

To: [submissions@banking.senate.gov](mailto:submissions@banking.senate.gov)  
From: [Carter Bastian](#)  
Subject: 506c Self-Certification

To whom it may concern,

I'm writing to provide feedback on the discussion draft of the JOBS Act 4.0. While I am in support of most of the changes proposed in the draft, I believe that it would be a grave mistake to allow individuals who claim to pass the income or net worth tests for accreditation to self-certify for 506c offerings.

Allowing self-certification would pave the way for unaccredited investors to participate in 506c funds – both by unintentionally misunderstanding the requirements, and by intentionally misrepresenting the truth.

First, self-certification only works as a solution when the average person is able and willing to understand what they are stating to be true. While the average person likely knows their income, the average person may be liable to mistakenly include their primary residence in their net worth. They also may not understand the specific circumstances under which they must count as liabilities certain debts secured against their primary residence. What's more, we must apply stringent standards to the determination of value and ownership when determining an investor's net worth. An individual may mistakenly inflate their net worth in self-certification by basing their understanding of their net worth on biased, outdated, or unsubstantiated ideas of the value of their assets, with no regard to the facts.

Second, self-certification allows bad actors to misrepresent their status as accredited investors. This is a well-understood risk – we know that some retail investors invest in 506b offerings by falsely self-certifying (especially in the cryptocurrency ICO and STO spaces, where self-certifications happen in passing via digital checkbox). However, self-certification has been deemed an acceptable risk in 506b offerings due to the fact that risk of fraud and misrepresentation is limited by the prohibition on general solicitation. This would not be the case if applied to 506c, where self-certification would open the door to widespread fraud.

Such mistakes and misrepresentations carry with them non-trivial economic risks. First, to the self-certifying investor – who may be investing disproportionate and irresponsible amounts of capital (relative to their income or net worth) in unregulated securities for which they do not understand the risks involved. Second, to the issuer of the security – who may be relying on the self-certifying investor for capital calls, or who may be liable to later refund investments made in error by unaccredited investors. Finally, to the other investors in the security – whose investment may lose value due to the economic harms done to the issuer.

It is my understanding that the goal of this change is to allow wider access to 506c offerings. I believe this is accomplished elsewhere in the draft by allowing any natural person to invest as an accredited investor, so long as they invest up to a percentage of their income, investments,

or net worth. So long as these maximum investment amounts are also subject to independent verification, 506c funds would be made available to all and the risks mentioned above would be well-contained.

Therefore, my suggestion is that the 506c self-certification amendment be removed from this draft, and that specific language be added ensuring that natural persons who invest as accredited investors up to a specific limit have their income, net worth, or investment amount independently verified by the issuer or a third party. Removing self-certification would mitigate risks of misunderstanding and misrepresentation, and would protect investors and issuers alike.

Sincerely,  
Carter Bastian