

*3 pages*

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

September 4, 1992

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-4912

TO: Legislative Liaison Officer -

JUSTICE - W. Lee Rawls - 514-2141 - 217  
TREASURY - Richard S. Carro - 622-1146 - 228  
CEA - Francine Obermiller - 395-5036 - 242  
SEC - Kate Fulton - 272-2500 - 291  
COMMERCE - Michael A. Levitt - 377-3151 - 324  
SBA - Gail P. McGrath - 205-6702 - 315

FROM: JAMES J. JUKES (for) *Ji-*  
Assistant Director for Legislative Reference

OMB CONTACT: GERRI RATLIFF (Direct Line: 395-3883)  
Secretary's line (for simple responses): 395-3454

SUBJECT: Proposed Statement of Administration Policy  
RE: HR 5726, Investment Adviser Regulatory  
Enhancement and Disclosure

DEADLINE: September 10, 1992

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:  
Chris Parker  
Alan Rhinesmith  
Rusty Moran  
Roz Rettman  
Gary Waxman  
Adrien Silas  
Boyden Gray  
Gene Schaerr  
Tim Adams  
James Gattuso  
Justine Rodriguez

September 4, 1992  
(House Rules)

H.R. 5726 - Investment Adviser Regulatory Enhancement and  
Disclosure Act of 1992  
(Boucher (D) Virginia and 8 others)

The Administration has no objection to passage of H.R. 5726.

However, the Administration will work with Congress to secure enactment of the provision of S. 2266 as passed by the Senate that would authorize the SEC to require, at its discretion, certain advisers to obtain fidelity bonds. The requirement in H.R. 5726 for all advisers to obtain bonds would unnecessarily burden reputable firms.

The Administration will also work with Congress to delete provisions of H.R. 5726 that would:

- Require investment advisers to notify clients in writing of commissions expected to be charged prior to a purchase or sale. Periodic reports would adequately protect investors, without unduly burdening advisers.
- Unnecessarily allow the SEC to limit the fee self-regulated organizations could charge their members and their affiliates for examinations.
- Require the SEC to perform some unnecessary inspections and conduct compliance surveys. In both cases, resources would be better used in inspecting risky cases and prosecuting violations.
- Prohibit advisers from disclosing certain client information, which could impede the SEC's enforcement program.
- Authorize the SEC to cooperate with State securities agencies or associations to achieve effective and uniform regulation and enforcement. Not only does the SEC already perform this function, but this provision would not resolve the current lack of uniformity among the States. In addition, the requirement that the SEC submit legislative recommendations to Congress would infringe unconstitutionally on the President's authority.

\* \* \* \* \*