

## Washington DC Issues New Exempt Reporting Adviser Rule for Venture Capital Funds

Article By:

Securities Practice Group at Stark and Stark

---

Investment advisers should take note, as there has been an announcement of a new rule which might affect them. More specifically, any investment advisers that: (1) act solely as advisers to one or more venture capital funds; (2) are exempt from the registration requirements under the Investment Advisers Act of 1940; and (3) comply with SEC Rule 203(1)-1 (regarding venture capital advisers), are excluded from the ***District of Columbia Securities Act's*** investment adviser definition, according to a new order issued on February 8, 2016. Exempt venture capital advisers excluded from the investment adviser definition must now comply with [SEC Rule 204-4 reporting requirements](#).

To comply with Rule 204-4, an adviser must subject itself to the Exempt Reporting Adviser regime by gaining entitlement through the IARD, prepare a Form ADV as an Exempt Reporting Adviser, and submit it to the SEC and the DC Department of Insurance, Securities and Banking. The IARD will require a \$250 fee that will be paid directly to the District of Columbia and a \$150 fee that will be paid to the SEC.

In addition to exemption from registration for the investment adviser entity, individuals employed by, or associated with, an exempt reporting adviser that qualifies for the above exclusion are, themselves, excluded from the District of Columbia Securities Act's investment adviser representative definition.

The above exclusions and exemptions extend to state investment adviser/representative licensing requirements only. Exempt reporting advisers and their employing or associating representatives remain subject to all other applicable securities registration, anti-fraud, and fiduciary provisions of the District of Columbia Securities Act and corresponding rules. In addition, by submitting an Exempt Reporting Adviser application with the SEC, an adviser remains subject to regular examinations by the SEC.

If any investment advisers have further questions about this exemption, it is recommended that you seek experienced counsel immediately.

National Law Review, Volume VI, Number 49

Source URL: <https://natlawreview.com/article/washington-dc-issues-new-exempt-reporting-adviser-rule-venture-capital-funds>