INSIDE THE BELTWAY

Congress Approves Modest Dodd-Frank Reform Bill, Including Senior$afe Act

The U.S. House of Representatives on May 22 adopted S. 2155, the "Economic Growth, Regulatory Relief, and Consumer Protection Act." The bill – previously passed by the Senate – was signed into law by **President Trump** on May 24. Although focused primarily on scaling back parts of the Dodd-Frank Act to provide relief to smaller community and regional banks, the bill also contains several provisions of interest to SEC-registered investment advisers:

Senior$afe Act/Protection for Senior Citizens from Financial Abuse. The IAA applauds Congress's inclusion of the "Senior$afe Act" in the bill. The Senior$afe Act provides a safe harbor from civil liability for investment advisers, banks and broker-dealers and their employees who report suspected elder financial abuse to appropriate governmental authorities, so long as the employee received proper training from the employer on identifying financial abuse. This will lead to greater protection for a particularly vulnerable segment of U.S. investors. The IAA deeply appreciates the efforts of its members who responded to our request and contacted Congress urging passage of the Senior$afe Act.

Designation of Non-Bank SIFIs and Stress Tests. The bill increases the threshold for applying prudential standards to bank holding companies from $50 billion in total consolidated assets to $250 billion. It also mandates that the Federal Reserve, on its own or pursuant to a recommendation by the FSOC, consider a variety of risk-related factors in applying prudential standards to *nonbank* SIFIs – which could include investment advisers. The bill also decreases the frequency of the Dodd-Frank Act's annual stress-testing requirements that a nonbank SIFI (which could include an advisory firm designated as a SIFI) must conduct itself, calling instead for *periodic* tests. The Federal Reserve itself, however, will still conduct annual stress tests of these institutions.

Volcker Rule. The bill also includes two relatively modest but important amendments to the Volcker Rule. First, it excludes community banks – those with no more than $10 billion in total consolidated assets and with insubstantial trading assets and liabilities – from the rule altogether. This means that an adviser or asset manager affiliated with an excluded bank also will not be considered to be a "banking entity" under the rule and will thus not be subject to its restrictions. Second, the bill modifies the Volcker Rule's name-sharing prohibition for covered funds to allow name sharing with an adviser to a covered fund if the adviser's name is not the same as or a variation of the name of an affiliated insured depository institution (bank) or its holding company. This change is consistent with a recommendation the IAA made in a September 2017 comment letter to the federal agencies charged with implementing the Volcker Rule.

Amendment to Investment Company Act. Finally, the bill creates a new type of private fund under Section 3(c)(1) of the Investment Company Act for a "qualifying venture capital fund." Up to 250 investors would now be permitted to invest in a venture capital fund (as defined in Advisers Act Rule 203(l)-1) having not more than $10 million in aggregate capital contributions and uncalled committed capital.

Advisers Urged to Contact Congress as Lawmakers Consider Follow-Up Tax Bill

Lawmakers working on a follow-up to the tax law have begun to craft legislation making tax cuts permanent and addressing individual and pass-through issues.

Rep. Kevin Brady (R-Texas)

"We've begun in the committee to develop a framework for 2.0, then we will broaden that with the conference," House Ways and Means Committee Chairman **Kevin Brady** (R-Texas) reportedly stated on May 21.

Brady said his committee will recommend the "key elements" for a bill and then get input from other House Republicans, the Senate, and the White House. Initial discussions with President **Donald Trump** and his staff have already taken place, he said.

House Republicans have discussed legislation that would make permanent the tax cuts for individuals and pass-though businesses, such as partnerships, limited liability companies, and S corporations, enacted by the 2017 tax law. Those tax cuts are set to expire in 2026. Brady has also floated the idea

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of overhauling tax-favored retirement and education savings accounts. Some Republicans, including White House economic adviser **Larry Kudlow**, support indexing capital gains to inflation, meaning people wouldn't pay tax on the increase in their investments tied to rising prices.

Given that there is now active consideration of a follow-up tax bill, **it is critically important that lawmakers hear from advisers now** about amending those provisions of the tax law that unfairly disadvantage investment advisory firms and their clients. For this reason, the IAA is urging advisers to use our **Take Action Now** tool and contact Congress to restore the deductibility of investment advisory fees as an itemized deduction and to allow advisory firms to benefit from the 20 percent deduction for pass-through businesses.

The IAA's **Take Action Now** tool is available online at http://cqrcengage.com/iaa/home?0.

We also urge advisers to join us for Adviser Advocacy Day on June 13 to emphasize the importance of these issues with members of Congress. Adviser Advocacy Day events – and a welcome dinner and reception the evening prior – are complimentary, but advance registration is required. Detailed information and online registration for Adviser Advocacy Day are available on the IAA website at **Events>>Adviser Advocacy Day**. A recording of a 30-minute policy briefing webinar for Adviser Advocacy Day participants is available at http://64.211.220.137/eweb/videos/events/180522_856217320/lib/playback.html.

Contact IAA Vice President for Government Relations Neil Simon at neil.simon@investmentadviser.org to share your views or to obtain more information about these or other government relations matters.

UPCOMING COMPLIANCE DATES

The following selected compliance dates are listed as a reminder for IAA Newsletter readers. For questions or more information, please contact the IAA legal staff.

June 30: An adviser that claims GIPS compliance for its performance numbers must complete a compliance form and ***notify*** the CFA Institute of the firm's GIPS compliance.

July 10: If needed, ***file an amended Form 13H*** to reflect changes made during the second calendar quarter (promptly after the end of the quarter).

July 15: Large liquidity fund advisers (with at least $1 billion RAUM attributable to liquidity funds and registered money market funds) must ***file Form PF*** for the quarter ended June 30.*

August 14: Institutional investment managers that exercise investment discretion over $100 million or more in Section 13(f) securities must ***file Form 13F*** (45 days after the quarter ended June 30).

August 14: NFA-member CTAs must ***file NFA Form PR*** for the quarter ended June 30.

August 29: Large hedge fund advisers (with at least $1.5 billion RAUM attributable to hedge funds) must ***file Form PF*** for the quarter ended June 30.*

August 29: Large CPOs must ***file Form CPO-PQR*** for the quarter ended June 30.

August 29: NFA-member CPOs must ***file NFA Form PQR*** (or file CFTC Form CPO-PQR if a "large filer") for the quarter ended June 30.

**This deadline applies to advisers with a December 31 fiscal year-end.*