

MEMO# 7850

May 8, 1996

INSTITUTE COMMENT LETTER ON 1996 CONFERENCE ON FEDERAL-STATE SECURITIES REGULATION

May 8, 1996 TO: SEC RULES COMMITTEE No. 35-96 STATE SECURITIES MEMBERS No. 10-96
UNIT INVESTMENT TRUST COMMITTEE No. 18-96 RE: INSTITUTE COMMENT LETTER ON 1996
CONFERENCE ON FEDERAL-STATE SECURITIES REGULATION

Since 1983, the Securities and Exchange Commission (SEC) and the North American Securities Administrators Association, Inc. (NASAA) have held an Annual Conference on Uniformity of Federal-State Regulation. Prior to the Conference the SEC solicits written comments on the issues to be discussed. In the past, the Institute has submitted lengthy comment letters concerning the impact of the dual regulatory structure on investment companies and the need for the SEC, NASAA and the individual states to work together to eliminate the inconsistencies that result from such a system. Because the Institute has prepared two detailed submissions on this issue over the past nine months, these documents were provided to the SEC in lieu of a detailed comment letter. The two submissions are the "Testimony of Institute President, Matthew P. Fink, before the House Subcommittee on Telecommunications and Finance on H.R. 2131, the 'Capital Markets Deregulation and Liberalization Act of 1995,'" and the Institutes memorandum to the NASAA Task Force on the Future of Shared State and Federal Securities Regulation, "Federal Legislative Reform of the Dual System of Mutual Fund Regulation." The Institutes testimony emphasizes that investment companies are strictly regulated at the federal level and an additional layer of state regulation, which varies from state to state, from fund to fund and even from year to year, results in a crazy quilt of regulation that is wholly inconsistent with the national character of the fund industry and harms investors. It also notes the failure of individual and collective state actions to address the problems and provide the uniformity necessary to serve the interests of fund investors, thereby evidencing the need for Congressional action in this area. The Institutes memorandum to the NASAA Task Force, which was formed by NASAA in October 1995 to define the future of how the federal and state governments allocate regulation of the securities marketplace, details the efforts since the first Conference on Uniformity of Federal-State Regulation in 1983 to address the inconsistency and conflict between state and federal regulation of investment companies. It demonstrates that the problems resulting from the current system of dual regulation have been repeatedly studied and are well understood, and that a consensus has arisen as to the reforms required to rectify the problems. It concludes by urging the Task Force to expedite its deliberations in this area and to make a recommendation that there is a need for Congressional action to implement the necessary reforms to achieve uniformity. A copy of

the Institutes letter to the SEC is attached. Marguerite C. Bateman Assistant Counsel
Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 7850.

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