

MEMO# 5317

November 8, 1993

INSTITUTE'S RESPONSE TO UNFAVORABLE ARTICLE ABOUT NASAA PRESIDENT-ELECT

November 8, 1993 TO: INVESTMENT ADVISERS COMMITTEE NO. 35-93 PUBLIC
INFORMATION COMMITTEE NO. 59-93 STATE LIAISON COMMITTEE NO. 52-93 RE:
INSTITUTE'S RESPONSE TO UNFAVORABLE ARTICLE ABOUT NASAA PRESIDENT-ELECT

_____ An article recently published in
Worth magazine about Colorado Securities Commissioner Phil Feigin, who is the president-elect of NASAA, included a number of inaccurate statements. In response, the Institute submitted a letter to the magazine's editor. A copy of the article and the Institute's letter is attached. The Worth article discussed, among other things, Commissioner Feigin's efforts to pass legislation regulating investment advisers doing business in Colorado. Currently, Colorado does not regulate the activities of such investment advisers. While Commissioner Feigin has been seeking the adoption of legislation patterned after the Uniform Securities Act and the NASAA Model Amendments thereto governing investment advisers, the article portrays Commissioner Feigin as seeking legislation that advances the interests of industry to the detriment of investors. As a consequence, the article expressed concern about Commissioner Feigin changing the "pro-investor focus" of NASAA when he becomes president in September, 1994. The Institute's letter explains that Commissioner Feigin is following the lead of approximately 43 other states in seeking adoption of the Uniform Securities Act and the NASAA Model Amendments thereto. It further explains why this uniform approach to investment adviser regulation provides greater investor protection than the approach taken in the alternative proposal discussed in the article. The alternative proposal, which is touted in the article as the preferable approach, would not provide any real investor protection. Instead of providing for the registration and regulation of investment advisers, the alternative bill merely provides recourse once an investor has been victimized by an investment adviser. As described in the Institute's letter, under the alternative proposal, "an investor must be victimized in order to have any protection; and, once victimized, the investor's only recourse is to bring suit against the financial planner, a costly and lengthy process." Tamara K. Cain Assistant Counsel Attachment