

# House Financial Services Subcommittee Releases Discussion Draft Bills of the Investor Protection Act and the Private Fund Investment Advisers Registration Act

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On October 1, 2009, Representative Paul E. Kanjorski (D-PA), Chairman of the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, released discussion draft bills of the Investor Protection Act and the Private Fund Investment Advisers Registration Act. These bills are part of the financial regulatory reform movement in Congress in response to the recent economic crisis. In conjunction with the release of the draft bills, on October 6, 2009, the House Financial Services Committee has scheduled a hearing to discuss the creation of a national insurance office, improving investor protections and the regulation of private pools of capital.

The Investor Protection Act would attempt to harmonize the fiduciary duty standards of broker-dealers and investment advisers. This would entail mandating that every financial intermediary who provides advice will have a fiduciary duty to its clients.

The Private Fund Investment Advisers Registration Act would require advisers to private funds (which would include hedge funds and private equity funds as defined by the SEC) whose assets under management exceed \$30 million to register as investment advisers with the Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended. The bill provides for an exemption for advisers to "venture capital funds" as defined by the SEC.

Foley Hoag will monitor the outcome of the hearing, the progress of these bills and provide regular updates.