

MEMO# 4011

August 13, 1992

SENATE APPROVES INVESTMENT ADVISER BILL

August 13, 1992 TO: BOARD OF GOVERNORS NO. 57-92 SEC RULES MEMBERS NO. 36-92 INVESTMENT ADVISER MEMBERS NO. 39-92 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 31-92 RE: SENATE APPROVES INVESTMENT ADVISER BILL

_____ Last night, the Senate passed the "Investment Advisers Oversight Act of 1992." This bill, which was developed with the Securities and Exchange Commission, is designed to improve the regulation of the investment adviser industry. The key provisions of the bill include: (1) the imposition of an annual fee on advisers, which will be based on assets under management and determined pursuant to a schedule ranging from \$300 to \$7,000, and (2) a fidelity bonding requirement for investment advisers with custody or investment discretion. As we previously informed you, the Institute testified at a hearing before the Securities Subcommittee in support of the bill. (See Memorandum to Board of Governors No. 14-92, SEC Rules Members No. 9-92, Investment Adviser Members No. 7-92 and Investment Adviser Associate Members No. 6-92, dated February 26, 1992.) In its testimony, the Institute stressed the importance of legislation that focuses primarily on increasing the SEC's resources to improve its oversight of the investment adviser industry, without controversial provisions that have caused legislative stalemates in the past. Thus, we are pleased that the Senate approved such targeted legislation. The House Energy and Commerce Committee recently reported an investment advisers bill that is similar, but not identical, to the Senate bill. That bill is awaiting consideration by the full House. There are several outstanding issues in the House bill concerning the suitability requirement and the transaction and periodic reporting requirements. Discussions on those issues are ongoing. We are hopeful that they will be satisfactorily resolved as the bill moves forward. Congress has recessed until September 8, so no additional consideration can occur until then. We will keep you informed of developments on this matter. Matthew P. Fink President