

QPAM Exemption Initial Notification Deadline Nearing

August 21, 2024

On April 2, 2024, the US Department of Labor (DOL) issued an amendment establishing new rules (New QPAM Rules) for what is commonly referred to as the “QPAM Exemption.” The QPAM Exemption is the main exemption relied upon by investment advisers and managers who provide services to employee benefit plans and individual retirement accounts that are subject to certain “prohibited transaction” rules under ERISA and/or the Internal Revenue Code.

Among other changes, the New QPAM Rules require investment advisers and asset managers who rely on the QPAM Exemption (QPAM) to send a notice to the DOL [via email](#). The notice must be provided within 90 calendar days of first reliance on the QPAM Exemption and should identify the legal name (and d/b/a name) of each business entity relying on the QPAM Exemption.

A QPAM relying on the QPAM Exemption as of June 17, 2024, must notify the DOL by no later than September 15, 2024.

The New QPAM Rules also provide a 90-day grace period for inadvertent notice failures if an explanation is provided to the DOL for such failure. Following the grace period, a QPAM that has not provided notice to the DOL risks ineligibility to rely on the QPAM Exemption.

A template notice to the DOL is included below for your convenience, although the DOL has not mandated any particular form of notice.

The New QPAM Rules provide other significant changes to the QPAM Exemption, including:

- ***Increasing Financial Thresholds.*** Increasing the shareholders’ and partners’ equity (Equity) and assets under management (AUM) thresholds to qualify as a QPAM, effective as of the last day of the QPAM’s fiscal year:

| | Thresholds | Current | 12/31/2024 | 12/31/2027 | 12/31/2030 |
|---|------------|--------------|---------------|---------------|---------------|
| Registered Investment Advisers | AUM | \$85,000,000 | \$101,956,000 | \$118,912,000 | \$135,868,000 |
| | Equity | \$1,000,000 | \$1,346,000 | \$1,694,000 | \$2,040,000 |
| Banks, Savings and Loan Associations, Broker-Dealers, and Insurance Companies | Equity | \$1,000,000 | \$1,570,300 | \$2,140,600 | \$2,720,000 |

- *QPAM Ineligibility*: Clarifying and expanding the types of criminal convictions and other prohibited misconduct that disqualify a QPAM from relying on the QPAM Exemption, which now includes foreign criminal convictions.
- *Transition Period*: Providing for a one-year transition period following a QPAM's ineligibility due to a criminal conviction or prohibited misconduct.
- *QPAM Independence*. Clarifying the requirement that the QPAM must act independently and retain sole responsibility for initiating and negotiating transactions covered by the QPAM Exemption.
- *Recordkeeping*. Implementing a new recordkeeping requirement to maintain records necessary for determining whether the conditions of the QPAM Exemption have been met with respect to a transaction for a period of six years from the date of the transaction.

Template DOL Notice

To: QPAM@dol.gov

Date: *[Insert Date]*

Re: Notice of Reliance on the QPAM Exemption

Pursuant to Section I(k) of Prohibited Transaction Class Exemption 84-14 (QPAM Exemption), the "Manager" identified below hereby notifies the US Department of Labor of the Manager's reliance [and the reliance of its affiliates listed below] on the QPAM Exemption in connection with the management of assets that are subject to ERISA and/or Section 4975 of the Internal Revenue Code. Nevertheless, the Manager [and its affiliates listed below] may rely on other exemptions in addition to or in lieu of the QPAM Exemption for any particular transaction, as determined by the Manager and as the circumstances may require.

Manager's Legal Name:

Manager's Operating Name:

[Add same information for all of Manager's affiliates relying on the QPAM Exemption]

CONTACTS

For more information, please contact your Katten attorney or any of the following [Employee Benefits and Executive Compensation](#) attorneys.



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