

MEMO# 3329

December 9, 1991

CALIFORNIA PROPOSES INVESTMENT ADVISER REGULATIONS

December 9, 1991 TO: INVESTMENT ADVISERS COMMITTEE NO. 59-91 CALIFORNIA ASSOCIATE INVESTMENT ADVISER MEMBERS RE: CALIFORNIA PROPOSES INVESTMENT ADVISER REGULATIONS _____ The California Commissioner of Corporations has proposed several regulations relating to investment advisers. The purpose of these regulations is to conform California investment adviser regulations to SEC regulations and NASAA model regulations. Specifically, the Commissioner has proposed: (1) a rule modeled after Rule 206(3)-2 under the Investment Advisers Act governing agency cross transactions; (2) a rule similar to Rule 206(4)-4 under the Advisers Act regarding financial and disciplinary disclosures by investment advisers; and, (3) a rule providing that certain activities do not promote "fair, equitable or ethical principles" (such as activities regarding recommending to a client any purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable) similar to NASAA Uniform Rule 102(a)(4). The comment period on the proposed regulations expires on January 24, 1992. Please provide me with your comments on the proposal by January 10, 1992. Amy B.R. Lancellotta Associate General Counsel Attachment

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