

DEPARTMENT OF CORPORATIONS*Business Services and Consumer and Investor Protection*

Preston DuFauchard
California Corporations Commissioner
Sacramento, California

November 9, 2010

TO: All Investment Advisers
RE: Dodd-Frank Financial Reform Bill

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law by President Barack Obama on July 21, 2010. Dodd-Frank promotes consumer protection and improves stability in the financial markets. One requirement of Dodd-Frank is the transition of some investment advisers from regulation under the Securities Exchange Commission (SEC) to state regulation. Specifically the law requires that investment advisers that manage assets under \$100 million must now register with state securities regulators in the states in which they operate. There are exemptions to this provision in the law. The transition to state regulation must be completed by July 16, 2011.

Investment Advisers that operate in California and manage assets under \$100 million must register with the Department of Corporations (Department). The Department's website provides filing instructions and identifies requirements specific to California. Some of the additional requirements for applicants transitioning to California include submittal of minimum financial and reporting documents and qualification requirements for each Investment Adviser Representative. In order to avoid delays in the application process, the Department strongly recommends that the applicant provide all the additional registration requirements with the application.

While Dodd-Frank requires state registration, it does provide some exemptions. The type of investment advisers that may be exempted include:

- Venture capital fund advisers
- Certain private fund advisers
- Foreign private advisers
- Family offices

The Department's website provides definitions of the advisers that are exempt from Dodd-Frank. In addition, the private investment adviser exemption under Section 203(b) of the Investment Advisers Act of 1940 has been eliminated. Private investment advisers must now register with either the SEC or state securities regulators unless they qualify for a different exemption.

Please see the Department's website for filing information and a list of Frequently Asked Questions. In addition, the Department will continue to update the website with new information.

Should you have any questions, please contact the Department at www.corp.ca.gov or Consumer Services Office at 1-866-275-2677.