

MEMO# 7144

July 31, 1995

SECURITIES REFORM LEGISLATION INTRODUCED BY CHAIRMAN FIELDS

July 31, 1995 TO: CLOSED-END FUND COMMITTEE No. 37-95 INSTITUTIONAL FUNDS
COMMITTEE No. 11-95 INVESTMENT ADVISERS COMMITTEE No. 32-95 INVESTMENT ISSUES
COMMITTEE No. 7-95 SEC RULES COMMITTEE No. 86-95 STATE LIAISON COMMITTEE No.
21-95 UNIT INVESTMENT TRUST COMMITTEE No. 58-95 SUBCOMMITTEE ON CREDITORS'
RIGHTS RE: SECURITIES REFORM LEGISLATION INTRODUCED BY CHAIRMAN FIELDS

Chairman

Jack Fields of the House Telecommunications and Finance Subcommittee recently introduced the attached legislation designed to reform the federal securities statutes. (As you may know, Chairman Fields and Congressman Edward Markey, Ranking Member of the Subcommittee, previously introduced H.R. 1495, separate legislation that would amend the Investment Company Act of 1940.) The Institute understands that consideration of this legislation is on a short time frame. Consequently, we would appreciate receiving any comments you might have no later than Friday, August 18th. You may direct your comments to the undersigned at 202/326-5819 or Frances Stadler at 202/326-5822. Briefly, the legislation would: limit the states role in securities regulation, through an amendment to the four principal federal securities statutes, including the Investment Company Act of 1940 and the Investment Advisers Act of 1940 (pp. 6-14); create a presumption that brokers and their associated persons are not liable for the investment decisions of institutional investors, unless the two parties have contracted in writing to the contrary. "Institutional investors" are defined as nonnatural persons that have invested at least \$10 million in securities (pp. 2-6); eliminate the current prospectus delivery requirement in the Securities Act of 1933, and require prospectus delivery only upon request of the investor (pp. 25-26); modify and repeal many of the provisions of the Williams Act, which governs tender offers and disclosure of significant holdings (pp. 22-25); exclude press releases from the definition of "offer" and "prospectus" in the Securities Act (pp. 33-34); amend the margin provisions in the Securities Exchange Act, to permit broker-dealers to determine appropriate margin levels for accounts of certain institutional investors, including investment companies (pp. 14-22); broaden the SECs exemptive authority under the Securities Act (pp. 25-26); require the SEC, when required to consider investor protection with respect to an action under the securities laws, including the Investment Company Act and the Investment Advisers Act, to consider whether the action will promote efficiency, capital formation, and competition (pp. 27-29); eliminate two SEC Commissioner positions (pp. 29-30); require the SEC to request proposals to privatize EDGAR and report and make recommendations to Congress (pp. 30-31); increase the small offering exemption in the Securities Act from \$5 million to \$15 million (p. 26); streamline the procedures for implementing rule changes by self-regulatory organizations (p. 31); designate a primary SRO for broker-dealers (pp. 31-33); and repeal the Trust Indenture Act of 1939 (p. 35).

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