

**Securities Industry Association**

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August 7, 1998

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W., Stop 6-9
Washington, D.C. 20549

**Re: Proposed Rule Relating to Reports to be made by Certain
Investment Advisers Regarding Year 2000 Preparedness
(File No. S7-20-98)**

Dear Mr. Katz:

The Investment Adviser Committee of the Securities Industry Association ("SIA")¹ is taking this opportunity to provide comment on a Securities and Exchange Commission ("SEC" or "Commission") proposal to adopt a new rule 204-5 under the Investment Advisers Act of 1940. This rule would require the filing of Year 2000 preparedness reports on a new Form ADV-Y2K by certain investment advisers. It appears that the information to be filed with the Commission under the proposed rule and the timeframes within which such information is to be filed, is substantially identical to that required under the recently adopted Year 2000 reporting requirements applicable to broker-dealers.² We also note that the accountants' attestation requirement was deleted from the final broker-dealer rule and has not been included in the proposed investment adviser Year 2000 reporting rule. The Commission is to be applauded for recognizing the significant practical problems that would have been generated by the extensive accountants' involvement contemplated by the original proposal.

SIA has consistently and enthusiastically supported all reasonable measures which heighten industry awareness of the Year 2000 issue and encourage the application of sufficient resources to address it.³ We similarly support the instant proposal, but believe the Commission should consider simplifying the filing requirement for investment advisers who are dually registered as broker-dealers with the Commission under the Securities and Exchange Act of 1934. As previously noted, the information requested under the broker-dealer rule and the proposed investment adviser rule are substantially identical. Therefore, a dual registrant complying with both filing requirements would essentially be submitting the same information twice. This would increase the time and effort required for the dual registrant to complete the reports, and correspondingly result in the Commission reviewing a great deal of redundant

information.⁴ Given the short timeframe involved with respect to Year 2000 issues and the vast amount of information the Commission will be reviewing, we are concerned that anything which unnecessarily adds to the volume of information which must be reviewed may diminish the effectiveness of such review. Therefore, we respectfully suggest that Form ADV-Y2K be revised so that at the beginning of Part I the Form requests the following information:

- (1) Are you also registered as a broker-dealer under the Securities and Exchange Act of 1934?
- (2) If so, have you filed Form BD-Y2K pursuant to Rule 17a-5?
- (3) Do your investment adviser activities utilize the same computer systems as your broker-dealer activities?

If all three questions are answered in the affirmative, the instructions could then provide that the respondent skip to the last item in Part I. This is, of course, only one possible approach, and the Commission may wish to consider other alternatives which will achieve the goal of eliminating duplication, and reducing the industry's reporting and staff's review burdens.

We hope you will find our comments constructive and we assure you of our continued support of initiatives which will successfully address Year 2000 concerns.

Sincerely,

Burton M Fendelman
Chairman

Investment Adviser Committee

Oliver Herzfeld
Chairman

Year 2000 Legal and Regulatory Subcommittee

cc: The Honorable Arthur Levitt, Chairman

The Honorable Paul Carey, Commissioner

The Honorable Issac Hunt, Jr., Commissioner

The Honorable Norman Johnson, Commissioner

The Honorable Laura Unger, Commissioner

Barry P. Barbash, Esq., Director, Division of Investment Management

Arthur B. Laby, Esq., Special Counsel, Division of Investment Management

Footnotes:

¹ The Securities Industry Association brings together the shared interest of nearly 800 securities firms, employing more than 380,000 individuals, to accomplish common goals. SIA members—including investment banks, broker-dealers, and mutual fund companies—are active in all markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of more than 50-million investors directly and tens of millions of investors indirectly through corporate, thrift and pension plans and accounts for \$270 billion of revenues in the U.S. economy.

² SEC Release No. 34-40162 (July 2, 1998)

³ See letter dated April 24, 1998 to Jonathan G. Katz, SEC Secretary, from Donald D. Kittell, Executive Vice- President SIA, regarding Year 2000 broker-dealer proposal.

⁴ While the precise number is not known, SIA believes at least several hundred broker-dealers are dual registrants.