

MEMO# 4202

October 22, 1992

CONGRESS FAILS TO APPROVE INVESTMENT ADVISER LEGISLATION

October 22, 1992 TO: BOARD OF GOVERNORS NO. 77-92 SEC RULES MEMBERS NO. 49-92
INVESTMENT ADVISER MEMBERS NO. 55-92 INVESTMENT ADVISER ASSOCIATE MEMBERS
NO. 43-92 RE: CONGRESS FAILS TO APPROVE INVESTMENT ADVISER LEGISLATION

Congress failed to approve investment adviser legislation before adjourning this session due to significant differences between the House and Senate versions of bills that could not be resolved. As we previously informed you, the Senate and the House had approved different versions of investment adviser legislation, which was designed to improve the SEC's oversight of the investment adviser industry through the payment of annual fees by registered advisers. (See Memoranda to Board of Governors Nos. 57-92 and 71-92, SEC Rules Members Nos. 36-92 and 41-92, Investment Adviser Members Nos. 39-92 and 44-92, and Investment Adviser Associate Members Nos. 31-92 and 36-92, dated August 13, 1992 and September 23, 1992, respectively). Specifically, the House bill differed from the Senate bill in several significant respects in that it would have, among other things, (1) imposed an express suitability standard under the Advisers Act and (2) required registered advisers to provide prescribed brochure disclosure and issue transaction and periodic reports to clients. Members of Congress have indicated that they intend to reintroduce investment adviser legislation next session. It is likely that such legislation would again include those provisions as well as other controversial provisions, such as an express private right of action under the Adviser Act. The Institute will continue to seek targeted legislation that focuses primarily on increasing the SEC's resources to improve its oversight of the investment adviser industry. We will keep you informed of developments in this matter. Matthew P. Fink President