

**MEMO# 8631**

February 11, 1997

## **INSTITUTE LETTER ON PROPOSED INVESTMENT ADVISER RULES**

\* See Memorandum to Investment Advisers Committee No. 3-97, dated January 28, 1997.  
February 11, 1997 TO: INVESTMENT ADVISERS COMMITTEE No. 9-97 RE: INSTITUTE LETTER  
ON PROPOSED INVESTMENT ADVISER RULES

\_\_\_\_\_ The Institute  
has submitted comments to the Securities and Exchange Commission on proposed rules  
intended to implement the investment adviser provisions of the National Securities Markets  
Improvement Act of 1996. The comment letter is substantially similar to the draft letter  
previously circulated to you.\* A copy of the letter is attached. The letter expresses general  
support for the proposed rules. The letter, however, suggests several changes to the  
proposed rules and requests that certain issues be clarified. The most significant of these  
include: The Commission should clarify that suspension of Form ADV-S relieves registered  
advisers from all of the reporting requirements thereunder and that the updating  
requirements as set forth in Form ADV are still in effect. The Commission should extend the  
grace period proposed in Rule 203A-1 from 90 to 120 days and permit an adviser to amend  
its Schedule I if it again becomes eligible for Commission registration during the grace  
period. The Commission should amend the criteria for determining which advisers that are  
affiliated with Commission-registered advisers may register with the Commission. In  
particular, we recommend elimination of the "same address" criterion. In defining  
"investment adviser representative," the Commission should: exclude sophisticated  
investors in determining whether the representative conducts a substantial portion of its  
business with retail investors; eliminate the asset test in determining whether a substantial  
portion of the representatives business is with retail clients; and exclude registered  
representatives of broker-dealers. For purposes of the definition of "investment adviser  
representative," the Institute recommends that the Commission clarify that "place of  
business" is not intended to include locations merely visited by a representative. The  
Commission should clarify that solicitors of Commission-registered advisers that are  
"supervised persons" of such advisers would not be subject to state regulation, unless they  
fall within the definition of "investment adviser representative." Tamara Cain Reed  
Associate Counsel Attachment (in .pdf format)