

MEMO# 949

February 2, 1989

INSTITUTE COMMENTS ON GEORGIA PROPOSED INVESTMENT ADVISER RULES

February 2, 1989 TO: INVESTMENT ADVISERS COMMITTEE NO. 4-89 RE: INSTITUTE
COMMENTS ON GEORGIA PROPOSED INVESTMENT ADVISER RULES

As you know, the Institute has been actively involved in the development of the Georgia rules under the Georgia investment adviser law. (See Memorandum to Investment Adviser Committee No. 22-88.) The Georgia investment adviser law becomes effective April 1, 1989. In the attached letter, the Institute recommended that the Georgia Securities Commissioner adopt policy statements in two specific areas. First, we recommended that a policy statement be issued that specifically states that investment advisers whose only clients are investment companies are not required to register under Georgia law. We recommended that a policy statement on this issue be adopted based on the fact that the Uniform Securities Act of 1956 and the Revised Uniform Securities Act of 1985 both provide for an exemption from registration for investment advisers whose only clients are investment companies. Additionally, we stated that the Georgia law and rules were not developed because of problems associated with such investment advisers and thus, such a policy statement is warranted. Our second recommendation related to the proposed rule concerning supervision of investment adviser representatives and employees. Although the securities commissioner did amend the proposed rule in partial accord with the Institute's recommendations, the existing language in the proposed rule appears to be conflicting. Therefore, we recommended that certain deletions to the existing proposed rule be made. Our recommended changes would still require an investment adviser to establish, maintain and enforce effective, written supervisory procedures for its firm and the personnel within the firm while permitting flexibility to accommodate a particular adviser's internal structure. We will continue to keep you informed of developments in Georgia. Robert L. Bunnan, Jr. Assistant General Counsel Attachment