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SEC Holds Roundtable on the "Retailization" of Private/Alternative Investments: A Hint of the Agency's Direction

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Last week, on March 4th, 2026, the U.S. Securities and Exchange Commission ("SEC") held a roundtable on retail investments in private markets, i.e. "alternative," investments. Such investments might include, for example, hedge, credit, or other private funds, as well as non-traded real estate investment trusts (REITs), business development companies (BDCs), a small but potentially growing number of mutual funds with "private tranches," and publicly-reporting registered closed-end funds. Some retail investors have sought greater access to such investments for the purpose of portfolio diversification, and the potential to access early value-creation opportunities, and to benefit from investments that do not necessarily encounter the same short-term volatility as traditional market-listed investments. For issuers of such assets, or of funds that hold them, retail investors represent a promising, potentially significant, source of new capital.

The SEC characterized the roundtable as an information-collection exercise and focused the discussion on how private assets are valued, absent a public market trading price. The roundtable represented a step forward in the SEC's goal to ease the sale of private investments to a broader range of retail investors, but only a modest step. The SEC clearly is taking a "go slow," deliberate approach to ensure that any easing of regulatory burdens is carefully balanced with what the SEC's roundtable participants referred to as "appropriate guardrails," based on concern about the ability of some retail investors to fully understand private investments and their liquidity constraints and the general lower level of public disclosure.

The roundtable addressed funds regulated under the Investment Company Act of 1940 (the "1940 Act") to the exclusion of other vehicles that are not regulated by the SEC, such as the growing number of collective investment trusts, or "CITs," which are maintained by banks and trust companies, and regulated by banking regulators.

Valuations and “Accredited Investor”

The roundtable discussion focused most intensely on the reliability and consistency of valuation of private portfolio investments. In the view of panelists, the adoption in 2020 of Rule 2a-5 under the 1940 Act has resulted in boards relying more on outside experts, and increased standardization of governance procedures, in establishing valuations. Panelists stated that studies show that valuations tend to be conservative and to fall short of prices achieved in subsequent liquidity events. They stated, furthermore, that the reliability of valuations is often buttressed and cross-checked with information from multiple sources.

The roundtable also addressed the “accredited investor” definition, which is relevant primarily to direct investments in private funds rather than to investments in funds that hold private investments as portfolio securities. The discussion focused on whether the definition of “accredited investor” should be directly premised on investor sophistication, such as educational and professional background, which could simultaneously broaden the scope of individuals who qualify as “accredited investors” and tie the definition more closely to its purpose, which is to ensure that individuals have the financial sophistication to evaluate the investment. Some commenters on recent SEC rule proposals have advocated for that same adjustment to the “accredited investor” definition, and we think the SEC likely is giving it serious consideration.

The SEC Appears Intent on Moving Carefully, Even Slowly

The SEC’s Chairman has appeared more interested in promoting public markets than private markets during his tenure so far. In Chair Atkins’ introductory remarks to the roundtable, he mentioned his “make IPOs great again” campaign. Chair Atkins, furthermore, has indicated that the SEC’s primary mission is to protect retail investors. However, it is no surprise that the SEC plans to make private investments more accessible as well, albeit perhaps in a more deliberate, piecemeal manner. The pressure to make the increasingly prominent private investment sector more accessible to retail investors has been growing for the last few years, and the White House has supported the effort. Last August, the President issued an executive order seeking to facilitate their availability in 401(k) and defined benefit plans, and directed the SEC to examine the “accredited investor” definition.

Counter-balancing these developments have been concerns that alternative investments may carry higher risk (including the lack of public trading to provide an objective valuation measure and liquidity) and that public disclosure is less robust than for publicly-traded investments. Last September, the SEC's Investor Advisory Committee recommended that any expansion of retail investor participation in alternative investments occur through registered funds, "because these products have the benefit of Commission registration and regulation, diversification, and professional management." The Committee recommended that direct investments be subject to additional "safeguards," such as a focus on investor sophistication rather than mere wealth in amending the "accredited investor definition," and prudent limits on investment amounts.

What Do We Expect?

We anticipate that the SEC might issue a "concept release" on the topic as a first step, which is typical in areas where the agency intends to make progress, but wants to step carefully. We expect that, in due course, the agency will:

- consider whether to adopt new, additional disclosure requirements for funds regulated under the 1940 Act that hold private investments;
- consider whether to adopt new, additional requirements for brokers and/or registered investment advisors who might advise retail clients on private investments;
- examine its rules, and perhaps related accounting standards, for the valuation of private portfolio holdings, with a view to any improvements; and
- revisit the definition of "accredited investor" and likely tweak it to make it more directly focused on financial sophistication, perhaps as an alternative basis for establishing "accredited investor" status to wealth, assets, and income. We do not believe the SEC is likely to further "water down" the current wealth/assets approach, despite its no-action letter issued earlier this year that indicated that accredited investor status could be established through minimum investment requirements.

We will continue to monitor these developments and are happy to respond to your questions, including how the SEC's efforts in this area should be taken into account in applying rules and how they currently stand.

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