

**MEMO# 1302**

August 1, 1989

## **SENATORS DODD AND HEINZ INTRODUCE "INVESTMENT ADVISER SELF-REGULATION ACT"**

August 1, 1989 TO: INVESTMENT ADVISERS COMMITTEE NO. 29-89 RE: SENATORS DODD  
AND HEINZ INTRODUCE "INVESTMENT ADVISER SELF-REGULATION ACT"

As we have previously informed you, the Securities and Exchange Commission has drafted legislation that would allow for the creation of one or more self-regulatory organizations for investment advisers. (See Memorandum to Investment Adviser Members No. 36-89 and Investment Adviser Associate Members No. 35-89, dated June 23, 1989.) On July 26, 1989, Senators Dodd and Heinz introduced, at the request of the Commission "Investment Adviser Self-Regulation Act" which is identical to the SEC draft legislation. A copy of Senator Dodd's introductory remarks is attached. In his statement, Senator Dodd said: "We are introducing the bill at this time in order to further public debate on the problem of inspecting and regulating the growing investment adviser industry in the face of severe and continuing limits on SEC resources." He also stated that as a result of the explosive growth in the industry, "...the SEC is able to inspect investment advisers at the rate of only once every 12 years." Finally, he stated that "...a self-regulatory structure for investment advisers -- under tough, SEC oversight -- has the potential to achieve far greater supervision over this industry than the SEC can do with its own, limited staff. Thus, the proposal deserves a serious review by the Congress." We will keep you advised of developments. Robert L. Bunnan, Jr. Assistant General Counsel Attachment