

MEMO# 2518

March 5, 1991

VIRGINIA MULTIPLE REGISTRATION ISSUE RESOLVED; INSTITUTE COMMENTS ON NEW MEXICO RE-PROPOSED REGULATIONS

March 5, 1991 TO: INVESTMENT ADVISERS COMMITTEE NO. 7-91 RE: VIRGINIA MULTIPLE REGISTRATION ISSUE RESOLVED; INSTITUTE COMMENTS ON NEW MEXICO RE-PROPOSED REGULATIONS _____ As we discussed at the Investment Advisers Committee meeting on January 23, 1991, a bill was recently introduced in the Virginia legislature which would permit investment adviser representatives to be employed by more than one investment adviser. Although this provision of the bill was innocuous on its face, the staff of the Virginia Securities Commission informly indicated that this change would permit it to require multiple registration of investment adviser representation with each non-affiliated investment adviser for whom the representative has referred business. This could include any "wrap fee" arrangement where a broker-dealer or an investment adviser arranges for an unrelated sub-adviser to perform services as part of the arrangement. We are pleased informed you that as a result of Institute lobbying efforts and the efforts of other financial service industry representatives, no changes have been proposed to the Virginia statute regarding employment of investment adviser representatives. In addition, the Virginia Securities Commission stated that following the close of the legislative sessions, it would consult with industry representatives to resolve any existing or future problems perceived by the Commission staff and the industry regarding investment adviser representatives and broker-dealer agents with relationships with more than one investment adviser in Virginia. A copy of amended Virginia House bill 1446 is attached. Also attached is a copy of the Institute's comments on the repropoed New Mexico regulations regarding investment advisers. (See Institute Memorandum to Investment Advisers Committee No. 3-91, dated January 24, 1991.) The Institute's comments incorporated by reference the concerns expressed in our letter dated February 14, 1991 to all state securities administrators regarding inappropriate adviser examination requirements. (See Institute Memorandum to Investment Advisers Committee No. 6-91, dated February 15, 1991). We will keep you informed of further developments. W. Richard Mason Assistant Counsel Attachments