

MEMO# 6069

July 22, 1994

INSTITUTE COMMENTS ON INVESTMENT ADVISER REGULATIONS PROPOSED BY THE MASSACHUSETTS DIVISION OF SECURITIES

July 22, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 42-94 MASSACHUSETTS INVESTMENT ADVISER ASSOCIATE MEMBERS RE: INSTITUTE COMMENTS ON INVESTMENT ADVISER REGULATIONS PROPOSED BY THE MASSACHUSETTS DIVISION OF SECURITIES

As we previously informed you, the Massachusetts Division of Securities (the "Division") recently proposed for comment various regulations to implement recently enacted legislation relating to the registration and regulation of investment advisers and their representatives. (See Memorandum to Investment Advisers Committee No. 38-94 and Massachusetts Investment Adviser Associate Members, dated June 16, 1994.) Attached is a copy of the Institute's comment letter on these proposed regulations. In its letter, the Institute recommends that provisions in the regulations relating to filing amendments, bonding, annual financial statements, and annual disclosure requirements be amended to be consistent with either the Investment Advisers Act of 1940 or the NASAA Model Amendments to the Uniform Securities Act. We also recommend that the Division permit the use of Part II of Form ADV for required disclosure relating to the compensation received by an adviser in connection with a client's securities transactions. Alternatively, should the Division require separate disclosure of this compensation, we recommend that the Division (1) exempt advisers who do not receive such compensation and (2) permit clients to waive receipt of the required compensation disclosure. Finally, the Institute's letter recommends that the Division clarify provisions in the regulations relating to the registration requirements for officers and directors of an adviser, maintenance of client complaints, and the supervisory provisions governing approval of client transactions. Tamara K. Cain Assistant Counsel Attachment