

MEMO# 3801

May 26, 1992

SEC STAFF REPORT ISSUED ON INVESTMENT COMPANY REGULATION

May 26, 1992 TO: STATE LIAISON COMMITTEE NO. 21-92 RE: SEC STAFF REPORT ISSUED ON INVESTMENT COMPANY REGULATION

As you know, two years ago the Securities and Exchange Commission undertook a review of the regulation of investment companies to determine, among other issues, whether existing regulation imposed unnecessary constraints on investment companies. The SEC concept release requesting comment on possible reforms of the regulation of investment companies noted that one of the barriers to internationalization of investment company shares is state blue sky regulation. On May 21st, the SEC issued a staff report prepared by the Division of Investment Management entitled Protecting Investors: A Half Century of Investment Regulation. The chapter of the report on "Internationalization and Investment Companies" states that "[i]n light of the substantive federal regulation of investment companies and investment advisers under the Investment Company Act, the Securities Act and the Investment Advisers Act, the merits of additional state substantive review are debatable. ... The diversity of each state's substantive and procedural blue sky requirements make compliance difficult." The Division recommends that the Commission continue to work with state regulators to eliminate duplicative substantive regulation of investment companies which would ease compliance burdens for both domestic and foreign funds. A copy of the portion of the executive summary and report pertaining to blue sky regulation is attached. We will keep you advised of further developments. Patricia Louie Assistant General Counsel
Attachment