

MEMO# 7935

June 5, 1996

INSTITUTE TESTIFIES IN SUPPORT OF S. 1815, THE SECURITIES INVESTMENT PROMOTION ACT OF 1996

June 5, 1996 TO: BOARD OF GOVERNORS No. 27-96 FEDERAL LEGISLATION MEMBERS No. 7-96 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 16-96 MEMBERS - ONE PER COMPLEX No. 46-96 PUBLIC INFORMATION COMMITTEE No. 23-96 SEC RULES COMMITTEE No. 53-96 STATE LIAISON COMMITTEE No. 17-96 RE: INSTITUTE TESTIFIES IN SUPPORT OF S. 1815, THE "SECURITIES INVESTMENT PROMOTION ACT OF 1996"

Institute President Matthew P. Fink today testified before the Senate Banking, Housing and Urban Affairs Committee on S. 1815, the "Securities Investment Promotion Act of 1996," which, among other things, would reallocate responsibilities between the federal and state governments in the regulation of mutual funds and investment advisers. The Institute stated that the provision addressing federal and state oversight of mutual funds is an extremely important initiative because it "establishes a more appropriate division of labor between federal and state securities regulators." It does this by vesting exclusive authority for the registration and substantive regulation of mutual funds with the SEC, while preserving to the states the ability to require the filing of notices, collect fees and investigate and address fraud and sales practice abuses. The Institute pointed out that "the proposed framework thus would bolster the best aspects of the current dual regulatory system, while eliminating needless duplication, inconsistency and conflict." The Institute also voiced its support for provisions in S. 1815 that would fashion a more rational allocation of regulatory responsibility over investment advisers by vesting regulation of smaller advisers exclusively at the state level and regulation of larger advisers exclusively at the federal level because, as the Institute pointed out, such an arrangement would result in a more effective and efficient utilization of governmental regulatory powers and resources. Also receiving Institute support were efforts to modernize the Investment Company Act of 1940 through provisions that would facilitate communications between mutual funds and investors, promote cost-effective regulation of mutual funds, and -2- permit innovation in mutual fund products and services. The Institute testified that these changes can occur without any diminution in investor protection. However, the Institute urged the Committee to move cautiously with several provisions of the bill that would establish broad new exemptions under the 1940 Act. "Long experience with pooled investment vehicles clearly demonstrates the need to preserve the integrity of the Investment Company Act," the Institute testified. In particular, although the Institute supports the concept of an exemption for private investment companies, it opposed the overly broad scope of the qualified purchaser exemption included in S. 1815 and the bills

grant of authority to the SEC to liberalize the exemption still further. The Institute strongly urged the Senate to act without delay on S. 1815. In many respects S. 1815 parallels H.R. 3005, the "Securities Amendments of 1996," which unanimously passed the House Commerce Committee on May 15 and is currently awaiting House floor action. (See Memorandum to Board of Governors No. 18-96, Federal Legislation Members No. 4-96, Members - One Per Complex No. 34-96, Public Information Committee No. 16-96, SEC Rules Committee No. 42-96, and State Liaison Committee No. 14-96, dated May 15, 1996.) We will keep you informed as this matter develops. Copies of the Institutes oral and written testimony are enclosed. For those members with access privileges, this memo, without the attached testimony, can be found on ICINet. For additional information, please contact as follows: Legislative Affairs 202/326-8319 Media Relations 202/326-5860 ICINET 202/326-5933 Matthew P. Fink President Attachments

Source URL: <https://icinew-stage.ici.org/memo-7935>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.