



# State of Wisconsin

## Department of Financial Institutions

Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

### NOTICE OF HEARING

NOTICE IS HEREBY GIVEN That pursuant to ss. 551.406(5), 551.605(1), and 227.11(2), Stats., and interpreting ss. 551.615, Stats., the Department of Financial Institutions, Division of Securities will hold a public hearing at Department of Financial Institutions, 345 W. Washington Avenue, 5<sup>th</sup> Floor in the city of Madison, Wisconsin, on the 21<sup>st</sup> day of September, 2009, at 9:00 a.m. to consider a rule amending, repealing and creating sections of chs. DFI—Sec 1 – 5, 7 and 9 relating to minor revisions to securities administrative code sections for conformity with Wisconsin securities statutes, filings and securities agent examination matters.

#### Analysis Prepared by the Department of Financial Institutions, Division of Securities

Statute(s) interpreted: s. 551.615, Stats.

Statutory authority: ss. 551.406(5), 551.605(1), and 227.11(2), Stats.

Related statute or rule: none.

Explanation of agency authority: Pursuant to ch. 551, Stats., the department regulates securities.

Summary of proposed rule: The objective of the rule is to amend ss. DFI—Sec 1.02(5)(b) and (c); repeal ss. DFI—Sec 1.02(8), 2.01(9) and (10), 2.02(9)(b) and (m); amend ss. DFI—Sec 3.03(1); amend ss. DFI—Sec 4.01(3) and (4)(e) – (g), and 5.01(4)(a) and (b), and 5.05(2)(a); create s. DFI—5.13(4); amend s. DFI—7.01(2)(title) and (c); and repeal ss. DFI—Sec 9.01(1)(b)10 and 13. The purpose of the rule is as follows: Section 1. These amendments are necessary to clarify that these apply to federally-covered advisors, their investment adviser representatives and state advisers, and also to correct cross references. Section 2. This section can be repealed as duplicative to the definition in s. 551.102(11)(m), Stats. Section 3. As a result of 2007 Wisconsin Act 196, these exemptions are no longer necessary. Section 4. These sections can be repealed because of the language and scope of the merger/reorganization and employee benefit plan registration exemptions resulting from 2007 Wisconsin Act 196. Section 5. These amendments provide for an electronic filing alternative (to the existing hardcopy notice filing provision) for federal Regulation D/Rule 506 securities offerings that are or will be made in Wisconsin. Section 6. This amendment provides specific recognition of electronic prospectus delivery modes that comply with federal requirements on the subject. Section 7. The amendment to s. DFI-Sec 4.01(3) clarifies that if an applicant has received a waiver, he or she need not again take and pass such exams. The amendments to ss. DFI—Sec 4.01(4)(3) – (g) clarify that the even though the applicant may receive a waiver, it does not relieve the applicant from passing one of the state law exams. Section 8. Section DFI-Sec 5.01(4)(a) embodies two distinct waiver concepts that are best separated, and the amendment eliminates a conflict with (b). Amending s. DFI—Sec 5.01(4)(b) preserves the minimum qualification standard envisioned by s. DFI-Sec 5.01(3). Section 9 corrects a citation. Section 10 is necessary to provide the exemption from registration for investment

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adviser representatives of noticed filed federal covered investment advisers in order to comply with the provisions of federal law. Section 11. Because of the change from “licensing” to “registration” for broker-dealer and investment adviser matters, these amendments help differentiate between “licensee” matters and registration of securities matters. Section 12. Form IAR (WI) is no longer necessary because renewals are handled via IARD, and form IAUSR(WI) will be discontinued as part of the application process.

Summary of and preliminary comparison with existing or proposed federal regulation: There are no newly-developed or proposed federal regulations addressed by this rule. However, Wisconsin Securities Law and rules are generally coordinated with corresponding federal requirements, pursuant to s. 551.615, Stats.

Comparison with rules in adjacent states: These rule chapters reflects the 2002 Uniform Securities Act which Iowa and Minnesota have adopted and written rules; Illinois and Michigan have not.

Summary of factual data and analytical methodologies: The division applied its own experience in its regulation of securities generally for the minor clarifications, corrections, revisions and examination matters addressed by the rule.

Analysis and supporting documentation used to determine effect on small business: The rule makes minor clarifications, corrections and revisions for conformity with existing statutes; imposes no additional substantive requirements; and reduces the same.

### **Fiscal Estimate**

The rule places no additional duties or burdens on state or local government, and hence has no affect on costs to either.

### **Contact Person**

To obtain a copy of the proposed rule or fiscal estimate at no charge, to submit written comments regarding the proposed rule, or for questions regarding the agency’s internal processing of the proposed rule, contact Mark Schlei, Deputy General Counsel, Department of Financial Institutions, Office of the Secretary, P.O. Box 8861, Madison, WI 53708-8861, tel. (608) 267-1705, e-mail mark.schlei@wisconsin.gov. A copy of the proposed rule may also be obtained and reviewed at the Department of Financial Institution’s website, [www.wdfi.org](http://www.wdfi.org). Written comments must be received by the conclusion of the department’s hearing regarding the proposed rule.

For substantive questions on the proposed rule, contact Randall Schumann, Attorney, Department of Financial Institutions, Division of Securities, P.O. Box 1768, Madison, WI 53701-1768, tel. (608) 266-3414, e-mail [randall.schumann@wisconsin.gov](mailto:randall.schumann@wisconsin.gov).