

Client Reminder – Revised QPAM Exemption Takes Effect June 17, 2024

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The U.S. Department of Labor (the “DOL”) recently announced a final amendment to Prohibited Transaction Class Exemption 84-14 (the “QPAM Exemption”), which will take effect on June 17, 2024. Among other new requirements, the final amendment significantly increases the asset management and equity thresholds in the definition of a qualified professional asset manager (“QPAM”) and adds new notice and recordkeeping requirements. Client Reminder – If your firm plans to continue to rely on the QPAM exemption after June 17, 2024, you must notify the DOL via email at QPAM@dol.gov. The notice should identify the legal name of firm relying on the QPAM exemption. More information is detailed below under New Notice Requirement.

New Notice Requirement

The amendment requires each QPAM that relies upon the QPAM Exemption to provide a one-time notice to the DOL at QPAM@dol.gov listing the QPAM’s legal name (and any name the QPAM may be operating under). Notice is required only once, unless the legal or operating name of the QPAM is changed, and must be given to the DOL within 90 days of the QPAM’s reliance on the QPAM Exemption (or name change). The amendment also includes a 90-day cure period during which a QPAM must provide notice of its reliance on the exemption or name change and provide an explanation for its failure to report during the initial 90-day period. If a QPAM has failed to report at the end of the 180 days, the QPAM will not be able to rely on the QPAM Exemption for transactions that occurred before the failure to report is cured.

Increased AUM and Equity Thresholds

The amendment also significantly increases the assets under management (“AUM”) and shareholders’ or partners’ equity requirements. In particular, the thresholds for registered investment managers will be raised as set forth below.

	AUM	Equity
Under current QPAM Exemption	\$85,000,000	\$1,000,000
Effective December 31, 2024	\$101,956,000	\$1,346,000
Effective December 31, 2027	\$118,912,000	\$1,694,000
Effective December 31, 2030	\$135,868,000	\$2,040,000

To be able to rely on the QPAM Exemption, an entity is required to meet the applicable threshold as of the last day of the entity’s fiscal year in which the increase takes effect.

New Recordkeeping Requirement

The amendment requires a QPAM to maintain records for six years demonstrating its compliance with the conditions of the exemption. The records must be kept in a manner that is reasonably accessible for examination. Records must be made available to the DOL, any plan fiduciary, any plan participant or beneficiary, as well as any contributing employer and any employee organization whose members are covered by the plan. Any entity failing to comply with this requirement will be prevented from relying on the QPAM Exemption.

The DOL's press release announcing the amendment can be found [here](#) and the amendment to the QPAM Exemption can be found [here](#).

Final Version of DOL Fiduciary Rule

On April 23, 2024, the U.S. Department of Labor (the "DOL") published the final version of its fiduciary rule and amendments to the Prohibited Transaction Exemptions ("PTEs"). Unless successfully challenged, the fiduciary rule and amended PTEs generally take effect on September 23, 2024 with a one-year transition period for certain conditions in the PTEs. As a result, investment advisers and broker-dealers must quickly prepare for compliance with the new requirements.

The primary takeaway from the final rule is the broadening of the definition of "investment advice fiduciary" under a new two-part test (for more detailed information on that test, please look to Vedder Price's article [here](#)). The consequence of this new definition is that many more individuals and firms will be fiduciaries when making investment recommendations to retirement investors. For example, a one-time recommendation could now result in fiduciary status. Notably, the final rule clarifies that a person who is a fiduciary to a plan or an individual retirement account ("IRA") is not considered a "retirement investor," and therefore communications with persons acting in that capacity would not trigger fiduciary status under the rule. The final rule also exempts parties from fiduciary status that engage merely in a "sales pitch" or provide investment information or education without an investment recommendation.

Additional takeaways include the DOL's focus on recommendations to rollover or transfer assets from a workplace retirement plan (e.g., 401(k)) to an IRA. The final rule places stricter scrutiny on these recommendations, aiming to prevent advisors from pushing rollovers that are not in the investor's best interest. Further, the DOL also revised certain PTEs that allow investment advisers and broker-dealers to receive prohibited compensation under specific conditions. The revised exemptions include more rigorous requirements these entities must meet to receive such compensation.

The Final Regulations are available as follows: [final rule](#), [PTE 2020-02 amendment](#), [PTE 84-24 amendment](#) and [additional PTE amendments](#). A related fact sheet is available [here](#), and the DOL's news release is available [here](#).

Should you have any questions, please contact **Joseph M. Mannon** at jmannon@vedderprice.com, **Jeff VonDruska** at jvondruska@vedderprice.com, **Cody J. Vitello** at cvitello@vedderprice.com, **David W. Soden** at dsoden@vedderprice.com, **Laure Sguario** at lsquario@vedderprice.com or the Vedder Price lawyer(s) with whom you normally work.

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