

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 1895

To require investment advisers to make prominent public disclosures of ties with companies being analyzed by them, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 24, 2002

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

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## A BILL

To require investment advisers to make prominent public disclosures of ties with companies being analyzed by them, and for other purposes.

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 “Independent Invest-  
5       ment Advisers Act of 2002”.

6       **SEC. 2. FINDINGS.**

7       Congress finds that, in the decade preceding the date  
8       of enactment of this Act—

9               (1) events have raised concerns about the inde-  
10       pendence of the research conducted by investment

1 advisers, particularly those who are affiliated with  
2 brokerage houses and investment banking institu-  
3 tions; and

4 (2) the number of class-action lawsuits alleging  
5 conflicts of interest on the part of investment advis-  
6 ers has increased dramatically.

7 **SEC. 3. ENHANCED DISCLOSURES BY INVESTMENT ADVIS-**  
8 **ERS.**

9 (a) The Investment Advisers Act of 1940 (15 U.S.C.  
10 80b–1 et seq.) is amended by inserting after section 204A  
11 the following:

12 “PUBLIC DISCLOSURE OF TIES TO ISSUERS

13 “SEC. 204B. (a) If an investment adviser publishes  
14 any analysis or report regarding a company or the securi-  
15 ties of a company, the investment adviser shall promi-  
16 nently disclose, in plain language—

17 “(1) the amount of any fees that the investment  
18 adviser, or person associated with the investment ad-  
19 viser, has received from that company during the 3-  
20 year period preceding the date of publication;

21 “(2) any merger or acquisition transaction han-  
22 dled by the investment adviser during the 5-year pe-  
23 riod preceding the date of publication that involves  
24 any debt or equity instruments of that company, in-  
25 cluding transactions that are concurrent with the  
26 publication;

1           “(3) any personal debt or equity holdings that  
2           the investment adviser or person associated with the  
3           investment adviser has in the company; and

4           “(4) the extent to which the investment adviser  
5           or person associated with the investment adviser has  
6           debt or equity holdings in that company.

7           “(b) In this section, the term ‘publication’ has the  
8           meaning given that term by regulation of the Commission,  
9           and includes—

10           “(1) any written description of the subject com-  
11           pany or the securities of that company by the invest-  
12           ment adviser; and

13           “(2) to the extent practicable—

14           “(A) any public appearance by the invest-  
15           ment adviser or person associated with the in-  
16           vestment adviser, such as participation in a  
17           seminar or forum regarding the subject com-  
18           pany or the securities of that company;

19           “(B) participation by the investment ad-  
20           viser or person associated with the investment  
21           adviser in an interactive electronic discussion  
22           group by the investment adviser regarding the  
23           subject company or the securities of that com-  
24           pany; and

1           “(C) any radio or television interview of  
2           the investment adviser or person associated  
3           with the investment adviser regarding the sub-  
4           ject company or the securities of that com-  
5           pany.”.

6           (b) COMMISSION REGULATIONS.—Not later than 180  
7           days after the date of enactment of this Act, the Securities  
8           and Exchange Commission shall issue final regulations to  
9           carry out section 204B of the Investment Advisers Act of  
10          1940, as added by this section.

11          (c) EFFECTIVE DATE.—Section 204B of the Invest-  
12          ment Advisers Act of 1940, as added by this Act, shall  
13          become effective on the date of issuance of final regula-  
14          tions under subsection (b).

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