FACT SHEET

Proposed Qualified Professional Asset Manager Re-eligibility Options After Disqualification (QROAD) Class Exemption

November 2026

The U.S. Department of Labor released a proposal under the Employee Retirement Income Security Act (ERISA) to give eligible QPAMs a simpler way to retain their status after an ineligibility event. The proposed Qualified Professional Asset Manager Re-eligibility Options After Disqualification (QROAD) class exemption would provide QPAMs with another path to relief, reduce uncertainty for fiduciaries, and maintain safeguards for plans and participants.

Background: Understanding the QPAM Class Exemption

The QPAM Class Exemption (PTE 84-14) permits an investment fund managed by an asset manager that meets certain specified qualifications (a QPAM) to engage in a wide range of transactions that are otherwise prohibited by the Employee Retirement Income Security Act of 1974 (ERISA) and/or the Internal Revenue Code of 1986 (the Code). In proposing the QPAM Class Exemption, the Department recognized that these prohibited transaction rules presented "complex problems of compliance" for plan fiduciaries.

The QPAM Class Exemption is based on the premise that certain transactions entered into on behalf of plans with parties in interest are most likely to conform to ERISA's general fiduciary standards where the decision to enter into the transaction is made by an independent asset manager, where the asset manager is of sufficient size to protect against improper influence. The QPAM Class Exemption provides an efficient way for QPAM-managed investment funds to engage in a wide variety of beneficial transactions for plans.

QPAM ineligibility under the QPAM Class Exemption

Under Section I(g) of the QPAM Class Exemption, a QPAM is ineligible to rely on the exemption for 10 years if the QPAM, certain affiliates, or its five percent or more owners are convicted of certain crimes or participate in prohibited misconduct. These convictions and instances of misconduct are known as ineligibility events.

Currently, a QPAM that wants to continue relying on the QPAM Class Exemption after an ineligibility event must apply for an individual exemption under Section 408(a) of ERISA. This section of ERISA states that the Department can only grant an administrative exemption if it finds that the exemption is in the interest and protective of affected plans and IRAs, and administratively feasible. The Department must consider each application for an exemption in detail, through a lengthy process that includes publishing a proposed and final exemption in the Federal Register.

The Department has granted several individual exemptions following QPAM ineligibility events, but plan fiduciaries may face uncertainty while an application is under review. If relief is not granted, or not granted in time, plans may have to unwind investments or replace an asset manager. These costly disruptions can reduce plan assets and participants' retirement savings.

General Overview: The Proposed QROAD Class Exemption

What would the Proposed QROAD Class Exemption do?

- **Provide another path to relief:** In many circumstances, the Proposed QROAD Class Exemption would create a less burdensome and costly approach for QPAMs to continue relying on the QPAM Class Exemption.
- **Reduce uncertainty:** In many instances, the Proposed QROAD Class Exemption would reduce the uncertainty affecting covered plan fiduciaries whose prudently selected asset manager becomes ineligible under Section I(g) of the QPAM Class Exemption.
- **Maintain safeguards for plans and participants:** The Proposed QROAD Class Exemption would require eligible QPAMs to meet clear, well-established conditions designed to protect plans and their participants.
- **Provide sustained relief:** A QPAM that qualifies for the Proposed QROAD Class Exemption and meets its conditions receives relief for up to 10 years.

Relief under the Proposed QROAD Class Exemption

Section I contains Key Terms, including:

- **Reliance QPAM:** The QPAM that relies on the Proposed QROAD Class Exemption.[1]
- **Reliance Date:** The date that the Reliance QPAM commences reliance on the Proposed QROAD Class Exemption.
- **Misconduct Entity:** The entity that is the subject of the misconduct that violated Section I(g) of the QPAM Class Exemption.
- **Control, Controlling, Controlled by, and Controls:** Whether the Misconduct Entity has the power to exercise a controlling influence over the management or policies of the Reliance QPAM; or whether the Reliance QPAM has the power to exercise a controlling influence over the management or polices of the Misconduct Entity.

Section II and III establish two categories of exemptive relief

Whether a Reliance QPAM can rely on Section II or Section III depends on:

- Whether the Reliance QPAM Controls or is Controlled by the Misconduct Entity;
- Whether the Reliance QPAM itself has a foreign criminal conviction or an instance of prohibited misconduct; and
- The total number of U.S. criminal convictions.

[1] The Proposed QROAD Class Exemption also uses the term "Related QPAMs" to refer to a QPAM that, as described in the proposal, due to a more attenuated relationship with the Misconduct Entity, is therefore subject to fewer conditions to rely on the Proposed QROAD Class Exemption.

Relief would not be available if the conduct underlying a criminal conviction or prohibited misconduct involved any assets of a plan or investment fund subject to ERISA Title I, Part 4 or Code Section 4975.

Section II Relief: No Control Relationship

Section II would provide relief if the Misconduct Entity is not itself a QPAM, does not Control and is not Controlled by the Reliance QPAM, and the Reliance QPAM is ineligible under the QPAM Class Exemption because of:

- A single U.S. criminal conviction;[2]
- One or more foreign criminal convictions;[3] or
- One or more instances of prohibited misconduct.[4]

Section II Conditions for the Reliance QPAM

As of the date the QPAM relies on QROAD (Reliance Date), the Reliance QPAM personnel and agents must not have known of, participated in, or received compensation from any misconduct. They also must not have managed ERISA-covered plan or IRA assets in a way that furthered the misconduct or caused the QPAM to profit. This condition also applies to asset managers related to the Misconduct Entity.

The Reliance QPAM must also:

- Conduct its asset management decisions independently of the Misconduct Entity's management and business activities;
- Refrain from using its authority or influence to direct an "investment fund" that is subject to ERISA or the Code to enter any transaction with a Misconduct Entity; and refrain from directing an investment fund to engage a Misconduct Entity to provide any service to the investment fund for a direct or indirect fee borne by the investment fund;
- Engage an independent fiduciary to produce a one-time report, made available on the QPAM's website, confirming the QPAM's eligibility for and compliance with specified conditions in the QROAD Class Exemption;
- Develop and implement written policies and an annual training program; and
- Notify its plan and IRA clients in writing within 90 days of relying on QROAD.[5]

Section II relief also generally prohibits the Misconduct Entity from acting as a fiduciary for an ERISA-covered plan or IRA.

A QPAM that cannot rely on Section II relief may be eligible under Section III.

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[2] As described in Section VI(r)(1) of PTE 84-14.
[3] As described in Section VI(r)(2) of PTE 84-14.
[4] As described in Section VI(s) of PTE 84-14.
[5] The notice must describe the misconduct, explain why the QPAM needs QROAD relief, and provide information on how to obtain its written policies.

Section III Relief: Control Relationship or multiple U.S. convictions

Section III would provide relief in certain circumstances involving a Control Relationship or multiple U.S. convictions. It could apply when:

- A Misconduct Entity that is not a QPAM has a single U.S. conviction and Controls or is Controlled by the Reliance QPAM.
- One or more Misconduct Entities that are not QPAMs have a total of up to two U.S. convictions, provided no more than one U.S. conviction involves a Misconduct Entity that Controls or is Controlled by the Reliance QPAM at any time.
- One or more foreign convictions by one or more Misconduct Entities where any Misconduct Entity Controls or is Controlled by the Reliance QPAM at any time, including where a Misconduct Entity is a QPAM.
- One or more instances of prohibited misconduct where any Misconduct Entity Controls or is Controlled by the Reliance QPAM at any time, including where a Misconduct Entity is a QPAM.

Section III Conditions for the Reliance QPAM

In addition to satisfying certain conditions in Section II, a Reliance QPAM using Section III must meet additional conditions, including:

- Undergoing an independent audit every two years, with the audit reviewed and certified by its general counsel or one of its three most senior executive officers.
- Designating a senior compliance officer responsible for its policies and training and completing an annual written compliance report.

This section also requires the Reliance QPAM to make certain warranties to its plan and IRA clients, including that it will:

- Not restrict their ability to terminate or withdraw from their arrangement with the QPAM or charge any fees for doing so, with limited exceptions.
- Indemnify and hold harmless a covered plan for any actual losses resulting directly from Reliance QPAM's violation of the QROAD's conditions; or loss of QPAM relief due to failure to satisfy Section I(g) of the QPAM Class Exemption; or prohibited transactions or fiduciary breaches connected to the misconduct that led it to rely on QROAD.
- Not require a covered plan to waive, limit, or qualify the Reliance QPAM's liability for violating ERISA or the Code or engaging in prohibited transactions.

QROAD phase out period

The Proposed QROAD Class Exemption phase out period will prevent a Reliance QPAM from immediately losing exemptive relief if it fails to comply with a QROAD condition. The Department designed this period to reduce costs, disruptions, and uncertainty that could affect covered plans, their participants and beneficiaries, and IRA owners when a Reliance QPAM becomes ineligible for relief under this proposed exemption.

During the phase out period, it may be possible for the Reliance QPAM to continue relying on the Proposed QROAD Class Exemption for one year. The phase out period would begin on the date the Reliance QPAM knew of or should have reasonably known of its noncompliance.

Recordkeeping

The proposed QROAD class exemption includes a standard provision requiring records to be maintained for six years.

Comment period for the proposed QROAD class exemption

The notice of the proposed QROAD class exemption provides a 60-day comment period following publication in the Federal Register.

Contact Information

For questions about the proposed QROAD class exemption, contact EBSA's Office of Exemption Determinations at (202) 693-8540 or by email at ClassExemptions@dol.gov.

This fact sheet has been developed by the U.S. Department of Labor, Employee Benefits Security Administration, Washington, DC 20210. It will be made available in alternate format upon request by calling (202) 693-8644. If you are deaf, hard of hearing, or have a speech disability, please dial 7-1-1 to access telecommunications relay services. In addition, the information in this fact sheet constitutes a small entity compliance guide for purposes of the Small Business Regulatory Enforcement Act of 1996.