you to oppose this bill.

Respectfully submitted,

Barbara Roper
Director of Investor Protection