

**MEMO# 2396**

December 20, 1990

## **RHODE ISLAND RE-PROPOSES ADVISER RULES; ALABAMA RESPONDS TO INSTITUTE REQUEST; CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION PROVIDES INTERIM ADVICE**

- 1 - December 20, 1990 TO: INVESTMENT ADVISERS COMMITTEE NO. 44-90 RE: RHODE ISLAND RE-PROPOSES ADVISER RULES; ALABAMA RESPONDS TO INSTITUTE REQUEST; CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION PROVIDES INTERIM ADVICE

I. Rhode Island Attached is a copy of re-proposed regulations regarding investment advisers in Rhode Island. As we previously informed you, the Securities Division withdrew certain regulations and finalized the remainder last month. (See Institute Memorandum to Investment Advisers Members No. 55-90 and Investment Adviser Associate Members No. 51-90, dated November 28, 1990.) The re-proposed regulations set forth examination requirements for investment adviser representatives. As recommended by the Institute, the regulations state that passage of both the Series 63 and Series 65 examinations are not required. Rather, only the Series 65 will be required. However, until November 30, 1991, applicants may pass the Series 63 and the Series 2, Series 7 or CFA level I examinations in lieu of the Series 65. A permanent exemption from the Series 65 also is proposed for certain NASD members who have passed the Series 63. Finally, the re-proposed regulations incorporate the Institute's request for an exemption for designated supervisors who have achieved the designation of CFA (or CFP) from the otherwise applicable Series 24 examination requirement. Comments on the re-proposals must be filed with the Department of Business Regulation by January 8, 1991. Therefore, please provide me with any comments you have on the re-proposed regulations by January 4, 1991.

- 2 - II. Alabama In response to the Institute's request for relief (see Institute Memorandum to Investment Advisers Committee No. 42-90, dated December 17, 1990), the Alabama Securities Commission informed the Institute that it will not require registration of investment adviser representatives beyond the immediate supervisor of individual investment adviser representatives and/or the adviser's investment committee, if applicable. Thus, for multi-jurisdictional advisers, registration is not required for the regional supervisor or directors or officers of the company, unless such individuals are providing investment advisory services or holding themselves out as providing such services to investors in Alabama. Securities Commission Director Robert Rash also stated that the Commission intends to provide a grace period until March 31, 1991 for registration of advisers and representatives in the event reasonable cause for failure to register prior to January 1, 1991 can be shown.

III. California With regard to advisers to California public

funds, the Fair Political Practices Commission recently released the attached interim advice concerning persons who must file disclosure statements on the Commission's Form 721 or Form 730. (See Institute Memorandum to Investment Advisers Committee No. 29-90, dated September 6, 1990). The interim advise does not address the issue of whether employees of investment advisers to California public funds must be considered "consultants" required to file Form 730 as "designated employees" under a fund's conflict of interest code. It appears, however, that such individuals may defer filing any statements under Form 721 as "public investment managers". The Commission is continuing to consider these disclosure requirements as they apply to employees of investment advisers. We will keep you informed of further developments. W. Richard Mason Assistant General Counsel  
Attachments

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