

Evan Hall in HFM Week: Accepting More Knowledgeable Employee Investments

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HFM Week quoted Haynes Boone Partner [Evan Hall](#) in an article about the U.S. Securities and Exchange Commission's (SEC's) proposal to update the accredited investor definition to include knowledgeable employees.

Here is an excerpt:

In its proposed updates to the accredited investor definition, the SEC has suggested individuals with Series 7, Series 65 and Series 82 securities licenses administered by FINRA and knowledgeable employees of private funds to be considered accredited investors.

The proposal calls for an alignment of the accredited investor and knowledgeable employee standards, meaning employees, namely junior traders and investment professionals, who previously were unable to invest in hedge funds could be permitted to do so.

Under current SEC rules, individuals are classified as accredited investors if their income exceeds \$200,000 in each of the two most recent years, or \$300,000 in joint income for spouses; the individual reasonably expects to reach the same income level in the current year; and their net worth exceeds \$1 million, individually or jointly with a spouse, excluding the value of their primary residence.

Evan Hall, a partner at Haynes Boone, believes the proposal will have a material impact, especially for managers with a number of employees who participate actively in a fund's investment decisions.

However, with any regulatory change, there is a risk of increased scrutiny.

"The changes to the accredited investor standard could precipitate the SEC doing checks on knowledgeable employee determinations in their examinations," Hall predicts.

To read the full article, click [here](#). (Subscription required)