

1977 Assembly Bill 642

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CHAPTER 144, Laws of 1977

AN ACT to repeal 551.02 (3) (e) and (7) (f); to renumber 551.02 (3) (f) to (i) and (7) (g) and (h); to amend 551.22 (6), (8) and (10), 551.23 (15) (b), 551.28 (4), 551.31 (1) and (3), 551.34 (1) (intro.), (e) and (f), (2) and (4) and 551.60 (1); and to create 551.22 (17) and 551.33 (7) of the statutes, relating to regulation of securities (suggested as remedial legislation by the office of the commissioner of securities).

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 551.02 (3) (e) and (7) (f) of the statutes are repealed.

SECTION 2. 551.02 (3) (f) to (i) and (7) (g) and (h) of the statutes are renumbered 551.02 (3) (e) to (h) and (7) (f) and (g), respectively.

SECTION 3. 551.22 (6), (8) and (10) of the statutes are amended to read:

551.22 (6) Any security issued or guaranteed by any railroad, other common carrier, public service corporation, public utility or public utility holding company, which is subject to regulation in respect of the issuance or guarantee of ~~its securities~~

the security by a governmental authority of the United States, any state, Canada or any Canadian province.

(8) Any security issued to its members by a domestic corporation organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic or reformatory purposes; and any evidences of debt issued by any such corporation to nonmembers in compliance with rules established by the commissioner ~~with respect to trust indentures.~~

(10) Any investment contract or other security issued in connection with an employes' stock purchase, savings, pension, profit sharing or similar benefit plan, ~~provided if,~~ in the case of plans which are not qualified under ~~sec. section~~ 401 of the internal revenue code and which provide for contribution by employes, there is filed with the commissioner is notified in writing 30 a notice specifying the terms of the plan and the commissioner does not by order disallow the exemption within 10 days before the inception of the plan.

SECTION 4. 551.22 (17) of the statutes is created to read:

551.22 (17) Any security as to which the commissioner by rule or order finds that registration is not necessary or appropriate for the protection of investors.

SECTION 5. 551.23 (15) (b) of the statutes is amended to read:

551.23 (15) (b) The issuer or its predecessors have had ~~net an excess of revenues over expenses, excluding interest expense, provision for depreciation and extraordinary items,~~ for each of the 2 fiscal years next preceding such offer or sale, or average net revenues for the last 3 fiscal years next preceding such offer or sale, of not less than 1 1/2 times the aggregate annual interest requirements on the issue of securities to be sold under this subsection and all securities of equal or prior rank to be outstanding immediately after such sale. ~~"Net revenues" means the excess of revenues over all expenses of operation and maintenance excluding provision for depreciation and extraordinary, nonrecurring items of revenue and expense.~~

SECTION 6. 551.28 (4) of the statutes is amended to read:

551.28 (4) The commissioner may issue a summary order denying, postponing, suspending or revoking the effectiveness of the registration statement pending final determination of any proceeding under this section. Upon the entry of the order, the commissioner shall ~~promptly notify each person specified in sub. (5) that it has been entered and the reasons therefor and that within 15 days after the receipt of a written request the matter will be set down for hearing. If no hearing is requested and none is ordered by the commissioner, the order will remain in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing to each person specified in sub. (5), may modify or vacate the order or extend it until final determination serve upon all named parties a copy of the order and notify the parties of their right to request a hearing under s. 551.61 (1).~~

SECTION 7. 551.31 (1) and (3) of the statutes are amended to read:

551.31 (1) It is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is so licensed under this chapter, except a person who has no place of business in this state and who effects transactions in this state exclusively with or through persons specified in s. 551.23 (8).

(3) It is unlawful for any person to transact business in this state as an investment adviser unless he is so licensed or licensed as a broker-dealer under this chapter or unless his, except a person who has no place of business in this state and whose only clients in this state are persons exempted under specified in s. 551.23 (8).

SECTION 7m. 551.33 (7) of the statutes is created to read:

551.33 (7) No licensed broker-dealer shall be subject to s. 138.05 (1) (a) with respect to any debit balance in a customer account if the debit balance is payable on demand and the only collateral for the balance is securities.

SECTION 8. 551.34 (1) (intro.), (e) and (f), (2) and (4) of the statutes are amended to read:

551.34 (1) (intro.) The commissioner may by order deny, an application or suspend or revoke any license or may censure the licensee, if ~~he~~ the commissioner finds that the order is in the public interest and that the applicant or licensee or, in the case of a broker-dealer or investment adviser, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(e) Is the subject of an order of the commissioner denying, an application or suspending or revoking a license as a broker-dealer, agent or investment adviser;

(f) Is the subject of an order entered within the past 5 years by the securities administrator of any other state or by the securities and exchange commission denying, suspending or revoking registration or license as a broker-dealer, agent or investment adviser, or is the subject of an order of the securities and exchange commission suspending or expelling him such person from a national securities exchange or association, or is the subject of a ~~United States~~ U.S. post office fraud order; ~~but the~~ The commissioner may not institute a revocation or suspension proceeding under this paragraph more than one year from the date of the order relied on, and ~~he~~ the commissioner may not enter an order under this paragraph on the basis of an order under another state law unless the order was based on facts which would currently constitute a ground for an order under this section;

(2) The enumeration of the causes stated in sub. (1) shall not be exclusive and the commissioner may deny, an application or suspend or revoke any license or censure any licensee for any cause whether similar to or different from these causes when necessary or appropriate in the public interest or for the protection of investors.

(4) The commissioner may by order summarily deny, postpone or suspend a license or an application for license pending final determination of any proceeding under this section. Upon the entry of the order, the commissioner shall ~~promptly notify the applicant or licensee, as well as the employer or prospective employer if the applicant or licensee is an agent, that it has been entered and of the reasons therefor and that within 15 days after the filing of a written request the matter will be set down for hearing. If no hearing is requested and none is ordered by the commissioner, the order remains in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing, may modify or vacate the order or extend it until final determination serve upon all named parties a copy of the order and notify the parties of their right to request a hearing under s. 551.61 (1).~~

SECTION 9. 551.60 (1) of the statutes is amended to read:

551.60 (1) The commissioner may by rule or order require any issuer of securities registered or exempted by order of the commissioner under this chapter or predecessor laws to file with the commissioner and distribute specified financial information to its shareholders security holders in this state at least annually specified financial or other information concerning the issuer.