Dodd-Frank Act Changes to Investment Adviser Registration Requirements – Preliminary Results

March 30, 2012 was the compliance date for several provisions of the Dodd-Frank Act that amended the registration provisions of the Advisers Act. (*See,* Rules Implementing Amendments to the Investment Advisers Act of 1940 http://www.sec.gov/rules/final/2011/ia-3221.pdf.)

As of that date:

- advisers to many hedge funds, private equity funds, and other "private funds" that previously were exempt from registration were required to register with the Commission;
- exempt reporting advisers (*i.e.*, unregistered advisers to venture capital funds and to private funds with less than $150 million in assets) were required to submit reports on Form ADV for the first time; and
- mid-sized advisers (*i.e.,* advisers with between $25 million and $100 million in assets under management subject to examination by state regulators) switching to state registration were required to amend their Form ADVs reporting that they are no longer eligible to remain registered with the Commission.

The Division of Investment Management has prepared the following summary of the preliminary results of these changes. Unless otherwise noted, all data is as of April 4, 2012.

Registered Private Fund Advisers. There are approximately 3,990 investment advisers that manage one or more private funds registered with the Commission, of which 34% (1,369) registered since the effective date of the Dodd-Frank Act (July 21, 2011) (Fig. 1). The staff estimates that this represents a 52% increase in registered private fund advisers; 32% of all advisers currently registered with the Commission report that they advise at least one private fund. Of the 3,990 registered private fund advisers, 284 (7%) are domiciled in a foreign country; most of these (136) are domiciled in the United Kingdom (Fig. 2).

Fig. 1

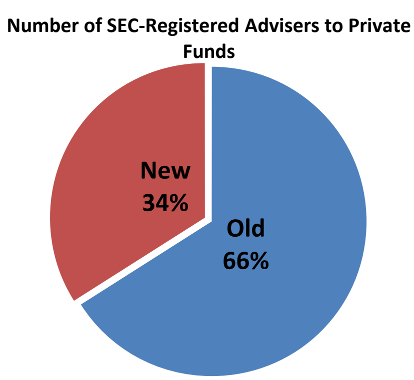
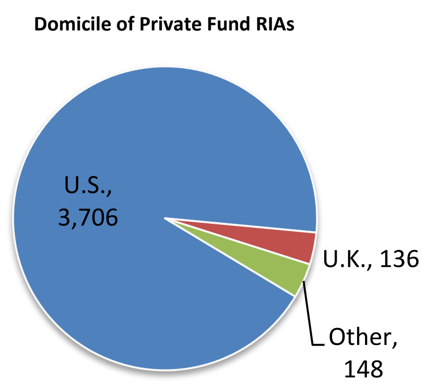


Fig. 2



Registered private fund advisers report to us that they advise 30,617 private funds with total assets of $8 trillion, which is 16% of total assets managed by all registered advisers (Fig. 3). Approximately 31% of private fund total assets are attributable to advisers that registered since the effective date of the Dodd-Frank Act. Hedge funds (53%) and private equity funds (24%) comprised the majority of private fund assets managed by registered advisers (Fig. 4).

Fig. 3

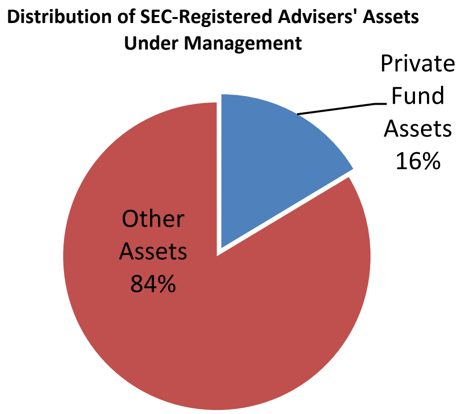
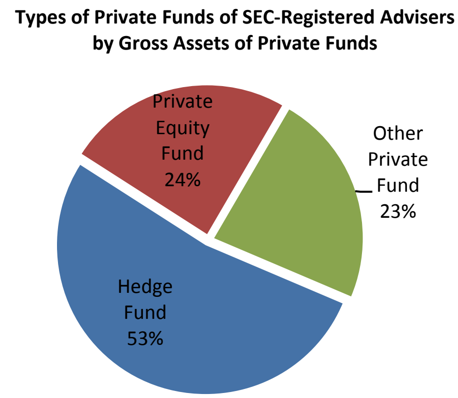


Fig. 4



Note: Other Private Fund includes venture capital funds, liquidity funds, real estate funds, securitized asset funds, and other fund types.

Exempt Reporting Advisers. A total of 1,950 exempt reporting advisers filed Form ADVs with the Commission. A large number of these advisers (41%) are foreign advisers (Fig. 5). Exempt reporting advisers reported to us that they advise 6,702 private funds with total assets of $1.5 trillion (Fig. 6).

Fig. 5

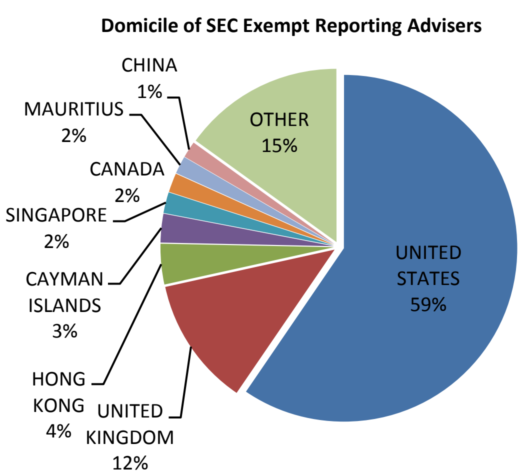
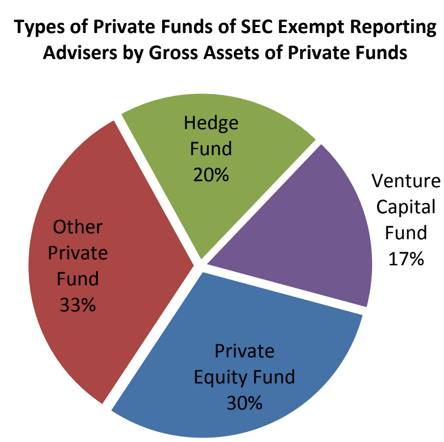


Fig. 6



Note: Other Private Fund includes liquidity funds, real estate funds, securitized asset funds, and other fund types.

Anticipated Impact on Population of Registered Advisers. There are 12,623 advisers registered with the Commission with total assets under management of $48.8 trillion. Based on data recently submitted by advisers, the staff expects 2,400 mid-sized advisers will switch to state registration by June 28, 2012, resulting in approximately 10,000 advisers with $48.6 trillion in assets under management registered with the Commission. Using these projections, the staff anticipates that the cumulative impact of the Dodd-Frank Act registration changes will be a 25% decrease in the number of advisers registered with the Commission, but a 12% increase in the total assets under management of those registered advisers (Fig. 7).

Fig. 7