

March 17, 1993

M E M O R A N D U M

TO: Elise Hoffmann  
Merril Spiegel  
Steve Blumenthal  
Kate Fulton

CC: Adviser's Team

FROM: Consuela Washington *Consuela*

SUBJECT: H.R. 578, Investment Advisers Legislation

Neal McCoy of Skadden Arps, along with a Skadden colleague whose name I do not recall, called me last evening on behalf of Prudential Securities whom Neal said they represented. Neal said that Pru had a serious problem with the investment advisers bill's suitability provision and wanted an exemption for their "institutional" accounts on the basis of the "hardship" of compliance.

I asked Neal where the hell they had been. I told him subcommittee markup was next week with full Committee markup and House Floor action as soon thereafter as possible. I reminded him that the bill had been out for comment and revision for over two years, and asked why their client had not come in with the SIA or separately in the last Congress. Also, Neal was an active participant in the discussion of this bill (substance and timing) at the meeting of the Executive Council, Securities Committee of the Federal Bar Association on Feb. 1 with me and Marty. Why did he wait over 6 weeks to contact us? I told them, if they had a case they wanted to make, they had better reduce it to writing and get it up here to you guys ASAP. I told them I had the same attitude about suitability exemptions as I did about antifraud exemptions, but was willing to consider fairly whatever they had to say. As I recall, last year we dealt with this issue in report language (attached).

Neal thanked me for taking the call and did not indicate what they intended to do. This is to warn you that they are out there. If my memory serves me correctly, this is not the first time Pru or that law firm has tried to throw a wrench in something at the last minute.

Separately, Smitty Davis of the Akin Gump law firm, on behalf of Bank of America, submitted a request for an amendment on the same topic. I am forwarding those materials for your review and recommendation.

Enclosures