The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

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INTRODUCTION OF SENATE BILL TO RATIONALIZE STATE MUTUAL FUND REGULATION

May 29, 1996 TO: BOARD OF GOVERNORS No. 25-96 FEDERAL LEGISLATION MEMBERS No. 5-96 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 14-96 INVESTMENT ADVISER MEMBERS No. 16-96 MEMBERS - ONE PER COMPLEX No. 42-96 PUBLIC INFORMATION COMMITTEE No. 21-96 SEC RULES COMMITTEE No. 47-96 STATE LIAISON COMMITTEE No. 16-96 RE: INTRODUCTION OF SENATE BILL TO RATIONALIZE STATE MUTUAL FUND REGULATION _____

On May 23, Senate Banking Committee Chairman DAmato, Securities Subcommittee Chairman Gramm, and Ranking Minority Member Dodd, joined by Senators Bryan and Moseley-Braun, introduced S. 1815, the "Securities Investment Promotion Act of 1996," the Senate version of H.R. 3005, the securities bill reported by the House Commerce Committee. Like the House version, S. 1815, for the first time in federal legislation, would redefine the manner in which mutual funds will be regulated by state and federal regulators. The bill would eliminate state registration of mutual funds, eliminate state review of fund prospectuses and sales literature, and preclude states from imposing merit standards on funds. States would continue to be able to require funds to make notice filings, to assess fees, and to bring antifraud actions. The bill also would, among other things, amend the Investment Company Act of 1940 to: establish an exemption from the current restrictions on "funds of funds" for certain affiliated funds; simplify funds calculation of registration fees; ease restrictions on mutual fund advertising; permit the SEC to prohibit misleading fund names by rule or order; expands the definition of "Qualified Purchasers" by adopting lower dollar thresholds than the House bill, and by granting the SEC the rulemaking authority to lower them even further; exempt from investment and securities regulation church pension plans and the pooled investment vehicles in which plan assets are invested; and liberalize the conditions under which business development corporations (BDCs) are regulated. Other provisions reallocate the existing regulatory framework governing investment advisers. S. 1815 would vest exclusive regulatory authority for larger advisers ($25 million or more in client assets) and advisers to investment companies in the SEC, with smaller ones exclusively under state authority. The Senate Banking Committee plans to hold a one day hearing on June 5, with the intention of reporting the bill out of Committee shortly thereafter. The Institute will testify. For those members with access privileges, this memo can be found on ICINet. Matthew P. Fink President Attachments