

Private placements - Rule 506(b)



[Section 4\(a\)\(2\)](#) of the Securities Act exempts from registration transactions by an issuer not involving any public offering.

To learn more about Section 4(a)(2), please click the box below.

Section 4(a)(2)

[Rule 506\(b\)](#) of Regulation D is considered a “safe harbor” under Section 4(a)(2). It provides objective standards that a company can rely on to meet the requirements of the Section 4(a)(2) exemption. Companies conducting an offering under Rule 506(b) can raise an unlimited amount of money and can sell securities to an unlimited number of accredited investors. An offering under Rule 506(b), however, is subject to the following requirements:

- no general solicitation or advertising to market the securities
- securities may not be sold to more than 35 non-accredited investors (all non-accredited investors, either alone or with a purchaser representative, must meet the legal standard of having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment)

If non-accredited investors are participating in the offering, the company conducting the offering:

- must give any non-accredited investors disclosure documents that generally contain the same type of information as provided in Regulation A offerings (the company is not required to provide specified disclosure documents to accredited investors, but, if it does provide information to accredited investors, it must also make this information available to the non-accredited investors as well)

- must give any non-accredited investors financial statement information specified in Rule 506 and
- should be available to answer questions from prospective purchasers who are non-accredited investors

Purchasers in a Rule 506(b) offering receive "[restricted securities](#)." A company is required to file a notice with the Commission on Form D within 15 days after the first sale of securities in the offering. Although the Securities Act provides a federal preemption from state registration and qualification under Rule 506(b), the states still have authority to require notice filings and collect state fees.

Rule 506(b) offerings are subject to "[bad actor](#)" [disqualification provisions](#).

Additional Information and Resources

- [Filing a Form D notice](#)
- [Compliance Guide: Disqualification of Felons and Other "Bad Actors"](#)
- [Staff Guidance: Regulation D Compliance and Disclosure Interpretations \(Section 254\)](#)
- [Investor Bulletin: Private Placements Under Regulation D](#)
- [Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2014](#)

Relevant FAQs

- [Do the anti-fraud provisions apply?](#)
- [What is an accredited investor?](#)
- [Do state law requirements apply?](#)
- [What are restricted securities?](#)
- [What is the process for requesting a waiver of "bad actor" disqualification?](#)

Additional Information and Resources

- [Press Release: SEC Harmonizes and Improves “Patchwork” Exempt Offering Framework](#)
- [Compliance Guide: Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets](#)
- [Filing a Form D notice](#)
- [Compliance Guide: Disqualification of Felons and Other “Bad Actors”](#)
- [Staff Guidance: Regulation D Compliance and Disclosure Interpretations \(Section 254\)](#)
- [Investor Bulletin: Private Placements Under Regulation D](#)
- [Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2017](#)
- [Report to Congress on Regulation A / Regulation D Performance](#)

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