



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

September 6, 2016
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5424 - Investment Advisers Modernization Act of 2016

(Rep. Hurt, R-VA, and five cosponsors)

The Administration strongly opposes H.R. 5424. Actions taken in the years since enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act are curbing excessive risk-taking, closing regulatory gaps, and making our financial system safer and more resilient. For the first time, advisers to private funds with more than \$150 million in assets are required to register with the Securities and Exchange Commission (SEC); comply with new recordkeeping, reporting, and audit requirements; and file systemic risk reports. The President has been clear about his opposition to any legislation that would weaken or reduce oversight of the financial system.

Specifically, H.R. 5424 would create a loophole providing a broad exemption from audit and exam requirements, leaving investors unable to verify that funds actually contain particular investments as claimed. The bill would also make it more difficult for the SEC to police the market, particularly with respect to investments in uncertificated, private securities for which advisers would not be required to keep any record. Further, H.R. 5424 would repeal important safeguards, including the requirements that advisers: notify clients of a change in ownership or control of the adviser, deliver a plain language narrative brochure to clients annually, and disclose certain information on large private equity funds to regulators.

The exemptions that this bill provides would enable private fund advisers to slip back into the shadows. H.R. 5424 unnecessarily puts working and middle-class families at risk while benefitting Wall Street and other narrow special interests. Considering that investors in private equity funds include public pension funds – which support our Nation's teachers, police officers and firefighters – the Congress should be encouraging the SEC to fully implement the enhanced investor safeguards provided in current law, not repealing important protections. Therefore, the Administration strongly opposes H.R. 5424 and urges the Congress to act responsibly by enacting laws that enhance protections for investors and help working and middle-class families.

If the President were presented with this legislation, his senior advisors would recommend he veto the bill.

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