

[cc JCRAR - Senate]

APR 20 2001



State of Wisconsin
Department of Financial Institutions

Scott McCallum, Governor

John F. Kundert, Secretary

April 20, 2001

The Honorable Fred Risser, President
Wisconsin State Senate
Attn: Donna Doyle
c/o Office of Senate Journal and Records
119 Martin Luther King Blvd, Ste. 501
Madison, WI 53702

The Honorable Scott Jensen
Speaker of the Assembly
Attn: Ken Stigler
c/o Office of Assembly Records
1 E. Main St., Ste. 402
Madison, WI 53702

Re: Clearinghouse Rule 01-025/Administrative Rule-Making Notice and Report to
Legislative Standing Committees Under secs. 227.19(2) and (3), Wis. Stats.

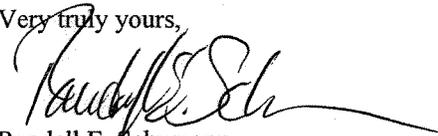
Gentlemen:

The Division of Securities of the Department of Financial Institutions hereby submits for filing with the Wisconsin Legislature pursuant to the administrative rule-making requirements of secs. 227.19(2) and (3), Wis. Stats., copies in triplicate of the Notice and Report required thereunder consisting of:

- (1) Proposed administrative rules in proposed final form as specified in sec. 227.14(1), Wis. Stats.
- (2) A Report as prescribed in sec. 227.19(3), Wis. Stats.
- (3) A fiscal estimate for the proposed rules.
- (4) A copy of the Clearinghouse Report of the Wisconsin Legislative Council relating to the public comment draft form of the proposed rules.

If you have any comments or questions regarding the above, please telephone me at 266-3414.

Very truly yours,


Randall E. Schumann
Legal Counsel for the Division

Attachments

cc: Revisor of Statutes Bureau
✓ Joint Committee for Review of Administrative Rules
Patricia D. Struck, Administrator, Division of Securities
Mark Schlei, DFI Deputy General Counsel



Division of Securities

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**PROPOSED FINAL ORDER OF THE
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES
STATE OF WISCONSIN
ADOPTING RULES**

To repeal and recreate DFI-Sec 5.01(1) and (2), DFI-Sec 5.05(8), DFI-Sec 5.07 and DFI-Sec 5.08, and to create DFI-Sec 1.02(18) to (21), DFI-Sec 5.01(8), DFI-Sec 5.03(1)(p) and (q), DFI-Sec 5.10, DFI-Sec 5.11, and DFI-Sec 5.12 under the Wisconsin Uniform Securities Law relating to adopting for use in Wisconsin the Investment Adviser Registration Depository.

Pursuant to sections 551.32(1)(a), (b), (c), 551.32(1m), 551.32(1s) and (8), and 551.63(2), Wis. Stats., the Division of Securities of the Department of Financial Institutions amends and adopts rules interpreting those sections as follows:

DEPARTMENT OF FINANCIAL INSTITUTIONS

DIVISION OF SECURITIES

Rules Adopting for Use in Wisconsin
the Investment Adviser Registration Depository

Section 1. DFI-Sec 1.02(18) to (21) are created to read:

(18) "Current brochure" and "current brochure supplement" mean the most recent revision of the brochure or brochure supplement, including all subsequent amendments, prepared on Part 2 of Form ADV as revised in 2001.

(19) "Sponsor" for purposes of a wrap fee program means a broker-dealer or investment adviser that is compensated under a wrap fee program for sponsoring, organizing or administering the program, or for selecting, or providing advice to clients regarding the selection of, other investment advisers in the program.

(20) "Wrap fee program" means a program under which a specified fee or fees, not based directly upon transactions in a client's account, are charged for investment advisory and brokerage services, which may include portfolio management or advice concerning the selection of other investment advisers and the execution of client transactions.

(21) "Entering into" for purposes of an investment advisory contract, does not include an extension or renewal of an existing contract that does not contain any material changes.

Section 2. DFI-Sec 5.01(1) and (2) are repealed and recreated to read:

DFI-Sec 5.01 Licensing procedure. (1) (a) The investment adviser registration depository operated by the National Association of Securities Dealers shall receive and maintain filings on forms established for the investment adviser registration depository and collect related fees from investment advisers and investment adviser representatives on behalf of the division.

(b) Unless otherwise provided under sub. (11) or by order of the division, applications for initial and renewal licenses of investment advisers and investment adviser representatives, as well as amendments, reports, notices, related filings and fees, shall be filed with the investment adviser registration depository.

(c) Except as provided in par. (a), applications for initial or renewal licenses of investment adviser representatives shall be filed on forms prescribed in section DFI-Sec 9.01(1).

(2) (a) A licensing application for purposes of s. 551.32 (1) (a), Stats., consists of all information required by the form prescribed under sub. (1), any additional information required by the division and all required fees. Any documents or fees required to be filed with the division that are not permitted to be filed with or cannot be accepted by the investment adviser registration depository shall be filed directly with the division.

(b) An application for initial license as an investment adviser under this paragraph shall be deemed filed under s. 551.32(1)(a), Stats., on the date the application is transferred from "NO STATUS" to "PENDING" on the records of the investment adviser registration depository. An application for renewal of a license as an investment adviser under this paragraph shall be deemed filed under s. 551.32(1)(a), Stats., when the fee on deposit with the investment adviser registration depository has been allocated to the division.

(c) An application for initial license or for renewal of a license as an investment adviser representative for an investment adviser licensed under this chapter consists of the payment of Wisconsin investment adviser representative license or renewal fees to the investment adviser registration depository. An application for initial license as an investment adviser representative under this paragraph shall be deemed filed under s. 551.32 (1) (a), Stats., on the date when the application is designated ready for approval on the records of the investment adviser registration depository. An application for renewal of a license as an investment adviser representative under this paragraph shall be deemed "filed" under s. 551.32 (1) (a), Stats., when the fee on deposit with the investment adviser registration depository has been allocated to the division.

(d)1. Each investment adviser shall file an amendment to its application with the investment adviser registration depository within 30 days of any material change to information included in its application in accordance with the instructions to Form ADV.

2. Each investment adviser shall file a complete, updated Form ADV with the investment adviser registration depository within 90 days of the end of its fiscal year.

3. Each investment adviser representative and his or her employing investment adviser or federal covered adviser shall update information contained in an investment adviser representative's application by filing an amendment to Form U-4 with the investment adviser registration depository within 30 days of the date of the event that requires filing of the amendment.

(e) An electronic signature affixed to any filing made in compliance with the requirements of the investment adviser registration depository shall constitute irrefutable evidence of legal signature by any individual whose name is typed on the filing.

Section 3. DFI-Sec 5.01(8) is created to read:

DFI-Sec 5.01(8) (a) Investment advisers licensed or required to be licensed who experience unanticipated technical difficulties that prevent submission of an electronic filing to the investment adviser registration depository may request a temporary hardship exemption from the requirements to file electronically. An investment adviser whose principal place of business is located in this state may request a temporary hardship exemption by doing all of the following:

1. Filing Form ADV-H in paper format with the division not later than one business day after the due date for the type of filing that is the subject of the Form ADV-H.

2. Submitting the filing that is the subject of the Form ADV-H in electronic format to the investment adviser registration depository not later than seven business days after the due date for the type of filing that is the subject of the Form ADV-H.

(b) The temporary hardship exemption will be deemed effective upon receipt by the division of the completed Form ADV-H within the filing deadline provided in par. (a). Multiple temporary hardship exemption requests by an investment adviser within the same calendar year may be disallowed by the division.

(c) A continuing hardship exemption will be granted only if an investment adviser is able to demonstrate that the electronic filing requirements of this rule are prohibitively burdensome. An investment adviser whose principal place of business is located in this state may request a continuing hardship exemption by filing Form ADV-H in paper format with the division at least twenty business days before the due date for the type of filing that is the subject of the Form ADV-H. The division shall grant or deny the request within ten business days after the filing of Form ADV-H.

(d) The continuing hardship exemption is effective upon approval by the division for a time period not longer than one year after the date on which the Form ADV-H is filed. If the division approves the request, and for the period of time for which the exemption is granted, the investment adviser shall, not later than five business days after the exemption approval date, submit filings in paper format, along with the appropriate processing fees, to the division as prescribed by separate rule or order.

(e) An investment adviser whose principal place of business is located in another state may claim a hardship exemption from the electronic filing requirement in this state if that investment adviser has received a hardship exemption in the state where its principal office is located.

Section 4. DFI-Sec 5.03(1)(p) and (q) are created to read:

(p)1. A copy of each brochure and supplement and each amendment or revision to the brochure or supplement, given or sent to any client or prospective client of the investment adviser as required by s. DFI-Sec 5.05(8);

2. A summary of material changes that are required by Part 2 of Form ADV, but are not contained in the brochure or supplement; and

3. A record of the dates that each brochure and supplement, each amendment or revision thereto, and each summary of material changes, was given or offered to any client or to any prospective client who subsequently becomes a client.

(q) Copies bearing signatures of the investment adviser's appropriate signatory and the investment adviser representative, of each initial Form U-4 and each amendment to the disclosure reporting pages of Form U-4. These documents shall be retained by the investment adviser who prepared the filing on behalf of the investment adviser representative.

Section 5. DFI-Sec 5.05(8) is repealed and recreated to read:

5.05(8)(a) Unless otherwise provided in this subsection, each investment adviser shall offer and deliver to each client and prospective client a firm brochure and one or more supplements as required by this subsection. The brochure and any required supplement shall contain all information required by Part 2 of Form ADV and such other information as the division may require

(b)1. Each investment adviser shall deliver the current brochure required by this section, and the current brochure supplement for each investment adviser representative who will provide advisory services, to a client or prospective client.

2. For purposes of this subsection, an investment adviser representative is deemed to provide advisory services for a client if the investment adviser representative does any of the following:

a. Regularly communicates investment advice to that client.

b. Formulates investment advice for assets of that client.

c. Makes discretionary investment decisions for assets of that client.

d. Solicits, offers or negotiates for the sale of or sells investment advisory services.

3. The documents required in subd. (b)1. above shall be delivered at the following times:

a. Not less than 48 hours prior to entering into any investment advisory contract with a client or prospective client.

b. At the time of entering into any contract, if the contract specifically provides that the client has a right to terminate the contract without penalty within five business days after entering into the contract.

(c) Each investment adviser shall, at least once a year, without charge, deliver or offer in writing to deliver to each of its clients the current brochure and any current brochure supplements required by par. (a). If a client accepts the written offer, the investment adviser shall send to that client the current brochure and supplements not later than seven days after the investment adviser is notified of the acceptance.

(d) If the adviser is the general partner of a limited partnership, the manager of a limited liability company, or the trustee of a trust, then for purposes of this subsection, the investment adviser shall treat each of the partnership's limited partners, the company's members, or the trust's beneficial owners as a separate client. For purposes of this subsection, a limited liability partnership or limited liability limited partnership is also considered to be a limited partnership.

(e)1. Each investment adviser that is a sponsor of a wrap fee program shall deliver to a client or prospective client in lieu of the brochure required in par. (b), a wrap fee brochure containing all information required by Form ADV. All information in a wrap fee brochure shall be limited to information applicable to wrap fee programs that the investment adviser sponsors.

2. An investment adviser is not required to offer or deliver the wrap fee brochure if another sponsor of the wrap fee program offers or delivers to the client or prospective client of the wrap fee program a wrap fee program brochure containing all the information that the investment adviser's wrap fee program brochure must contain.

3. A wrap fee brochure shall not be used in place of any brochure supplement that the investment adviser is required to deliver under par. (b)1.

(f) Each investment adviser shall amend its brochure and any brochure supplement and deliver the amendments to clients not more than 30 days from the date that the information contained in the brochure or brochure supplement becomes materially inaccurate. The investment adviser shall comply with the instructions to Part 2 of Form ADV regarding updating and delivery.

(g) Each investment adviser that renders substantially different types of investment advisory services to different clients may provide them with different brochures, provided that each client receives all applicable information about services and fees. The brochure delivered to a client may omit any information required by Part 2A of Form ADV if such information is applicable to only a type of investment advisory service or fee that is not rendered or charged, or proposed to be rendered or charged, to that client or prospective client.

(h) Nothing in this subsection shall relieve any investment adviser from any obligation pursuant to any provision of ch. 551, Stats., or other federal or state law to disclose any information to its clients or prospective clients not specifically required by this rule.

(i) Each investment adviser shall deliver to each of its clients its current brochure and all required brochure supplements not later than January 1, 2002.

Section 6. DFI-Sec 5.07 and 5.08 are repealed and recreated to read:

DFI-Sec 5.07 License and notice filing period. (1) Prior to January 1, 2002, the license of an investment adviser expires on April 30. Effective January 1, 2002, the license of an investment adviser expires on December 31 of each year. Each licensed investment adviser seeking renewal of its license shall file for renewal with the investment adviser registration depository according to the depository's schedule.

(2) The license of an investment adviser representative expires on the same day as the expiration of the license of the investment adviser or the notice filing of the federal covered adviser which the person represents. The license of an investment adviser representative is not effective during any period when the investment adviser which that person represents is not licensed, or when the federal covered adviser that the person represents does not have an effective notice filing with the division, or during any period when the representative is not employed either by a specified investment adviser licensed under ch. 551. Stats., or a federal covered adviser that has filed a notice with the division under s. 551.32(1m)(a), Stats. Each licensed investment adviser representative seeking renewal of his or her license shall file for renewal with the investment adviser registration depository according to the depository's schedule.

DFI-Sec 5.08 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed investment adviser under s. 551.32(9)(a), Stats., shall be filed with the investment adviser registration depository on Form ADV-W.

(2) An application for withdrawal from the status of a licensed investment adviser representative shall be filed with the investment adviser registration depository on Form U-5 within 15 days of the termination of the representative's employment pursuant to s. 551.31(4)(c), Stats.

Section 7. DFI-Sec 5.10, 5.11 and 5.12 are created to read:

DFI-Sec 5.10 Electronic Filing. The electronic filing of any particular document and the collection of related processing fees shall not be required until such time as the investment adviser registration depository provides for receipt of such filings and fees and the division provides 30 days notice of the change. Any documents or fees required to be filed with the division that are not permitted to be filed with, or cannot be accepted by, the investment adviser registration depository shall be filed directly with the division.

DFI-Sec 5.11 Federal covered adviser notice filing procedure. (1) The notice filing for a federal covered adviser pursuant to s. 551.32(1m), Stats., shall be filed with the investment adviser registration depository on Form ADV. A notice filing for a federal covered adviser shall be deemed filed when the fee on deposit with the investment adviser registration depository has been allocated to the division. Any documents or fees required to be filed with the division that

are not permitted to be filed with, or cannot be accepted by, the investment adviser registration depository shall be filed directly with the division.

(2) A federal covered adviser shall file all amendments to its Form ADV with the investment adviser registration depository according to the instructions to Form ADV.

(3) Prior to January 1, 2002, the notice filing of a federal covered adviser that has filed a notice with the division under s. 551.32(1m)(a), Stats., expires on April 30. Each federal covered adviser seeking renewal of its notice filing shall file with the division a notice accompanied by the notice filing fee pro-rated from May 1 to December 31, 2001. Effective January 1, 2002, each federal covered adviser seeking renewal of its notice filing shall file for renewal with the investment adviser registration depository according to the depository's schedule and instructions. An application for renewal of a notice filing under this paragraph shall be deemed filed under s. 551.32(1m), Stats., when the fee on deposit with the investment adviser registration depository has been allocated to the division.

DFI-Sec 5.12 Transition filing. (1) Each investment adviser licensed or required to be licensed in this state shall make its initial transition filing electronically with the investment adviser registration depository not later than June 1, 2001, unless a hardship exemption has been granted by the division.

(2) Each investment adviser licensed or required to be licensed in this state shall resubmit its Part 1 of Form ADV electronically with the investment adviser registration depository not later than August 31, 2001, unless a hardship exemption has been granted by the division.

(3) Amendments to an investment adviser's Form ADV that are made after its transition filing is completed pursuant to subs. (1) and (2) shall be filed electronically with the investment adviser registration depository, unless a hardship exemption has been granted by the division.

(4) Each investment adviser representative licensed or required to be licensed in this state shall resubmit its Form U-4 electronically with the investment adviser registration depository not later than a date prescribed by separate rule or order of the division, unless a hardship exemption has been granted by the division.

The rules contained in this Order shall take effect as provided in sec. 227.22(2), Wis. Stats., on the first day of the month commencing after publication of the rules in the Wisconsin Administrative Register.

Dated at Madison, Wisconsin, this _____ day of _____, 2001.

[SEAL]

Patricia D. Struck
Administrator

**REPORT PREPARED BY THE
DEPARTMENT OF FINANCIAL INSTITUTIONS, DIVISION OF SECURITIES
RELATING TO PROPOSED FINAL FORM OF RULES
ADOPTING FOR USE IN WISCONSIN
THE INVESTMENT ADVISER REGISTRATION DEPOSITORY**

(a) Statement Explaining Need for Rules

These proposed permanent rules are being implemented to be in effect upon expiration of emergency rules issued by the Division on December 26, 2000 to implement in Wisconsin, the Investment Adviser Registration Depository ("IARD"). The emergency rules became effective on January 1, 2001 upon prior publication in the official state newspaper and compliance with other emergency rulemaking requirements.

The U.S. Securities and Exchange Commission ("SEC"), in conjunction with the North American Securities Administrators Association ("NASAA"), an organization comprised of the securities administrators of all 50 states, including Wisconsin, has developed the IARD as an electronic filing system for licensure of investment advisers to replace the paper filing system which heretofore has been used in all states. The IARD system permits investment advisers to satisfy their initial and renewal filing obligations to obtain licensure under the federal and state securities laws with a single electronic filing made over the Internet, instead of having to make separate paper filings with the SEC and with each state in which the investment adviser seeks to do business.

After several years in development and a pilot phase in the fall of 2000 that the Division participated in, the commencement date for states and the SEC to accept filings under the IARD was set for January 1, 2001. Consequently, NASAA member states, including Wisconsin, needed to take the necessary rule-making or other regulatory action to enable investment advisers to make their licensing filings electronically after that date. The proposed permanent rules, as did the emergency rules, make the necessary changes to the Division's investment adviser license filing provisions that are needed to adopt and implement the IARD for use in Wisconsin by investment advisers.

The IARD will be operated by NASD Regulation, Inc., a self-regulatory organization that for 20 years has operated an equivalent electronic filing system (the Central Registration Depository or "CRD") for federal and state licensure of securities broker-dealers and their sales agents. As with the CRD, the IARD will provide the advantages of: (1) elimination of paper filings; (2) a single filing will satisfy federal and state filing requirements; and (3) automatic payment of state licensing fees to the states where the investment adviser does business. Additionally and importantly, the IARD will provide the investing public with immediate, real-time access to information about investment advisers and their representatives.

Congress in its passage of the National Securities Markets Improvement Act in 1996 provided for the development of this electronic filing system for investment advisers, and

the SEC has adopted rules mandating such. The SEC and the states have been working together to develop both the necessary changes to the filing form (Form ADV), and to the filing procedures to achieve uniformity in the filing processes and procedures. Additionally, to achieve uniformity among the states in the adoption of rules implementing the IARD, a NASAA Working Group has developed Model Rules (with commentary) to coordinate with the SEC requirements. The Wisconsin Emergency Rules adopted herein are patterned after the NASAA Model Rules.

The proposed permanent rules, as did the emergency rules, provide for: (1) a revised Licensing Procedure section in DFI-Sec 5.01(1) and (2); (2) temporary and permanent hardship exemption provisions in DFI-Sec 5.01(8); (3) a revised brochure rule in DFI-Sec 5.05(8); (4) revised filing periods and license expiration dates for licenses of investment advisers and investment adviser representatives, as well as for license withdrawals in DFI-Sec 5.07 and 5.08; (5) a revised procedure for filings by federal covered advisers in DFI-Sec 5.11; and (6) a specific section in DFI-Sec 5.12 dealing with transition filings.

The one substantive change in the proposed permanent rules from their emergency rule form is the deletion of emergency rule provision DFI-Sec 5.11(2) which had required a federal covered adviser to submit a paper copy of its Part 2 of Form ADV to the Division at the time of the federal covered adviser's initial filing with the IARD.

Separate from the emergency rules and the permanent rules, the Division issued General Orders on February 1 and 2, 2001 to further implement timing for various categories of filers, and which provided partial fee rebates for 2001 for the smaller, state-only licensed advisers to help defray the initial one-time fee (of \$150) they must pay for their initial participation in the IARD.

Explanation of Modifications Made As a Result of the Public Hearing and Comment Process

- Because there were no comments received that suggested modifications be made to the public comment draft of the proposed permanent rules, no modifications have been made as result of the public hearing and comment process.

(b) List of Persons Appearing or Registering at Public Hearing Conducted by Administrator Patricia D. Struck, Division of Securities, Department of Financial Institutions, as Hearing Officer, and Comment Letters Received.

- Randall E. Schumann, Legal Counsel for the Division of Securities, Department of Financial Institutions, made an appearance on behalf of the Division's staff to submit documents and information for the record and to be available both to ask questions and to respond to questions regarding hearing testimony.
- Kenneth L. Hojnacki, Director of the Regulation & Licensing Section for the Division of Securities, Department of Financial Institutions, was present on behalf of the Division's staff to be available both to ask questions and to respond to licensing-related questions regarding hearing testimony.

* * * *

Comment Letters Received

- (1) Comment letter dated April 16, 2001 sent via facsimile from the Investment Counsel Association of America, Inc., Washington, D.C.
- (2) Comment letter dated April 17, 2001 from Midwest Asset Management, Inc., Madison, WI

* * * *

(d) Response to Legislative Council/Rules Clearinghouse Report Recommendations

- (1) Acceptance of recommendations in whole:

Under 2. Form, Style and Placement in Administrative Code

- Consistent with the Rules Clearinghouse comment in paragraph a. regarding the treatment clause of Section 1, the word "through" was replaced by the word "to."

- Consistent with the Rules Clearinghouse comment in paragraph b. regarding DFI-Sec 5.01(2), the quotation marks with respect to the words "application" and "filed" were eliminated. Additionally, the phrase "under this paragraph" was deleted.
- Consistent with the Rules Clearinghouse comment in paragraph c. regarding DFI-Sec 5.03(1)(q), a period was inserted following the notation "U-4, " and the word "must" was replaced by the phrase "These documents shall."
- Consistent with the Rules Clearinghouse comment in paragraph d. regarding DFI-Sec 5.05(8), the phrase "in this rule" was replaced by the terminology "this subsection." The same change was made in DFI-Sec 5.05(8)(h), and also in that rule, the phrase "or any rules thereunder" was deleted.
- Consistent with the Rules Clearinghouse comment in paragraph e. regarding DFI-Sec 5.05(8)(d), the quotation marks with respect to the phrase "limited partnership" were eliminated.
- Consistent with the Rules Clearinghouse comment in paragraph f. regarding DFI-Sec 5.05(8)(e)1, the word "must" was replaced by the word "shall."
- Consistent with the Rules Clearinghouse comment in paragraph g. regarding DFI-Sec 5.11(3), the quotation marks with respect to the word "filed" were eliminated.
- Consistent with the Rules Clearinghouse comment in paragraph h. regarding DFI-Sec 5.12(3), the word "must" was replaced by the word "shall."

Under 4. Adequacy of References to Related Statutes, Rules and Forms

With regard to the Rules Clearinghouse's statement concerning compliance with sec. 227.14(3), Stats., in the event any new or revised forms are required, this will confirm that Clearinghouse Rule 01-25 does not require any new or revised Wisconsin forms.

Under 5. Clarity, Grammar, Punctuation and Use of Plain Language

- Consistent with the Rules Clearinghouse comment in paragraph a. regarding DFI-Sec 1.02(20), the word "is" was replaced by the word "are."
- Consistent with the Rules Clearinghouse comment in paragraph b. regarding DFI-Sec 5.07(2), the phrase "expiration of the" was inserted following the phrase "on the same day as the."

- Consistent with the Rules Clearinghouse comment in paragraph c. regarding DFI-Sec 5.11(3), the date “2000” was replaced by the date “2001.”

* * * *

- (e) No final regulatory flexibility analysis is included on the basis that the Division of Securities has determined, after complying with s. 227.016(1) to (5), Wis. Stats., that the rules will not have a significant economic impact on a substantial number of small businesses.

* * * *



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 01-025

AN ORDER to repeal and recreate DFI-Sec 5.01 (1) and (2), 5.05 (8), 5.07 and 5.08; and to create DFI-Sec 1.02 (18) to (21), 5.01 (8), 5.03 (1) (p) and (q), 5.10, 5.11 and 5.12, relating to adopting for use in Wisconsin the Investment Adviser Registration Depository.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

03-01-01 RECEIVED BY LEGISLATIVE COUNCIL.

03-26-01 REPORT SENT TO AGENCY.

RS:DLS:jal;tlu

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE RULE 01-025

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

2. Form, Style and Placement in Administrative Code

- a. In the treatment clause of SECTION 1, the word "through" should be replaced by the word "to." The text of this section should begin with the notation "DFI-Sec 1.02."
- b. In s. DFI-Sec 5.01 (2), the use of quotation marks with respect to the words "application" and "filed" should be eliminated. Also, the use of the phrase "under this paragraph" appears to be unnecessary.
- c. In s. DFI-Sec 5.03 (1) (q), in order to maintain the structural format of this subsection, a period should be inserted following the notation "U-4" and the word "must" should be replaced by the phrase "These documents shall."
- d. In s. DFI-Sec 5.05 (8) (a), the phrase "in this rule" should be replaced by a specific reference to provisions in the administrative code. For example, a reference to "this chapter" might be appropriate. See, also, the use of the word "rule" in s. DFI-Sec 5.05 (8) (h). Finally, in par. (h), the phrase "or any rules thereunder" is unnecessary and should be deleted.
- e. In s. DFI-Sec 5.05 (8) (d), the quotation marks with respect to the phrase "limited partnership" should be eliminated.
- f. In s. DFI-Sec 5.05 (8) (e) 1., the word "must" should be replaced by the word "shall."

g. In s. DFI-Sec 5.11 (3), the quotation marks with respect to the word "filed" should be eliminated.

h. In s. DFI-Sec 5.12 (3), the word "must" should be replaced by the word "shall."

4. Adequacy of References to Related Statutes, Rules and Forms

To the extent Clearinghouse Rule 01-25 requires new or revised forms, the agency should ensure that the provisions of s. 227.14 (3), Stats., are met.

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. In s. DFI-Sec 1.02 (20), the word "is" should be replaced by the word "are."

b. In s. DFI-Sec 5.07 (2), the first sentence would be clearer if the phrase "expiration of the" were inserted following the phrase "on the same day as the."

c. In s. DFI-Sec 5.11 (3), should the date "2000" be replaced by the date "2001"?



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 01-025

AN ORDER to repeal and recreate DFI-Sec 5.01 (1) and (2), 5.05 (8), 5.07 and 5.08; and to create DFI-Sec 1.02 (18) to (21), 5.01 (8), 5.03 (1) (p) and (q), 5.10, 5.11 and 5.12, relating to adopting for use in Wisconsin the Investment Adviser Registration Depository.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

03-01-01 RECEIVED BY LEGISLATIVE COUNCIL.

03-26-01 REPORT SENT TO AGENCY.

RS:DLS:jal;tlu

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO



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CLEARINGHOUSE RULE 01-025

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

2. Form, Style and Placement in Administrative Code

a. In the treatment clause of SECTION 1, the word "through" should be replaced by the word "to." The text of this section should begin with the notation "DFI-Sec 1.02."

b. In s. DFI-Sec 5.01 (2), the use of quotation marks with respect to the words "application" and "filed" should be eliminated. Also, the use of the phrase "under this paragraph" appears to be unnecessary.

c. In s. DFI-Sec 5.03 (1) (q), in order to maintain the structural format of this subsection, a period should be inserted following the notation "U-4" and the word "must" should be replaced by the phrase "These documents shall."

d. In s. DFI-Sec 5.05 (8) (a), the phrase "in this rule" should be replaced by a specific reference to provisions in the administrative code. For example, a reference to "this chapter" might be appropriate. See, also, the use of the word "rule" in s. DFI-Sec 5.05 (8) (h). Finally, in par. (h), the phrase "or any rules thereunder" is unnecessary and should be deleted.

e. In s. DFI-Sec 5.05 (8) (d), the quotation marks with respect to the phrase "limited partnership" should be eliminated.

f. In s. DFI-Sec 5.05 (8) (e) 1., the word "must" should be replaced by the word "shall."

g. In s. DFI-Sec 5.11 (3), the quotation marks with respect to the word "filed" should be eliminated.

h. In s. DFI-Sec 5.12 (3), the word "must" should be replaced by the word "shall."

4. Adequacy of References to Related Statutes, Rules and Forms

To the extent Clearinghouse Rule 01-25 requires new or revised forms, the agency should ensure that the provisions of s. 227.14 (3), Stats., are met.

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. In s. DFI-Sec 1.02 (20), the word "is" should be replaced by the word "are."

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