

MEMO# 2043

July 18, 1990

GAO STUDY ON SEC REGULATION OF INVESTMENT ADVISERS

July 18, 1990 TO: INVESTMENT ADVISER MEMBERS NO. 32-90 INVESTMENT ADVISER
ASSOCIATE MEMBERS NO. 29-90 RE: GAO STUDY ON SEC REGULATION OF INVESTMENT
ADVISERS _____ Attached is a copy of
the report prepared by the General Accounting Office evaluating the SEC's regulation of
investment advisers. In summary, the study concludes that the SEC's current registration
and inspection program needs to be improved. The specific enhancements recommended
by the GAO include: verifying information before the SEC registers advisers; warning
investors that registration is limited to disclosing information and business practices and
not to evaluating adviser competence; and, inspecting each new adviser within a
reasonable time, such as within 1 year after registration, and periodically thereafter based
on risk. We will keep you informed of developments. Amy B. Rosenblum Assistant General
Counsel Attachment

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