The Asset Management Industry
SERVING INDIVIDUAL INVESTORS

INVESTMENT COMPANY INSTITUTE

**MEMO# 7869**

May 15, 1996

# HOUSE COMMERCE COMMITTEE REPORTS LEGISLATION TO RATIONALIZE STATE MUTUAL FUND REGULATION

1 See Memorandum to Board of Governors No. 10-96, Federal Legislation Members No. 1-96, Members-One Per Complex No. 20-96, Public Information Committee No. 8-96, SEC Rules Committee No. 17-96, and State Liaison Committee No. 6-96, dated March 8, 1996. May 15, 1996 TO: BOARD OF GOVERNORS No. 18-96 FEDERAL LEGISLATION MEMBERS No. 4-96 MEMBERS - ONE PER COMPLEX No. 34-96 PUBLIC INFORMATION COMMITTEE No. 16-96 SEC RULES COMMITTEE No. 42-96 STATE LIAISON COMMITTEE No. 14-96 RE: HOUSE COMMERCE COMMITTEE REPORTS LEGISLATION TO RATIONALIZE STATE MUTUAL FUND REGULATION ________________________________________________________________________ On May 15, the House Commerce Committee unanimously approved the "Securities Amendments of 1996" (H.R. 3005), without amendment. The bill is in most respects very similar to the version that was approved on March 7 by the Subcommittee on Telecommunications and Finance.1 Most significantly, the bill, for the first time in federal legislation, would redefine the manner in which mutual funds will be regulated by state and federal regulators. The bill would eliminate state registration of mutual funds, eliminate state review of fund prospectuses and sales literature, and preclude states from imposing merit standards on funds. States would continue to be able to require funds to make notice filings, to assess fees, and to bring antifraud actions. The bill also would, among other provisions, amend the Investment Company Act of 1940 to: establish an exemption from the current restrictions on "funds of funds" for certain affiliated funds; simplify funds calculation of registration fees; ease restrictions on mutual fund advertising; modify provisions regarding funds recordkeeping and periodic reporting obligations; permit the SEC to prohibit misleading fund names by rule or order; and establish exemptions for funds sold only to institutional investors and wealthy individuals that meet certain minimum statutory standards and for certain market intermediaries. The legislation is expected to be voted on by the full House soon, perhaps in early June. The Senate Banking Committee plans to introduce a broader bill before May 24, with hearings before the July 4 recess. The continued successful action on this legislation is a testament to the work of many Institute members. We will keep you informed as this bill moves forward. For those members with access privileges, this memo can be found on ICINet. Matthew P. Fink President Attachments