

**MEMO# 7986**

June 19, 1996

## **HOUSE OF REPRESENTATIVES AND SENATE COMMITTEE APPROVE LEGISLATION TO RATIONALIZE STATE MUTUAL FUND REGULATION**

June 19, 1996 TO: BOARD OF GOVERNORS No. 31-96 FEDERAL LEGISLATION MEMBERS No. 9-96 MEMBERS - ONE PER COMPLEX No. 51-96 PUBLIC INFORMATION COMMITTEE No. 26-96 SEC RULES COMMITTEE No. 63-96 STATE LIAISON COMMITTEE No. 18-96 RE: HOUSE OF REPRESENTATIVES AND SENATE COMMITTEE APPROVE LEGISLATION TO RATIONALIZE STATE MUTUAL FUND REGULATION

I am pleased to report that today both the House of Representatives and Senate Committee on Banking, Housing, and Urban Affairs approved legislation that would eliminate duplicative state regulation of mutual funds. The House approved H.R. 3005, the "Securities Amendments of 1996," by a vote of 407 to 8, while the Senate Banking Committee approved S. 1815, the "Securities Investment Promotion Act of 1996," by a unanimous roll call vote. Senate Banking Committee Chairman Alfonse M. D'Amato said that he intends to move S. 1815 to the Senate floor soon. A House-Senate conference will follow. Both bills would eliminate state registration of mutual funds, eliminate state review of fund prospectuses and sales literature, and preclude states from imposing merit standards on funds. States would continue to be able to require funds to make notice filings, to assess fees and to bring antifraud actions. The Senate bill is more comprehensive than its House counterpart in that it would also fashion a more rational allocation of regulatory responsibility over investment advisers by vesting regulation of smaller advisers exclusively at the state level and regulation of larger advisers (\$25 million or more in assets under management) exclusively with the SEC. The continued successful action on this legislation is a testament to the work of many Institute members. We will keep you informed as these bills move forward. For those members with access privileges, this memo can be found on ICINet. Matthew P. Fink President

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