

**2001 DRAFTING REQUEST**

**Bill**

Received: **01/25/2002**

Received By: **rmarchan**

Wanted: **As time permits**

Identical to LRB:

For: **Glenn Grothman (608) 264-8486**

By/Representing: **Nick Zavos**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - securities**

Extra Copies:

Submit via email: **NO**

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Regulation of investment adviser representatives

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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 01/25/2002	csicilia 02/25/2002					State
/1			rschluet 02/25/2002		lrb_docadmin 02/25/2002	lrb_docadmin 02/26/2002	

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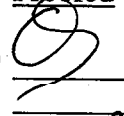
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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

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1 AN ACT to amend 551.31 (6), 551.33 (1), 551.33 (6), 551.34 (1) (e) and 551.34 (1)  
2 (f) of the statutes; relating to: the regulation of investment adviser  
3 representatives (suggested as remedial legislation by the department of  
4 ~~financial institutions~~)

**Analysis by the Legislative Reference Bureau**

Under current law, the division of securities in the department of financial institutions (DFI) oversees the licensing of securities broker-dealers, agents, investment advisers, and investment adviser representatives. Currently, an investment adviser representative is generally subject to licensing requirements similar to those applicable to a securities broker-dealer, agent, or investment adviser. Furthermore, current law contains numerous requirements regulating licensed securities broker-dealers, agents, and investment advisers. This bill expands the coverage of current law to include investment adviser representatives as regulated individuals under certain requirements currently applicable to securities broker-dealers, agents, and investment advisers.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the department of financial institutions and introduced by the law revision committee under s. 13.33 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the law revision committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

1           **SECTION 1.** 551.31 (6) of the statutes is amended to read:

2           551.31 (6) It is unlawful for any licensed broker-dealer, agent or, investment  
3           adviser, or investment adviser representative, or any person directly or indirectly  
4           controlling a licensed broker-dealer or investment adviser, to transact business in  
5           this state if the licensee is in violation of this chapter, or any rule under this chapter,  
6           or any order under this chapter of which the licensee or person has notice, or if the  
7           information contained in the licensee's or person's application for license, as of the  
8           date of such transactions, is incomplete in any material respect or is false or  
9           misleading with respect to any material fact.

10           **SECTION 2.** 551.33 (1) of the statutes is amended to read:

11           551.33 (1) Every licensed broker-dealer, agent ~~and~~, investment adviser, and  
12           investment adviser representative shall make and keep all accounts,  
13           correspondence, memoranda, papers, books and other records which the division  
14           prescribes by rule or order, subject to the limitations of section 15 of the Securities  
15           Exchange Act of 1934 for broker-dealers and section 222 of the Investment Advisers  
16           Act of 1940 for investment advisers. All records required shall be preserved for the  
17           period prescribed by the division by rule or order. All required records shall, at the  
18           request of the division, be made available at any time for examination by the division

1 either in the principal office of the licensee or by production of exact copies thereof  
2 in this state.

3 **SECTION 3.** 551.33 (6) of the statutes is amended to read:

4 551.33 (6) The division may by rule establish standards for the conduct of  
5 business by broker-dealers, agents, investment advisers, investment adviser  
6 representatives, and clearing corporations as defined in s. 408.102 (1) (e).

7 **SECTION 4.** 551.34 (1) (e) of the statutes is amended to read:

8 551.34 (1) (e) Is the subject of an order of the division denying an application  
9 or suspending or revoking a license as a broker-dealer, agent ~~or~~, investment adviser,  
10 or investment adviser representative;

11 **SECTION 5.** 551.34 (1) (f) of the statutes is amended to read:

12 551.34 (1) (f) Is the subject of an order entered within the past 5 years by the  
13 securities administrator of any other state or by the securities and exchange  
14 commission denying, suspending or revoking the person's registration or license as  
15 a broker-dealer, agent, investment adviser, investment adviser representative, or  
16 federal covered adviser, or is the subject of an order of the securities and exchange  
17 commission or of a securities exchange or association registered under the Securities  
18 Exchange Act of 1934 suspending or expelling such person from a securities  
19 exchange or association or forbidding the association or affiliation of the person with  
20 a broker-dealer or investment adviser, or is the subject of a U.S. postal service fraud  
21 order. The division may not institute a revocation or suspension proceeding under  
22 this paragraph more than one year from the date of the order relied on, and the  
23 division may not enter an order under this paragraph on the basis of an order under  
24 another state law or federal law unless the order was based on facts which would  
25 currently constitute a ground for an order under this section;

NOTE: SECTIONS 1 to 5 are changes made to the Wisconsin uniform securities law necessitated by 1997 Wisconsin Act 316, which created "investment adviser representative" as a category of licensee. Prior to that time, investment adviser representatives had been subject to a "qualification" procedure while broker-dealers, agents and investment advisers had been subject to licensure under the securities law.

References to "investment adviser representative" are added to 5 securities licensing provisions to reflect the change made by 1997 Wisconsin Act 316. These changes provide that the securities licensing requirements that currently apply to licensed broker-dealers, agents and investment advisers are made applicable to investment adviser representatives.

1

(END)



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
5TH FLOOR  
MADISON, WI 53701-2037

STEPHEN R. MILLER  
CHIEF

LEGAL SECTION: (608) 266-3561  
LEGAL FAX: (608) 264-6948

February 25, 2002

### MEMORANDUM

To: Representative Grothman

From: Robert J. Marchant, Legislative Attorney

Re: LRB-4792/1 Regulation of investment adviser representatives

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY  JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 261-4454 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.