

Reminder: Increased “Qualified Client” Dollar Amount Tests to Take Effect on September 19

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On September 19, 2011, the Securities and Exchange Commission’s (the “SEC”) increased dollar amount thresholds for “qualified clients” as defined under rule 205-3 of the Investment Advisers Act of 1940, as amended, will go into effect. Currently, an investment adviser registered with the SEC may only charge a performance fee in respect of investors who have at least \$750,000 under management with the adviser, have a net worth of more than \$1.5 million, or are a qualified purchaser, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940. The new thresholds increase the assets under management and net worth tests to \$1,000,000 and \$2,000,000, respectively.

Certain states including Massachusetts also follow the SEC’s performance fee eligibility test with respect to advisers located in the state, so advisers not registered with the SEC may be subject to these new tests as well.

If you have questions, please contact [Jeffrey D. Collins](#) of Foley Hoag’s Investment Management group, or contact your lawyer at Foley Hoag.