

MEMO# 8965

June 3, 1997

VIRGINIA PROPOSES RULES TO IMPLEMENT CHANGES MANDATED BY NATIONAL MARKETS BILL

June 3, 1997 TO: INVESTMENT ADVISERS COMMITTEE No. 19-97 SMALL FUNDS COMMITTEE No. 15-97 STATE LIAISON COMMITTEE No. 17-97 UNIT INVESTMENT TRUST COMMITTEE No. 37-97 RE: VIRGINIA PROPOSES RULES TO IMPLEMENT CHANGES MANDATED BY NATIONAL MARKETS BILL

The Virginia Corporation Commission has released for comment proposed amendments to its securities regulations to implement the National Securities Markets Improvement Act of 1996 ("NSMIA"), as well as amendments recently adopted to the Virginia Securities Act as a result of NSMIA. Of particular interest to investment companies and investment advisers, the proposed amendments would: Set forth notice filing requirements for investment companies (21 VAC 5-30-70) and federal covered advisers (21 VAC 5-80-10 et seq.); Adopt a transactional exemption for internet offers (21 VAC 5-40-110); Impose requirements on federal covered advisers relating to custody of client funds (21 VAC 5-80-140), agency cross transactions (21 VAC 5-80-150), supervisory obligations (21 VAC 5-80-170), disclosure requirements (21 VAC 5-80-190), and dishonest or unethical practices (21 VAC 5-80-200), each of which appear to be violative of the state's authority under NSMIA; Provide an institutional and de minimis exemption for federal covered advisers (21 VAC 5-80-210); and Adopt the Form S.A.14, Consent to Service of Process for Notice Filing as a Federal Covered Adviser, and Form NF, the Uniform Investment Company Notice Filing form (21 VAC 5-85-10). A copy of the proposed regulations is attached. As comments are due to the Commission by July 11, please provide me with any thoughts or comments you may have on the proposed regulations no later than July 3, 1997, by telephone at (202) 326-5813, by facsimile at (202) 326-5828 or by e-mail at bateman@ici.org. Marguerite C. Bateman Associate Counsel Attachment (in .pdf format)