

MEMO# 9957

May 22, 1998

SENATE APPROVES SECURITIES LITIGATION UNIFORM STANDARDS BILL

[9957] May 22, 1998 TO: BOARD OF GOVERNORS No. 32-98 FEDERAL LEGISLATION
MEMBERS No. 8-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 39-98 PUBLIC
INFORMATION COMMITTEE No. 17-98 RE: SENATE APPROVES SECURITIES LITIGATION
UNIFORM STANDARDS BILL

The Senate recently approved S. 1260, the "Securities Litigation Uniform Standards Act of 1998," by a vote of 79-21. The legislation would establish a uniform national standard for securities class action lawsuits and require that they be brought in federal courts, rather than state courts. Senators Phil Gramm (R-TX) and Christopher Dodd (D-CT) introduced the bill to address an unintended result of the 1995 Private Securities Litigation Reform Act (PSLRA). Since the PSLRA was enacted, there has been a shift in class-action lawsuits involving nationally traded securities from federal to state courts. For example, parties have filed parallel class-action suits in state and federal courts for the purpose of using the broader state court discovery process. Such action violates the intent of the PSLRA, which seeks to reduce costly and unnecessary "strike" suits while protecting the rights of individual shareholders to pursue legal remedies. S. 1260 would amend the 1933 Securities Act and the 1934 Securities Exchange Act to establish uniform standards for private class action lawsuits involving nationally traded securities, effectively preempting state class-actions in certain circumstances. Registered investment companies are covered under the legislation. The Securities and Exchange Commission, the Administration and the Institute support S. 1260. The House Commerce Committee is expected to act shortly after Memorial Day on a similar House bill, H.R. 1689, which already has over 220 cosponsors, apparently enough to pass the legislation. We will keep you informed of further developments. Matthew P. Fink
President

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