



(JCRMR - Senate cc)

SEP 05 2001

State of Wisconsin  
Department of Financial Institutions

Scott McCallum, Governor

John F. Kundert, Secretary

August 31, 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 01-082/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

Mail: PO Box 1768 Madison, WI 53701-1768  
Voice: (608) 266-1064

Fax: (608) 256-1259

Courier: 345 W. Washington Ave. 4<sup>th</sup> Floor Madison, WI 53703  
TTY: (608) 266-8818  
Internet: www.wdfi.org

**PROPOSED ORDER OF THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN  
AMENDING, ADOPTING AND REPEALING RULES**

To repeal DFI-Sec 4.01(5), and 4.05(6); to renumber DFI-Sec 4.01(6) to (10) and 7.01(4)(c); to amend DFI-Sec 4.01(3)(intro.), 4.04(8)(a), and 5.04(5)(a); and to create 2.04(1)(c) and 4.01(3)(h); relating to securities broker-dealer, agent, investment adviser and investment adviser representative licensing procedures, examination requirements, and rule of conduct provisions.

Pursuant to sections 551.63(1) and (2), 551.29(1)(c), 551.32(4) and (7), 551.33(1), (2) and (6), and 551.52(3), 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**

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YEAR 2001 ANNUAL RULES REVISION

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**SECTION 1. DFI-Sec 2.04(1)(c) is created to read:**

**DFI-Sec 2.04(1)(c)** A unit investment trust or closed-end investment company may extend the offering of its securities beyond a one-year period pursuant to s. 551.29(1)(c), Stats., by filing a notice of extension not less than 30 days prior to the end of one year from the date of filing of the initial notice with the division, or an extension notice filed under this paragraph, whichever is most recent. A notice shall consist of a copy of an updated Form NF as prescribed in DFI-Sec 9.01(1)(d), together with a fee of \$200, and at the option of the filing party, a cover letter identifying the most recent prior filing status with the division for the issuer's securities. As required under s. 551.29(1m), Stats., to be included with any rules promulgated under s. 551.29(1)(c), Stats., for unit investment trusts or closed-end investment companies, it is restated herein that the statutory annual reporting and fee requirements applicable to an open-end management company or a face amount certificate company are set forth in s. 551.52(1)(b)2., Stats.

ANALYSIS: This rule utilizes the authority granted to the Division under s. 551.29(1)(c), Stats., to adopt rules permitting a unit

investment trust or a closed-end investment company which has previously made a filing with the Division under the Federal Covered Securities provision of s. 551.29(1), Stats., to extend its offering beyond a one-year period. Paralleling the existing rule in DFI-Sec 3.07 applicable to extensions of securities registrations, (which rule provides for a 30-day prior filing requirement and specifies certain information to be submitted), this rule prescribes: (1) a filing deadline for the notice of extension--which is specified as not less than 30 days prior to the end of one year from the date of filing either the initial notice with the Division, or an extension notice (for future filers) under the rule, whichever is most recent; and (2) the information and attachments to be included in the notice filing-- namely, an updated Form NF together with a fee of \$200, and, at the option of the filing party, a cover letter identifying the most recent prior filing status with the Division for the issuer's securities. The last sentence of the rule contains language mandated for notification purposes by s. 551.29(1m), Stats., which provides that if the Division promulgates rules for unit investment trusts or closed-end investment companies, the Division shall restate in those rules the statutory and annual reporting and fee requirements that are applicable to an open-end management company or a face amount certificate company.

**SECTION 2. DFI-Sec 4.01(3)(intro) is amended to read:**

**DFI-Sec 4.01(3)** Unless waived under sub. (4), each applicant for an initial license as a broker-dealer or agent is required to take and pass either the Series 63 Uniform Securities Agent State Law Examination or the Series 66 Uniform Combined State Law Examination ~~with a grade of at least 70%~~ and take and pass ~~with a grade of at least 70%~~ one of the general securities business examinations in par. (a), unless the applicant's proposed securities activities will be restricted, in which case the applicant is required to take and pass, or receive a waiver from passing, each examination in pars. (b) to ~~(e)~~ (h) that relates to the applicant's proposed securities activities:

ANALYSIS: These amendments to the introductory paragraph of the securities agent examination licensing requirement do the following: (1) Renumber the cross-references to the paragraphs listing the various types of restricted/limited securities examinations to reflect the creation of the new restricted/limited Series 82 Private Placement Representative examination created in the following SECTION; (2) Add language to expressly provide that an applicant satisfies the restricted/limited licensing examination requirement by either passing the applicable examination, or as a result of receiving a waiver from having to pass such examination; and (3) Substitute "take and pass" language for the specified passing percentages in the proposed rule to reflect

both: (i) that the passing percentages for the various examinations are determined by the NASD which administers the examinations; and (ii) that for certain examinations, such as the Series 66 Examination, the passing rate can vary depending upon the weight of the questions pulled from the NASD Series 66 Examination Question Bank comprising the examination at any particular point in time.

**SECTION 3. DFI-Sec 4.01(3)(h) is created to read:**

**DFI-Sec 4.01(3)(h) The Series 82 Private Placement Representative Examination.**

ANALYSIS: This new limited securities agent examination is necessary because of provisions of the federal Gramm-Leach-Bliley Banking Reform Act of 1999 ("G-L-B Act") dealing with private placement securities activities by bank employees. Because Congress determined that bank employees should be allowed to continue to sell private placements without having to become fully registered as agents with the National Association of Securities Dealers ("NASD"), Section 203 of the G-L-B Act amended the federal Securities Exchange Act of 1934 to require the NASD to both create a limited agent registration/license category, and create a separate new examination to be passed by

such limited agents. Although the impetus for the new Series 82 Examination referenced below was banking-related and mandated by the G-L-B Act, the NASD in adopting the examination made it “generic” for use by persons selling exclusively private placements in other than bank employee contexts. Consequently, the NASD created, effective May 12, 2001, a new category of limited registration/licensure [designated “private placement (PR)”] for bank employees and other persons selling exclusively private placements. Additionally, the NASD created a new Series 82 Examination which must be passed by each such limited agent (unless the limited agent qualifies under the NASD’s grandfathering provisions for the Series 82 Examination).

For persons qualifying under the NASD’s limited securities agent private placement procedure who also wish to obtain equivalent limited license status for Wisconsin state securities law purposes, this new examination rule provides that passage of the NASD Series 82 Examination will satisfy the Wisconsin securities examination requirement.

**SECTION 4. DFI-Sec 4.01(5) is repealed.**

ANALYSIS: In conjunction with the repeal in DFI-Sec 4.05(6) below of the broker-dealer licensing Rule of Conduct requirement to employ a designated supervisor, this Section repeals the rule in DFI-Sec 4.01(5) that prescribes the examination requirement to be met by designated supervisors. As set forth in the ANALYSIS to the repeal of DFI-Sec 4.05(6), this provision is repealed on uniformity grounds because there is no designated supervisor requirement under the federal securities laws, and few states have adopted separate requirements on this subject.

**SECTION 5. DFI-Sec 4.01(6) to (10) are renumbered DFI-Sec 4.01(5) to (9).**

ANALYSIS: This renumbering is necessary to maintain the proper numbering sequence resulting from the repeal of DFI-Sec 4.01(5) in the preceding Section.

**SECTION 6. DFI-Sec 4.04(8)(a) is amended to read:**

**DFI-Sec 4.04(8)(a)** Each broker-dealer shall notify the division in writing ~~at least~~ within 14 days ~~prior to~~ of either the opening or the change of address in this state of any "branch office" as defined in s. DFI-Sec 1.02(7)(a).

ANALYSIS: The amendment to this broker-dealer reporting requirement will provide broker-dealers with the flexibility of being able to provide the required notification to the Division

either 14 days before or after the opening or change of address of any Wisconsin branch office (in contrast to the current language requiring 14 days prior notice). Permitting the timing of the notification to also take place within 14 days after the event tracks the existing broker-dealer reporting requirement in DFI-Sec 4.04(8)(b) relating to the closing of any Wisconsin branch office.

**SECTION 7. DFI-Sec 4.05(6) is repealed.**

ANALYSIS: In conjunction with the above repeal of rule DFI-Sec 4.01(5), this Section repeals the broker-dealer Rule of Conduct licensing provision in DFI-Sec 4.05(6) that requires each licensed broker-dealer to employ a designated supervisor (licensed as a securities agent in Wisconsin) to act in a supervisory capacity. As set forth in the ANALYSIS to the repeal of DFI-Sec 4.01(5), the provision is repealed on uniformity grounds because there is no designated supervisor requirement under the federal securities laws, and few states have adopted separate requirements on this subject.

**SECTION 8. DFI-Sec 5.04(5)(a) is amended to read:**

**DFI-Sec 5.04(5)(a)** Each investment adviser shall notify the division in writing at

least within 14 days ~~prior to~~ of either the opening or the change of address in this state of any branch office.

ANALYSIS: The amendment to this investment adviser reporting requirement parallels the amendment made above to the broker-dealer reporting requirement in DFI-Sec 4.04(8)(a). The amendment will provide investment advisers with the flexibility of being able to provide the required notification to the Division either 14 days before or after the opening or change of address of any Wisconsin branch office (in contrast to the current language requiring 14 days prior notice). Permitting the timing of the notification to also take place within 14 days after the event tracks the existing investment adviser reporting requirement in DFI-Sec 5.04(5)(b) relating to the closing of any Wisconsin branch office.

**SECTION 9. DFI-Sec 7.01(4)(c) is renumbered DFI-Sec 7.01(1)(d).**

ANALYSIS: This amendment relocates the existing fee rule in DFI-Sec 7.01(4)(c) relating to the review of finance company prospectuses (which fee is currently set forth as a paragraph of the securities advertising fee provisions) to more properly be a paragraph of the fee rules in DFI-Sec 7.01(1) relating to the review of various types of securities registration matters.

\* \* \* \* \*

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 \_\_\_\_\_, 2001.

[SEAL]

PATRICIA D. STRUCK  
Administrator  
Division of Securities

**REPORT PREPARED BY THE  
DEPARTMENT OF FINANCIAL INSTITUTIONS, DIVISION OF SECURITIES  
RELATING TO PROPOSED FINAL FORM OF YEAR 2001 AMENDMENTS TO  
THE RULES OF THE DIVISION OF SECURITIES**

(a) Statement Explaining Need for Proposed Rules

The rulemaking procedures under Chapter 227 of the Wisconsin Statutes are being implemented for the purpose of effectuating the Division's Year 2001 version of its annual review of the Rules of the Division of Securities. The Division's annual rule revision process is conducted for the following purposes: (1) adopting new rules or amending existing rules applicable to the securities broker-dealer, agent, investment adviser, and investment adviser representative licensing provisions relating to certain limited agent examinations, designated supervisor requirements, and the filing of certain branch office information, to thereby effectively regulate new or changed securities licensing developments that have occurred in the securities industry and marketplace that require regulatory treatment; and (2) making modifications to certain existing federal covered security provisions to be consistent with federal securities law requirements.

The proposed revisions are being made in a total of 9 different Sections. A summary of the subject matter and nature of the more significant rule revisions follows:

1. Adding a new rule subsection [(h)] under DFI-Sec 4.01(3) providing for a new, additional type of limited securities agent examination recently adopted by the National Association of Securities Dealers (required as a result of mandated provisions in the federal Gramm-Leach-Bliley Banking Reform Act of 1999 for bank employees engaged in selling private placement securities offerings).
2. Clarifying and extending the filing deadline requirement under existing rules DFI-Sec 4.04(8)(a) and 5.04(5)(a) for broker-dealers and investment advisers to report to the Division regarding the opening or change of address of any branch office location in Wisconsin.
3. Repealing both the licensing requirement in DFI-Sec 4.05(6) that every broker-dealer must appoint a designated supervisor, and the related examination requirement in DFI-Sec 4.01(5).
4. Adding a new rule subsection [(c)] under the existing Federal Covered Security rules in DFI-Sec 2.04(1) to deal with filings seeking extension of the effectiveness period of notice filings previously made with the Division by unit investment trusts or closed-end investment companies.

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.
- David A. Cohen, Supervising Attorney of the Bureau of Registration & Enforcement 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 registration-related questions regarding hearing testimony.
- Attorney Joseph P. Hildebrandt, Foley & Lardner, Madison, WI.
- Attorney Terry D. Nelson, Foley & Lardner, Madison, WI.

\* \* \* \*

Comment Letters Received

- (1) Comment letter dated August 22, 2001 from Attorney Joseph P. Hildebrandt, Foley & Lardner, 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 first sentence of DFI-Sec 2.04(1)(c), the language “under this rule” was replaced by the language “under this paragraph”; and the terms” closed end” and “one year” are made hyphenated.
- Consistent with the Rules Clearinghouse comment in paragraph b. regarding the treatment clause of Section 5, the term “is” is replaced by the term “are.”
- Consistent with the Rules Clearinghouse comment in paragraph c. regarding DFI-Sec 5.04(5)(a), the quotation marks around the term “branch office” are stricken, and the phrase “as defined in s. DFI-Sec 1.02(7)(b)” is stricken.

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

- In response to the Rules Clearinghouse comment, in the Analysis to both rule DFI-Sec 4.01(3)(intro.) and DFI-Sec 7.01(4)(c), the term “subparagraph” is replaced by the term “paragraph.”

\* \* \* \*

- (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.

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## WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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**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 01-082

AN ORDER to repeal DFI-Sec 4.01 (5) and 4.05 (6); to renumber DFI-Sec 4.01 (6) to (10) and 7.01 (4) (c); to amend DFI-Sec 4.01 (3) (intro.), 4.04 (8) (a) and 5.04 (5) (a); and to create DFI-Sec 2.04 (1) (c) and 4.01 (3) (h), relating to securities broker-dealer, agent, investment adviser and investment adviser representative licensing procedures, examination requirements, and rule of conduct provisions.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

07-13-01 RECEIVED BY LEGISLATIVE COUNCIL.

08-10-01 REPORT SENT TO AGENCY.

RNS:DLS:jal;wu

**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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## WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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### CLEARINGHOUSE RULE 01-082

#### 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 s. DFI-Sec 2.04 (1) (c), first sentence, “under this rule” should be “under this section” or “under this paragraph” or “under this chapter,” whichever is appropriate. Also, “closed end” and “one year” should be hyphenated.

b. In the treatment clause of SECTION 5, “are” should replace “is.”

c. In s. DFI-Sec 5.04 (5) (a), the quotation marks around “branch office” should be stricken. Also, “as defined in s. DFI-Sec 1.02 (7) (b)” should be stricken, since s. DFI-Sec 1.02 (intro.) sets forth the applicability of the terms defined in that section.

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

In several parts of the analysis, “paragraph” should replace “subparagraph.”

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## WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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**Ronald Sklansky**  
*Clearinghouse Director*

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Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

07-13-01 RECEIVED BY LEGISLATIVE COUNCIL.

08-10-01 REPORT SENT TO AGENCY.

RNS:DLS:jal;wu

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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

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[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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# WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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c. In s. DFI-Sec 5.04 (5) (a), the quotation marks around "branch office" should be stricken. Also, "as defined in s. DFI-Sec 1.02 (7) (b)" should be stricken, since s. DFI-Sec 1.02 (intro.) sets forth the applicability of the terms defined in that section.

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In several parts of the analysis, "paragraph" should replace "subparagraph."

PROPOSED ORDER OF THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN  
AMENDING, ADOPTING AND REPEALING RULES

To repeal DFI-Sec 4.01(5), and 4.05(6); to renumber DFI-Sec 4.01(6) to (10) and 7.01(4)(c); to amend DFI-Sec 4.01(3)(intro.), 4.04(8)(a), and 5.04(5)(a); and to create 2.04(1)(c) and 4.01(3)(h); relating to securities broker-dealer, agent, investment adviser and investment adviser representative licensing procedures, examination requirements, and rule of conduct provisions.

Pursuant to sections 551.63(1) and (2), 551.29(1)(c), 551.32(4) and (7), 551.33(1), (2) and (6), and 551.52(3), Wis. Stats., the Division of Securities of the Department of Financial Institutions amends, adopts and repeals rules interpreting those sections as follows:

*state interprets*

DEPARTMENT OF FINANCIAL INSTITUTIONS

DIVISION OF SECURITIES

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YEAR 2001 ANNUAL RULES REVISION

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~~Section~~  
**SECTION 1. DFI-Sec 2.04(1)(c) is created to read:**

**DFI-Sec 2.04(1)(c)** A unit investment trust or closed end investment company may extend the offering of its securities beyond a one year period pursuant to s. 551.29(1)(c), Stats., by filing a notice of extension not less than 30 days prior to the end of one year from the date of filing of the initial notice with the division, or an extension notice filed under this rule whichever is most recent. A notice shall consist of a copy of an updated Form NF as prescribed in DFI-Sec 9.01(1)(d), together with a fee of \$200, and at the option of the filing party, a cover letter identifying the most recent prior filing status with the division for the issuer's securities. As required under s. 551.29(1m), Stats., to be included with any rules promulgated under s. 551.29(1)(c), Stats., for unit investment trusts or closed-end investment companies, it is restated herein that the statutory annual reporting and fee requirements applicable to an open-end management company or a face amount certificate company are set forth in s. 551.52(1)(b)2., Stats.

ANALYSIS: This rule utilizes the authority granted to the Division under s. 551.29(1)(c), Stats., to adopt rules permitting a unit

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investment trust or a closed-end investment company which has previously made a filing with the Division under the Federal Covered Securities provision of s. 551.29(1), Stats., to extend its offering beyond a one-year period. Paralleling the existing rule in DFI-Sec 3.07 applicable to extensions of securities registrations, (which rule provides for a 30-day prior filing requirement and specifies certain information to be submitted), this rule prescribes:

- (1) a filing deadline for the notice of extension--which is specified as not less than 30 days prior to the end of one year from the date of filing either the initial notice with the Division, or an extension notice (for future filers) under the rule, whichever is most recent;
- and (2) the information and attachments to be included in the notice filing-- namely, an updated Form NF together with a fee of \$200, and, at the option of the filing party, a cover letter identifying the most recent prior filing status with the Division for the issuer's securities. The last sentence of the rule contains language mandated for notification purposes by s. 551.29(1m), Stats., which provides that if the Division promulgates rules for unit investment trusts or closed-end investment companies, the Division shall restate in those rules the statutory and annual reporting and fee requirements that are applicable to an open-end management company or a face amount certificate company.

**SECTION 2. DFI-Sec 4.01(3)(intro) is amended to read:**

**DFI-Sec 4.01(3)** Unless waived under sub. (4), each applicant for an initial license as a broker-dealer or agent is required to take and pass either the Series 63 Uniform Securities Agent State Law Examination or the Series 66 Uniform Combined State Law Examination ~~with a grade of at least 70%~~ and take and pass ~~with a grade of at least 70%~~ one of the general securities business examinations in par. (a), unless the applicant's proposed securities activities will be restricted, in which case the applicant is required to take and pass, or receive a waiver from passing, each examination in pars. (b) to ~~(e)~~ (h) that relates to the applicant's proposed securities activities:

ANALYSIS: These amendments to the introductory paragraph of the securities agent examination licensing requirement do the following: (1) Renumber the cross-references to the subparagraphs listing the various types of restricted/limited securities examinations to reflect the creation of the new restricted/limited Series 82 Private Placement Representative examination created in the following SECTION; (2) Add language to expressly provide that an applicant satisfies the restricted/limited licensing examination requirement by either passing the applicable examination, or as a result of receiving a waiver from having to pass such examination; and (3) Substitute "take and pass" language for the specified passing percentages in the proposed rule to reflect

both: (i) that the passing percentages for the various examinations are determined by the NASD which administers the examinations; and (ii) that for certain examinations, such as the Series 66 Examination, the passing rate can vary depending upon the weight of the questions pulled from the NASD Series 66 Examination Question Bank comprising the examination at any particular point in time.

**SECTION 3. DFI-Sec 4.01(3)(h) is created to read:**

**DFI-Sec 4.01(3)(h) The Series 82 Private Placement Representative Examination.**

ANALYSIS: This new limited securities agent examination is necessary because of provisions of the federal Gramm-Leach-Bliley Banking Reform Act of 1999 ("G-L-B Act") dealing with private placement securities activities by bank employees. Because Congress determined that bank employees should be allowed to continue to sell private placements without having to become fully registered as agents with the National Association of Securities Dealers ("NASD"), Section 203 of the G-L-B Act amended the federal Securities Exchange Act of 1934 to require the NASD to both create a limited agent registration/license category, and create a separate new examination to be passed by

such limited agents. Although the impetus for the new Series 82 Examination referenced below was banking-related and mandated by the G-L-B Act, the NASD in adopting the examination made it “generic” for use by persons selling exclusively private placements in other than bank employee contexts. Consequently, the NASD created, effective May 12, 2001, a new category of limited registration/licensure [designated “private placement (PR)”] for bank employees and other persons selling exclusively private placements. Additionally, the NASD created a new Series 82 Examination which must be passed by each such limited agent (unless the limited agent qualifies under the NASD’s grandfathering provisions for the Series 82 Examination).

For persons qualifying under the NASD’s limited securities agent private placement procedure who also wish to obtain equivalent limited license status for Wisconsin state securities law purposes, this new examination rule provides that passage of the NASD Series 82 Examination will satisfy the Wisconsin securities examination requirement.

  
**SECTION 4. DFI-Sec 4.01(5) is repealed.**

ANALYSIS: In conjunction with the repeal in DFI-Sec 4.05(6) below of the broker-dealer licensing Rule of Conduct requirement to employ a designated supervisor, this Section repeals the rule in DFI-Sec 4.01(5) that prescribes the examination requirement to be met by designated supervisors. As set forth in the ANALYSIS to the repeal of DFI-Sec 4.05(6), this provision is repealed on uniformity grounds because there is no designated supervisor requirement under the federal securities laws, and few states have adopted separate requirements on this subject.

**SECTION 5. DFI-Sec 4.01(6) to (10) <sup>are</sup> is renumbered DFI-Sec 4.01(5) to (9).**

ANALYSIS: This renumbering is necessary to maintain the proper numbering sequence resulting from the repeal of DFI-Sec 4.01(5) in the preceding Section.

**SECTION 6. DFI-Sec 4.04(8)(a) is amended to read:**

**DFI-Sec 4.04(8)(a)** Each broker-dealer shall notify the division in writing at least within 14 days ~~prior to~~ of either the opening <sup>of ?</sup> or the change of address in this state of any "branch office" as defined in s. DFI-Sec 1.02(7)(a).

ANALYSIS: The amendment to this broker-dealer reporting requirement will provide broker-dealers with the flexibility of being able to provide the required notification to the Division

either 14 days before or after the opening or change of address of any Wisconsin branch office (in contrast to the current language requiring 14 days prior notice). Permitting the timing of the notification to also take place within 14 days after the event tracks the existing broker-dealer reporting requirement in DFI-Sec 4.04(8)(b) relating to the closing of any Wisconsin branch office.

**SECTION 7. DFI-Sec 4.05(6) is repealed.**

ANALYSIS: In conjunction with the above repeal of rule DFI-Sec 4.01(5), this Section repeals the broker-dealer Rule of Conduct licensing provision in DFI-Sec 4.05(6) that requires each licensed broker-dealer to employ a designated supervisor (licensed as a securities agent in Wisconsin) to act in a supervisory capacity. As set forth in the ANALYSIS to the repeal of DFI-Sec 4.01(5), the provision is repealed on uniformity grounds because there is no designated supervisor requirement under the federal securities laws, and few states have adopted separate requirements on this subject.

**SECTION 8. DFI-Sec 5.04(5)(a) is amended to read:**

**DFI-Sec 5.04(5)(a)** Each investment adviser shall notify the division in writing at

least within 14 days ~~prior to~~ <sup>of</sup> <sup>?</sup> of either the opening <sup>?</sup> or the change of address in this state of any "branch office" as defined in s. DFI-Sec 1.02(7)(b). needed?

ANALYSIS: The amendment to this investment adviser reporting requirement parallels the amendment made above to the broker-dealer reporting requirement in DFI-Sec 4.04(8)(a). The amendment will provide investment advisers with the flexibility of being able to provide the required notification to the Division either 14 days before or after the opening or change of address of any Wisconsin branch office (in contrast to the current language requiring 14 days prior notice). Permitting the timing of the notification to also take place within 14 days after the event tracks the existing investment adviser reporting requirement in DFI-Sec 5.04(5)(b) relating to the closing of any Wisconsin branch office.

**SECTION 9. DFI-Sec 7.01(4)(c) is renumbered DFI-Sec 7.01(1)(d).**

ANALYSIS: This amendment relocates the existing fee rule in DFI-Sec 7.01(4)(c) relating to the review of finance company prospectuses (which fee is currently set forth as a subparagraph of the securities advertising fee provisions) to more properly be a subparagraph of the fee rules in DFI-Sec 7.01(1) relating to the review of various types of securities registration matters.

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