

MEMO# 10418

October 27, 1998

PRESIDENT EXPECTED TO SIGN SECURITIES LITIGATION REFORM LEGISLATION; BILL COVERS INVESTMENT COMPANIES

[10418] October 27, 1998 TO: BOARD OF GOVERNORS No. 70-98 FEDERAL LEGISLATION MEMBERS No. 26-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 98-98 PUBLIC INFORMATION COMMITTEE No. 48-98 SEC RULES COMMITTEE No. 105-98 RE: PRESIDENT EXPECTED TO SIGN SECURITIES LITIGATION REFORM LEGISLATION; BILL COVERS INVESTMENT COMPANIES

On October 13, the Congress approved the conference report to the "Securities Litigation Uniform Standards Act" (SLUSA), clearing the bill for consideration by the President. I am pleased to report that as approved by Congress, the legislation defines "covered securities" to apply to all nationally traded securities, including registered investment companies. President Clinton is expected to sign the bill shortly. The new law will establish uniform federal litigation standards for nationally traded securities. The standards will make federal court the exclusive venue for most securities class action lawsuits, effectively preempting state class actions. Barred from state court under the SLUSA are class actions brought by more than 50 persons, actions brought on behalf of one or more unnamed parties and so-called "mass actions," in which a group of lawsuits filed in the same court are joined or otherwise proceed against a single action. State jurisdiction over class actions is preserved in certain specified situations. In addition, the new law reauthorizes the Securities and Exchange Commission for Fiscal Year 1999. The Institute is a strong supporter of the Securities Litigation Uniform Standards Act, which closed the unintended loopholes in the 1995 Private Securities Litigation Reform Act that allowed class actions to be brought in state courts.

Matthew P. Fink President