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Notice to Investment Advisers: Changes under Dodd-Frank

The Office of the Commissioner of Securities for the State of Hawaii has put together this notice to alert you to imminent changes under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) that will impact the regulation of investment advisers in the State of Hawaii. Dodd-Frank became effective July 1, 2011. The SEC approved the final rules on June 22, 2011.

Threshold Changes for Registration Switch

Dodd-Frank establishes a new minimum threshold of \$100 million assets under management (AUM) for federal covered advisers. This means certain investment advisers will switch registration from the SEC to the State and the switch must be complete by June 28, 2012. *(See back for specific deadlines and other details.)*

Switch Eligibility

Who Switches?

- The switch will affect investment advisers with AUM between \$25 million and \$100 million with a principal office and place of business in a state where investment advisers are required to be registered (Hawaii is such a state) and, if registered, are subject to examination.

Who Does Not Switch?

- Investment advisers will remain under SEC oversight if exempt or excluded in a state where their principal office is located.
- Investment advisers in New York and Wyoming are excluded from the switch.
- Investment advisers required to register in 15 or more states can register with the SEC.
- Investment advisers who have AUM of at least \$90 million and below \$100 million and who are already registered with the SEC may choose to stay registered with the SEC or to register with the state.

Registration Schedule for Switching Firms

The SEC has developed the following registration schedule for investment advisers in order to facilitate the transition between federal and state registration:

For Mid-Sized Investment Advisers Registered with the SEC as of Jan. 1, 2012:

- Mid-sized advisers registered with the SEC on July 21, 2011 must remain SEC registered until Jan. 1, 2012.
- File amendment to ADV between Jan. 1, 2012 and March 30, 2012.
- Mid-sized advisers no longer eligible for SEC registration must file ADV-W by June 28, 2012.

For “New” Mid-Sized Investment Advisers:

- Until July 21, 2011 they had the option to register with either the SEC or appropriate state regulator.
- After July 21, 2011 they must register with the appropriate state regulator (prohibited from SEC registration).

For Investment Advisers with AUM of \$100 million or more (or for advisers who are otherwise exempt from mandatory switching):

- No change. Continue to register with SEC.

Other Changes

- Dodd-Frank eliminates the private adviser exemption.
- Dodd-Frank adds new limitations on who can use notice filings under Regulation D.

For general information, the North American Securities Administrators Association (NASAA) has an online IA Switch Resource Center with a FAQ sheet. The resource center is available at www.nasaa.org.

For more investment adviser registration information, contact the Hawaii Business Registration Division/Securities Compliance Branch at (808) 586-2722.