

MEMO# 6550

January 11, 1995

INVESTMENT ADVISERS LEGISLATION INTRODUCED IN THE SENATE

January 11, 1995 TO: INVESTMENT ADVISERS COMMITTEE No. 3-95 RE: INVESTMENT
ADVISERS LEGISLATION INTRODUCED IN THE SENATE

_____ Last week, Senator Phil Gramm, a member of the Senate Banking Committee, introduced S. 148, the "Investment Advisers Integrity Act." Copies of the bill and Senator Gramm's introductory remarks are attached. The bill has three components. First, it would authorize specified amounts from the SEC's budget for enforcement of the Investment Advisers Act of 1940. Specifically, the bill would authorize \$10 million for fiscal year 1996 and \$12 million for fiscal year 1997 for this purpose. The bill would authorize these amounts from the SEC's budget without providing any new fee mechanism or appropriations increase. Second, the bill would exempt from SEC registration all investment advisers who, during the previous year, had no more than \$5 million in assets under management, so long as the adviser is registered with the appropriate state securities regulator. The SEC, however, could require registration by advisers who, during the previous year, had more than \$1 million but less than \$5 million in assets under management, if it determines that such action is necessary in order to achieve the purposes of the Investment Advisers Act. Third, the bill would allow the SEC to disqualify from registration as an investment adviser any person who in the previous 10 years had been convicted of a felony that is punishable by imprisonment for one or more years. We are in the process of developing our position on S. 148 and are therefore interested in obtaining your views on the bill. Please provide me with your comments on S. 148 by January 31st. I can be reached at 202/326-5824, or by fax at 202/326-5827. Amy B.R. Lancellotta Associate Counsel Attachment