

the victims of these attacks and, in so doing, bravely risked their own lives and long-term health;

(5) expresses thanks and gratitude to the foreign leaders and citizens of all nations who have assisted and continue to stand in solidarity with the United States against terrorism in the aftermath of the attacks on September 11, 2001, and asks them to continue to stand with the United States against international terrorism;

(6) commends the military and intelligence personnel involved in the removal of Osama bin Laden;

(7) reaffirms its commitment to opposing violent extremism arrayed against American interests and to providing the United States military, intelligence, and law enforcement communities with the resources and support to do so effectively and safely;

(8) vows that it will continue to identify, intercept, and disrupt terrorists and their activities;

(9) reaffirms that the American people will never forget the sacrifices made on September 11, 2001, and will never bow to terrorist demands; and

(10) declares that when Congress adjourns today, it stands adjourned out of respect to the victims of the terrorist attacks.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION TO POSTPONE PROCEEDINGS ON MOTION TO RECOMMIT ON H.R. 5424, INVESTMENT ADVISERS MODERNIZATION ACT OF 2016

Mr. HURT of Virginia. Mr. Speaker, I ask unanimous consent that the question of adopting a motion to recommit on H.R. 5424 may be subject to postponement as though under clause 8 of rule XX.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

INVESTMENT ADVISERS MODERNIZATION ACT OF 2016

Mr. HURT of Virginia. Mr. Speaker, pursuant to House Resolution 844, I call up the bill (H.R. 5424) to amend the Investment Advisers Act of 1940 and to direct the Securities and Exchange Commission to amend its rules to modernize certain requirements relating to investment advisers, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 844, the amendment in the nature of a substitute recommended by the Committee on Financial Services, printed in the bill, is adopted, and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 5424

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Investment Advisers Modernization Act of 2016".

SEC. 2. MODERNIZING CERTAIN REQUIREMENTS RELATING TO INVESTMENT ADVISERS.

(a) INVESTMENT ADVISORY CONTRACTS.—

(1) ASSIGNMENT.—

(A) ASSIGNMENT DEFINED.—Section 202(a)(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)(1)) is amended by striking “; but” and all that follows and inserting “; but no assignment of an investment advisory contract shall be deemed to result from the death or withdrawal, or the sale or transfer of the interests, of a minority of the members, partners, shareholders, or other equity owners of the investment adviser having only a minority interest in the business of the investment adviser, or from the admission to the investment adviser of one or more members, partners, shareholders, or other equity owners who, after such admission, shall be only a minority of the members, partners, shareholders, or other equity owners and shall have only a minority interest in the business.”.

(B) CONSENT TO ASSIGNMENT BY QUALIFIED CLIENTS.—Section 205(a)(2) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-5(a)(2)) is amended by inserting before the semicolon the following: “, except that if such other party is a qualified client (as defined in section 275.205-3 of title 17, Code of Federal Regulations, or any successor thereto), such other party may provide such consent at the time the parties enter into, extend, or renew such contract”.

(2) NOT REQUIRED TO PROVIDE FOR NOTIFICATION OF CHANGE IN MEMBERSHIP OF PARTNERSHIP.—Section 205 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-5) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking the semicolon and inserting “; or”;

(ii) in paragraph (2), by striking “; or” and inserting a period; and

(iii) by striking paragraph (3); and

(B) in subsection (d), by striking “paragraphs (2) and (3) of subsection (a)” and inserting “subsection (a)(2)”.

(b) ADVERTISING RULE.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Commission shall amend section 275.206(4)-1 of title 17, Code of Federal Regulations, to provide that paragraphs (a)(1) and (a)(2) of such section do not apply to an advertisement that an investment adviser publishes, circulates, or distributes solely to persons described in paragraph (2) of this subsection.

(2) PERSONS DESCRIBED.—A person is described in this paragraph if such person is, or the investment adviser reasonably believes such person is—

(A) a qualified client (as defined in section 275.205-3 of title 17, Code of Federal Regulations), determined as of the time of the publication, circulation, or distribution of the advertisement rather than immediately prior to or after entering into the investment advisory contract referred to in such section;

(B) a knowledgeable employee (as defined in section 270.3c-5 of title 17, Code of Federal Regulations) of any private fund to which the investment adviser acts as an investment adviser;

(C) a qualified purchaser (as defined in section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a))); or

(D) an accredited investor (as defined in section 230.501 of title 17, Code of Federal Regulations), determined as if the investment adviser were the issuer of securities referred to in such section and the time of the publication, circulation, or distribution of the advertisement were the sale of such securities.

SEC. 3. REMOVING DUPLICATIVE BURDENS AND APPROPRIATELY TAILORING CERTAIN REQUIREMENTS.

(a) BROCHURE DELIVERY.—Not later than 90 days after the date of the enactment of this Act, the Commission shall amend section 275.204-3(c) of title 17, Code of Federal Regulations, to provide that an investment adviser is not required

to deliver a brochure or brochure supplement to a client that is a limited partnership, limited liability company, or other pooled investment vehicle for which each limited partner, member, or other equity owner has received, before purchasing a security issued by the pooled investment vehicle, a prospectus, private placement memorandum, or other offering document containing (to the extent material to an understanding of the pooled investment vehicle, the business of the pooled investment vehicle, and the securities being offered by the pooled investment vehicle) substantially the same information as would be required by Part 2A or 2B of Form ADV at the time of delivery of the brochure or brochure supplement, as the case may be.

(b) FORM PF.—Not later than 90 days after the date of the enactment of this Act, the Commission shall amend section 275.204(b)-1 of title 17, Code of Federal Regulations, to provide that an investment adviser to a private fund is not required to report any information beyond that which is required by sections 1a and 1b of Form PF, unless such investment adviser is a large hedge fund adviser or a large liquidity fund adviser (as such terms are defined in such Form).

(c) CUSTODY RULE.—Not later than 90 days after the date of the enactment of this Act, the Commission shall amend section 275.206(4)-2 of title 17, Code of Federal Regulations, as follows:

(1) The Commission shall provide additional exceptions to the independent verification requirement of paragraph (a)(4) of such section for an investment adviser with respect to funds and securities of a limited partnership (or a limited liability company or other type of pooled investment vehicle), as follows:

(A) An exception that applies if the outstanding securities (other than short-term paper, as defined in section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a))) of the pooled investment vehicle are beneficially owned exclusively by—

(i) the investment adviser;

(ii) affiliated persons of the investment adviser;

(iii) supervised persons of the investment adviser;

(iv) officers, directors, and employees of the affiliated persons of the investment adviser;

(v) family members and former family members (as such terms are defined in section 275.202(a)(11)(G)-1 of title 17, Code of Federal Regulations) of persons described in clause (iii) or (iv); or

(vi) officers, directors, employees, or affiliated persons of, or persons who provide, have provided, or have entered into a contract to provide services to—

(I) the investment adviser of the pooled investment vehicle;

(II) one or more clients of the investment adviser of the pooled investment vehicle; or

(III) issuers from which the pooled investment vehicle or any other client of the investment adviser of the pooled investment vehicle has acquired securities, such as the portfolio company of a private fund.

(B) An exception that applies if the pooled investment vehicle has been established to hold only the securities of a single issuer in which one or more pooled investment vehicles managed by the investment adviser have acquired a controlling interest.

(2) Consistent with, and expanding on, IM Guidance Update No. 2013-04, titled “Privately Offered Securities under the Investment Advisers Act Custody Rule”, published by the Division of Investment Management of the Commission, the Commission shall, with respect to the exception for certain privately offered securities in paragraph (b)(2) of such section—

(A) remove the requirement of clause (i)(B) of such paragraph (relating to the uncertificated nature and recordation of ownership of the securities); and

(B) remove the requirement of clause (ii) of such paragraph (relating to audit and financial