

HR 5424

Investment Advisers Modernization Act of 2016

Congress: 114 (2015–2017, Ended)

Chamber: House

Policy Area: Finance and Financial Sector

Introduced: Jun 9, 2016

Current Status: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs

Latest Action: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (Sep 12, 2016)

Official Text: <https://www.congress.gov/bill/114th-congress/house-bill/5424>

Sponsor

Name: Rep. Hurt, Robert [R-VA-5]

Party: Republican • **State:** VA • **Chamber:** House

Cosponsors (5 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Foster, Bill [D-IL-11]	D · IL		Jun 9, 2016
Rep. Stivers, Steve [R-OH-15]	R · OH		Jun 9, 2016
Rep. Vargas, Juan [D-CA-51]	D · CA		Jun 9, 2016
Rep. Hultgren, Randy [R-IL-14]	R · IL		Jun 16, 2016
Rep. Sinema, Kyrsten [D-AZ-9]	D · AZ		Jun 16, 2016

Committee Activity

Committee	Chamber	Activity	Date
Banking, Housing, and Urban Affairs Committee	Senate	Referred To	Sep 12, 2016
Financial Services Committee	House	Hearings By (subcommittee)	May 17, 2016

Subjects & Policy Tags

Policy Area:

Finance and Financial Sector

Related Bills

Bill	Relationship	Last Action
114 HRES 844	Procedurally related	Sep 8, 2016: Motion to reconsider laid on the table Agreed to without objection.

Investment Advisers Modernization Act of 2016

This bill directs the Securities and Exchange Commission (SEC) to amend specified regulations for investment advisers as they apply to private equity firms and private investment funds.

(Sec. 2) The bill revises the disclaimer that, in the case of an investment adviser that is a partnership, an assignment shall not be deemed to result from the death, withdrawal, sale or transfer of minority interests to apply the disclaimer also to minority members, shareholders, for other equity owners of the investment adviser. Qualified clients of an investment adviser may consent to an assignment of the investment adviser contract at the time they enter into an advisory contract.

The Investment Advisers Act of 1940 is amended to repeal the requirement that advisers organized as partnerships notify the other party to an investment adviser contract every time there is a change in the composition of the partnership.

The SEC shall waive the application of specified antifraud prohibitions to advisers who advertise exclusively to:

- qualified clients, determined as of the time of the publication, circulation, or distribution of the advertisement rather than immediately before or after entering into the investment advisory contract;
- knowledgeable employees of any private fund to which the investment adviser acts as an investment adviser;
- qualified purchasers; or
- accredited investors (determined as if the investment adviser were the securities issuer and the time of the publication, circulation, or distribution of the advertisement were the sale of such securities).

(Sec. 3) The SEC must amend a certain regulation regarding Form PF which registered investment advisers with at least \$150 million in private funds assets under management must file with the SEC to report information about the private funds that they manage. This amendment shall state that an investment adviser to a private fund is not required to report any information beyond that which is required by sections 1a and 1b of Form PF unless it is a large hedge fund adviser or a large liquidity fund adviser.

The SEC shall also amend the regulation requiring that client funds and securities of which an investment adviser has custody are verified by actual examination periodically by an independent public accountant.

The SEC shall amend the proxy voting regulation to waive its application to any voting authority exercised by an investment adviser regarding client securities that are not public securities.

(Sec. 4) On the other hand, the SEC may not:

- amend a specified regulation to extend its requirements and prohibitions concerning investment company sales literature to offerings of securities issued by private funds, or
- adopt substantially similar rules applicable to such offerings.

(Sec. 5) This bill shall not apply to advisory services supplied to an investment company registered under the Investment Company Act of 1940.

(Sec. 6) Any regulation referred to in this bill includes any successor regulation.

Actions Timeline

- **Sep 12, 2016:** Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
- **Sep 9, 2016:** ORDER OF PROCEDURE - Mr. Hurt asked unanimous consent that the question of adopting a motion to recommit on H.R. 5424 may be subject to postponement as though under clause 8 of rule 20.
- **Sep 9, 2016:** Considered under the provisions of rule H. Res. 844. (consideration: CR H5230-5239; text of measure as reported in House: CR H5230-5231)
- **Sep 9, 2016:** Rule provides for consideration of H.R. 2357 and H.R. 5424.
- **Sep 9, 2016:** DEBATE - The House proceeded with one hour of debate on H.R. 5424.
- **Sep 9, 2016:** DEBATE - Pursuant to the provisions of H.Res. 844, the House proceeded with 10 minutes of debate on the Foster amendment.
- **Sep 9, 2016:** Mrs. Torres moved to recommit with instructions to the Committee on Financial Services. (consideration: CR H5238-5239, H5244-5245; text: CR H5238-5239)
- **Sep 9, 2016:** DEBATE - The House proceeded with 10 minutes of debate on the Torres motion to recommit with instructions pending a reservation of a point of order. The instructions contained in the motion seek to require the bill to be reported back to the House with an amendment to add at the end of the bill a section pertaining to Report on Emergency Vehicle Response Times of Companies Owned by Private Funds. Subsequently, the reservation was removed.
- **Sep 9, 2016:** The previous question on the motion to recommit with instructions was ordered without objection. (consideration: CR H5244)
- **Sep 9, 2016:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Torres motion to recommit, the Chair put the question on adoption of the motion and by voice vote, announced the noes had prevailed. Mrs. Torres demanded the yeas and nays and the Chair postponed further proceedings on the motion to recommit until later in the legislative day.
- **Sep 9, 2016:** Considered as unfinished business. (consideration: CR H5244-5246)
- **Sep 9, 2016:** On motion to recommit with instructions Failed by the Yeas and Nays: 176 - 232 (Roll no. 494).
- **Sep 9, 2016:** Passed/agreed to in House: On passage Passed by the Yeas and Nays: 261 - 145 (Roll no. 495).
- **Sep 9, 2016:** On passage Passed by the Yeas and Nays: 261 - 145 (Roll no. 495).
- **Sep 9, 2016:** Motion to reconsider laid on the table Agreed to without objection.
- **Sep 8, 2016:** Rule H. Res. 844 passed House.
- **Sep 6, 2016:** Rules Committee Resolution H. Res. 844 Reported to House. Rule provides for consideration of H.R. 2357 and H.R. 5424.
- **Jul 21, 2016:** Reported (Amended) by the Committee on Financial Services. H. Rept. 114-698.
- **Jul 21, 2016:** Placed on the Union Calendar, Calendar No. 540.
- **Jun 16, 2016:** Committee Consideration and Mark-up Session Held.
- **Jun 16, 2016:** Ordered to be Reported (Amended) by the Yeas and Nays: 47 - 12.
- **Jun 15, 2016:** Committee Consideration and Mark-up Session Held.
- **Jun 9, 2016:** Introduced in House
- **Jun 9, 2016:** Referred to the House Committee on Financial Services.
- **May 17, 2016:** Hearings Held by the Subcommittee on Capital Markets and Government Sponsored Enterprises Prior to Introduction and Referral.