MEMO# 1665

January 22, 1990

RECENTLY PROPOSED SECURITIES LEGISLATION

January 22, 1990 TO: SEC RULES COMMITTEE NO. 6-90 CLOSED-END FUND COMMITTEE NO. 3-90 RE: RECENTLY PROPOSED SECURITIES LEGISLATION ____ Attached are copies of three recently introduced bills, which are briefly described below. (1) "Individual Investor Fairness Act of 1989". This bill, introduced by Congressman Wyden, would amend reporting obligations under Section 16(a) of the Securities Exchange Act of 1934. Specifically, the bill would require initial ownership reports to be filed within five days (rather than ten, as under current law) upon becoming an insider and reports of changes of ownership to be filed within five days of the change rather than ten days after the end of the month in which the change occurred. The bill would impose additional burdens on institutional investors, the extent of which would depend, to a great degree, on whether customer accounts can be excluded in determining whether an investment adviser is a ten percent owner under Section 16. (The current proposed rules under Section 16 would so exclude customer accounts for persons eligible to file Schedule 13Gs.) (2) "Orderly Markets Act of 1989". This bill, introduced by Congressman Eckart, would place securities derivitive instruments, such as stock index futures, under the sole jurisdiction of the SEC. The bill would require the SEC to review any securities derivitive instrument before it could be registered or traded on an exchange or interdealer quotation system operated by a national securities association. The SEC would have to make certain findings in order to approve the trading of these instruments, including that the trading of the instrument is "consistent with the public interest and the protection of investors and will not adversely affect the maintenance of fair and orderly markets". The SEC would also be authorized to exempt trading in such instruments from the requirements of Section 11(a) of the Securities Exchange Act. (3) "Corporate Integrity and Full Disclosure Act". This bill, introduced by Senator Kassebaum, contains various provisions related to change in control situations. The bill would (1) reduce the 10 day "window" under Section 13(d) to 5 days and prohibit further purchases until the filing is made, (2) require that tender offers be approved by a majority of independent directors and that an independent appraisal be made of the target's value, (3) establish a private right of action for violations of the margin rules, (4) broaden the class of transactions covered by Section 13(e) of the Securities Exchange Act (governing issuer stock repurchases) to cover purchases by certain affiliates, (5) authorize the SEC to impose civil penalties for violations of the disclosure requirements of the Williams Act and (6) set forth that Congress intends that the disclosure requirements for sources of financing under the Williams Act include disclosure of "specific and committed financing sources and financial arrangements at the outset" of the transaction in question. If you have any comments or questions with regard to any of the above bills, please contact the undersigned. We will keep you informed of developments. Craig S. Tyle Associate General

Counsel Attachments - 2 -