

## CLIENT UPDATE

### SEC Extends Time-Frame for Compliance with Registration Requirements for Private Fund Advisers

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On June 22, 2011, the U. S. Securities and Exchange Commission (the “SEC”) held an open meeting at which it adopted various rules relating to the registration of advisers to private funds in order to fulfill various of its rulemaking requirements under Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Prior to the enactment of the Dodd-Frank Act in July 2010, many advisers to private equity funds and hedge funds were exempt from registration with the SEC based upon Section 203(b)(3) of the Investment Advisers Act of 1940, which exempted advisers with fewer than 15 clients in the past 12 months (the “Private Adviser Exemption”). Effective as of July 21, 2011, the Dodd-Frank Act repealed the Private Adviser Exemption, requiring many advisers to become registered for the first time. Under the rules adopted at this meeting, however, the SEC has extended the time-frame for compliance with the new registration regime by allowing advisers to continue to rely upon the Private Adviser Exemption until **March 30, 2012**, at which time such advisers will need to register unless another exemption is applicable to them.

In addition to extending the time within which advisers to private funds must register, the rulemaking addressed several other topics with respect to which Dodd-Frank required the SEC to enact rules, including:

- rules defining the scope of certain new, limited exemptions for advisers solely to venture capital funds, advisers solely to private funds with less than \$150 million of assets under management in the United States, and certain foreign private advisers;
- rules providing reporting requirements for certain advisers that are exempt from registration; and
- rules implementing the reallocation of regulatory authority from the SEC to state securities commissions for certain “mid-sized advisers” (those with \$25 million to \$100 million of assets under management).

Once the SEC publishes these final rules, we intend to assist our clients in determining whether they will be required to become registered with the SEC or to otherwise comply with SEC reporting requirements and to assist them in complying with the requirements that are applicable to them. If you have any questions or would like to discuss this development, please do not hesitate to contact any Morrison Cohen attorney with whom you regularly work.