

MEMO# 5405

December 15, 1993

INSTITUTE COMMENTS ON PROPOSED ARKANSAS RULES

December 15, 1993 TO: INVESTMENT ADVISERS COMMITTEE NO. 39-93 ARKANSAS
ASSOCIATE INVESTMENT ADVISER MEMBERS RE: INSTITUTE COMMENTS ON PROPOSED
ARKANSAS RULES _____ As we
previously informed you, the Arkansas Securities Commissioner has issued for comment
proposed amendments to the rules under the Arkansas Securities Act (the "Act") governing
the activities of investment advisers. (See Memorandum to Investment Advisers Committee
No. 36-93, dated December 7, 1993.) Attached is a copy of the Institute's comment letter
on these proposed rules. In its letter, the Institute recommends that the proposed rule
which governs the registration of investment advisers be amended to delete a requirement
that an applicant file: (1) articles of incorporation and by-laws or their partnership
agreement, and (2) a separate statement signed by an officer or partner relating to the
applicant's disciplinary history the preceding year. In support of its recommendation, the
Institute's letter explains that the substantive information required by these filings is
already provided on Form ADV. The Institute's letter further recommends that provisions in
the proposed rules relating to financial statements be amended to: (1) only require audited
financial statements of those applicants and registrants that have custody of customer
funds or securities or that require prepayment of advisers fees of more than \$500 per client
and six or more months in advance; and (2) define "financial statements" to mean a
balance sheet. Tamara K. Cain Assistant Counsel Attachment

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