

**MEMO# 2940**

July 16, 1991

## **NEW JERSEY CASINO CONTROL ACT AMENDED**

July 16, 1991 TO: SEC RULES MEMBERS NO. 38-91 INVESTMENT ADVISER MEMBERS NO. 30-91 RE: NEW JERSEY CASINO CONTROL ACT AMENDED

The Institute is pleased to inform you that Senate Bill 3279 has been passed by the New Jersey Legislature and was signed by the Governor on June 29, 1991. Among other provisions, this bill amends Section 85(f) of the New Jersey Casino Control Act to permit investment by an institutional investor of up to ten percent of the equity securities of a casino licensee or twenty percent of the outstanding debt of a casino licensee provided that such securities are of a publicly traded corporation and the institutional investor purchased such securities for investment purposes only. The definition of "institutional investor" in Section 11 of the Casino Control Act has also been amended to specifically include an investment company registered under the Investment Company Act of 1940. As you may be aware, in August 1989 the New Jersey Casino Commission ruled that institutional investors that hold five percent or more of a New Jersey related casino stock must file for qualification under the Casino Control Act. (The process of qualifying under the Casino Control Act is extremely lengthy, complicated and expensive. During the process of qualifying, the stock must be placed in trust and no profits can be taken.) Previously, the Casino Commission and the Division of Gaming Enforcement recognized that the presumption of control set forth in the statute could be rebutted by an institutional investor upon a showing that the securities were being held for investment purposes on behalf of unrelated clients and not for the purpose of affecting or influencing control of the issuer. Consequently, waivers from the qualification process were routinely available to most institutional investors. Last summer, the Casino Commission held a series of public hearings to determine whether amendments to the Casino Control Act were necessary in order to encourage investment in casino holding company securities. The Institute submitted a detailed comment letter to the Casino Commission recommending that given the detailed and stringent reporting requirements that institutional investors are subject to pursuant to the provisions of the Securities Exchange Act of 1934, the Casino Control Act could be amended to allow investment by passive institutional investors of up to ten percent of a class of equity securities and twenty percent of a class of debt securities of publicly-held casino companies without sacrificing the integrity of the casino licensing process. \* \* \* Senate Bill 3279 is effective as of June 29, 1991. A copy of the bill is attached. Patricia Louie Assistant General Counsel Attachment

---

**Source URL:** <https://icinew-stage.ici.org/memo-2940>

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.