

MEMO# 8596

January 29, 1997

IMPACT OF FEDERAL LEGISLATION ON EXISTING ADVISORY CONTRACTS

January 29, 1997 TO: INSTITUTIONAL FUNDS ADVISORY COMMITTEE No. 2-97 INVESTMENT ADVISERS COMMITTEE No. 4-97 RE: IMPACT OF FEDERAL LEGISLATION ON EXISTING ADVISORY CONTRACTS

Effective April 9, 1997, the regulation of investment advisers will be reallocated between the states and the Securities and Exchange Commission such that all advisers with more than \$25 million in assets under management and all advisers to investment companies will be exclusively registered and regulated by the Commission. It has come to the attention of the Institute that, inadvertently, this reallocation of responsibilities may impact advisory contracts currently in effect with units of state or local governments, or other persons, that include an express provision requiring the investment adviser to be registered in such state. [Contracts that impose a general duty to be in compliance with any applicable state or federal law would appear to be unaffected by these amendments.] The Institute requests members to review their existing contracts and let us know whether they contain clauses requiring the adviser to be state registered. If so, in connection with our work with the states to implement the National Securities Markets Improvement Act of 1996, we will attempt to address this issue. Please contact me by phone (202/326-5825), fax (202/326-5828) or e-mail (tamara@ici.com) no later than Friday, February 7, 1997 regarding this matter. Tamara Cain Reed Associate Counsel