

MEMO# 9541

December 23, 1997

DRAFT COMMENT LETTER ON THE SEC'S PROPOSED INVESTMENT ADVISER ACT RULE AMENDMENTS

1 See Memorandum to Investment Advisers Committee No. 33-97, dated November 19, 1997. [9541] December 23, 1997 TO: INVESTMENT ADVISERS COMMITTEE No. 34-97 RE: DRAFT COMMENT LETTER ON THE SEC'S PROPOSED INVESTMENT ADVISER ACT RULE AMENDMENTS

_____ As we recently reported, the Securities and Exchange Commission has published for comment amendments to its rules under the Investment Advisers Act.¹ As proposed, the amendments would (1) revise the definition of "investment adviser representative" to allow supervised persons to accept a greater number of "accommodation clients" without being subject to state qualification requirements, and (2) exempt certain multi-state investment advisers from the prohibition on SEC registration of advisers with less than \$25 million of assets under management. Attached is a copy of the Institute's draft comment letter. Comments are due to the SEC by Tuesday, January 20, 1998. Please provide me with your comments on the draft letter by Friday, January 9, 1998. Comments may be submitted by phone (202/326-5825), fax (202/326-5839), or e-mail (tamara@ici.org). Accommodation Clients With respect to the issue of accommodation clients, the Institute's letter supports the Commission permitting a supervised person of a federally registered investment adviser to have an unlimited number of accommodation clients without triggering state registration so long as each such client has a specified business or familial relationship with the adviser. We recommend, however, that the Commission's proposal be modified to: (1) preserve the current ten percent allowance in Rule 203A-3; and (2) limit those clients that may be handled on an accommodation basis to any director, officer, partner, or employee of the adviser or any partner, officer, or director of a non-natural client of the adviser. Multi-State Investment Advisers The Institute's letter supports the Commission's proposal that would permit those investment advisers who are required to register in thirty or more states (i.e., a multi-state investment adviser) to be eligible to instead register with the Commission notwithstanding the amount of assets they have under management. The letter, however, opposes a requirement that advisers relying upon this exemption represent that counsel has reviewed the applicable state and federal laws and concluded that the adviser qualifies for the Commission's proposed multi-state exemption. Tamara Cain Reed Associate Counsel Attachment (in .pdf format)

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.