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[Obama Threatens to Veto Bill Exempting Private Equity Advisors From Registration.]

H.R. 1105 is a step backward from the Dodd-Frank progress made to date, administration says

The Obama administration told members of Congress Tuesday that it would veto H.R. 1105, the Small Business Capital Access and Job Preservation Act, which would amend the Investment Advisers Act of 1940 to exempt nearly all private equity fund advisors from registration.

The bill is up for a vote Wednesday afternoon on the House floor.

There is much more to compliance examination survival than knowing all of the rules. It helps to understand why the rules were put in place—and to recognize that examiners are not the enemy.

Differences Between State and SEC Regulation of Investment Advisors

States may impose licensing or registration requirements on IARs doing business in their jurisdiction, even if the IAR works for an SEC-registered firm. States may investigate and prosecute fraud by any IAR in their jurisdiction, even if the individual works for an SEC-registered firm.

"The legislation effectively provides a blanket registration and reporting exemption for private equity funds, undermining advances in investor protection and regulatory oversight implemented by the Securities and Exchange Commission under Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act," the administration told Rep. Robert Hurt, R-Va., the bill's sponsor, and its 12 co-sponsors.

The administration said that it was "committed to building a safer, more stable financial system," and that H.R. 1105 represented "a step backwards from the progress made to date, given that private equity fund advisors have been filing reports with the SEC for over a year."

Moreover, the administration said that the bill's passage "would deny investors access to important information intended to increase transparency and accountability and to minimize conflicts of interest." H.R. 1105 "would exempt private equity funds from the disclosure requirements that the Congress laid out in Wall Street Reform to allow regulators to assess potential systemic risks."

Private equity funds are already subject to less stringent reporting requirements than other types of private funds and to an annual, rather than quarterly, filing requirement.

In addition, private fund advisors with less than $150 million in assets under management are exempted from registration and subject only to recordkeeping and reporting requirements.

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