

TITLE IV: REGULATION OF ADVISERS TO HEDGE FUNDS AND OTHERS

- **Private Advisor Exemption Eliminated:** Eliminates the private-advisor SEC registration exemption, and requires private investment advisors to register with the SEC under the Investment Advisors Act of 1940. There are three limited exemptions from registration:
 - Limited Intrastate exemption
 - Limited foreign advisor exemption.
 - Small Business Investment Company Adviser Exemption
- **Venture Capital Exemption:** Establishes registration exemption for venture capital fund advisors, but advisors are subject to recordkeeping and reporting requirements as defined by the SEC.
- **Family Offices Exemption:** Family offices are exempt from the term investment advisor.
- **Small Private Fund Exemption:** Exempts investment advisers to private funds with less than \$150 million in assets under management from registration with the SEC, but must maintain such records and provide the SEC such annual or other reports as the SEC determines necessary or appropriate in the public interest of for the protection of investors.
- **Mid-Sized Private Funds:** The registration of “mid-sized” private funds is left to the discretion of the SEC, taking into account the size, governance, and investment strategy of private funds.
- **Recordkeeping Requirements:** Funds must keep a record of fund activity, positions, trading practices, and credit exposures. The SEC will examine the records, and may require the fund to file periodic reports.
- **Reporting Regulations Promulgated 12 Months from Enactment:** CFTC and SEC will jointly promulgate rules on private fund reporting obligations within 12 months of enactment.
- **Federal Registration Threshold Raised:** Raises threshold for federal registration to funds with \$100,000,000 in assets under management. Firms with less than \$100 million in assets under management must register and report to State blue-sky regulators.
- **Accredited Investor Threshold:** Requires SEC to increase the “accredited investor” income and asset threshold at least every 5 years.
- **GAO Study on SRO Feasibility:** Commissions GAO study on and report on feasibility of an SRO on private funds and on the criteria for determining the financial thresholds or other criteria needed to qualify for accredited investor status and eligibility to invest in private funds.
- **SEC Study on Short Selling:** Commissions SEC study and report on the state of short selling on national exchanges and OTC markets.

- **Effective Date:** Becomes effective 12 months after enactment, although investment advisors may register with SEC before that time.