

MEMO# 6459

December 13, 1994

DRAFT SIA SUBCOMMITTEE LETTER CONCERNING AN INVESTMENT ADVISER'S AUTHORITY TO ACT ON ITS CLIENTS' BEHALF

December 13, 1994 TO: INVESTMENT ADVISERS COMMITTEE No. 59-94 RE: DRAFT SIA
SUBCOMMITTEE LETTER CONCERNING AN INVESTMENT ADVISER'S AUTHORITY TO ACT ON
ITS CLIENTS' BEHALF

_____ We recently
learned that the Subcommittee on Accounts of the Securities Industry Association has
drafted the attached form letter intended to assist broker-dealers in fulfilling their
regulatory obligations when opening accounts and executing transactions for investment
adviser clients in cases where the adviser has determined not to disclose the identity of its
clients. We understand that the SIA Investment Advisers Committee has not yet reviewed
the letter, but is expected to do so shortly. Specifically, the letter would require that the
investment adviser represent to the broker-dealer that, among other things, it is registered
under the Investment Advisers Act; maintains the books and records required under that
Act; is properly authorized to act on its clients' behalf; and has determined that the orders
placed with the broker-dealer are suitable for its clients. The letter also would require that
the adviser indemnify the broker-dealer for any loss or damage that may be sustained as a
result of any claim that the execution of the orders made on the basis of the adviser's
instructions was not suitable or authorized. It is my understanding that the SIA
Subcommittee intends to move forward quickly with this project. Therefore, please provide
me with your comments on the draft letter by December 21, 1994. I can be reached at
202/326-5824. Amy B.R. Lancellotta Associate Counsel Attachment