

109TH CONGRESS
2^D SESSION

H. R. 5712

To amend the Investment Advisers Act of 1940 to authorize the Commission to require the registration of hedge fund advisers under that Act.

IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 2006

Mr. FRANK of Massachusetts (for himself, Mr. KANJORSKI, and Mr. CAPUANO) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Investment Advisers Act of 1940 to authorize the Commission to require the registration of hedge fund advisers under that Act.

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 “Securities and Ex-
5 change Commission Authority Restoration Act of 2006”.

6 **SEC. 2. AUTHORITY TO LIMIT EXEMPTION.**

7 Section 203 of the Investment Advisers Act of 1940
8 (15 U.S.C. 80b–3) is amended by adding at the end the
9 following new subsection:

1 “(1) AUTHORITY TO LIMIT EXEMPTION.—

2 “(1) AUTHORITY.—The Commission may, by
3 rule or regulation, limit the availability of the ex-
4 emption provided by subsection (b)(3), and require
5 the registration under this section, of an investment
6 adviser by requiring that certain shareholders, part-
7 ners, and beneficial owners of, or investors in, clients
8 of the adviser shall also be counted as clients them-
9 selves for purposes of such subsection, as the Com-
10 mission determines necessary in the public interest
11 or for the protection of investors.

12 “(2) RULE OF CONSTRUCTION.—The treatment
13 of a shareholder, partner, beneficial owner, or inves-
14 tor as a client for purposes of registration under this
15 section shall not affect, and shall not be affected by,
16 the treatment of such persons not as clients for pur-
17 poses of section 206 or any other section of this
18 title.”.

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