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# Interpreting the Impact: SEC's No-Action Letter and Accreditation Verification

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On March 12, 2025, the U.S. Securities and Exchange Commission (SEC) issued a [no-action letter](#) to Latham & Watkins LLP, providing interpretive guidance on verifying accredited investor status under Rule 506(c) of Regulation D.

In short, the letter clarifies that issuers can rely on high minimum investment amounts, coupled with written representations from investors, as a factor in taking reasonable steps to verify accredited investor status. This approach simplifies the verification process, reducing the need for extensive documentation.

While the regulatory landscape is still shifting, the No-Action Letter is a positive signal for the private investment market, as it clarifies and streamlines the verification process for funds and other issuers that raise capital with high investment minimums.

## The Historical Context of Rule 506 (c) of Regulation D

Up to now, most private placements have been offered in reliance on [Rule 506\(b\)](#), about [\\$2.7 trillion in capital raised according to the SEC](#) in 2023 alone. While widely utilized, this rule prohibits general solicitation and advertising in an offering of securities.

Alternatively, under [Rule 506\(c\)](#) of Regulation D, issuers are permitted to engage in general solicitation and advertising, provided that “reasonable steps” are taken to verify that each investor in the offering is an accredited investor.

Historically, the burden associated with conducting these “reasonable steps” has been too great, with issuers concerned about their ability to fully comply with the regulatory obligations and investors expressing frustration with the intrusive nature of the verifications. These verification steps include reviewing IRS tax documentation (W2s, 1040s, etc.) or bank and brokerage statements, plus a credit report from a national reporting agency, to confirm the investor meets the applicable accreditation thresholds.

As a result, Rule 506(c) is considered to be underutilized with [only \\$169 billion in capital raised in 2023](#), as most funds opted instead to forego advertising and instead rely exclusively on Rule 506(b).

### Understanding the SEC’s No-Action Letter

This trend, however, could shift. In the No-Action Letter, the SEC affirms that an investor’s ability to meet an offering’s high minimum investment amount may be sufficient to verify an investor’s accredited investor status under Rule 506(c), so long as the investor provides written representations as to their accreditation status.

An issuer’s “reasonable steps” verification process in these instances can be as simple as the following:

- Minimum Investment:
  - For natural persons, a minimum investment amount of at least \$200k.
  - For entities considered accredited by having assets in excess of \$5 million, a minimum investment amount of at least \$1 million.
  - For entities considered accredited because each equity owner of the entity is an accredited

investor, a minimum investment of at least \$1,000,000, or \$200,000 per equity owner if the number of equity owners is fewer than five.

- Written Representations: Where investment minimums are present, the issuer may rely on representations from the investor regarding their accredited investor status and confirmation that the minimum investment amount is not financed in whole or in part by any third party. The issue can rely on this self-certification rather than conducting documentary verification, provided the issuer has no knowledge that the investor does not actually meet an accredited investor threshold.

### Understanding the Impact on the Future of Private Investment Opportunities

By reducing the document verification burden, the SEC has opened the door to increasing Rule 506(c) offerings, particularly for funds looking to increase name recognition. As more issuers opt to use Rule 506(c) for general solicitation and advertising, it can potentially increase the pool of accredited investors and expand access to capital. This change could lead to a more dynamic and inclusive private investment market, fostering innovation and growth.

That said, accredited investor verification remains crucial in the financial industry as it ensures that only individuals or entities with sufficient financial sophistication and resources participate in high-risk investment opportunities. This verification protects investors and maintains the integrity of the market by preventing unqualified participants from engaging in complex financial transactions.

As regulatory standards shift, technology will play an increasingly pivotal role in meeting regulatory requirements and simplifying compliance and investor onboarding. Advanced onboarding platforms, such as those provided by iCapital, can automate much of the verification process, reducing manual processes and minimizing operational risk. This not only ensures compliance with regulatory standards, but streamlines the onboarding process making it easier for companies to attract and retain investors. With new investors entering the market, and an opportunity for firms to pursue Rule 506(c) offerings in accordance with the new SEC guidance, the future of the private investment market is bright.





60 East 42<sup>nd</sup> Street, 26<sup>th</sup> Floor  
New York, NY 10165  
212.994.7400

icapital.com

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