

MEMO# 5528

January 27, 1994

SEC TO DEVELOP INVESTMENT ADVISER RULES ON ITEMS INCLUDED IN INVESTMENT ADVISERS LEGISLATION

January 27, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 8-94 INVESTMENT ADVISERS
LEGISLATION TASK FORCE RE: SEC TO DEVELOP INVESTMENT ADVISER RULES ON ITEMS
INCLUDED IN INVESTMENT ADVISERS LEGISLATION

As we previously reported, the House and Senate have passed different versions of investment advisers legislation. (See Memorandum to Investment Adviser Members No. 56-93, dated December 6, 1993.) The legislation is virtually identical to that which was passed last year by the House and Senate but not passed by Congress because of differences in the bills that could not be reconciled in conference. We understand that there may shortly be a conference of both Houses to address the differences in their bills. In anticipation of the conference, SEC Chairman Arthur Levitt sent a letter to the conferees advising them that the SEC intends to develop rules in some of the areas that were included in the House bill but not in the Senate bill. The development of these rules is intended "to assist the conferees in their efforts toward enactment of this important legislation," which would provide the SEC with additional resources for the regulation of investment advisers. Specifically, Chairman Levitt stated in the letter that the SEC will be developing a custody rule, a suitability rule, an improved brochure, and a rule requiring periodic disclosure to clients of fees and commissions. With respect to the provision in the House bill that would require the SEC to conduct periodically a survey to determine the extent to which persons fail to comply with the registration requirements of the Investment Advisers Act, the letter states that the SEC is discussing with the North American Securities Administrators Association the feasibility of conducting a joint inquiry of unregistered investment advisers in the states. A copy of Chairman Levitt's letter is attached. Amy B.R. Lancellotta Associate Counsel Attachment