

MEMO# 2545

February 15, 1991

INSTITUTE RECOMMENDS ADVISER EXAMINATION RELIEF

February 15, 1991 TO: INVESTMENT ADVISERS COMMITTEE NO. 6-91 RE: INSTITUTE
RECOMMENDS ADVISER EXAMINATION RELIEF

On February 14, 1991, the Institute requested all state securities administrators to review their investment adviser examination regulations and revise those which require investment advisers to meet broker-dealer qualification standards. The Institute also recommended that until the problems associated with the Series 65 examination are corrected, any state which requires the Series 65 should grant liberal waivers from the examination for individuals who have demonstrated competence in the securities industry. In addition, a suggested permanent class exemption from examination requirements for employees of established investment adviser firms with stringent internal supervisory and training programs and whose clients are limited to "sophisticated investors" is included in the Institute's recommendation. In a separate letter to the NASAA Board of Directors and Uniform Examinations Committee, the Institute urged release of the Series 65 question databank to an industry review panel. The letter highlights the continuing problems with the Series 65, including its overbroad scope and confusing question format. In order to encourage NASAA to release the Series 65 questions, the Institute noted that it is the NASD's practice to release questions on its examinations to an industry review panel in order to delete poor questions. A copy of the letter to all state securities administrators, which includes a copy of the letter to the NASAA Board of Directors and Uniform Examinations Committee, is attached. We will keep you informed of developments. W. Richard Mason Assistant General Counsel Attachments