Welcome to this edition of the Investments & Wealth Institute Legislative Intelligence. This column focuses on recent meetings of the Investments & Wealth Institute (IWI) with SEC commissioners and staff to discuss inclusion of the CIMA® and CPWA® certifications under the recently revised definition of the Securities and Exchange Commission’s (SEC or Commission) Accredited Investor Rule.

Institute Meets with SEC Commissioners Regarding CIMA®, CPWA® Certifications

In recent weeks, IWI representatives have met with three of the four SEC commissioners and staff attorneys to discuss the recently amended definition of an accredited investor and the potential inclusion of individuals holding qualified certifications under the definition. Under the final rule, the SEC stated that “we do not believe that wealth should be the sole means of establishing financial sophistication of an individual,” but rather to create new categories of individuals, irrespective of their wealth, “on the basis that such investors have demonstrated the requisite ability to assess an investment opportunity.”

Under the revised definition, the SEC issued a separate order adding industry professionals who had passed the Series 7, 65, or 82 exam and were in good standing in their capacity as a registered representative or investment adviser representative. The Commission also invited organizations offering professional certifications to the industry to apply for a proposed listing on the SEC website after a review of qualifying criteria and allowing for public comment as part of the process.

“The Institute has taken the SEC up on its offer,” said Sean R. Walters, CAE®, Chief Executive Officer. Joining Walters in those meetings was Institute Board Chair Todd Wagenberg, CIMA®, Robert Frankel, JD, AIF®, general counsel, and outside consultant Duane Thompson, AlFA®.

“We believe the CIMA® and CPWA® certifications are well-positioned to meet and exceed the criteria set forth by the SEC in its rule,” Walters said. “I believe it’s important, in order to enhance the value of the certification marks for its holders, to make the Commission aware of
the demanding educational content and other qualifications necessary to pass the exams and meet the ongoing continuing education and ethics requirements.”

To date, IWI has met with commissioners Hester Peirce, Elad Roisman, and Caroline Crenshaw, counsel to Acting SEC Chair Allison Herren Lee, and plans to meet in the near future with staff in the SEC Division of Corporate Finance.

The amended rule went into effect on December 8, 2020. And although many if not most Institute members qualify in other ways, whether through meeting the income thresholds ($200,000 annual income or $300,000 joint income in the two most recent years) or through the SEC order qualifying Series 7, 65, and 82 exam holders, Walters said it is important to ensure that the CIMA® and CPWA® certifications are considered as part of any additional review by the SEC of industry credentials.

Institute Board Chair Todd Wagenberg, CIMA®, agreed. “I thought our meetings were very productive and reinforced with the Commissioners and their staff how well our certification programs matched with the criteria the SEC is reviewing, and that our educational content enables a professional advisor to fully understand the risks and benefits of investing in private offerings such as liquidity issues and hard-to-value assets.”

Although the SEC did not include clients of professional advisors who meet the new definition, Wagenberg believes the SEC may eventually include them due to the Commission’s expanded access to private placements.

In the IWI comment letters on the rulemaking, the Institute suggested that clients be included under the definition if advised by a qualified professional operating in a fiduciary capacity.

Walters noted that it is unclear how quickly the Commission will move to propose professional certifications or credentials under the definition, but that by meeting with the decision-makers and educating them on the underlying education, examination, experience, and ethics requirements of IWI certifications, the SEC will have the necessary information once it takes action.

If you have questions after reading this update, please contact the Institute by replying to this email. We will either respond personally to your inquiry or include a response in an upcoming issue.