

SEC Proposes New Antifraud and Accredited Investor Requirements for Funds

Date: 01/29/07

On December 27, 2006, the Securities and Exchange Commission ("SEC") proposed new Rule to (1) prohibit advisers (whether or not registered) from making false or misleading statements to, or otherwise defrauding, investors or prospective investors in pooled investment vehicles (such as private equity funds and hedge funds) and (2) raise the threshold for natural persons to qualify as "accredited investors" in privately-offered pooled investment vehicles. The proposed antifraud Rules are in response to the D.C. Court of Appeals' decision in *Goldstein v. SEC*, which vacated the SEC's proposed hedge fund adviser registration Rule.