

With respect to any factor used in any rule or regulation by the Commission in making a determination under this subsection, if the Commission uses a dollar amount test in connection with such factor, such as a net asset threshold, the Commission shall, by order, not later than 1 year after the date of enactment of the Private Fund Investment Advisers Registration Act of 2010, and every 5 years thereafter, adjust for the effects of inflation on such test. Any such adjustment that is not a multiple of \$100,000 shall be rounded to the nearest multiple of \$100,000.

(f) **AUTHORITY TO RESTRICT MANDATORY PRE-DISPUTE ARBITRATION.**—The Commission, by rule, may prohibit, or impose conditions or limitations on the use of, agreements that require customers or clients of any investment adviser to arbitrate any future dispute between them arising under the Federal securities laws, the rules and regulations thereunder, or the rules of a self-regulatory organization if it finds that such prohibition, imposition of conditions, or limitations are in the public interest and for the protection of investors.

(Aug. 22, 1940, ch. 686, title II, Sec. 205, 54 Stat. 852; Pub. L. 86-750, Sec. 7, Sept. 13, 1960, 74 Stat. 887; Pub. L. 91-547, Sec. 25, Dec. 14, 1970, 84 Stat. 1432; Pub. L. 96-477, title II, Sec. 203, Oct. 21, 1980, 94 Stat. 2290; Pub. L. 100-181, title VII, Sec. 703, Dec. 4, 1987, 101 Stat. 1263; Pub. L. 104-290, title II, Sec. 210, Oct. 11, 1996, 110 Stat. 3436; Pub. L. 111-203, title IV, Sec. 418, title IX, Secs. 921(b), 928, July 21, 2010, 124 Stat. 1579, 1841, 1852.)

PROHIBITED TRANSACTIONS BY REGISTERED INVESTMENT ADVISERS

SEC. 206. It shall be unlawful for any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly—

(1) to employ any device, scheme, or artifice to defraud any client or prospective client;

(2) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client;

(3) acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction. The prohibitions of this paragraph (3) shall not apply to any transaction with a customer of a broker or dealer if such broker or dealer is not acting as an investment adviser in relation to such transaction; or

(4) to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative. The Commission shall, for the purposes of this paragraph (4) by rules and regulations define, and prescribe means reasonably designed to prevent, such acts, practices, and courses of business as are fraudulent, deceptive, or manipulative.

(Aug. 22, 1940, ch. 686, title II, Sec. 206, 54 Stat. 852; Pub. L. 86-750, Sec. 8, 9, Sept. 13, 1960, 74 Stat. 887; Pub. L. 111-203, title IX, Sec. 985(e)(2), July 21, 2010, 124 Stat. 1935.)

EXEMPTIONS

SEC. 206A. The Commission, by rules and regulations, upon its own motion, or by order upon application, may conditionally or unconditionally exempt any person or transaction, or any class or classes of persons, or transactions, from any provision or provisions of this title or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title.

(Aug. 22, 1940, ch. 686, title II, Sec. 206A, as added Pub. L. 91-547, Sec. 26, Dec. 14, 1970, 84 Stat. 1433.)

MATERIAL MISSTATEMENTS

SEC. 207. It shall be unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission under section 203 or 204, or willfully to omit to state in any such application or report any material fact which is required to be stated therein.

(Aug. 22, 1940, ch. 686, title II, Sec. 207, 54 Stat. 853.)

GENERAL PROHIBITIONS

SEC. 208. (a) It shall be unlawful for any person registered under section 203 of this title to represent or imply in any manner whatsoever that such person has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon by the United States or any agency or any officer thereof.

(b) No provision of subsection (a) shall be construed to prohibit a statement that a person is registered under this title or under the Securities Exchange Act of 1934, if such statement is true in fact and if the effect of such registration is not misrepresented.

(c) It shall be unlawful for any person registered under section 203 of this title to represent that he is an investment counsel or to use the name "investment counsel" as descriptive of his business unless (1) his or its principal business consists of acting as investment adviser, and (2) a substantial part of his or its business consists of rendering investment supervisory services.

(d) It shall be unlawful for any person indirectly, or through or by any other person, to do any act or thing which it would be unlawful for such person to do directly under the provisions of this title or any rule or regulation thereunder.

(Aug. 22, 1940, ch. 686, title II, Sec. 208, 54 Stat. 853; Pub. L. 86-750, Sec. 10, 11, Sept. 13, 1960, 74 Stat. 887.)