

Accredited Investor Status

Legal Definition (SEC Rule 501, Regulation D)

The U.S. Securities and Exchange Commission (SEC) defines an “accredited investor” under Rule 501 of Regulation D. The most common categories are:

1. Individuals based on income:
 - Earned income exceeding \$200,000 (or \$300,000 with a spouse/partner) in each of the two most recent years and expectation of the same in the current year.
2. Individuals based on net worth:
 - Net worth exceeding \$1 million (individually or jointly), excluding the value of the primary residence.
3. Entities:
 - Banks, insurance companies, registered investment companies, business development companies, or small business investment companies.
 - Entities with assets over \$5 million, not formed for the specific purpose of acquiring the securities.
4. Other categories:
 - Certain licensed professionals (Series 7, 65, or 82 holders).
 - “Knowledgeable employees” of private funds.

Clarification – What Accreditation Does Not Mean

- Not proof of sophistication or skill: Accreditation demonstrates only that an investor meets wealth or income thresholds. It does not establish the ability to detect misrepresentation, evaluate complex products, or withstand inappropriate risk.
- Not a waiver of protections: Accreditation does not absolve financial institutions from their duties under securities law, consumer protection law, or supervisory frameworks (e.g., FINMA obligations in Switzerland). Misleading advertising and disclosure violations remain unlawful regardless of investor status.
- Not permanent professional status: Holding a securities license (e.g., Series 7) only counts if currently active. Expired licenses, even if once held decades ago, do not confer accredited status.

Why This Matters in the Nexo Case

- Nexo has argued that my accredited investor verification shifts responsibility to me. This is misleading.
- Accreditation merely established that I had sufficient funds to qualify. It did not equip me to detect Nexo's deceptive APR marketing or anticipate liquidation-based risk hidden behind "APR" safety language.
- A "lottery winner" example illustrates this point: a person with no financial knowledge can qualify as accredited solely by net worth, yet remains fully entitled to truthful disclosure and protection from misrepresentation.
- Therefore, my accredited status does not weaken the misrepresentation claim. On the contrary, it highlights the need for regulators to enforce disclosure standards: accreditation does not authorize firms to deceive.

Conclusion:

The accredited investor framework was never intended to shield firms from accountability for misleading practices. Accreditation ensures only that the investor meets wealth or income thresholds.

Misrepresentation remains unlawful under U.S. law (Securities Act, UCA) and Swiss supervisory standards (FINMA enforcement principles).