

104TH CONGRESS  
1ST SESSION

# S. 148

To promote the integrity of investment advisers.

---

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. GRAMM introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

## A BILL

To promote the integrity of investment advisers.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Investment Advisers  
5 Integrity Act”.

6 **SEC. 2. ENHANCED ENFORCEMENT PRIORITY.**

7 Of the amounts appropriated to the Securities and  
8 Exchange Commission, there are authorized to be appro-  
9 priated—

10 (1) not to exceed \$10,000,000 in fiscal year  
11 1996; and

1           (2) not to exceed \$12,000,000 for fiscal year  
2           1997;  
3 for the enforcement of the provisions of the Investment  
4 Advisers Act of 1940, particularly with respect to advisers  
5 managing more than \$5,000,000 in assets.

6 **SEC. 3. EXEMPTION FOR STATE REGISTRATION.**

7           Section 203(b) of the Investment Advisers Act of  
8 1940 (15 U.S.C. 80b-3(b)) is amended—

9           (1) by striking “or” at the end of clause (2);

10           (2) by striking the period at the end of clause

11           (3) and inserting “; and”; and

12           (3) by adding at the end the following:

13           “(4) any investment adviser who, during the  
14 course of the preceding 12 months, had no more  
15 than \$5,000,000 in assets under management, if the  
16 investment adviser is registered with the appropriate  
17 State securities regulator, except that the Commis-  
18 sion may, by rule, also require registrations by in-  
19 vestment advisers who, during the preceding 12  
20 months, had more than \$1,000,000 but less than  
21 \$5,000,000 in assets under management if the Com-  
22 mission determines such action to be necessary to  
23 achieve the purposes of the Act. As used in this sec-  
24 tion, the term ‘assets under management’ means the  
25 client assets with respect to which an investment ad-

1       viser provides continuous and regular supervisory or  
2       management services.”.

3       **SEC. 4. INVESTIGATION OF FRAUD.**

4       Section 209 of the Investment Advisers Act of 1940  
5       (15 U.S.C. 80b-9) is amended by adding at the end the  
6       following:

7       “(f) The Commission is authorized to conduct inves-  
8       tigations of any investment adviser, notwithstanding any  
9       exception from registration under section 203(b)(4), in  
10      any case where the appropriate State securities regulator  
11      or one or more clients or former clients of the investment  
12      adviser have alleged fraud on the part of the investment  
13      adviser.”.

14      **SEC. 5. DISQUALIFICATION OF CONVICTED FELONS.**

15      (a) AMENDMENT.—Section 203(e) of the Investment  
16      Advisers Act of 1940 (15 U.S.C. 80b-3(e)) is amended—

17              (1) by redesignating paragraphs (3) through  
18              (7) as paragraphs (4) through (8), respectively; and

19              (2) by inserting after paragraph (2) the follow-  
20      ing new paragraph;

21              “(3) has been convicted within ten years pre-  
22      ceding the filing of any application for registration  
23      or at any time thereafter of any crime that is pun-  
24      ishable by imprisonment for one or more years and  
25      that is not described in paragraph (2) of this sub-

1 section or of a substantially equivalent crime by a  
2 foreign court of competent jurisdiction.”.

3 (b) CONFORMING AMENDMENTS.—Section 203 of  
4 such Act is further amended—

5 (1) in subsection (e)(6) (as redesignated by  
6 subsection (a) of this section), by striking “this  
7 paragraph (5)” and inserting “this paragraph (6)”;

8 (2) in subsection (f)—

9 (A) by striking “paragraph (1), (4), (5), or  
10 (7)” and inserting “paragraph (1), (5), (6), or  
11 (8)”;

12 (B) by striking “paragraph (3)” and in-  
13 serting “paragraph (4)”;

14 (3) in subsection (i)(1)(D), by striking “section  
15 203(e)(5) of this title” and inserting “subsection  
16 (e)(6) of this section”.

○