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Asset Management ADVocate

Update for September 1 Fund Subscriptions: New “Qualified Client” Standard

Effective August 15, 2016 for SEC-registered investment advisers, most funds or separate accounts that are subject to a performance fee or allocation need to raise their "qualified client" net worth threshold for new investors, new investments from existing investors, or new separate account agreements, from \$2 million to \$2.1 million. Other thresholds (such as the same provision's \$1 million threshold for an investor's assets managed by the same adviser) remain unchanged. This change does not affect the assessment of "qualified purchasers" by funds that rely on Section 3(c)(7) of the Investment Company Act of 1940. The "qualified client" thresholds are to be updated every five years – so set your next reminder for summer 2021.

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