

**MEMO# 19522**

December 22, 2005

## **SEC SEMI-ANNUAL REGULATORY AGENDA**

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16-05 SEC RULES COMMITTEE No. 68-05 SMALL FUNDS COMMITTEE No. 38-05 UNIT INVESTMENT TRUST COMMITTEE No. 18-05 RE: SEC SEMI-ANNUAL REGULATORY AGENDA

The Securities and Exchange Commission has published its semi-annual agenda of rulemaking actions.<sup>1</sup> Set forth below is a summary of changes to the Division of Investment Management's agenda related to investment companies and investment advisers, which have occurred since the last semi-annual agenda was published, and which may be of interest to Institute members. A. The following items have been added to "Proposed Rule Stage": 1. Books and Records to be Maintained by Investment Advisers (updating the books and records requirements for investment advisers) (p. 65687). 2. Political Contributions by Certain Investment Advisers (proposing new Rule 206(4)-5 under the Investment Advisers Act of 1940 to prohibit an investment adviser from providing advisory services for compensation to a Government client for 2 years after the adviser or any of its partners, executive officers, or solicitors makes a contribution to certain elected officials or candidates) (p. 65687). 3. Disclosure and Recordkeeping Requirements for Investment Advisers Regarding Brokerage Allocation and Soft Dollar Practices (proposing rules that would require investment advisers to create a report and maintain records regarding their direction of brokerage transactions and receipt of research and other services in connection with those transactions) (p. 65688). 1 SEC Release Nos. IC-27055 and IA-2424 (Oct. 28, 2005); 70 Fed. Reg. 65680 (Oct. 31, 2005), available at

<http://a257.g.akamaitech.net/7/257/2422/31oct20050800/edocket.access.gpo.gov/ua051031/pdf/ua051060.pdf>. Division of Investment Management items are listed on Federal Register pages 65681-82 and summarized on pages 65687-93. 2 4. Amendments to Investment Company Registration Statements to Protect Certain Private Information (proposing modifications to the disclosure requirements in Forms N-1A, N-2, N-3, AND N-CSR to safeguard the privacy interests of investors qualifying as principal holders of any class of certain investment companies with regard to identifying information and of portfolio managers with regard to quantitative information about certain personal accounts) (p. 65688). 5. Definition of "Issued Ratably" Under Section 18(d) of the Investment Company Act of 1940 (proposing new Rule 18d-1 under the Investment Company Act that would define the term "issued ratably" under Section 18(d) of the Act to clarify that a fund does not issue ratably to its shareholders rights to acquire additional shares when, by their terms, the rights do not entitle each owner to exercise the rights and obtain the additional shares) (p. 65689). 6. Investment Company Disclosure Reform (proposing comprehensive

reforms of the mutual fund disclosure requirements on Form N-1A, including streamlining the delivery of fund information through increased use of the Internet and other electronic means of delivery) (p. 65689). 7. Amendments to the Cash Solicitation Rule (proposing revisions to the cash solicitation rule, Rule 206(4)-3 under the Investment Advisers Act) (p. 65689). B. The following item has been reclassified from “Proposed Rule Stage” to “Final Rule Stage”: Definition of Eligible Portfolio Company Under the Investment Company Act of 1940 (adopting rules to modernize the definition of “eligible portfolio company” by creating a new standard for delineating those companies that do not have ready access to the public capital markets) (p. 65691). C. The following item has been reclassified from “Final Rule Stage” to “Completed Actions”: Rulemaking for the EDGAR System (adopting amendments to existing rules and forms to make technical and clarifying corrections and to expand the categories of mandatory electronic filings and to identify series and classes for certain investment company filings) (p. 65692). The Commission also withdrew several actions from the agenda relating to public holding company matters due to the repeal of the Public Holding Company Act, effective February 8, 2006. 3 In addition to the above, the following item relating to investment companies and investment advisers has been added to “Proposed Rule Stage” by the Division of Corporation Finance: Electronic Delivery of Proxy Materials (proposing amendments that would relax existing requirement regarding the electronic delivery of proxy materials) (p. 65684). Barry E. Simmons Associate Counsel