

MEMO# 1808

March 28, 1990

NASAA AMENDED PROPOSED REVISIONS TO MODEL INVESTMENT ADVISER RULES

March 28, 1990 TO: INVESTMENT ADVISERS COMMITTEE NO. 11-90 RE: NASAA AMENDED
PROPOSED REVISIONS TO MODEL INVESTMENT ADVISER RULES

As we previously informed you, the Financial Planner/Investment Adviser Committee of the North American Securities Administrators Association, Inc. (NASAA) has proposed revisions to the model amendments and the uniform rules. (See Memorandum to Investment Advisers Committee No. 37-89, dated September 1, 1989.) Since then, NASAA has made minor changes to the proposed revisions. Attached is a copy of the current proposals, which will be presented to the membership for a vote at the NASAA spring conference on April 28, 1990. The proposals would: (1) make the dishonest or unethical practices rule applicable to investment adviser representatives; (2) expand the disciplinary disclosure requirements to investment adviser representatives; (3) add a comment to the definition of investment adviser representative to accommodate administrative flexibility in the treatment of solicitors as investment adviser representatives; and (4) add a recordkeeping rule to the model amendments, similar to SEC Rule 204-2(a)(11) and (16), to require advisers to keep and maintain advertisements and backup data concerning performance data. One of the significant changes made to the proposed revisions pertains to the disclosure requirements of investment adviser representatives. The proposal requires investment adviser representatives to disclose a legal or disciplinary event that is "material to an evaluation of the investment adviser representative's integrity," rather than a legal or disciplinary event that is "material to the client's evaluation of whether to seek investment advice from the adviser." In addition, the requirement that an investment adviser representative have "direct client contact" to trigger the disclosure requirement was deleted. If you have any comments on these proposals, please contact me by April 20, 1990. Amy B. Rosenblum
Assistant General Counsel Attachment

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