

SEC Issues Notice of Intent to Increase Performance Fee Thresholds

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On May 24, 2016, the Securities and Exchange Commission published in the Federal Register a notice of the Commission's intent to issue an order (the "Proposed Order") amending SEC Rule 205-3 (the "Performance Fee Rule") under the Investment Advisers Act of 1940, as amended. The Proposed Order, when issued, will increase the net worth threshold by which an advisory client or private fund investor may be considered to be a "qualified client," and thus eligible to be charged a performance fee from \$2,000,000 to \$2,100,000, excluding the equity value of such person's primary residence. The Proposed Order will not increase the threshold by which an advisory client or private fund investor may be a qualified client by virtue of assets under the management of the investment adviser, and is not intended to apply retroactively to contractual relationships entered into prior to the effectiveness of the Proposed Order.

The full text of the notice is available [here](#).

Upon issuance of the Proposed Order, investment advisers should review their advisory contracts and fund subscription materials to reflect the increased threshold noted above.

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