

MEMO# 7086

July 5, 1995

SEC STAFF REPORT RECOMMENDS THAT SEC CONSIDER EXEMPTING INVESTMENT COMPANIES, ADVISERS FROM REGULATION UNDER PUHCA

1 See Memorandum to Compliance Committee No. 21-94, Investment Advisers Committee No. 56-94 and SEC Rules Committee No. 121-94, dated November 17, 1994. 2 See Memorandum to Compliance Committee No. 8-95, Investment Advisers Committee No. 10-95, SEC Rules Committee No. 18-95 and Unit Investment Trust Committee No. 15-95, dated February 7, 1995. The Institute had submitted similar recommendations to the SEC on two previous occasions. July 5, 1995 TO: COMPLIANCE COMMITTEE No. 30-95 INVESTMENT ADVISERS COMMITTEE No. 30-95 SEC RULES COMMITTEE No. 81-95 UNIT INVESTMENT TRUST COMMITTEE No. 54-95 RE: SEC STAFF REPORT RECOMMENDS THAT SEC CONSIDER EXEMPTING INVESTMENT COMPANIES, ADVISERS FROM REGULATION UNDER PUHCA _____ Last

year, as part of a Division of Investment Management study of the regulation of public-utility holding companies, the Securities and Exchange Commission issued a concept release seeking public comment on modernization of such regulation under the Public Utility Holding Company Act of 1935.¹ Among other things, the concept release requested comment on application of the Act to investment companies and investment advisers. In response to the release, the Institute submitted a comment letter recommending that the SEC adopt a rule exempting investment companies and investment advisers from regulation under the Act.² The Division of Investment Management recently published a report entitled "The Regulation of Public Utility Holding Companies," which sets forth the Division's conclusions and recommendations for legislative and administrative reform to improve public-utility holding company regulation. We are pleased to notify you that the report includes a section on "Investment Company Issues," which discusses the comments submitted by the Institute and others and concludes that "there is merit to exempting investment companies and advisers from application of the Holding Company Act." Thus, the Division "recommends that the SEC consider a rule on this matter." A copy of this section of the report is attached. It should be noted that the report also recommends that the SEC present three legislative options to Congress: (1) conditional repeal of the Act (the option preferred by the Division); (2) unconditional repeal of the Act; and (3) broader SEC exemptive authority under the Act. Pending legislative consideration of these options, the Division recommends several administrative changes "to modernize and simplify regulation, reduce the delay inherent in the current administration of the Act, and minimize regulatory overlap, while protecting the interests of consumers and investors." Frances M. Stadler Associate Counsel Attachment

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