

Investment Adviser Performance-Based Compensation Modernization

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Investment Adviser Performance-Based Compensation Modernization

The Securities and Exchange Commission (the "Commission") is proposing to amend the rule under the Investment Advisers Act of 1940 that provides an exemption from the statutory prohibition on registered investment advisers receiving compensation on the basis of a share of capital gains in or capital appreciation of an advisory client's account. Specifically, the proposed amendments would expand the ability of investment advisers to receive this compensation from clients that are registered management investment companies and business development companies (collectively, "regulated funds"), subject to certain conditions. The proposal would relatedly amend certain regulated fund registration and reporting forms to require separate disclosure of all performance-based compensation paid by regulated funds to their investment adviser. The proposed rule amendments would also allow investment advisers to receive this compensation from additional clients by revising the rule's "qualified client" definition to include investors that meet the "accredited investor" definition in Regulation D under the Securities Act of 1933. The proposal would relatedly make conforming amendments to certain ot

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