



# California Corporate & Securities Law

## California Gets Ready For SEC Hand-off of Midsized Advisory Firms

By Keith Paul Bishop on October 19, 2011

### Department of Corporations Letter To Midsized Firms

If you are an SEC registered investment adviser with assets under management of between \$25 million and \$100 million, you should check your mailbox for this October 7 [letter](#) from Commissioner [Preston Dufauchard](#). The Commissioner is sending this letter to those firms that are likely to be required to transition to state registration under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Here are some highlights from the letter:

- **File ASAP.** Your application for California registration must be approved by June 28, 2012. As you might expect, the Department of Corporations is expecting a large number of transition applications.
- **Don't Forget Your Annual Updating Amendment.** All SEC registered investment advisers must file an annual updating amendment before March 30, 2011 regardless of whether they have a state application pending.
- **You Have a Choice.** If your application is submitted and approved by January 1, 2012 you can elect to either have your registration approved for 2011 or request that the application be held and approved effective January 1, 2012. This will affect your fees.

The Department has also provided these step-by-step [instructions](#).

### SEC Answers Family Office Question Twice

In June, the Securities and Exchange Commission announced that it had adopted a rule under the Dodd-Frank Act defining "family offices". These are offices established by rich families to manage their wealth. As discussed in this earlier [post](#), many family offices did not register with the SEC as investment advisers in reliance on the former exemption for advisers with fewer than 15 clients. The Dodd-Frank Act eliminated that exception but created a new exclusion for family offices, as defined by the SEC, in § 202(a)(11)(G) of the Investment Advisers Act. The SEC's press release included a set of FAQs, including the following:

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When will family offices have to register with the Commission under the Advisers Act or with applicable state securities authorities if they do not meet the terms of the exclusion?

The SEC must have deemed this to be a very important question because it asked the question twice and gave two different answers! The SEC gives as its first answer "By March 30, 2012". The second answer is much more of a non-sequitur: "That family office will have to obtain a Commission exemptive order or register as an investment adviser". I'm guessing that the SEC intended that to be the answer to a different question.

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