

Investment Management Regulatory Update - July 2011

July 13, 2011 | Client Update

On July 12, 2011, the SEC issued an order (the “Order”) that raises the dollar amount thresholds in the assets-under-management and net worth tests in the definition of “qualified client” under rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). Pursuant to the Order, the assets-under-management and net worth prongs of the definition of “qualified client” will be adjusted from \$750,000 to \$1,000,000 and \$1,500,000 to \$2,000,000, respectively. The SEC previously indicated on May 10, 2011 that it would issue the Order in a rule proposal regarding proposed amendments to rule 205-3, as discussed in the May 17, 2011 Investment Management Regulatory Update. On July 12, 2011, the SEC issued an order (the “Order”) that raises the dollar amount thresholds in the assets-under-management and net worth tests in the definition of “qualified client” under rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). Pursuant to the Order, the assets-under-management and net worth prongs of the definition of “qualified client” will be adjusted from \$750,000 to \$1,000,000 and \$1,500,000 to \$2,000,000, respectively. The SEC previously indicated on May 10, 2011 that it would issue the Order in a rule proposal regarding proposed amendments to rule 205-3, as discussed in the May 17, 2011 Investment Management Regulatory Update.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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