

BILL

1 **(4) LIMIT ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for a broker-dealer, or
2 an issuer engaged in offering, selling, or purchasing securities in this state, to employ
3 or associate with an agent who transacts business in this state on behalf of
4 broker-dealers or issuers unless the agent is registered under sub. (1) for the
5 broker-dealer or issuer or exempt from registration under sub. (2).

6 **(5) LIMIT ON AFFILIATIONS.** Except as permitted under sub. (6), an individual
7 may not act as an agent for more than one broker-dealer or one issuer at a time,
8 unless the broker-dealers or the issuers for which the agent acts are affiliated by
9 direct or indirect common control or are authorized by rule or order under this
10 chapter.

11 **(6) DUAL REPRESENTATION.** An agent may make offers and sales of securities for
12 more than one issuer that is a limited partnership or for more than one issuer that
13 is an investment company without obtaining a separate registration for each limited
14 partnership or investment company represented by the agent if all of the following
15 conditions are satisfied:

16 (a) The limited partnerships have the same general partner or the investment
17 companies have the same investment adviser.

18 (b) An application to amend the agent's registration to name each limited
19 partnership or investment company as the agent's employer is filed with and
20 approved by the administrator before the agent makes any offer or sale in the state
21 on behalf of the additional limited partnership or investment company.

551.403 Investment adviser registration requirement and exemptions.

22
23 **(1) REGISTRATION REQUIREMENT.** It is unlawful for a person to transact business in this
24 state as an investment adviser unless the person is registered under this chapter as

BILL

1 an investment adviser or is exempt from registration as an investment adviser under
2 sub. (2).

3 **(2) EXEMPTIONS FROM REGISTRATION.** The following persons are exempt from the
4 registration requirement of sub. (1):

5 (a) A person whose only clients in this state are:

6 1. Federal covered investment advisers, investment advisers registered under
7 this chapter, or broker-dealers registered under this chapter.

8 2. Institutional investors.

9 2m. Accredited investors as defined in Rule 501 (a) (1), (2), (3), (7) or (8) adopted
10 under the Securities Act of 1933.

11 3. Bona fide preexisting clients whose principal places of residence are not in
12 this state if the investment adviser is registered or exempt from registration under
13 the securities act of the state in which the clients maintain principal places of
14 residence.

15 4. Any other client exempted by rule adopted or order issued under this chapter.

16 (b) A person without a place of business in this state if the person has had,
17 during the preceding 12 months, not more than 5 clients that are resident in this
18 state in addition to those specified under par. (a).

19 (c) Any other person exempted by rule adopted or order issued under this
20 chapter.

21 **(3) LIMITS ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for an investment
22 adviser, directly or indirectly, to employ or associate with an individual to engage in
23 an activity related to investment advice in this state if the registration of the
24 individual is denied or suspended or revoked or the individual is barred from
25 employment or association with an investment adviser, federal covered investment

BILL

1 adviser, or broker-dealer by an order under this chapter, the Securities and
2 Exchange Commission, or a self-regulatory organization, unless the investment
3 adviser did not know, and in the exercise of reasonable care could not have known,
4 of the denial, suspension, revocation, or bar. Upon request from the investment
5 adviser and for good cause, the administrator, by order, may waive, in whole or in
6 part, the application of the prohibitions of this subsection to the investment adviser.

7 **(4) INVESTMENT ADVISER REPRESENTATIVE REGISTRATION REQUIRED.** It is unlawful
8 for an investment adviser to employ or associate with an individual required to be
9 registered under this chapter as an investment adviser representative who transacts
10 business in this state on behalf of the investment adviser unless the individual is
11 registered under s. 551.404 (1) or is exempt from registration under s. 551.404 (2).

12 **551.404 Investment adviser representative registration requirement**
13 **and exemptions. (1) REGISTRATION REQUIREMENT.** It is unlawful for an individual
14 to transact business in this state as an investment adviser representative unless the
15 individual is registered under this chapter as an investment adviser representative
16 or is exempt from registration as an investment adviser representative under sub.
17 (2).

18 **(2) EXEMPTIONS FROM REGISTRATION.** The following individuals are exempt from
19 the registration requirement of sub. (1):

20 (a) An individual who is employed by or associated with an investment adviser
21 that is exempt from registration under s. 551.403 (2) or a federal covered investment
22 adviser that is excluded from the notice filing requirements of s. 551.405.

23 (am) An individual who is employed by or associated with an investment
24 adviser or a federal covered investment adviser and whose clients in the state are
25 exclusively those clients listed in s. 551.403 (2) (a) 1. to 2m. and 4.

BILL**SECTION 16**

1 (b) Any other individual exempted by rule adopted or order issued under this
2 chapter.

3 (3) REGISTRATION EFFECTIVE ONLY WHILE EMPLOYED OR ASSOCIATED. The
4 registration of an investment adviser representative is effective only while the
5 investment adviser representative is employed by or associated with an investment
6 adviser registered under this chapter or a federal covered investment adviser that
7 has made or is required to make a notice filing under s. 551.405.

8 (4) LIMIT ON AFFILIATIONS. An individual may transact business as an
9 investment adviser representative for more than one investment adviser or federal
10 covered investment adviser unless a rule adopted or order issued under this chapter
11 prohibits or limits an individual from acting as an investment adviser representative
12 for more than one investment adviser or federal covered investment adviser.

13 (5) LIMITS ON EMPLOYMENT OR ASSOCIATION. It is unlawful for an individual
14 acting as an investment adviser representative, directly or indirectly, to conduct
15 business in this state on behalf of an investment adviser or a federal covered
16 investment adviser if the registration of the individual as an investment adviser
17 representative is suspended or revoked or the individual is barred from employment
18 or association with an investment adviser or a federal covered investment adviser
19 by an order under this chapter, the Securities and Exchange Commission, or a
20 self-regulatory organization. Upon request and for good cause, the administrator,
21 by order issued, may waive, in whole or in part, the application of the requirements
22 of this subsection.

23 (6) REFERRAL FEES. An investment adviser registered or exempt from
24 registration under this chapter, a federal covered investment adviser that has filed
25 a notice under s. 551.405 or is exempt from such notice filing requirement, or a

BILL

1 broker-dealer registered or exempt from registration under this chapter is not
2 required to employ or associate with an individual as an investment adviser
3 representative if the only compensation paid to the individual for a referral of
4 investment advisory clients is paid to an investment adviser registered or exempt
5 from registration under this chapter, a federal covered investment adviser that has
6 filed a notice or is exempt from filing a notice under s. 551.405, or a broker-dealer
7 registered or exempt from registration under this chapter with which the individual
8 is employed or associated as an investment adviser representative.

551.405 Federal covered investment adviser notice filing requirement.

9
10 **(1) NOTICE FILING REQUIREMENT.** Except with respect to a federal covered investment
11 adviser described in sub. (2), it is unlawful for a federal covered investment adviser
12 to transact business in this state as a federal covered investment adviser unless the
13 federal covered investment adviser complies with sub. (3).

14 **(2) NOTICE FILING REQUIREMENT NOT REQUIRED.** The following federal covered
15 investment advisers are not required to comply with sub. (3):

16 (a) A federal covered investment adviser without a place of business in this
17 state if its only clients in this state are:

18 1. Federal covered investment advisers, investment advisers registered under
19 this chapter, and broker-dealers registered under this chapter.

20 2. Institutional investors.

21 2m. Accredited investors as defined and listed in 17 CFR 230.501 (a) (1), (2),
22 (3), (7), or (8) under Regulation D under the Securities Act of 1933.

23 3. Bona fide preexisting clients whose principal places of residence are not in
24 this state.

25 4. Other clients specified by rule adopted or order issued under this chapter.

BILL

1 (b) A federal covered investment adviser without a place of business in this
2 state if the person has had, during the preceding 12 months, not more than 5 clients
3 that are resident in this state in addition to those specified under par. (a).

4 (c) Any other person excluded by rule adopted or order issued under this
5 chapter.

6 **(3) NOTICE FILING PROCEDURE.** A person acting as a federal covered investment
7 adviser, not excluded under sub. (2), shall file a notice, a consent to service of process
8 complying with s. 551.611, and such records as have been filed with the Securities
9 and Exchange Commission under the Investment Advisers Act of 1940 required by
10 rule adopted or order issued under this chapter and pay the fees specified in s.
11 551.614 (2).

12 **(4) EFFECTIVENESS OF FILING.** The notice under sub. (3) becomes effective upon
13 its filing and expires on December 31 unless any of the following occurs:

14 (a) The notice filing is renewed.

15 (b) The notice filing is limited or extended for not more than 6 months and the
16 notice filer pays a fee, adjusted proportionately by the administrator by rule or order.

17 (c) The administrator specifies a different expiration date by rule or order.

18 **551.406 Registration by broker-dealer, agent, investment adviser, and**
19 **investment adviser representative. (1) APPLICATION FOR INITIAL REGISTRATION.**
20 A person shall register as a broker-dealer, agent, investment adviser, or investment
21 adviser representative by filing with the administrator, or an organization which the
22 administrator by rule designates, an application and a consent to service of process
23 complying with s. 551.611, and paying the fee specified in s. 551.614 and any
24 reasonable fees charged by the designee of the administrator for processing the
25 filing. The application must contain all of the following:

BILL

1 (a) The information or record required for the filing of a uniform application.

2 (b) Upon request by the administrator, any other financial or other information
3 or record that the administrator determines is appropriate.

4 **(2) AMENDMENT.** If the information or record contained in an application filed
5 under sub. (1) is or becomes inaccurate or incomplete in a material respect, the
6 registrant shall promptly file a correcting amendment.

7 **(3) EFFECTIVENESS OF REGISTRATION.** (a) If an order is not in effect and a
8 proceeding is not pending under s. 551.412, registration is effective 30 days from the
9 filing of the application or at the earliest of the following times prior to the expiration
10 of 30 days from the filing of the application, whichever is earlier, unless the
11 registration is denied:

12 1. The date that the administrator issues registration to the applicant.

13 2. The date that approval of registration status is transmitted by the
14 administrator to the applicant through the central registration depository of the
15 National Association of Securities Dealers, Inc.

16 3. On January 1 for any renewal application filed during December of the
17 preceding year with the central registration depository, unless the administrator
18 makes a written request for additional information relevant to the application prior
19 to January 1.

20 (b) A rule adopted or order issued under this chapter may set an earlier
21 effective date or may defer the effective date until noon on the 45th day after the
22 filing of any amendment completing the application.

23 **(4) REGISTRATION RENEWAL.** A registration is effective until midnight on
24 December 31 of the year for which the application for registration is filed. Unless an
25 order is in effect under s. 551.412, a registration may be automatically renewed each

BILL

1 year by filing such records as are required by rule adopted or order issued under this
2 chapter, by paying the fee specified in s. 551.614, and by paying costs charged by the
3 designee of the administrator for processing the filings.

4 (5) ADDITIONAL CONDITIONS OR WAIVERS. A rule adopted or order issued under
5 this chapter may impose other conditions, not inconsistent with the National
6 Securities Markets Improvement Act of 1996. An order issued under this chapter
7 may waive, in whole or in part, specific requirements in connection with registration
8 as are in the public interest and for the protection of investors.

9 (6) ADDITIONAL INFORMATION REQUIRED. (a) In addition to the information
10 required elsewhere under this section, an application for registration shall contain,
11 in the case of an individual, the individual's social security number and, in the case
12 of a person who is not an individual, the person's federal employer identification
13 number. The administrator may not disclose any information received under this
14 paragraph to any person except the following:

15 1. The department of revenue, for the sole purpose of requesting certifications
16 under s. 73.0301.

17 2. The department of ~~workforce development~~ ^{children and families} in accordance with a
18 memorandum of understanding under s. 49.857.

19 (b) If an applicant for the issuance or renewal of a registration under this
20 section is an individual who does not have a social security number, the applicant,
21 as a condition of applying for or applying to renew the registration, shall submit a
22 statement made or subscribed under oath or affirmation to the administrator that
23 the applicant does not have a social security number. The form of the statement shall
24 be prescribed by the department of ~~workforce development~~.

BILL

1 (c) Any license issued or renewed in reliance upon a false statement submitted
2 by an applicant under par. (a) or (b) is invalid.

3 **551.407 Succession and change in registration of broker-dealer or**
4 **investment adviser. (1) SUCCESSION.** A broker-dealer or investment adviser may
5 succeed to the current registration of another broker-dealer or investment adviser
6 or a notice filing of a federal covered investment adviser, and a federal covered
7 investment adviser may succeed to the current registration of an investment adviser
8 or notice filing of another federal covered investment adviser, by filing as a successor
9 an application for registration pursuant to s. 551.401 or 551.403 or a notice pursuant
10 to s. 551.405 for the unexpired portion of the current registration or notice filing.

11 **(2) ORGANIZATIONAL CHANGE.** A broker-dealer or investment adviser that
12 changes its form of organization or state of incorporation or organization may
13 continue its registration by filing an amendment to its registration if the change does
14 not involve a change in control. The amendment becomes effective when filed or on
15 a date designated by the registrant in its filing. The new organization is a successor
16 to the original registrant for the purposes of this chapter. If there is a change in
17 control, the broker-dealer or investment adviser shall file a new application for
18 registration. A predecessor registered under this chapter shall stop conducting its
19 securities business other than winding down transactions and shall file for
20 withdrawal of broker-dealer or investment adviser registration within 45 days after
21 filing its amendment to effect succession.

22 **(3) NAME CHANGE.** A broker-dealer or investment adviser that changes its
23 name may continue its registration by filing an amendment to its registration. The
24 amendment becomes effective when filed or on a date designated by the registrant.

BILL**SECTION 16**

1 **(4) CHANGE OF CONTROL.** A change of control of a broker–dealer or investment
2 adviser may be made in accordance with a rule adopted or order issued under this
3 chapter.

4 **551.408 Termination of employment or association of agent and**
5 **investment adviser representative and transfer of employment or**
6 **association. (1) NOTICE OF TERMINATION.** If an agent registered under this chapter
7 terminates employment by or association with a broker–dealer or issuer, or if an
8 investment adviser representative registered under this chapter terminates
9 employment by or association with an investment adviser or federal covered
10 investment adviser, or if either registrant terminates activities that require
11 registration as an agent or investment adviser representative, the broker–dealer,
12 issuer, investment adviser, or federal covered investment adviser shall promptly file
13 a notice of termination. If the registrant learns that the broker–dealer, issuer,
14 investment adviser, or federal covered investment adviser has not filed the notice,
15 the registrant may do so.

16 **(2) TRANSFER OF EMPLOYMENT OR ASSOCIATION.** If an agent registered under this
17 chapter terminates employment by or association with a broker–dealer registered
18 under this chapter and begins employment by or association with another
19 broker–dealer registered under this chapter; or if an investment adviser
20 representative registered under this chapter terminates employment by or
21 association with an investment adviser registered under this chapter or a federal
22 covered investment adviser that has filed a notice under s. 551.405 and begins
23 employment by or association with another investment adviser registered under this
24 chapter or a federal covered investment adviser that has filed a notice under s.
25 551.405; then upon the filing by or on behalf of the registrant, within 30 days after

BILL

1 the termination, of an application for registration that complies with the
2 requirement of s. 551.406 (1) and payment of the filing fee required under s. 551.614,
3 the registration of the agent or investment adviser representative is:

4 (a) Immediately effective as of the date of the completed filing, if the agent's
5 Central Registration Depository record or successor record or the investment adviser
6 representative's Investment Adviser Registration Depository record or successor
7 record does not contain a new or amended disciplinary disclosure within the previous
8 12 months.

9 (b) Temporarily effective as of the date of the completed filing, if the agent's
10 Central Registration Depository record or successor record or the investment adviser
11 representative's Investment Adviser Registration Depository record or successor
12 record contains a new or amended disciplinary disclosure within the preceding 12
13 months.

14 **(3) WITHDRAWAL OF TEMPORARY REGISTRATION.** The administrator may withdraw
15 a temporary registration if there are or were grounds for discipline as specified in s.
16 551.412 and the administrator does so within 30 days after the filing of the
17 application. If the administrator does not withdraw the temporary registration
18 within the 30-day period, registration becomes automatically effective on the 31st
19 day after filing.

20 **(4) POWER TO PREVENT REGISTRATION.** The administrator may prevent the
21 effectiveness of a transfer of an agent or investment adviser representative under
22 sub. (2) (a) or (b) based on the public interest and the protection of investors.

23 **(5) TERMINATION OF REGISTRATION OR APPLICATION FOR REGISTRATION.** If the
24 administrator determines that a registrant or applicant for registration is no longer
25 in existence or has ceased to act as a broker-dealer, agent, investment adviser, or

BILL**SECTION 16**

1 investment adviser representative, or is the subject of an adjudication of incapacity
2 or is subject to the control of a committee, conservator, or guardian, or cannot
3 reasonably be located, a rule adopted or order issued under this chapter may require
4 the registration be canceled or terminated or the application denied. The
5 administrator may reinstate a canceled or terminated registration, with or without
6 hearing, and may make the registration retroactive.

7 **551.409 Withdrawal of registration of broker-dealer, agent,**
8 **investment adviser, and investment adviser representative.** Withdrawal of
9 registration by a broker-dealer, agent, investment adviser, or investment adviser
10 representative becomes effective 60 days after the filing of the application to
11 withdraw or within any shorter period as provided by rule adopted or order issued
12 under this chapter unless a revocation or suspension proceeding is pending when the
13 application is filed. If a proceeding is pending, withdrawal becomes effective when
14 and upon such conditions as required by rule adopted or order issued under this
15 chapter. The administrator may institute a revocation or suspension proceeding
16 under s. 551.412 within one year after the withdrawal became effective
17 automatically and issue a revocation or suspension order as of the last date on which
18 registration was effective if a proceeding is not pending.

19 **551.411 Postregistration requirements. (1) FINANCIAL REQUIREMENTS.**
20 Subject to section 15 (h) of the Securities Exchange Act of 1934 (15 USC 78o (h)) or
21 section 222 of the Investment Advisers Act of 1940 (15 USC 80b-18a), a rule adopted
22 or order issued under this chapter may establish minimum financial requirements
23 for broker-dealers registered or required to be registered under this chapter and
24 investment advisers registered or required to be registered under this chapter.

BILL

1 **(2) FINANCIAL REPORTS.** Subject to section 15 (h) of the Securities Exchange Act
2 of 1934 (15 USC 78o (h)) or section 222 (b) of the Investment Advisers Act of 1940 (15
3 USC 80b-18a), a broker-dealer registered or required to be registered under this
4 chapter and an investment adviser registered or required to be registered under this
5 chapter shall file such financial reports as are required by a rule adopted or order
6 issued under this chapter. If the information contained in a record filed under this
7 subsection is or becomes inaccurate or incomplete in a material respect, the
8 registrant shall promptly file a correcting amendment.

9 **(3) RECORD KEEPING.** Subject to section 15 (h) of the Securities Exchange Act
10 of 1934 (15 USC 78o (h)) or section 222 of the Investment Advisers Act of 1940 (15
11 USC 80b-18a):

12 (a) A broker-dealer registered or required to be registered under this chapter
13 and an investment adviser registered or required to be registered under this chapter
14 shall make and maintain the accounts, correspondence, memoranda, papers, books,
15 and other records required by rule adopted or order issued under this chapter.

16 (b) Broker-dealer records required to be maintained under par. (a) may be
17 maintained in any form of data storage acceptable under section 17 (a) of the
18 Securities Exchange Act of 1934 (15 USC 78q (a)) if they are readily accessible to the
19 administrator.

20 (c) Investment adviser records required to be maintained under par. (a) may
21 be maintained in any form of data storage required by rule adopted or order issued
22 under this chapter.

23 **(4) AUDITS OR INSPECTIONS.** The records of a broker-dealer registered or
24 required to be registered under this chapter and of an investment adviser registered
25 or required to be registered under this chapter are subject to such reasonable

BILL**SECTION 16**

1 periodic, special, or other audits or inspections by a representative of the
2 administrator, within or without this state, as the administrator considers necessary
3 or appropriate in the public interest and for the protection of investors. The
4 administrator may also conduct an examination of the books, records, and affairs of
5 an applicant for registration as a broker-dealer or investment adviser. An audit or
6 inspection may be made at any time and without prior notice. The administrator
7 may copy, and remove for audit or inspection copies of, all records the administrator
8 reasonably considers necessary or appropriate to conduct the audit or inspection.
9 The administrator may assess a reasonable charge for conducting an audit or
10 inspection under this subsection.

11 **(5) CUSTODY AND DISCRETIONARY AUTHORITY BOND OR INSURANCE.** Subject to
12 section 15 (h) of the Securities Exchange Act of 1934 (15 USC 78o (h)) or section 222
13 of the Investment Advisers Act of 1940 (15 USC 80b-18a), a rule adopted or order
14 issued under this chapter may require a broker-dealer or investment adviser that
15 has custody of or discretionary authority over funds or securities of a customer or
16 client to obtain insurance or post a bond or other satisfactory form of security in an
17 amount prescribed by the administrator by rule. The administrator may determine
18 the requirements of the insurance, bond, or other satisfactory form of security.
19 Insurance or a bond or other satisfactory form of security may not be required of a
20 broker-dealer registered under this chapter whose net capital exceeds, or of an
21 investment adviser registered under this chapter whose minimum financial
22 requirements exceed, the amounts required by rule or order under this chapter. The
23 insurance, bond, or other satisfactory form of security must permit an action by a
24 person to enforce any liability on the insurance, bond, or other satisfactory form of
25 security if instituted within the time limitations in s. 551.509 (10) (b).

BILL

1 **(6) REQUIREMENTS FOR CUSTODY.** Subject to section 15 (h) of the Securities
2 Exchange Act of 1934 (15 USC 78o (h)) or section 222 of the Investment Advisers Act
3 of 1940 (15 USC 80b-18a), an agent may not have custody of funds or securities of
4 a customer except under the supervision of a broker-dealer and an investment
5 adviser representative may not have custody of funds or securities of a client except
6 under the supervision of an investment adviser or a federal covered investment
7 adviser. A rule adopted or order issued under this chapter may prohibit, limit, or
8 impose conditions on a broker-dealer regarding custody of funds or securities of a
9 customer and on an investment adviser regarding custody of securities or funds of
10 a client.

11 **(7) INVESTMENT ADVISER BROCHURE RULE.** With respect to an investment adviser
12 registered or required to be registered under this chapter, a rule adopted or order
13 issued under this chapter may require that information or other record be furnished
14 or disseminated to clients or prospective clients in this state as necessary or
15 appropriate in the public interest and for the protection of investors and advisory
16 clients.

17 **(8) CONTINUING EDUCATION.** A rule adopted or order issued under this chapter
18 may require an individual registered under s. 551.402 or 551.404 to participate in
19 a continuing education program approved by the administrator and administered by
20 a self-regulatory organization or, in the absence of such a program, a rule adopted
21 or order issued under this chapter may require continuing education for an
22 individual registered under s. 551.404.

23 **(9) INTEREST RATE ON CUSTOMER ACCOUNTS.** No registered broker-dealer shall
24 be subject to s. 138.05 (1) (a) with respect to any debit balance in a customer account

BILL**SECTION 16**

1 if the debit balance is payable on demand and the only collateral for the balance is
2 securities.

3 **551.412 Denial, revocation, suspension, censure, withdrawal,**
4 **restriction, condition, or limitation of registration. (1) DISCIPLINARY**
5 **CONDITIONS – APPLICANTS.** If the administrator finds that the order is in the public
6 interest and sub. (4) authorizes the action, an order issued under this chapter may
7 deny an application, or may condition or limit registration of an applicant, to be a
8 broker–dealer, agent, investment adviser, or investment adviser representative and,
9 if the applicant is a broker–dealer or investment adviser, of a partner, officer,
10 director, person having a similar status or performing similar functions, or person
11 directly or indirectly in control of the broker–dealer or investment adviser.

12 **(2) DISCIPLINARY CONDITIONS – REGISTRANTS.** If the administrator finds that the
13 order is in the public interest and sub. (4) authorizes the action, an order issued
14 under this chapter may revoke, suspend, censure, condition, or limit the registration
15 of a registrant and, if the registrant is a broker–dealer or investment adviser, of a
16 partner, officer, director, person having a similar status or performing similar
17 functions, or person directly or indirectly in control of the broker–dealer or
18 investment adviser. However, the administrator may not do any of the following:

19 (a) Institute a revocation or suspension proceeding under this subsection based
20 on an order issued under a law of another state that is reported to the administrator
21 or a designee of the administrator more than one year after the date of the order on
22 which it is based.

23 (b) Under sub. (4) (e) 1. or 2., issue an order on the basis of an order issued under
24 the securities act of another state unless the other order was based on conduct for
25 which sub. (4) would authorize the action had the conduct occurred in this state.

BILL

1 **(3) DISCIPLINARY PENALTIES - REGISTRANTS.** If the administrator finds that the
2 order is in the public interest and sub. (4) (a) to (f), (h), (i), (j), (L), (m), or (o) to (r)
3 authorizes the action, an order under this chapter may censure, impose a bar, or
4 impose a civil penalty in an amount not to exceed a maximum of \$10,000 for a single
5 violation or \$100,000 for more than one violation, or in such amount as agreed to by
6 the parties, on a registrant and, if the registrant is a broker-dealer or investment
7 adviser, a partner, officer, director, person having a similar status or performing
8 similar functions, or person directly or indirectly in control of the broker-dealer or
9 investment adviser.

10 **(4) GROUNDS FOR DISCIPLINE.** A person may be disciplined under subs. (1) to (3)
11 if the person:

12 (a) Has filed an application for registration in this state under this chapter or
13 the predecessor act within the previous 10 years, which, as of the effective date of
14 registration or as of any date after filing in the case of an order denying effectiveness,
15 was incomplete in any material respect or contained a statement that, in light of the
16 circumstances under which it was made, was false or misleading with respect to a
17 material fact.

18 (b) Willfully violated or willfully failed to comply with this chapter or the
19 predecessor act or a rule adopted or order issued under this chapter or the
20 predecessor act within the previous 10 years.

21 (c) Has been convicted of a felony or within the previous 10 years has been
22 convicted of a misdemeanor involving a security, a commodity future or option
23 contract, or an aspect of a business involving securities, commodities, investments,
24 franchises, insurance, banking, or finance.

BILL**SECTION 16**

1 (d) Is enjoined or restrained by a court of competent jurisdiction in an action
2 instituted by the administrator under this chapter or the predecessor act, a state, the
3 Securities and Exchange Commission, or the United States from engaging in or
4 continuing an act, practice, or course of business involving an aspect of a business
5 involving securities, commodities, investments, franchises, insurance, banking, or
6 finance.

7 (e) Is the subject of an order, issued after notice and opportunity for hearing,
8 by any of the following:

9 1. The securities or other financial services regulator of a state or the Securities
10 and Exchange Commission or other federal agency denying, revoking, barring, or
11 suspending registration as a broker-dealer, agent, investment adviser, federal
12 covered investment adviser, or investment adviser representative.

13 2. The securities regulator of a state or the Securities and Exchange
14 Commission against a broker-dealer, agent, investment adviser, investment adviser
15 representative, or federal covered investment adviser.

16 3. The Securities and Exchange Commission or a self-regulatory organization
17 suspending or expelling the registrant from membership in the self-regulatory
18 organization.

19 4. A court adjudicating a United States Postal Service fraud order.

20 5. The insurance regulator of a state denying, suspending, or revoking
21 registration as an insurance agent.

22 6. A depository institution or financial services regulator suspending or barring
23 the person from the depository institution or other financial services business.

24 (f) Is the subject of an adjudication or determination, after notice and
25 opportunity for hearing, by the Securities and Exchange Commission; the

BILL

1 Commodity Futures Trading Commission; the Federal Trade Commission; a federal
2 depository institution regulator, or a depository institution, insurance, or other
3 financial services regulator of a state that the person willfully violated the Securities
4 Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of
5 1940, the Investment Company Act of 1940, or the Commodity Exchange Act, the
6 securities or commodities law of a state, or a federal or state law under which a
7 business involving investments, franchises, insurance, banking, or finance is
8 regulated.

9 (g) Is insolvent, either because the person's liabilities exceed the person's assets
10 or because the person cannot meet the person's obligations as they mature, but the
11 administrator may not enter an order against an applicant or registrant under this
12 paragraph without a finding of insolvency as to the applicant or registrant.

13 (h) Refuses to allow or otherwise impedes the administrator from conducting
14 an audit or inspection under s. 551.411 (4) or refuses access to a registrant's office to
15 conduct an audit or inspection under s. 551.411 (4).

16 (i) Has failed to reasonably supervise an agent, investment adviser
17 representative, or other individual, if the agent, investment adviser representative,
18 or other individual was subject to the person's supervision and committed a violation
19 of this chapter or the predecessor act or a rule adopted or order issued under this
20 chapter or the predecessor act within the previous 10 years.

21 (j) Has not paid the proper filing fee within 30 days after having been notified
22 by the administrator of a deficiency, but the administrator shall vacate an order
23 under this paragraph when the deficiency is corrected.

24 (k) After notice and opportunity for a hearing, has been found within the
25 previous 10 years:

BILL

1 1. By a court of competent jurisdiction to have willfully violated the laws of a
2 foreign jurisdiction under which the business of securities, commodities, investment,
3 franchises, insurance, banking, or finance is regulated.

4 2. To have been the subject of an order of a securities regulator of a foreign
5 jurisdiction denying, revoking, or suspending the right to engage in the business of
6 securities as a broker-dealer, agent, investment adviser, investment adviser
7 representative, or similar person.

8 3. To have been suspended or expelled from membership by or participation in
9 a securities exchange or securities association operating under the securities laws
10 of a foreign jurisdiction.

11 (L) Is the subject of a cease and desist order issued by the Securities and
12 Exchange Commission or issued under the securities, commodities, investment,
13 franchise, banking, finance, or insurance laws of a state.

14 (m) Has engaged in dishonest or unethical practices in the securities,
15 commodities, investment, franchise, banking, finance, or insurance business within
16 the previous 10 years.

17 (n) Is not qualified on the basis of factors such as training, experience, and
18 knowledge of the securities business. However, in the case of an application by an
19 agent for a broker-dealer that is a member of a self-regulatory organization or by
20 an individual for registration as an investment adviser representative, a denial
21 order may not be based on this paragraph if the individual has successfully
22 completed all examinations required by sub. (5). The administrator may require an
23 applicant for registration under s. 551.402 or 551.404 who has not been registered
24 in a state within the 2 years preceding the filing of an application in this state to
25 successfully complete an examination.

BILL

1 (o) Is the subject of an order of the administrator denying an application or
2 suspending or revoking a registration as a broker-dealer, agent, or investment
3 adviser.

4 (p) Is selling or has sold, or is offering or has offered for sale, in the state
5 securities through any unlicensed agent or for any broker-dealer or issuer with
6 knowledge that the broker-dealer or issuer has not complied with this chapter.

7 (q) Has made any material misrepresentation to or withheld or concealed any
8 material fact from the administrator, or has refused to furnish information
9 reasonably requested by the administrator.

10 (r) Has not complied with the conditions or limitations of a registration issued
11 under this chapter.

12 **(4g)** ADDITIONAL GROUNDS FOR DENIAL OF APPLICATION. (a) The administrator
13 shall deny an application for the issuance or renewal of a registration if any of the
14 following applies:

15 1. The applicant fails to provide any information required under s. 551.406 (6)
16 (a) 1. or 2.

17 2. The department of revenue certifies under s. 73.0301 that the applicant is
18 liable for delinquent taxes. An applicant whose application for the issuance or
19 renewal of a registration is denied under this subdivision for delinquent taxes is
20 entitled to a notice under s. 73.0301 (2) (b) 1. b. and hearing under s. 73.0301 (5) (a),
21 but is not entitled to any other notice, hearing, or review under this subchapter.

22 3. The applicant is an individual who fails to comply, after appropriate notice,
23 with a subpoena or warrant issued by the department of ~~workforce development~~
24 a county child support agency under s. 59.53 (5) and related to paternity or child
25 support proceedings or who is delinquent in making court-ordered payments of child

Children and Families

BILL**SECTION 16**

1 or family support, maintenance, birth expenses, medical expenses or other expenses
2 related to the support of a child or former spouse, as provided in a memorandum of
3 understanding entered under s. 49.857. An applicant whose application is denied
4 under this subdivision for delinquent payments is entitled to a notice and hearing
5 under s. 49.857 but is not entitled to any other notice or hearing under this
6 subchapter.

7 (b) Unless s. 551.406 (6) (b) applies to the registrant, the administrator shall
8 restrict or suspend a registration under this subchapter if the registrant is an
9 individual who fails to provide his or her social security number. The administrator
10 shall restrict or suspend a registration under this subchapter if the registrant is an
11 individual who fails to comply, after appropriate notice, with a subpoena or warrant
12 issued by the department of ^{children and families} ~~workforce development~~ or a county child support agency
13 under s. 59.53 (5) and related to paternity or child support proceedings or who is
14 delinquent in making court-ordered payments of child or family support,
15 maintenance, birth expenses, medical expenses or other expenses related to the
16 support of a child or former spouse, as provided in a memorandum of understanding
17 entered into under s. 49.857. A registrant whose registration is restricted or
18 suspended under this paragraph is entitled to a notice and hearing under s. 49.857
19 but is not entitled to any other notice or hearing under this subchapter.

20 (c) The administrator shall revoke a registration if the department of revenue
21 certifies under s. 73.0301 that the registrant is liable for delinquent taxes. A
22 registrant whose registration is revoked under this paragraph for delinquent taxes
23 is entitled to a notice under s. 73.0301 (2) (b) 1. b. and hearing under s. 73.0301 (5)
24 (a) but is not entitled to any other notice, hearing, or review under this subchapter.

BILL

1 **(4r)** ENUMERATION OF CLAUSES NOT EXCLUSIVE. The enumeration of the causes
2 stated in sub. (4) shall not be exclusive and the administrator may deny an
3 application or suspend or revoke any registrant or censure any registrant for any
4 cause whether similar to or different from these causes when necessary or
5 appropriate in public interest or for the protection of investors.

6 **(5)** EXAMINATIONS. A rule adopted or order issued under this chapter may
7 require that an examination, including an examination developed or approved by an
8 organization of securities regulators, be successfully completed by a class of
9 individuals or all individuals. An order issued under this chapter may waive, in
10 whole or in part, an examination as to an individual and a rule adopted under this
11 chapter may waive, in whole or in part, an examination as to a class of individuals
12 if the administrator determines that the examination is not necessary or appropriate
13 in the public interest and for the protection of investors.

14 **(6)** SUMMARY PROCESS. The administrator may suspend or deny an application
15 summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or
16 impose a civil penalty on a registrant before final determination of an administrative
17 proceeding. Upon the issuance of an order, the administrator shall promptly notify
18 each person subject to the order that the order has been issued, the reasons for the
19 action, and that within 15 days after the receipt of a request in a record from the
20 person the matter will be scheduled for a hearing. If a hearing is not requested and
21 none is ordered by the administrator within 30 days after the date of service of the
22 order, the order becomes final by operation of law. If a hearing is requested or
23 ordered, the administrator, after notice of and opportunity for hearing to each person
24 subject to the order, may modify or vacate the order or extend the order until final
25 determination.

BILL**SECTION 16**

1 **(7) PROCEDURAL REQUIREMENTS.** An order issued may not be issued under this
2 section, except under sub. (6), without all of the following:

3 (a) Appropriate notice to the applicant or registrant.

4 (b) Opportunity for hearing.

5 (c) Findings of fact and conclusions of law in a record in accordance with ch. 227.

6 **(8) CONTROL PERSON LIABILITY.** A person that controls, directly or indirectly, a
7 person not in compliance with this section may be disciplined by order of the
8 administrator under subs. (1) to (3) to the same extent as the noncomplying person,
9 unless the controlling person did not know, and in the exercise of reasonable care
10 could not have known, of the existence of conduct that is a ground for discipline under
11 this section.

12 **(9) LIMIT ON INVESTIGATION OR PROCEEDING.** The administrator may not institute
13 a proceeding under sub. (1), (2), or (3) based solely on material facts actually known
14 by the administrator unless an investigation or the proceeding is instituted within
15 one year after the administrator actually acquires knowledge of the material facts.

SUBCHAPTER V**FRAUD AND LIABILITIES**

16
17
18 **551.501 General fraud.** It is unlawful for a person, in connection with the
19 offer, sale, or purchase of a security, directly or indirectly, to do any of the following:

20 **(1)** To employ a device, scheme, or artifice to defraud.

21 **(2)** To make an untrue statement of a material fact or to omit to state a material
22 fact necessary in order to make the statements made, in light of the circumstances
23 under which they were made, not misleading.

24 **(3)** To engage in an act, practice, or course of business that operates or would
25 operate as a fraud or deceit upon another person.

BILL

1 **551.502 Prohibited conduct in providing investment advice. (1) FRAUD**
2 IN PROVIDING INVESTMENT ADVICE. It is unlawful for a person that advises others for
3 compensation, either directly or indirectly or through publications or writings, as to
4 the value of securities or the advisability of investing in, purchasing, or selling
5 securities or that, for compensation and as part of a regular business, issues or
6 promulgates analyses or reports relating to securities, to do any of the following:

7 (a) To employ a device, scheme, or artifice to defraud another person.

8 (b) To engage in an act, practice, or course of business that operates or would
9 operate as a fraud or deceit upon another person.

10 **(2) RULES DEFINING FRAUD.** A rule adopted under this chapter may define an act,
11 practice, or course of business of an investment adviser or an investment adviser
12 representative, other than a supervised person, as defined in section 202 (a) (25) of
13 the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (25)), of a federal covered
14 investment adviser, as fraudulent, deceptive, or manipulative, and prescribe means
15 reasonably designed to prevent investment advisers and investment adviser
16 representatives, other than supervised persons, as defined in section 202 (a) (25) of
17 the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (25)), of a federal covered
18 investment adviser, from engaging in acts, practices, and courses of business defined
19 as fraudulent, deceptive, or manipulative.

20 **(3) RULES SPECIFYING CONTENTS OF ADVISORY CONTRACT.** A rule adopted under
21 this chapter may specify the contents of an investment advisory contract entered
22 into, extended, or renewed by an investment adviser.

23 **551.503 Evidentiary burden. (1) CIVIL.** In a civil action or administrative
24 proceeding under this chapter, a person claiming an exemption, exception,
25 preemption, or exclusion has the burden to prove the applicability of the claim.

BILL

1 **(2) CRIMINAL.** In a criminal proceeding under this chapter, a person claiming
2 an exemption, exception, preemption, or exclusion has the burden of going forward
3 with evidence of the claim.

4 **551.504 Filing of sales and advertising literature. (1) FILING**
5 **REQUIREMENT.** Except as otherwise provided in sub. (2), a rule adopted or order issued
6 under this chapter may require the filing of a prospectus, pamphlet, circular, form
7 letter, advertisement, sales literature, or other advertising record relating to a
8 security or investment advice, addressed or intended for distribution to prospective
9 investors, including clients or prospective clients of a person registered or required
10 to be registered as an investment adviser under this chapter.

11 **(2) EXCLUDED COMMUNICATIONS.** This section does not apply to sales and
12 advertising literature specified in sub. (1) which relates to a federal covered security,
13 a federal covered investment adviser, or a security or transaction exempted by s.
14 551.201, 551.202, or 551.203 except as required pursuant to s. 551.201 (7).

15 **551.505 Misleading filings.** It is unlawful for a person to make or cause to
16 be made, in a record that is used in an action or proceeding or filed under this chapter,
17 a statement that, at the time and in the light of the circumstances under which it is
18 made, is false or misleading in a material respect, or, in connection with the
19 statement, to omit to state a material fact necessary to make the statement made,
20 in the light of the circumstances under which it was made, not false or misleading.

21 **551.506 Misrepresentations concerning registration or exemption.**
22 The filing of an application for registration, a registration statement, a notice filing
23 under this chapter, the registration of a person, the notice filing by a person, or the
24 registration of a security under this chapter does not constitute a finding by the
25 administrator that a record filed under this chapter is true, complete, and not

BILL

1 misleading. The filing or registration or the availability of an exemption, exception,
2 preemption, or exclusion for a security or a transaction does not mean that the
3 administrator has passed upon the merits or qualifications of, or recommended or
4 given approval to, a person, security, or transaction. It is unlawful to make, or cause
5 to be made, to a purchaser, customer, client, or prospective customer or client a
6 representation inconsistent with this section.

7 **551.507 Qualified immunity.** A broker-dealer, agent, investment adviser,
8 federal covered investment adviser, or investment adviser representative is not
9 liable to another broker-dealer, agent, investment adviser, federal covered
10 investment adviser, or investment adviser representative for defamation relating to
11 a statement that is contained in a record required by the administrator, or designee
12 of the administrator, the Securities and Exchange Commission, or a self-regulatory
13 organization, unless the person knew, or should have known at the time that the
14 statement was made, that it was false in a material respect or the person acted in
15 reckless disregard of the statement's truth or falsity.

16 **551.508 Criminal penalties. (1) CRIMINAL PENALTIES.** A person that willfully
17 violates this chapter, or a rule adopted or order issued under this chapter, except s.
18 551.504 or the notice filing requirements of s. 551.302 or 551.405, or that willfully
19 violates s. 551.505 knowing the statement made to be false or misleading in a
20 material respect, upon conviction, shall be guilty of a Class H felony. An individual
21 convicted of violating a rule or order under this chapter may be fined, but may not
22 be imprisoned, if the individual did not have knowledge of the rule or order. Each
23 of the acts specified shall constitute a separate offense and a prosecution or
24 conviction for any one of such offenses shall not bar prosecution or conviction for any
25 other offense.

BILL

1 **(2) CRIMINAL REFERENCE NOT REQUIRED.** The attorney general or the district
2 attorney of the appropriate county, with or without a reference from the
3 administrator, may institute criminal proceedings under this chapter.

4 **(3) NO LIMITATION ON OTHER CRIMINAL ENFORCEMENT.** This chapter does not limit
5 the power of this state to punish a person for conduct that constitutes a crime under
6 other laws of this state.

7 **551.509 Civil liability. (1) SECURITIES LITIGATION UNIFORM STANDARDS ACT.**
8 Enforcement of civil liability under this section is subject to the Securities Litigation
9 Uniform Standards Act of 1998.

10 **(2) LIABILITY OF SELLER TO PURCHASER.** A person is liable to the purchaser if the
11 person sells a security in violation of s. 551.301 or 551.501 and, as to s. 551.501 (2),
12 the purchaser did not know the untruth or omission and the seller cannot sustain the
13 burden of proof that the seller did not know and, in the exercise of reasonable care,
14 could not have known of the untruth or omission. An action under this subsection
15 is governed by the following:

16 (a) The purchaser may maintain an action to recover the consideration paid for
17 the security, less the amount of any income received on the security, and interest at
18 the legal rate under s. 138.04 from the date of the purchase, costs, and reasonable
19 attorney fees determined by the court, upon the tender of the security, or for actual
20 damages as provided in par. (c).

21 (b) The tender referred to in par. (a) may be made any time before entry of
22 judgment. Tender requires only notice in a record of ownership of the security and
23 willingness to exchange the security for the amount specified. A purchaser that no
24 longer owns the security may recover actual damages as provided in par. (c).

BILL

1 (c) Actual damages in an action arising under this subsection are the amount
2 that would be recoverable upon a tender less the value of the security when the
3 purchaser disposed of it, and interest at the legal rate under s. 138.04 from the date
4 of the purchase, costs, and reasonable attorney fees determined by the court.

5 (3) LIABILITY OF PURCHASER TO SELLER. A person is liable to the seller if the
6 person buys a security in violation of s. 551.501 and, as to s. 551.501 (2), the seller
7 did not know the untruth or omission and the purchaser cannot sustain the burden
8 of proof that the purchaser did not know and, in the exercise of reasonable care, could
9 not have known of the untruth or omission. An action under this subsection is
10 governed by the following:

11 (a) The seller may maintain an action to recover the security, and any income
12 received on the security, costs, and reasonable attorney fees determined by the court,
13 upon the tender of the purchase price, or for actual damages as provided in par. (c).

14 (b) The tender referred to in par. (a) may be made any time before entry of
15 judgment. Tender requires only notice in a record of the present ability to pay the
16 amount tendered and willingness to take delivery of the security for the amount
17 specified. If the purchaser no longer owns the security, the seller may recover actual
18 damages as provided in par. (c).

19 (c) Actual damages in an action arising under this subsection are the difference
20 between the price at which the security was sold and the value the security would
21 have had at the time of the sale in the absence of the purchaser's conduct causing
22 liability, and interest at the legal rate under s. 138.04 from the date of the sale of the
23 security, costs, and reasonable attorney fees determined by the court.

24 (4) LIABILITY OF UNREGISTERED BROKER-DEALER AND AGENT. A person acting as
25 a broker-dealer or agent that sells or buys a security in violation of s. 551.401 (1),

BILL

1 551.402 (1), or 551.506 is liable to the customer. The customer, if a purchaser, may
2 maintain an action for recovery of actual damages as specified in sub. (2) (a) to (c),
3 or, if a seller, for a remedy as specified in sub. (3) (a) to (c).

4 **(5) LIABILITY OF UNREGISTERED INVESTMENT ADVISER AND INVESTMENT ADVISER**
5 **REPRESENTATIVE.** A person acting as an investment adviser or investment adviser
6 representative that provides investment advice for compensation in violation of s.
7 551.403 (1), 551.404 (1), or 551.506 is liable to the client. The client may maintain
8 an action to recover the consideration paid for the advice, interest at the legal rate
9 under s. 138.04 from the date of payment, costs, and reasonable attorney fees
10 determined by the court.

11 **(6) LIABILITY FOR INVESTMENT ADVICE.** A person that receives directly or
12 indirectly any consideration for providing investment advice to another person and
13 that employs a device, scheme, or artifice to defraud the other person or engages in
14 an act, practice, or course of business that operates or would operate as a fraud or
15 deceit on the other person is liable to the other person. An action under this
16 subsection is governed by the following:

17 (a) The person defrauded may maintain an action to recover the consideration
18 paid for the advice and the amount of any actual damages caused by the fraudulent
19 conduct, interest at the legal rate under s. 138.04 from the date of the fraudulent
20 conduct, costs, and reasonable attorney fees determined by the court, less the
21 amount of any income received as a result of the fraudulent conduct.

22 (b) This subsection does not apply to a broker-dealer or its agents if the
23 investment advice provided is solely incidental to transacting business as a
24 broker-dealer and no special compensation is received for the investment advice.

BILL

1 **(7) JOINT AND SEVERAL LIABILITY.** The following persons are liable jointly and
2 severally with and to the same extent as persons liable under subs. (2) to (6):

3 (a) A person that directly or indirectly controls a person liable under subs. (2)
4 to (6), unless the controlling person sustains the burden of proof that the person did
5 not know, and in the exercise of reasonable care could not have known, of the
6 existence of conduct by reason of which the liability is alleged to exist.

7 (b) An individual who is a managing partner, executive officer, or director of a
8 person liable under subs. (2) to (6), including an individual having a similar status
9 or performing similar functions, unless the individual sustains the burden of proof
10 that the individual did not know, and in the exercise of reasonable care could not have
11 known, of the existence of conduct by reason of which the liability is alleged to exist.

12 (c) An individual who is an employee of or associated with a person liable under
13 subs. (2) to (6) and who materially aids the conduct giving rise to the liability, unless
14 the individual sustains the burden of proof that the individual did not know, and in
15 the exercise of reasonable care could not have known, of the existence of conduct by
16 reason of which the liability is alleged to exist.

17 (d) A person that is a broker-dealer, agent, investment adviser, or investment
18 adviser representative that materially aids the conduct giving rise to the liability
19 under subs. (2) to (6), unless the person sustains the burden of proof that the person
20 did not know, and in the exercise of reasonable care could not have known, of the
21 existence of conduct by reason of which liability is alleged to exist.

22 **(8) RIGHT OF CONTRIBUTION.** A person liable under this section has a right of
23 contribution as in cases of contract against any other person liable under this section
24 for the same conduct.

BILL**SECTION 16**

1 **(9) SURVIVAL OF CAUSE OF ACTION.** A cause of action under this section survives
2 the death of an individual who might have been a plaintiff or defendant.

3 **(10) STATUTE OF LIMITATIONS.** A person may not obtain relief:

4 (a) Under sub. (2) for violation of s. 551.301, or under sub. (4) or (5), unless the
5 action is instituted within one year after the violation occurred.

6 (b) Under sub. (2), other than for violation of s. 551.301, or under sub. (3) or (6),
7 unless the action is instituted within the earlier of 2 years after discovery of the facts
8 constituting the violation or 5 years after the violation.

9 **(11) NO ENFORCEMENT OF VIOLATIVE CONTRACT.** A person that has made, or has
10 engaged in the performance of, a contract in violation of this chapter or a rule adopted
11 or order issued under this chapter, or that has acquired a purported right under the
12 contract with knowledge of conduct by reason of which its making or performance
13 was in violation of this chapter, may not base an action on the contract.

14 **(12) NO CONTRACTUAL WAIVER.** A condition, stipulation, or provision binding a
15 person purchasing or selling a security or receiving investment advice to waive
16 compliance with this chapter or a rule adopted or order issued under this chapter is
17 void.

18 **(13) SURVIVAL OF OTHER RIGHTS OR REMEDIES.** The rights and remedies provided
19 by this chapter are in addition to any other rights or remedies that may exist, but this
20 chapter does not create a cause of action not specified in this section or s. 551.411 (5).

21 **551.511 Rescission offers.** A purchaser, seller, or recipient of investment
22 advice may not maintain an action under s. 551.509 if all of the following apply:

23 **(1)** The purchaser, seller, or recipient of investment advice receives in a record,
24 before the action is instituted, an offer stating the respect in which liability under
25 s. 551.509 may have arisen and fairly advising the purchaser, seller, or recipient of

BILL

1 investment advice of that person's rights in connection with the offer, and any
2 financial or other information necessary to correct all material misrepresentations
3 or omissions in the information that was required by this chapter to be furnished to
4 that person at the time of the purchase, sale, or investment advice, and any of the
5 following:

6 (a) If the basis for relief under this section may have been a violation of s.
7 551.509 (2), an offer to repurchase the security for cash, payable on delivery of the
8 security, equal to the consideration paid, and interest at the legal rate under s. 138.04
9 from the date of the purchase, less the amount of any income received on the security,
10 or, if the purchaser no longer owns the security, an offer to pay the purchaser upon
11 acceptance of the offer damages in an amount that would be recoverable upon a
12 tender, less the value of the security when the purchaser disposed of it, and interest
13 at the legal rate under s. 138.04 from the date of the purchase in cash equal to the
14 damages computed in the manner provided in this subsection.

15 (b) If the basis for relief under this section may have been a violation of s.
16 551.509 (3), an offer to tender the security, on payment by the seller of an amount
17 equal to the purchase price paid, less income received on the security by the
18 purchaser and interest at the legal rate under s. 138.04 from the date of the sale, or,
19 if the purchaser no longer owns the security, an offer to pay the seller upon
20 acceptance of the offer, in cash, damages in the amount of the difference between the
21 price at which the security was purchased and the value the security would have had
22 at the time of the purchase in the absence of the purchaser's conduct that may have
23 caused liability and interest at the legal rate under s. 138.04 from the date of the sale.

BILL**SECTION 16**

1 (c) If the basis for relief under this section may have been a violation of s.
2 551.509 (4), and if the customer is a purchaser, an offer to pay as specified in par. (a),
3 or, if the customer is a seller, an offer to tender or to pay as specified in par. (b).

4 (d) If the basis for relief under this section may have been a violation of s.
5 551.509 (5), an offer to reimburse in cash the consideration paid for the advice and
6 interest at the legal rate under s. 138.04 from the date of payment.

7 (e) If the basis for relief under this section may have been a violation of s.
8 551.509 (6), an offer to reimburse in cash the consideration paid for the advice, the
9 amount of any actual damages that may have been caused by the conduct, and
10 interest at the legal rate under s. 138.04 from the date of the violation causing the
11 loss.

12 **(2)** The offer under sub. (1) states that it must be accepted by the purchaser,
13 seller, or recipient of investment advice within 30 days after the date of its receipt
14 by the purchaser, seller, or recipient of investment advice or any shorter period, of
15 not less than 3 days, that the administrator, by order, specifies.

16 **(3)** The offeror has the present ability to pay the amount offered or to tender
17 the security under sub. (1).

18 **(4)** The offer under sub. (1) is delivered to the purchaser, seller, or recipient of
19 investment advice, or sent in a manner that ensures receipt by the purchaser, seller,
20 or recipient of investment advice.

21 **(5)** The purchaser, seller, or recipient of investment advice that accepts the
22 offer under sub. (1) in a record within the period specified under sub. (2) is paid in
23 accordance with the terms of the offer.

BILL

SUBCHAPTER VI

ADMINISTRATION AND JUDICIAL

REVIEW

1
2
3
4 **551.601 Administration. (1) ADMINISTRATION.** The administrator shall
5 administer this chapter.

6 **(2) UNLAWFUL USE OF RECORDS OR INFORMATION.** It is unlawful for the
7 administrator or an officer, employee, or designee of the administrator to use for
8 personal benefit or the benefit of others records or other information obtained by or
9 filed with the administrator that are not public under s. 551.607 (2). This chapter
10 does not authorize the administrator or an officer, employee, or designee of the
11 administrator to disclose the record or information, except in accordance with s.
12 551.602, 551.607 (3), or 551.608.

13 **(3) NO PRIVILEGE OR EXEMPTION CREATED OR DIMINISHED.** This chapter does not
14 create or diminish a privilege or exemption that exists at common law, by statute or
15 rule, or otherwise.

16 **(4) INVESTOR EDUCATION.** The administrator may develop and implement
17 investor education initiatives to inform the public about investing in securities, with
18 particular emphasis on the prevention and detection of securities fraud. In
19 developing and implementing these initiatives, the administrator may collaborate
20 with public and nonprofit organizations with an interest in investor education. The
21 administrator may accept a grant or donation from a person that is not affiliated with
22 the securities industry or from a nonprofit organization, regardless of whether the
23 organization is affiliated with the securities industry, to develop and implement
24 investor education initiatives. This subsection does not authorize the administrator