

[DISCUSSION DRAFT]112TH CONGRESS
1ST SESSION**H. R.** _____

To amend the Investment Advisers Act of 1940 to provide for the registration and oversight of national investment adviser associations.

IN THE HOUSE OF REPRESENTATIVES

Mr. BACHUS introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Investment Advisers Act of 1940 to provide for the registration and oversight of national investment adviser associations.

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 “Investment Adviser
5 Oversight Act of 2011”.

1 **SEC. 2. REGISTRATION AND OVERSIGHT OF NATIONAL IN-**
2 **VESTMENT ADVISER ASSOCIATIONS.**

3 The Investment Advisers Act of 1940 (15 U.S.C.
4 80b–1 et seq.) is amended by inserting after section 203A
5 the following new sections:

6 **“SEC. 203B. REGISTRATION OF NATIONAL INVESTMENT AD-**
7 **VISER ASSOCIATIONS.**

8 “(a) **REGISTRATION REQUIREMENT.**—Except as pro-
9 vided in subsection (b), it shall be unlawful for any invest-
10 ment adviser registered under section 203 or that is sub-
11 ject to a state authority under section 203A(a) of this title
12 to make use of the mails or any means or instrumentality
13 of interstate commerce in connection with the person’s
14 business as an investment adviser unless the investment
15 adviser is a member of a registered national investment
16 adviser association.

17 “(b) **EXEMPTIONS.**—Except as provided in para-
18 graph (c), the provisions of subsection (a) shall not apply
19 to—

20 “(1) any investment adviser that has assets
21 under management 90 percent or more of which are
22 attributable to one or more of the following types of
23 clients:

24 “(A) investment companies registered
25 under the Investment Company Act of 1940;

1 “(B) clients that are not ‘U.S. persons’ as
2 defined in rule 902(k) of regulation S under the
3 Securities Act of 1933;

4 “(C) clients that in the aggregate own not
5 less than \$25,000,000 in investments;

6 “(D) entities defined in section 3(e)(10) of
7 the Investment Company Act of 1940;

8 “(E) entities defined in section 3(e)(11) of
9 the Investment Company Act of 1940;

10 “(F) private funds as defined in section
11 202(a)(29) of this title; and

12 “(G) venture capital funds, as that term is
13 defined by the Commission pursuant to section
14 203(1) of this title;

15 “(2) any investment adviser that is controlling,
16 controlled by, or under common control with an in-
17 vestment adviser described in subsection (b)(1), if
18 the Commission finds that the compliance programs,
19 operations and businesses of such investment advis-
20 ers are sufficiently integrated that membership in a
21 registered national investment adviser association
22 would necessitate inappropriate duplicative examina-
23 tion by the Commission and the association, or oth-
24 erwise would not be necessary in the public interest

1 and for the protection of investors or in furtherance
2 of the purposes of this title; or

3 “(3) any other investment adviser or class of in-
4 vestment advisers that the Commission may exempt
5 by rule or regulation consistent with section 206A of
6 this title.

7 “(c) APPLICATION OF EXEMPTIONS.—The exemp-
8 tions in subsection (b) shall not apply to any investment
9 adviser that is registered as a broker-dealer under section
10 15 of the Securities Exchange Act of 1934 or that is con-
11 trolled by an officer, director, or employee of, or any other
12 natural person who is registered with, such a broker-deal-
13 er.

14 “(d) PROCEDURE FOR REGISTRATION.—An associa-
15 tion of investment advisers may be registered as a national
16 investment adviser association by filing with the Commis-
17 sion an application for registration in such form, and con-
18 taining the rules of the association and such other infor-
19 mation and documents, as the Commission, by rule, may
20 prescribe as necessary or appropriate in the public interest
21 or for the protection of investors or otherwise in further-
22 ance of the provisions of this title.

23 “(e) STAY PENDING APPROVAL.—No proposed rule
24 of any national investment adviser association, and no pro-
25 posed rule change of such an association, including any

1 rule or proposed rule change concerning any assessment,
2 fee or other charge imposed by the association, shall take
3 effect unless approved by the Commission after publica-
4 tion and opportunity for public comment.

5 “(f) EFFECTIVE DATE.—Notwithstanding subsection
6 (e), no proposed rule of any national investment adviser
7 association shall take effect within 1 year after the date
8 of enactment of this section, unless the Commission deter-
9 mines that an earlier effective date is appropriate to facili-
10 tate the effective operation of the association’s examina-
11 tion or enforcement programs, the organization and man-
12 agement of the association, or the Commission’s oversight
13 of the association.

14 “(g) REQUIREMENTS FOR REGISTRATION.—An asso-
15 ciation of investment advisers shall not be registered as
16 a national investment adviser association unless the Com-
17 mission determines that—

18 “(1) such association is so organized and has
19 the capacity to be able to carry out the purposes of
20 this title and to enforce compliance by its members
21 and persons associated with its members with the
22 provisions of this title, the rules and regulations
23 thereunder, and the rules of the association; and

24 “(2) the rules of the association—

1 “(A) assure a fair representation of the
2 public interest and the investment adviser in-
3 dustry in the selection of its directors and the
4 administration of its affairs and provide that a
5 majority of its directors shall not be associated
6 with any member of the association or any in-
7 vestment adviser or broker-dealer;

8 “(B) are designed to prevent fraudulent
9 and manipulative acts and practices and to pro-
10 tect investors and the public interest;

11 “(C) are necessary in furtherance of, and
12 are consistent with, the principles and provi-
13 sions of this title and the rules thereunder and
14 the fiduciary standards applicable to investment
15 advisers under this title or state law, and do
16 not unnecessarily duplicate, overlap or conflict
17 with any existing provision of this title or the
18 rules thereunder;

19 “(D) are necessary and appropriate in
20 light of the business of registered investment
21 advisers and do not impose any burden on the
22 business of investment advisers or on their abil-
23 ity to compete in the market for financial serv-
24 ices that is not necessary or appropriate in the
25 public interest or for the protection of investors

1 or otherwise in furtherance of the provisions of
2 this title;

3 “(E) provide for periodic examinations of
4 its members and persons associated with its
5 members to determine compliance with the ap-
6 plicable provisions of this title, the rules and
7 regulations thereunder, and the rules of the as-
8 sociation, for consultation with the Commission
9 in the development of such an examination pro-
10 gram, and for the coordination of those exami-
11 nations with examinations by the Commission
12 and state securities regulatory authorities in a
13 manner that promotes efficiency and avoids un-
14 necessary burdens on its members;

15 “(F) provide for the equitable allocation of
16 reasonable dues, fees, and other charges among
17 members and other persons using any facility
18 or system that the association operates or con-
19 trols;

20 “(G) provide for the issuance of an annual
21 financial report, and for the submission of the
22 report to the Commission and to the Committee
23 on Banking, Housing, and Urban Affairs of the
24 Senate and the Committee on Financial Serv-
25 ices of the House of Representatives;

1 “(H) establish appropriate procedures and
2 criteria for investment advisers to become mem-
3 bers of the association; and

4 “(I) establish appropriate procedures to
5 discipline its members and persons associated
6 with its members for violations of the provisions
7 of this title or the rules and regulations there-
8 under, and the rules of the association.

9 “(h) **TIME PERIOD FOR MEMBERSHIP APPLICA-**
10 **TION.**—A Commission determination to permit the reg-
11 istration of a national investment adviser association shall
12 establish a reasonable period of time following the effective
13 date of such registration for investment advisers to apply
14 for membership in accordance with the rules of the asso-
15 ciation.

16 “(i) **RULE OF CONSTRUCTION.**—Nothing in this Act
17 shall be construed to limit or detract from the authority
18 or the ability of any State to regulate any investment ad-
19 viser that is otherwise subject to state authority under sec-
20 tion 203A(a) of this title.

21 **“SEC. 203C. OVERSIGHT OF NATIONAL INVESTMENT AD-**
22 **VISER ASSOCIATIONS.**

23 “(a) **PROCEDURES FOR APPROVAL OF REGISTRA-**
24 **TION.**—

1 “(1) PUBLICATION AND INITIAL DETERMINA-
2 TION.—The Commission shall, upon the filing of an
3 application for registration as a national investment
4 adviser association pursuant to section 203B of this
5 title, publish notice of the filing and afford inter-
6 ested persons an opportunity to submit written data,
7 views, and arguments concerning such application.
8 Within 90 days of the date of publication of such no-
9 tice (or within such longer period as to which the
10 applicant consents), the Commission shall—

11 “(A) by order grant such registration; or
12 “(B) institute proceedings to determine
13 whether registration should be denied.

14 “(2) PROCEEDINGS FOR DENIAL.—The pro-
15 ceedings to determine whether registration should be
16 denied shall include notice of the grounds for denial
17 under consideration and opportunity for hearing and
18 shall be concluded within 180 days of the date of
19 publication of notice of the filing of the application
20 for registration. At the conclusion of such pro-
21 ceedings, the Commission, by order, shall grant or
22 deny registration. The Commission may extend the
23 time for conclusion of such proceedings for up to 90
24 days if it finds good cause for such extension and
25 publishes its reasons for so finding or for such

1 longer period as to which the applicant consents.
2 The Commission shall grant such registration if it
3 finds that the requirements of this title and the
4 rules and regulations thereunder with respect to the
5 applicant are satisfied. The Commission shall deny
6 such registration if it does not make such finding.

7 “(3) WITHDRAWAL.—A national investment ad-
8 viser association may, upon such terms and condi-
9 tions as the Commission, by rule, considers nec-
10 essary or appropriate in the public interest, for the
11 protection of investors or otherwise in furtherance of
12 the purposes of this title, withdraw from registration
13 by filing a written notice of withdrawal with the
14 Commission. If the Commission finds that any na-
15 tional investment adviser association is no longer in
16 existence or has ceased to do business in the capac-
17 ity specified in its application for registration, the
18 Commission, by order, shall cancel its registration.

19 “(b) PROCEDURES FOR APPROVAL OF RULES AND
20 RULE CHANGES.—

21 “(1) FILING AND PUBLICATION BY COMMIS-
22 SION.—Each national investment adviser association
23 shall file with the Commission, in accordance with
24 such rules as the Commission may prescribe, any
25 proposed rule or any proposed change in, addition

1 to, or deletion from the rules of the association (in
2 this paragraph collectively referred to as a ‘proposed
3 rule change’) accompanied by a concise statement of
4 the basis and purpose of, and the terms of substance
5 of or a description of the subjects and issues in-
6 volved with, the proposed rule change. The Commis-
7 sion shall, upon the filing of any proposed rule
8 change, publish notice thereof together with the
9 terms of substance of the proposed rule change or
10 a description of the subjects and issues involved. The
11 Commission shall give interested persons an oppor-
12 tunity to submit written data, views, and arguments
13 concerning such proposed rule change. No proposed
14 rule change shall take effect unless approved by the
15 Commission or otherwise permitted in accordance
16 with the provisions of this subsection.

17 “(2) DETERMINATION.—Within 35 days of the
18 date of publication of notice of the filing of a pro-
19 posed rule change in accordance with paragraph (1)
20 of this subsection, or within such longer period as
21 the Commission may designate if it finds a longer
22 period to be appropriate and publishes its reasons
23 for so finding or as to which the national investment
24 adviser association consents, the Commission shall:

1 “(A) by order approve the proposed rule
2 change; or

3 “(B) institute proceedings to determine
4 whether the proposed rule change should be dis-
5 approved.

6 “(3) PROCEEDINGS FOR DISAPPROVAL.—The
7 proceedings to determine whether the proposed rule
8 change should be disapproved shall include notice of
9 the grounds for disapproval under consideration and
10 opportunity for hearing and be concluded within 180
11 days of the date of publication of notice of the filing
12 of the proposed rule change. At the conclusion of the
13 proceedings, the Commission, by order, shall approve
14 or disapprove the proposed rule change. The Com-
15 mission may extend the time for conclusion of the
16 proceedings for up to 60 days if it finds good cause
17 for the extension and publishes its reasons for so
18 finding or for such longer period to which the na-
19 tional investment adviser association consents.

20 “(4) CRITERIA FOR APPROVAL.—The Commis-
21 sion shall approve a proposed rule change of a na-
22 tional investment adviser association if it finds that
23 the proposed rule change is consistent with the re-
24 quirements of this title and the rules and regulations
25 applicable to the national investment adviser associa-

1 tion. The Commission shall disapprove a proposed
2 rule change of a national investment adviser associa-
3 tion if it does not make this finding. The Commis-
4 sion shall not approve any proposed rule change be-
5 fore the thirtieth day after the date of publication of
6 notice of its filing, unless the Commission finds good
7 cause for so doing and publishes its reasons for so
8 finding.

9 “(5) SUMMARY EFFECTIVENESS.—(A) Notwith-
10 standing any other provision of this subsection, a
11 proposed rule change may be put into effect sum-
12 marily if it appears to the Commission that such ac-
13 tion is necessary for the protection of investors or
14 the safeguarding of securities or funds. Any pro-
15 posed rule change so put into effect shall be filed
16 promptly thereafter in accordance with the provi-
17 sions of paragraph (1) of this subsection.

18 “(B) Any proposed rule change of a national in-
19 vestment adviser association which has taken effect
20 under subparagraph (A) may be enforced by the na-
21 tional investment adviser association to the extent it
22 is not inconsistent with the provisions of this title,
23 the rules and regulations thereunder, and applicable
24 Federal law. At any time within 60 days of the date
25 of filing of a proposed rule change in accordance

1 with the provisions of paragraph (1) of this sub-
2 section, the Commission summarily may abrogate
3 the change in the rules of the association made
4 thereby and require that the proposed rule change
5 be refiled in accordance with the provisions of para-
6 graph (1) of this subsection, and reviewed in accord-
7 ance with the provisions of paragraph (2) of this
8 subsection, if it appears to the Commission that
9 such action is necessary or appropriate in the public
10 interest, for the protection of investors, or otherwise
11 in furtherance of the purposes of this title. Commis-
12 sion action pursuant to the preceding sentence shall
13 not affect the validity or force of the rule change
14 during the period it was in effect and shall not be
15 reviewable under section 213 of this title nor deemed
16 to be final agency action for purposes of section 704
17 of title 5, United States Code. The Commission, by
18 rule, may abrogate, add to, and delete from (in this
19 subsection collectively referred to as ‘amend’) the
20 rules of an association as the Commission deems
21 necessary or appropriate to ensure the fair adminis-
22 tration of the national investment adviser associa-
23 tion, to conform its rules to requirements of this
24 title and the rules and regulations applicable to such
25 national investment adviser association, or otherwise

1 in furtherance of the purposes of this title, in the
2 manner provided for in paragraphs (6) through (8).

3 “(6) NOTIFICATION AND OPPORTUNITY TO
4 COMMENT.—The Commission shall notify the na-
5 tional investment adviser association and publish no-
6 tice of the proposed rulemaking in the Federal Reg-
7 ister. The notice shall include the text of the pro-
8 posed amendment to the rules of the association and
9 a statement of the Commission’s reasons, including
10 any pertinent facts, for commencing the proposed
11 rulemaking. The Commission may give interested
12 persons an opportunity for the oral presentation of
13 data, views, and arguments, in addition to an oppor-
14 tunity to make written submissions. A transcript
15 shall be kept of any oral presentation.

16 “(7) STATEMENT OF BASIS FOR DETERMINA-
17 TION.—A rule adopted under this subsection shall
18 incorporate the text of the amendment to the rules
19 of the association and a statement of the Commis-
20 sion’s basis for and purpose in amending such rules.
21 This statement shall include an identification of any
22 facts on which the Commission considers its deter-
23 mination to amend the rules of the association to be
24 based, including the reasons for the Commission’s

1 conclusions as to any of such facts which were dis-
2 puted in the rulemaking.

3 “(8) ADA RULEMAKING PROCEDURES.—(A)
4 Except as provided in paragraphs (1) through (3) of
5 this subsection, rulemaking under this subsection
6 shall be in accordance with the procedures specified
7 in section 553 of title 5, United States Code, for
8 rulemaking not on the record.

9 “(B) Nothing in this subsection shall be con-
10 strued to impair or limit the Commission’s power to
11 make, or to modify or alter the procedures the Com-
12 mission may follow in making rules and regulations
13 pursuant to any other authority under this title.

14 “(C) Any amendment to the rules of an associa-
15 tion made by the Commission under this subsection
16 shall be considered for all purposes of this title to
17 be part of the rules of the association and shall not
18 be considered to be a rule of the Commission.

19 “(c) DISCIPLINE OF MEMBERS.—

20 “(1) IN GENERAL.—In any proceeding by a na-
21 tional investment adviser association to determine
22 whether a member or person associated with a mem-
23 ber should be disciplined (other than a summary
24 proceeding pursuant to paragraph (3)), the national
25 investment adviser association shall bring specific

1 charges, notify the member or person associated
2 with a member of, and give the member or person
3 an opportunity to defend against, such charges, and
4 keep a record. A determination by the national in-
5 vestment adviser association to impose a disciplinary
6 sanction shall be supported by a statement setting
7 forth—

8 “(A) any act or practice in which the mem-
9 ber or person associated with a member has
10 been found to have engaged, or which the mem-
11 ber or person associated with a member has
12 been found to have omitted;

13 “(B) the specific provision of this title, the
14 rules or regulations thereunder, or the rules of
15 the association which any such act or practice,
16 or omission to act, is deemed to violate; and

17 “(C) the sanction imposed and the reason
18 for it.

19 “(2) PROCEDURES AND DETERMINATION.—In
20 any proceeding by a national investment adviser as-
21 sociation to determine whether a person shall be de-
22 nied membership, barred from becoming associated
23 with a member, or prohibited or limited with respect
24 to access to services offered by the national invest-
25 ment adviser association, the national investment

1 adviser association shall notify the person of, and
2 give such person an opportunity to be heard on, the
3 specific grounds for denial, bar, prohibition or limi-
4 tation under consideration, and keep a record. A de-
5 termination by the national investment adviser asso-
6 ciation to deny membership, bar a person from be-
7 coming associated with a member, or prohibit or
8 limit a person with respect to access to services of-
9 fered by the national investment adviser association
10 shall be supported by a statement setting forth the
11 specific grounds on which the denial, bar, or prohibi-
12 tion or limitation is based.

13 “(3) SUMMARY SUSPENSION AND SUBSEQUENT
14 PROCEDURES.—A national investment adviser asso-
15 ciation may summarily—

16 “(A) suspend a member or person associ-
17 ated with a member who has been and is ex-
18 pelled or suspended from any self-regulatory or-
19 ganization or barred or suspended from being
20 associated with a member of any self-regulatory
21 organization;

22 “(B) suspend a member who is in such fi-
23 nancial or operating difficulty that the national
24 investment adviser association determines and
25 so notifies the Commission that the member

1 cannot be permitted to continue to do business
2 as a member and serve the interest of investors,
3 creditors, other members, or the national in-
4 vestment adviser association; or

5 “(C) limit or prohibit any person with re-
6 spect to access to services offered by the na-
7 tional investment adviser association if subpara-
8 graph (A) or (B) is applicable to such person
9 or, in the case of a person who is not a mem-
10 ber, if the national investment adviser associa-
11 tion determines that such person does not meet
12 the qualification requirements or other pre-
13 requisites for such access and such person can-
14 not be permitted to continue to have such ac-
15 cess and serve the interest of investors, credi-
16 tors, members, or the national investment ad-
17 viser association.

18 Any person aggrieved by any such summary action
19 shall be promptly afforded an opportunity for a
20 hearing by the national investment adviser associa-
21 tion in accordance with the provisions of paragraph
22 (1) or (2) of this subsection. The Commission, by
23 order, may stay any such summary action on its own
24 motion or upon application by any person aggrieved
25 thereby, if the Commission determines summarily or

1 after notice and opportunity for hearing (which
2 hearing may consist solely of the submission of affi-
3 davits or presentation of oral arguments) that such
4 stay is consistent with the public interest and the
5 protection of investors.

6 “(d) FINAL DISCIPLINARY SANCTION.—(1) If any
7 national investment adviser association imposes any final
8 disciplinary sanction on any member, denies membership
9 to any applicant, or prohibits or limits any person in re-
10 spect to access to services offered by the national invest-
11 ment adviser association, or if any national investment ad-
12 viser association imposes any final disciplinary sanction on
13 any person associated with a member, or bars any person
14 from becoming associated with a member, the national in-
15 vestment adviser association shall promptly file notice
16 thereof with the Commission. The notice shall be in such
17 form and contain such information as the Commission, by
18 rule, may prescribe as necessary or appropriate in further-
19 ance of the purposes of this title.

20 “(2) Any action with respect to which a national in-
21 vestment adviser association is required by paragraph (1)
22 of this subsection to file notice shall be subject to review
23 by the Commission, on its own motion, or upon application
24 by any person aggrieved thereby filed within 30 days after
25 the date such notice was both filed with the Commission

1 and received by such aggrieved person, or within such
2 longer period as the Commission may determine. Applica-
3 tion to the Commission for review, or the institution of
4 review by the Commission on its own motion, shall not
5 operate as a stay of the action unless the Commission oth-
6 erwise orders, summarily or after notice and opportunity
7 for hearing on the question of a stay (which hearing may
8 consist solely of the submission of affidavits or presen-
9 tation of oral arguments). The Commission may establish
10 for appropriate cases an expedited procedure for consider-
11 ation and determination of the question of a stay.

12 “(e) REVIEW OF FINAL SANCTION.—(1) In any pro-
13 ceeding to review a final disciplinary sanction imposed by
14 a national investment adviser association on a member or
15 a person associated with a member, after notice and op-
16 portunity for hearing (which hearing may consist solely
17 of consideration of the record before the national invest-
18 ment adviser association and opportunity for the presen-
19 tation of supporting reasons to affirm, modify, or set aside
20 the sanction)—

21 “(A) if the Commission finds that such member
22 or person associated with a member has engaged in
23 such acts or practices, or has omitted such acts, as
24 the national investment adviser association has
25 found him or her to have engaged in or omitted,

1 that such acts or practices, or omissions to act, are
2 in violation of such provisions of this title, the rules
3 or regulations thereunder, or the rules of the asso-
4 ciation, as have been specified in the determination
5 of the national investment adviser association, and
6 that such provisions are, and were applied in a man-
7 ner, consistent with the purposes of this title, the
8 Commission, by order, shall so declare and, as ap-
9 propriate, affirm the sanction imposed by the na-
10 tional investment adviser association, modify the
11 sanction in accordance with paragraph (2) of this
12 subsection, or remand to the national investment ad-
13 viser association for further proceedings; or

14 “(B) if the Commission does not make any such
15 finding it shall, by order, set aside the sanction im-
16 posed by the national investment adviser association
17 and, if appropriate, remand to the national invest-
18 ment adviser association for further proceedings.

19 “(2) If the Commission, having due regard for the
20 public interest, the protection of investors, and the policies
21 and purposes of this title, finds after a proceeding in ac-
22 cordance with paragraph (1) that a sanction imposed by
23 a national investment adviser association on a member or
24 person associated with a member imposes any burden on
25 competition not necessary or appropriate in furtherance

1 of the purposes of this title or is excessive or oppressive,
2 the Commission may cancel, reduce, or require the revoca-
3 tion of such sanction.

4 “(f) REVIEW OF DENIAL OF MEMBERSHIP.—In any
5 proceeding to review the denial of membership in a na-
6 tional investment adviser association to any applicant, the
7 barring of any person from becoming associated with a
8 member, or the prohibition or limitation by a national in-
9 vestment adviser association of any person with respect
10 to access to services offered by the national investment
11 adviser association, if the Commission, after notice and
12 opportunity for hearing (which hearing may consist solely
13 of consideration of the record before the national invest-
14 ment adviser association and opportunity for the presen-
15 tation of supporting reasons to dismiss the proceeding or
16 set aside the action of the national investment adviser as-
17 sociation) finds that the specific grounds on which the de-
18 nial, bar, prohibition or limitation is based exist in fact,
19 that the denial, bar, prohibition, or limitation is in accord-
20 ance with the rules of the association, and that the rules
21 are and were applied in a manner consistent with the pur-
22 poses of this title, the Commission, by order, shall dismiss
23 the proceeding. If the Commission does not make any such
24 finding or it finds that the denial, bar, prohibition or limi-
25 tation imposes any burden on competition not necessary

1 or appropriate in furtherance of the purposes of this title,
2 the Commission, by order, shall set aside the action of the
3 national investment adviser association and require it to
4 admit the applicant to membership or participation, per-
5 mit the person to become associated with a member, or
6 grant the person access to services offered by the national
7 investment adviser association.

8 “(g) COMPLIANCE.—(1) Every registered national in-
9 vestment adviser association shall comply with the provi-
10 sions of this title, the rules and regulations thereunder,
11 and its own rules, and (subject to the provisions of para-
12 graph (2) and the rules thereunder) absent reasonable jus-
13 tification or excuse, enforce compliance with such provi-
14 sions by its members and persons associated with a mem-
15 ber. The Commission shall conduct regular and routine
16 inspections, at least annually, of the registered national
17 investment adviser association, to ensure that the associa-
18 tion complies with the provisions of this title and the rules
19 and regulations thereunder.

20 “(2) The Commission, by rule, consistent with the
21 public interest, the protection of investors, and the other
22 policies and purposes of this title, may relieve any national
23 investment adviser association of any responsibility under
24 this title to enforce compliance with any provision of this
25 title or the rules or regulations thereunder by any member

1 of the national investment adviser association or any class
2 of such members or persons associated with a member.

3 “(h) ENFORCEMENT AUTHORITY OF THE COMMIS-
4 SION.—

5 “(1) SUSPENSION, CENSURE, LIMITATION ON
6 ASSOCIATIONS.—The Commission is authorized, by
7 order, if in its opinion such action is necessary or
8 appropriate in the public interest, for the protection
9 of investors, or otherwise in furtherance of the pur-
10 poses of this title, to suspend for a period not ex-
11 ceeding 12 months or revoke the registration of a
12 national investment adviser association, or to cen-
13 sure or impose limitations upon the activities, func-
14 tions, and operations of the national investment ad-
15 viser association, if the Commission finds, on the
16 record after notice and opportunity for hearing, that
17 the national investment adviser association has vio-
18 lated or is unable to comply with any provision of
19 this title, the rules or regulations thereunder, or its
20 own rules, or without reasonable justification or ex-
21 cuse has failed to enforce compliance with any such
22 provision by a member or a person associated with
23 a member.

24 “(2) SUSPENSION AND EXPULSION OF MEM-
25 BERS.—The Commission is authorized, by order, if

1 in its opinion such action is necessary or appropriate
2 in the public interest, for the protection of investors,
3 or otherwise in furtherance of the purposes of this
4 title, to suspend for a period not exceeding 12
5 months or expel from a national investment adviser
6 association any member, if the member is subject to
7 an order of the Commission pursuant to section
8 203(e) of this title or if the Commission finds, on
9 the record after notice and opportunity for hearing,
10 that the member has willfully violated, or has par-
11 ticipated in any transaction with or for any other
12 person who the member had reason to believe was
13 violating with respect to such transaction, any provi-
14 sion of the Securities Act of 1933, the Securities Ex-
15 change Act of 1934, the Investment Company Act of
16 1940, this title, the Commodity Exchange Act, or
17 the rules or regulations under any of such statutes,
18 or the rules of the Municipal Securities Rulemaking
19 Board.

20 “(3) OTHER BARS.—The Commission is author-
21 ized, by order, if in its opinion, such action is nec-
22 essary or appropriate in the public interest, for the
23 protection of investors, or otherwise in furtherance
24 of the purposes of this title, to suspend for a period
25 not exceeding twelve months or to bar any person

1 from being associated with a member of a national
2 investment adviser association, if the person is sub-
3 ject to an order of the Commission under section
4 203(f) of this title or if the Commission finds, on
5 the record after notice and opportunity for hearing,
6 that the person has willfully violated, or has partici-
7 pated in any transaction with any other person who
8 the person associated with a member had reason to
9 believe was violating with respect to the transaction,
10 any provision of the Securities Act of 1933, the Se-
11 curities Exchange Act of 1934, the Investment Com-
12 pany Act of 1940, this title, the Commodity Ex-
13 change Act, or the rules or regulations under any of
14 those statutes, or the rules of the Municipal Securi-
15 ties Rulemaking Board.

16 “(4) REMOVAL OR CENSURE OF OFFICERS AND
17 DIRECTORS.—The Commission is authorized, by
18 order, if in its opinion such action is necessary or
19 appropriate in the public interest, for the protection
20 of investors, or otherwise in furtherance of the pur-
21 poses of this title, to remove from office or censure
22 any officer, director or any person performing simi-
23 lar functions of a national investment adviser asso-
24 ciation, if the Commission finds, on the record after
25 notice and opportunity for hearing, that such person

1 has willfully violated any provision of this title, the
2 rules or regulations thereunder, or the rules of the
3 national investment adviser association, willfully
4 abused his authority, or without reasonable justifica-
5 tion or excuse has failed to enforce compliance with
6 any such provision by any member or person associ-
7 ated with a member.”.