



[JCRAC/Senate cc]

AUG 21 2002

**State of Wisconsin**  
*Department of Financial Institutions*

Scott McCallum, **Governor**

John F. Kundert, **Secretary**

August 21, 2002

The Honorable Fred Risser, President  
Wisconsin State Senate  
Attn: Donna Doyle  
c/o Office of Senate Journals and Records  
17 West Main St., Ste. 401  
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 02-102/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 ORDER OF THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN  
AMENDING, ADOPTING AND REPEALING RULES**

To repeal DFI-Sec 4.04(3), 5.04(7) and (8), 5.05(14) and 9.01(1)(b)7. and 8.; to renumber DFI-Sec 4.04(4) to (9), 4.05(7) to (12), 5.07(2) and 9.01(1)(b)9. to 17; to renumber and amend DFI-Sec 4.04(3)(a), 5.01(1)(a) and (b), and 5.07(2); to amend DFI-Sec 3.03(4)(h), 4.05(8)(L), 4.06(1)(d), 4.085, 4.10(4)(a), 5.01(2)(a), (2)(c), (2)(d)3., and (2)(e), 5.07(1), 5.08(2), 5.10, 5.11(3) and 5.12(4); to repeal and recreate DFI-Sec 4.07(2); and to create DFI-Sec 3.03(4)(o) to (q), 5.01(1)(a)2. and (1)(b)2. and 5.07(2)(b); relating to securities broker-dealer, agent, investment adviser and investment adviser representative license-filing procedures, license period provisions, and securities registration disclosure requirements.

Pursuant to sections 551.63(1) and (2), 551.27(10), 551.32(1)(a), (b), (c), (1s), (4), (7) and (8), and 551.33(6), Wis. Stats., the Division of Securities of the Department of Financial Institutions amends, adopts and repeals rules interpreting those sections as follows:

**DEPARTMENT OF FINANCIAL INSTITUTIONS**

**DIVISION OF SECURITIES**

**YEAR 2002 ANNUAL RULES REVISION**

**SECTION 1. DFI-SEC 3.03(4)(h) is amended to read:**

**DFI-SEC 3.03(4)(h)** The North American Securities Administrators Association  
~~Guidelines for Offerings of~~ Statement of Policy Regarding Church Bonds, adopted  
~~October 1979~~ April 14, 2002.

ANALYSIS: The amendment contained in this Section, together with the rules created in Section 2, add to the current list of the North American Securities Administrators Association ("NASAA") securities registration policies contained in existing rule DFI-Sec 3.03(4), Wis. Adm. Code, that may be used by the Division for purposes of reviewing the adequacy of prospectus disclosures in securities registration applications filed with the Division. The revisions relate to the NASAA Mortgage Program Guidelines (adopted in 1996), Omnibus Guidelines (adopted in 1992), and Guidelines For General Obligation Financing by Religious Denominations (adopted in 1994), as well as a totally revised (from the 1979 Guidelines) NASAA Statement of Policy Regarding Church Bonds as adopted by the NASAA membership April 14, 2002. The required authorization was received by letter dated August 20, 2002, from the Attorney General and the Revisor of Statutes permitting the Division to incorporate by reference the four NASAA Guidelines/Policies in this Section and in Section 2.

**SECTION 2. DFI-Sec 3.03(4)(o) to (q) are created to read:**

**DFI-Sec 3.03(4)(o)** The North American Securities Administrators Association  
Mortgage Program Guidelines, adopted September 10, 1996.

(p) The North American Securities Administrators Association Omnibus Guidelines, adopted March 29, 1992.

(q) The North American Securities Administrators Association Guidelines For General Obligation Financing by Religious Denominations, adopted April 17, 1994.

ANALYSIS: See the ANALYSIS to Section 1 above.

**SECTION 3. DFI-Sec 4.04(3) is repealed.**

ANALYSIS: This Section repeals a broker-dealer reporting rule relating to designated supervisors that should have been repealed incident to the repeal of the Designated Supervisor Rule of Conduct requirement that was part of the Division's 2001 Annual Rules Revision.

**SECTION 4. DFI-Sec 4.04(4) to (9) are renumbered DFI-Sec 4.04(3) to (8).**

ANALYSIS: This renumbering is necessary to maintain the proper numbering sequence resulting from the repeal of DFI-Sec 4.04(3) in the preceding Section.

**SECTION 5. DFI-Sec 4.04(3)(a), as renumbered, is amended to read:**

**DFI-Sec 4.04(3)(a)** Except as provided in subs. (2) ~~, (3)~~ and ~~(9)~~ (8), each broker-dealer shall file with the division any notice of change of control or change of name, as well as any material change in the information included in the broker-dealer's most recent application for license, in an amendment to Form BD filed with the central registration depository within 30 days of the date of the change.

**ANALYSIS:** The amendments to this rule revise certain cross-referenced rule sections to reflect the repeal of DFI-Sec 4.04(3) in Section 3 above, and the renumbering in Section 4 above.

**SECTION 6. DFI-Sec 4.05(7) to (12) are renumbered DFI-Sec 4.05(6) to (11).**

**ANALYSIS:** This renumbering is necessary to maintain the proper numbering sequence resulting from the repeal (as part of the Division's 2001 Annual Rules Revision) of the broker-dealer licensing Rule of Conduct requirement in DFI-Sec 4.05(6) to employ a designated supervisor.

**SECTION 7. DFI-Sec 4.05(8)(L), as renumbered, is amended to read:**

**DFI-Sec 4.05(8)(L)** Notify the division at the time of filing the notice of opening or change of address of a branch office as required in s. DFI-Sec 4.04 (8) (7) that the office is located on the premises of a financial institution in this state, which notification shall include the identity of the institution.

**ANALYSIS:** The amendment to this rule changes the numbering of the rule cross-referenced therein to reflect the renumbering in Section 4 above.

**SECTION 8. DFI-Sec 4.06(1)(d) is amended to read:**

**DFI-Sec 4.06(1)(d)** Executing a transaction on behalf of a customer without authority to do so, except that use by a broker-dealer of a negative response letter in conformity with ~~Article III, section 15 of the Rules of Fair Practice~~ rule 2510(d)(2) of the national association of securities dealers, inc. is not a violation of this rule;

**ANALYSIS:** The amendment to this broker-dealer Prohibited Business Practice provision revises the citation therein to the National Association of Securities Dealers ("NASD") rule which was recently renumbered and retitled.

**SECTION 9. DFI-Sec 4.07(2) is repealed and recreated to read:**

**DFI-Sec 4.07(2)** The license of an agent is not effective during any period when either of the following apply:

(a) The broker-dealer that the agent represents is not licensed or when the securities of the issuer that the agent represents are not subject to an effective registration statement or an effective exemption, or upon termination of the offering.

(b) The agent's status with the national association of securities dealers or a national securities exchange is deficient for failure to meet continuing education requirements.

**ANALYSIS:** This repeal and recreation adds to the current Licensing Period rule for agents in DFI-Sec 4.07(2), a new provision in sub. (b) that relates to the failure by an agent to comply with continuing education requirements for agents adopted by the NASD and national securities exchanges. Because an agent's NASD or exchange registration is not effective if the agent is deficient for failing to meet continuing education requirements, this rule provides equivalent treatment for Wisconsin licensure purposes.

**SECTION 10. DFI-Sec 4.085 is amended to read:**

**DFI-Sec 4.085 Temporary agent transfer licensing.** For purposes of agent license applications filed pursuant to s. 551.32 (1), Stats., and agent license withdrawal applications filed pursuant to s. 551.32 (9) (a), Stats., the division may issue temporary agent licenses and terminate agent licenses in accordance with temporary agent transfer

registration procedures under the central registration depository of the national association of securities dealers, as developed under contract with the North American securities administrators association. The license of an agent transferring from one licensed broker-dealer to another is not effective unless the requirements under the temporary ~~agent transfer~~ registration procedure are met by the agent, the broker-dealers involved in the transfer, and the central registration depository.

**ANALYSIS:** The retitling and amendments to this securities agent temporary license transfer rule section revise the terminology/label for that temporary procedure to correspond with the new "registration" terminology used by the NASD for such procedure.

**SECTION 11. DFI-Sec 4.10(4)(a) is amended to read:**

**DFI-Sec 4.10(4)(a).** Publication or circulation of advertising that offers or describes securities services available at or through the bank, savings institution or trust company, except for advertising relating to securities transaction execution services provided in accordance with s. DFI-Sec 4.05 (9) (8); or

**ANALYSIS:** The amendment to this rule changes the numbering of the rule cross-referenced therein to reflect the renumbering in Section 6 above.

**SECTION 12. DFI-Sec 5.01(1)(a) is renumbered DFI-Sec 5.01(1)(a)1. and amended to read:**

**DFI-Sec 5.01 Licensing procedure. (1)(a)1.** 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.

**ANALYSIS:** This Section contains the first of several related revisions to Chapter DFI-Sec 5 that make amendments to the rules establishing the license application filing process and procedure for investment adviser representatives. The revisions are necessary in order for Wisconsin's procedures and requirements to be consistent with recent changes made nationally that are binding on each state which mandates that all license application filings for investment adviser representatives must now be made with the Central Registration Depository ("CRD"), whereas license application filings for investment advisory firms will continue to be required to be made with the Investment Adviser Registration Depository ("IARD"). The Division adopted a comprehensive series of rules during 2001 to adopt for use in Wisconsin (concurrently with its first availability for use nationally), the electronic filing/licensing mechanism of the Investment Adviser Registration Depository. Initially, all license application filings by both investment advisory firms and investment adviser representatives were to be made with the IARD; however, during 2002, the CRD and NASAA began providing that licensing-related applications and filings by investment adviser representatives after March 18, 2002 would be made on the CRD. The specific amendment to this (renumbered) rule subsection DFI-Sec 5.01(1)(a)1 deletes the reference to "investment adviser representatives" because new rule DFI-Sec 5.01(1)(a)2 created in the following Section provides that the license application filing for investment adviser representatives must be made through the Central Registration Depository.

**SECTION 13. DFI-Sec 5.01(1)(a)2. is created to read:**

**DFI-Sec 5.01(1)(a)2.** The central registration depository operated by the national association of securities dealers shall receive and maintain filings on forms established for the central registration depository and collect related fees from investment adviser representatives on behalf of the division.



**ANALYSIS** : As discussed in the Analysis to Section 12, this Section creates a new rule to provide that license application filings for investment adviser representatives will be received through the Central Registration Depository.

**SECTION 14. DFI-Sec 5.01(1)(b) is renumbered DFI-Sec 5.01(1)(b)1. and amended to read:**

**DFI-Sec 5.01 Licensing procedure. (1)(b)1.** Unless otherwise provided under sub. ~~(11)~~ (8), or DFI-Sec 5.10, 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.

**ANALYSIS:** This Section and the following Section contain equivalent changes to those set forth in Sections 12 and 13 above. Namely, the specific amendment to this (renumbered) rule subsection DFI-Sec 5.01(1)(b)1 deletes the reference to "investment adviser representatives" because new rule DFI-Sec 5.01(1)(b)2 created in the following Section requires that all licensing-related filings for investment adviser representatives must be made through the Central Registration Depository. The Section also contains a correction to the rule section cross-referenced therein [to read (8)], and adds a cross-reference to rule DFI-Sec 5.10 which provides that if any documents or fees cannot be accepted by the IARD, they should be filed directly with the Division.

**SECTION 15. DFI-Sec 5.01(1)(b)2. is created to read:**

**DFI-Sec 5.01(1)(b)2.** Unless otherwise provided under sub. (8) or by order of the division, applications for initial and renewal licenses of investment adviser representatives, as well as amendments, reports, notices, related filings and fees, shall be filed with the central registration depository.

ANALYSIS: See the Analysis to Section 14.

**SECTION 16. DFI-Sec 5.01(2)(a) is amended to read:**

**DFI-Sec 5.01(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) (c), 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 or the central registration depository shall be filed directly with the division.

ANALYSIS: Reflecting the revisions in preceding Sections, the amendment to this rule (that defines what constitutes a licensing "application"), adds a reference to the Central Registration Depository where investment adviser representatives now must make their licensing-related filings.

**SECTION 17. DFI-Sec 5.01(2)(c) is amended to read:**

**DFI-Sec 5.01(2)(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~~ central 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~~ central 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~~ central registration depository has been allocated to the division.

ANALYSIS: Paralleling amendments to other Sections above, the amendments to this rule (which defines when a license application for an investment adviser representative is deemed "filed"), provide that such filings be made to the CRD.

**SECTION 18. DFI-Sec 5.01(2)(d)3. is amended to read:**

**DFI-Sec 5.01(2)(d)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~~ central registration depository within 30 days of the date of the event that requires filing of the amendment.

ANALYSIS: See Analysis to Section 17.

**SECTION 19. DFI-Sec 5.01(2)(e) is amended to read:**

**DFI-Sec 5.01(2)(e).** An electronic signature affixed to any filing made in compliance with the requirements of the investment adviser registration depository or the central registration depository shall constitute irrefutable evidence of legal signature by any individual whose name is typed on the filing.

ANALYSIS: Reflecting revisions in prior Sections, the amendment makes this electronic signature rule applicable

to licensing filings made under the CRD as well as filings under the IARD.

**SECTION 20. DFI-Sec 5.04(7) and (8) are repealed.**

ANALYSIS: This Section repeals two reporting requirement rules that required investment advisers and federal covered advisers, respectively, to file with the Division at prescribed times, copies of their Schedule I to Form ADV. The repeals are warranted because Schedule I is no longer a separate part of the Form ADV filed on the IARD, and the Schedule I information is now incorporated into Part 1 of Form ADV.

**SECTION 21. DFI-Sec 5.05(14) is repealed.**

ANALYSIS: This investment adviser Rule of Conduct provision (that establishes a customer brochure delivery requirement) is repealed because it was superseded by a separate rule on the subject adopted as part of the Division's 2001 Annual Rules Revision and set forth in DFI-Sec 5.05(8).

**SECTION 22. DFI-Sec 5.07(1) is amended to read:**

~~DFI-Sec 5.07(1) Prior to January 1, 2002, the license of an investment adviser expires on April 30. Effective January 1, 2002, the~~ 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.

ANALYSIS: This amendment deletes now-outdated interim language that was inserted in the Division's original IARD rule adoption in 2001 (effective August 1, 2001) to deal with filings made with the IARD by investment

advisers between the August 1, 2001 effective date of the rule and December 31, 2001.

**SECTION 23. DFI-Sec 5.07(2) is renumbered DFI-Sec 5.07(2)(a) and amended to read:**

**DFI-Sec 5.07(2)(a)** 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~~ central registration depository according to the depository's schedule.

**ANALYSIS:** The amendment to this rule parallels amendments in previous Sections to provide that license-related filings for investment adviser representatives now must be submitted to the CRD.

**SECTION 24. DFI-Sec 5.07(2)(b) is created to read:**

**DFI-Sec 5.07(2)(b)** An agent who is qualified to perform the functions of an investment adviser representative on behalf of a broker-dealer under DFI-Sec. 4.01(10), may not perform those functions during any period when the agent's status with the

national association of securities dealers or a national securities exchange is deficient for failure to meet continuing education requirements.

**ANALYSIS:** This new rule, which parallels an identical rule applicable to securities agents created as DFI-Sec 4.07(2)(b) in Section 9 above, similarly provides that the license of an agent qualified to perform the functions of an investment adviser representative on behalf of a broker-dealer is not effective if the agent's status with the NASD or a national securities exchange is deficient for failure to meet the agent's continuing education requirements.

**SECTION 25. DFI-Sec 5.08(2) is amended to read:**

**DFI-Sec 5.08(2)** An application for withdrawal from the status of a licensed investment adviser representative shall be filed with the ~~investment adviser~~ central 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.

**ANALYSIS:** The amendment to this rule parallels amendments in previous Sections to provide that license-related filings for investment adviser representatives now must be submitted to the CRD.

**SECTION 26. DFI-Sec 5.10 is amended 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 or the central 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 or the central registration depository shall be filed directly with the division.

ANALYSIS: These amendments parallel those in prior Sections to make this electronic filing rule applicable to licensing filings made under the CRD as well as filings under the IARD.

**SECTION 27. DFI-Sec 5.11(3) is amended to read:**

~~DFI-Sec 5.11(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 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.~~

ANALYSIS: Similar to the amendments in Section 22 above, these amendments delete now-outdated interim language that was inserted in the Division's original IARD rule adoption in 2001 (effective August 1, 2001) to deal with filings made with the IARD by federal covered advisers between the August 1, 2000 effective date of the rule and December 31, 2001.

**SECTION 28. DFI-Sec 5.12(4) is amended to read:**

**DFI-Sec 5.12(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~~ central 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.

ANALYSIS: Consistent with amendments in previous Sections, the amendment to this rule provides that license-related filings for investment adviser representatives now must be submitted to the CRD.

**SECTION 29. DFI-Sec 9.01(1)(b)7. and 8. are repealed.**

ANALYSIS: This Section deletes the two licensing forms in DFI-Sec 9.01(1)(b)7. and 8. (relating to broker-dealer supervisors) because the filing requirements relating to such forms were repealed as part of the Division's 2001 Annual Rules Revision.

**SECTION 30. DFI-Sec 9.01(1)(b)9. to 17. are renumbered DFI-Sec 9.01(1)(b) 7. to 15.**

ANALYSIS: This renumbering is necessary to maintain the proper numbering sequence resulting from the repeal of DFI-Sec 9.01(1)(b) 7. and 8. in the preceding Section.

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The rules and amendments contained in this Order shall take effect as provided in s. 227.22(2)(intro.), Stats., on the first day of the month following the date of publication in the Wisconsin Administrative Register.

DATED at Madison Wisconsin, this \_\_\_\_ day of \_\_\_\_\_, 2002.

[SEAL]

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PATRICIA D. STRUCK  
Administrator  
Division of Securities

**REPORT PREPARED BY THE  
DEPARTMENT OF FINANCIAL INSTITUTIONS, DIVISION OF SECURITIES  
RELATING TO FINAL FORM OF YEAR 2002 AMENDMENTS TO  
THE RULES OF THE DIVISION OF SECURITIES**

**(a) Statement Explaining Need for Rules**

The rulemaking procedures under Chapter 227 of the Wisconsin Statutes are being implemented for the purpose of effectuating the Division's annual review of the Rules of the Division of Securities. The Division's annual rule revision process for 2002 is conducted for the following purposes: (1) Adopting new rules or amending existing rules, relating to the securities broker-dealer, agent, investment adviser, and investment adviser representative licensing provisions, to thereby effectively regulate new securities licensing developments that have occurred in the securities industry and marketplace that require regulatory treatment; (2) Repealing certain now-outdated interim rule provisions (or sections thereof) promulgated in 2001 that, at the time, established deadlines for filing initial and renewal license applications with the Division by investment advisers and investment adviser representatives using the national, electronic database of the Investment Adviser Registration Depository; and (3) Adding several recent or newly-amended North American Securities Administrators Association ("NASAA") securities registration policies to the current list of NASAA securities registration policies contained in existing rule DFI-Sec 3.03(4), because the disclosure related provisions of such policies may be used by the Division for purposes of reviewing the adequacy of prospectus disclosures in securities registration applications filed with the Division.

The revisions are being made in a total of 30 different Sections. A summary of the subject matter and nature of the more significant of the rule revisions follows:

1. Providing for the electronic filing procedure for licensure in Wisconsin of investment adviser representatives using the national, electronic database of the Central Registration Depository made available for use by all states as of March 2002.
2. Creating new subsections under the Licensing Period rules in DFI-Sec 4.07(2) for securities agents and in DFI-Sec 5.07(2) for securities agents qualified to perform the functions of an investment adviser representative, relating to the failure to comply with continuing education requirements recently adopted by the National Association of Securities Dealers ("NASD") and national securities exchanges, to provide that a license is not effective if the person's status with the NASD or a national securities exchange is deficient for failure to meet continuing education requirements.
3. Amending the language in a number of existing licensing procedure rules to clarify that initial and renewal licenses of investment advisers remain subject to filing under the Investment Adviser Registration Depository.

4. Repealing certain now-outdated interim rule provisions (or sections thereof) promulgated in 2001 that, at the time, established deadlines for filing initial and renewal license applications with the Division by investment advisers and investment adviser representatives using the national, electronic database of the Investment Adviser Registration Depository.

5. Adding to the current list of NASAA securities registration policies contained in existing rule DFI-Sec 3.03(4), Wis. Adm. Code, that may be used by the Division for purposes of reviewing the adequacy of prospectus disclosures in securities registration applications filed with the Division, the NASAA Statements of Registration Policy relating to Mortgage Program Guidelines, Omnibus Guidelines, General Obligation Financing by Religious Denominations/Church Extension Fund Guidelines, and the amended version of the NASAA Statement of Policy Regarding Church Bonds as adopted by the NASAA membership in April, 2002.

Each Section that adopts, amends or repeals a rule is followed by a separate Analysis which discusses the nature of the revision as well as the reason for it.

\* \* \* \*

**(b) Explanation of Modifications Made as a Result of the Public Hearing and Comment Process**

- No modifications were made as a result of the public hearing and comment process.

\* \* \* \*

**(c) 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 Bureau of Licensing & Compliance 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

No comment letters were received as a result of the public comment process.

\* \* \* \*

(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 Sections 1 and 2 that incorporate by reference certain Guidelines/Policies of the North American Securities Administrators Association ("NASAA"), language was added to the Analysis for those Sections stating that the required written authorization was received from the Wisconsin Attorney General and the Revisor of Statutes Bureau permitting the division to incorporate by reference the NASAA Guidelines/Policies.
- Consistent with the Rules Clearinghouse comment in paragraph b. regarding DFI-Sec 4.07(2), the language "or both" was deleted, and paragraph (a) was ended with a period.

Under 3. Conflict With or Duplication of Existing Rules

- Consistent with the Rules Clearinghouse comment in paragraph a. regarding DFI-Sec 4.10(4)(b), a correction was made to the rule citation to have the amendment relate to paragraph DFI-Sec 4.10(4)(a) rather than (b).
- Consistent with the Rules Clearinghouse comment in paragraph b. regarding DFI-Sec 5.01(1)(a), the reference to the "National Association of Securities Dealers" is capitalized.

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

Consistent with the Rules Clearinghouse Comment regarding DFI-Sec 4.07(2)(a), the word "which" in two places was changed to "that."

\* \* \* \*

(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.

\* \* \* \*