

109TH CONGRESS  
2D 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.”.

○