




# State of Wisconsin

LEGISLATIVE REFERENCE BUREAU


## **RESEARCH APPENDIX - PLEASE DO NOT REMOVE FROM DRAFTING FILE**

Date Transfer Requested: 02/14/2008 (Per: ARG)




 Appendix A ... Part 19 of 23




 The 2007 drafting file for LRB-1109/2

has been transferred to the drafting file for

**2007 LRB-3866** (SB 483)

 This cover sheet, the final request sheet, and the final version of the 2007 draft were copied on yellow paper, and returned to the original 2007 drafting file.

 The attached 2007 draft was incorporated into the new 2007 draft listed above. For research purposes, this cover sheet and the complete drafting file were transferred, as a separate appendix, to the 2007 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

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## SUBCHAPTER III

## REGISTRATION OF SECURITIES AND

## NOTICE FILING OF FEDERAL COVERED SECURITIES

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4       **551.301 Securities registration requirement.** It is unlawful for a person  
5 to offer or sell a security in this state unless any of the following apply:

6       (1) The security is a federal covered security.

7       (2) The security, transaction, or offer is exempted from registration under this  
8 chapter.

9       (3) The security is registered under this chapter.

10       **551.302 Notice filing. (1) REQUIRED FILING OF RECORDS.** With respect to a  
11 federal covered security, as defined in section 18 (b) (2) of the Securities Act of 1933  
12 (15 USC 77r (b) (2), that is not otherwise exempt under ss. 551.201 to 551.203, a rule  
13 adopted by the administrator or an order issued under this chapter may require the  
14 filing of any or all of the following records:

15       (a) *Prior to offer.* Not later than the initial offer of the federal covered security  
16 in this state, a copy of each document that is part of its registration statement filed  
17 with the Securities and Exchange Commission under the Securities Act of 1933,  
18 which may, at the option of the issuer, be accompanied by a form containing the  
19 information specified by the administrator by rule. If a filing is required under this  
20 paragraph, the filing shall be accompanied by a consent to service of process signed  
21 by the issuer and a notice filing fee under s. 551.614. Any notice filing required under  
22 this paragraph is effective upon receipt by the administrator of the documents and  
23 fees required under this paragraph, or upon the effectiveness of the registration  
24 statement under the Securities Act of 1933, whichever is later.

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1           (b) *After offer.* After the initial offer of the federal covered security in this state,  
2 a copy of each document that is part of an amendment to its registration statement  
3 filed with the Securities and Exchange Commission under the Securities Act of 1933,  
4 concurrent with the federal filing, which may, at the option of the issuer, be  
5 accompanied by a form containing the information specified by the administrator by  
6 rule. If a filing is required under this paragraph and the amendment relates either  
7 to a name change of the issuer or a change in the designation of the federal covered  
8 security, the filing shall be accompanied by a fee in the amount prescribed by the rule  
9 or order requiring the filing. Unless the issuer requests a later effective date, an  
10 amendment filing required under this paragraph is effective upon receipt by the  
11 administrator of the documents and fees required under this paragraph.

12           (c) *Unit trust or investment company.* For a unit investment trust or closed-end  
13 investment company to extend its offering beyond a one-year period, a notice of  
14 extension, together with any filing fee prescribed by rule or order, at the time  
15 prescribed by rule or order.

16           **(3) NOTICE FILINGS FOR CERTAIN FEDERAL COVERED SECURITIES.** With respect to a  
17 security that is a federal covered security under section 18 (b) (4) (D) of the Securities  
18 Act of 1933 (15 USC 77r (b) (4) (D)), a rule under this chapter may require a notice  
19 filing by or on behalf of an issuer to include a copy of Form D, including the Appendix,  
20 as promulgated by the Securities and Exchange Commission, and a consent to  
21 service of process complying with s. 551.611 signed by the issuer not later than 15  
22 days after the first sale of the federal covered security in this state and the payment  
23 of a fee as provided in s. 551.614 or by rule of the administrator; and the payment  
24 of a fee as provided in s. 551.614 or by rule of the administrator for any late filing.

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1           (4) STOP ORDERS. Except with respect to a federal covered security under section  
2           18 (b) (1) of the Securities Act of 1933 (15 USC 77r (b) (1)), if the administrator finds  
3           that there is a failure to comply with a notice or fee requirement of this section, the  
4           administrator may issue a stop order suspending the offer and sale of a federal  
5           covered security in this state. If the deficiency is corrected, the stop order is void as  
6           of the time of its issuance and no penalty may be imposed by the administrator.

7           (5) WAIVER. The administrator may, by rule or order, waive or further condition  
8           any waiver of a requirement under this section or under any rule promulgated by the  
9           administrator, or order issued, under this section.

10           **551.303 Securities registration by coordination. (1) REGISTRATION**  
11           **PERMITTED.** A security for which a registration statement has been filed under the  
12           Securities Act of 1933 in connection with the same offering may be registered by  
13           coordination under this section.

14           (2) REQUIRED RECORDS. A registration statement and accompanying records  
15           under this section must contain or be accompanied by all of the following records in  
16           addition to the information specified in s. 551.305 and a consent to service of process  
17           complying with s. 551.611:

18           (a) A copy of the latest form of prospectus filed under the Securities Act of 1933.

19           (b) A copy of the articles of incorporation and bylaws or their substantial  
20           equivalents currently in effect; a copy of any agreement with or among underwriters;  
21           a copy of any indenture or other instrument governing the issuance of the security  
22           to be registered; and a specimen, copy, or description of the security that is required  
23           by rule adopted or order issued under this chapter.

24           (c) Copies of any other information or any other records filed by the issuer under  
25           the Securities Act of 1933 requested by the administrator.

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1 (d) An undertaking to forward each amendment to the federal prospectus,  
2 other than an amendment that delays the effective date of the registration  
3 statement, promptly after it is filed with the Securities and Exchange Commission.

4 (3) CONDITIONS FOR EFFECTIVENESS OF REGISTRATION STATEMENT. A registration  
5 statement under this section becomes effective simultaneously with or subsequent  
6 to the federal registration statement when all the following conditions are satisfied:

7 (a) A stop order under sub. (4) or s. 551.306 or issued by the Securities and  
8 Exchange Commission is not in effect and a proceeding is not pending against the  
9 issuer under s. 551.306.

10 (b) The registration statement has been on file for at least 20 days or a shorter  
11 period provided by rule adopted or order issued under this chapter.

12 (4) NOTICE OF FEDERAL REGISTRATION STATEMENT EFFECTIVENESS. The registrant  
13 shall promptly notify the administrator in a record of the date when the federal  
14 registration statement becomes effective and the content of any price amendment  
15 and shall promptly file a record containing the price amendment. If the notice is not  
16 timely received, the administrator may issue a stop order, without prior notice or  
17 hearing, retroactively denying effectiveness to the registration statement or  
18 suspending its effectiveness until compliance with this section. The administrator  
19 shall promptly notify the registrant of an order by telecopy, telephone, or electronic  
20 means and promptly confirm this notice by a record. If the registrant subsequently  
21 complies with the notice requirements of this section, the stop order is void as of the  
22 date of its issuance.

23 (5) EFFECTIVENESS OF REGISTRATION STATEMENT. If the federal registration  
24 statement becomes effective before each of the conditions in this section is satisfied  
25 or is waived by the administrator, the registration statement is automatically

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1 effective under this chapter when all the conditions are satisfied or waived. If the  
2 registrant notifies the administrator of the date when the federal registration  
3 statement is expected to become effective, the administrator shall promptly notify  
4 the registrant by telecopy, telephone, or electronic means and promptly confirm this  
5 notice by a record, indicating whether all the conditions are satisfied or waived and  
6 whether the administrator intends the institution of a proceeding under s. 551.306.  
7 The notice by the administrator does not preclude the institution of such a  
8 proceeding.

9 **551.304 Securities registration by qualification. (1) REGISTRATION**  
10 **PERMITTED.** A security may be registered by qualification under this section.

11 **(2) REQUIRED RECORDS.** A registration statement under this section must  
12 contain the information or records specified in s. 551.305, a consent to service of  
13 process complying with s. 551.611, and, if required by rule adopted under this  
14 chapter, any, or any combination of, the following information or records:

15 (a) With respect to the issuer and any significant subsidiary, its name, address,  
16 and form of organization; the state or foreign jurisdiction and date of its organization;  
17 the general character and location of its business; a description of its physical  
18 properties and equipment; and a statement of the general competitive conditions in  
19 the industry or business in which it is or will be engaged.

20 (b) With respect to each director and officer of the issuer, and other person  
21 having a similar status or performing similar functions, the person's name, address,  
22 and principal occupation for the previous 5 years; the amount of securities of the  
23 issuer held by the person as of the 30th day before the filing of the registration  
24 statement; the amount of the securities covered by the registration statement to  
25 which the person has indicated an intention to subscribe; and a description of any

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1 material interest of the person in any material transaction with the issuer or a  
2 significant subsidiary effected within the previous 3 years or proposed to be effected.

3 (c) With respect to persons covered by par. (b), the aggregate sum of the  
4 remuneration paid to those persons during the previous 12 months and estimated  
5 to be paid during the next 12 months, directly or indirectly, by the issuer, and all  
6 predecessors, parents, subsidiaries, and affiliates of the issue.

7 (d) With respect to a person owning of record or owning beneficially, if known,  
8 10 percent or more of the outstanding shares of any class of equity security of the  
9 issuer, the information specified in par. (b) other than the person's occupation.

10 (e) With respect to a promoter, if the issuer was organized within the previous  
11 3 years, the information or records specified in par. (b), any amount paid to the  
12 promoter within that period or intended to be paid to the promoter, and the  
13 consideration for the payment.

14 (f) With respect to a person on whose behalf any part of the offering is to be made  
15 in a nonissuer distribution, the person's name and address; the amount of securities  
16 of the issuer held by the person as of the date of the filing of the registration  
17 statement; a description of any material interest of the person in any material  
18 transaction with the issuer or any significant subsidiary effected within the previous  
19 3 years or proposed to be effected; and a statement of the reasons for making the  
20 offering.

21 (g) The capitalization and long term debt, on both a current and pro forma  
22 basis, of the issuer and any significant subsidiary, including a description of each  
23 security outstanding or being registered or otherwise offered, and a statement of the  
24 amount and kind of consideration, whether in the form of cash, physical assets,  
25 services, patents, goodwill, or anything else of value, for which the issuer or any

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1 subsidiary has issued its securities within the previous 2 years or is obligated to issue  
2 its securities.

3 (h) The kind and amount of securities to be offered; the proposed offering price  
4 or the method by which it is to be computed; any variation at which a proportion of  
5 the offering is to be made to a person or class of persons other than the underwriters,  
6 with a specification of the person or class; the basis on which the offering is to be made  
7 if otherwise than for cash; the estimated aggregate underwriting and selling  
8 discounts or commissions and finders' fees, including separately cash, securities,  
9 contracts, or anything else of value to accrue to the underwriters or finders in  
10 connection with the offering or, if the selling discounts or commissions are variable,  
11 the basis of determining them and their maximum and minimum amounts; the  
12 estimated amounts of other selling expenses, including legal, engineering, and  
13 accounting charges; the name and address of each underwriter and each recipient  
14 of a finder's fee; a copy of any underwriting or selling group agreement under which  
15 the distribution is to be made or the proposed form of any such agreement whose  
16 terms have not yet been determined; and a description of the plan of distribution of  
17 any securities that are to be offered otherwise than through an underwriter.

18 (i) The estimated monetary proceeds to be received by the issuer from the  
19 offering; the purposes for which the proceeds are to be used by the issuer; the  
20 estimated amount to be used for each purpose; the order or priority in which the  
21 proceeds will be used for the purposes stated; the amounts of any funds to be raised  
22 from other sources to achieve the purposes stated; the sources of the funds; and, if  
23 a part of the proceeds is to be used to acquire property, including goodwill, otherwise  
24 than in the ordinary course of business, the names and addresses of the vendors, the  
25 purchase price, the names of any persons that have received commissions in



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1 connection with the acquisition, and the amounts of the commissions and other  
2 expenses in connection with the acquisition, including the cost of borrowing money  
3 to finance the acquisition.

4 (j) A description of any stock options or other security options outstanding, or  
5 to be created in connection with the offering, and the amount of those options held  
6 or to be held by each person required to be named in par. (b), (d), (e), (f), or (h) and  
7 by any person that holds or will hold 10 percent or more in the aggregate of those  
8 options.

9 (k) The dates of, parties to, and general effect concisely stated of each  
10 managerial or other material contract made or to be made otherwise than in the  
11 ordinary course of business to be performed in whole or in part at or after the filing  
12 of the registration statement or that was made within the previous 2 years, and a  
13 copy of the contract.

14 (L) A description of any pending litigation, action, or proceeding to which the  
15 issuer is a party and that materially affects its business or assets, and any litigation,  
16 action, or proceeding known to be contemplated by governmental authorities.

17 (m) A copy of any prospectus, pamphlet, circular, form letter, advertisement,  
18 or other sales literature intended as of the effective date to be used in connection with  
19 the offering and any solicitation of interest used in compliance with s. 551.202 (17)  
20 (b).

21 (n) A specimen or copy of the security being registered, unless the security is  
22 uncertificated; a copy of the issuer's articles of incorporation and bylaws or their  
23 substantial equivalents, in effect; and a copy of any indenture or other instrument  
24 covering the security to be registered.

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1 (o) A signed or conformed copy of an opinion of counsel concerning the legality  
2 of the security being registered, with an English translation if it is in a language  
3 other than English, which states whether the security when sold will be validly  
4 issued, fully paid, and nonassessable and, if a debt security, a binding obligation of  
5 the issuer.

6 (p) A signed or conformed copy of a consent of any accountant, engineer,  
7 appraiser, or other person whose profession gives authority for a statement made by  
8 the person, if the person is named as having prepared or certified a report or  
9 valuation, other than an official record, that is public, which is used in connection  
10 with the registration statement.

11 (q) A balance sheet of the issuer as of a date within 4 months before the filing  
12 of the registration statement; a statement of income and a statement of cash flows  
13 for each of the 3 fiscal years preceding the date of the balance sheet and for any period  
14 between the close of the immediately previous fiscal year and the date of the balance  
15 sheet, or for the period of the issuer's and any predecessor's existence if less than 3  
16 years; and, if any part of the proceeds of the offering is to be applied to the purchase  
17 of a business, the financial statements that would be required if that business were  
18 the registrant.

19 (r) Any additional information or records required by rule adopted or order  
20 issued under this chapter, including, without limitation, a report by accountants,  
21 engineers, appraisers, or another professional person as deemed necessary by the  
22 administrator.

23 **(3) CONDITIONS FOR EFFECTIVENESS OF REGISTRATION STATEMENT.** A registration  
24 statement under this section becomes effective 30 days, or any shorter period  
25 provided by rule adopted or order issued under this chapter, after the date the

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1 registration statement or the last amendment other than a price amendment is filed,  
2 if all of the following apply:

3 (a) A stop order is not in effect and a proceeding is not pending under s. 551.306.

4 (b) The administrator has not issued an order under s. 551.306

5 (c) The applicant or registrant has not requested that effectiveness be delayed.

6 **(4) DELAY OF EFFECTIVENESS OF REGISTRATION STATEMENT.** The administrator may  
7 delay effectiveness once for not more than 90 days if the administrator determines  
8 and notifies via comment letter or other letter that the registration statement is not  
9 complete in all material respects and promptly notifies the applicant or registrant  
10 of that determination, which may be by means of a comment letter or correspondence  
11 and not an order. The administrator may also further delay effectiveness for a  
12 further period of not more than 30 days if the administrator determines that the  
13 delay is necessary or appropriate.

14 **(5) PROSPECTUS DISTRIBUTION MAY BE REQUIRED.** A rule adopted or order issued  
15 under this chapter may require as a condition of registration under this section that  
16 a prospectus containing a specified part of the information or record specified in sub.  
17 (2) be sent or given to each person to which an offer is made, before or concurrently,  
18 with the earliest of the following:

19 (a) The first offer made in a record to the person otherwise than by means of  
20 a public advertisement, by or for the account of the issuer or another person on whose  
21 behalf the offering is being made or by an underwriter or broker-dealer that is  
22 offering part of an unsold allotment or subscription taken by the person as a  
23 participant in the distribution.

24 (b) The confirmation of a sale made by or for the account of the person.

25 (c) Payment pursuant to such a sale.

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1 (d) Delivery of the security pursuant to such a sale.

2 **551.305 Securities registration filings. (1) WHO MAY FILE.** A registration  
3 statement may be filed by the issuer, a person on whose behalf the offering is to be  
4 made, or a broker-dealer registered under this chapter.

5 (2) FILING FEE. A person filing a registration statement shall pay a filing fee  
6 as provided in s. 551.614 or as may be supplemented by rule of the administrator.  
7 If a registration statement is withdrawn before the effective date or a preeffective  
8 stop order is issued under s. 551.306, the administrator shall retain the fee as  
9 provided in s. 551.614 or as may be supplemented by rule of the administrator.

10 (3) STATUS OF OFFERING. A registration statement filed under s. 551.303 or  
11 551.304 must specify all of the following:

12 (a) The amount of securities to be offered in this state.

13 (b) The states in which a registration statement or similar record in connection  
14 with the offering has been or is to be filed.

15 (c) Any adverse order, judgment, or decree issued in connection with the  
16 offering by a state securities regulator, the Securities and Exchange Commission, or  
17 a court.

18 (4) INCORPORATION BY REFERENCE. A record filed under this chapter or the  
19 predecessor act within 5 years preceding the filing of a registration statement may  
20 be incorporated by reference in the registration statement to the extent that the  
21 record is currently accurate.

22 (5) NONISSUER DISTRIBUTION. In the case of a nonissuer distribution,  
23 information or a record may not be required under sub. (9) or s. 551.304, unless it is  
24 known to the person filing the registration statement or to the person on whose

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1 behalf the distribution is to be made or unless it can be furnished by those persons  
2 without unreasonable effort or expense.

3 (7) FORM OF SUBSCRIPTION. A rule adopted or order issued under this chapter  
4 may require as a condition of registration that a security registered under this  
5 chapter be sold only on a specified form of subscription or sale contract and that a  
6 signed or conformed copy of each contract be filed under this chapter or preserved  
7 for a period specified by the rule or order, which may not be longer than 5 years.

8 (8) EFFECTIVE PERIOD. Except while a stop order is in effect under s. 551.306,  
9 a registration statement is effective for one year after its effective date, or for any  
10 longer period designated in an order under this chapter during which the security  
11 is being offered or distributed in a nonexempted transaction by or for the account of  
12 the issuer or other person on whose behalf the offering is being made or by an  
13 underwriter or broker-dealer that is still offering part of an unsold allotment or  
14 subscription taken as a participant in the distribution. For the purposes of a  
15 nonissuer transaction, all outstanding securities of the same class identified in the  
16 registration statement as a security registered under this chapter are considered to  
17 be registered while the registration statement is effective. If any securities of the  
18 same class are outstanding, a registration statement may not be withdrawn until one  
19 year after its effective date. A registration statement may be withdrawn only with  
20 the approval of the administrator.

21 (9) PERIODIC REPORTS. While a registration statement is effective, a rule  
22 adopted or order issued under this chapter may require the person that filed the  
23 registration statement to file reports, not more often than quarterly, to keep the  
24 information or other record in the registration statement reasonably current and to  
25 disclose the progress of the offering.

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1           **(10) POSTEFFECTIVE AMENDMENTS.** A registration statement may be amended  
2 after its effective date. The posteffective amendment becomes effective when the  
3 administrator so orders. If a posteffective amendment is made to increase the  
4 number of securities specified to be offered or sold, the person filing the amendment  
5 shall pay a registration fee as provided in s. 551.614 or as may be supplemented by  
6 rule of the administrator. A posteffective amendment relates back to the date of the  
7 offering of the additional securities being registered if, within one year after the date  
8 of the sale, the amendment is filed and the additional registration fee is paid.

9           **(11) INDENTURES.** The administrator may by rule require that securities be  
10 issued under a trust indenture, unless this requirement is waived by the  
11 administrator.

12           **551.306 Denial, suspension, and revocation of securities registration.**

13           **(1) STOP ORDERS.** The administrator may issue a stop order denying effectiveness to,  
14 or suspending or revoking the effectiveness of, a registration statement if the  
15 administrator finds that the order is in the public interest and that any of the  
16 following apply:

17           (a) The registration statement as of its effective date or before the effective date  
18 in the case of an order denying effectiveness, an amendment under s. 551.305 (10)  
19 as of its effective date, or a report under s. 551.305 (9), is incomplete in a material  
20 respect or contains a statement that, in the light of the circumstances under which  
21 it was made, was false or misleading with respect to a material fact.

22           (b) This chapter or a rule adopted or order issued under this chapter or a  
23 condition imposed under this chapter has been willfully violated, in connection with  
24 the offering, by the person filing the registration statement; by the issuer, a partner,  
25 officer, or director of the issuer or a person having a similar status or performing a

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1 similar function; a promoter of the issuer; or a person directly or indirectly  
2 controlling or controlled by the issuer; but only if the person filing the registration  
3 statement is directly or indirectly controlled by or acting for the issuer; or by an  
4 underwriter.

5 (c) The security registered or sought to be registered is the subject of a  
6 permanent or temporary injunction of a court of competent jurisdiction or an  
7 administrative stop order or similar order issued under any federal, foreign, or state  
8 law other than this chapter applicable to the offering, but the administrator may not  
9 institute a proceeding against an effective registration statement under this  
10 paragraph more than one year after the date of the order or injunction on which it  
11 is based, and the administrator may not issue an order under this paragraph on the  
12 basis of an order or injunction issued under the securities act of another state unless  
13 the order or injunction was based on conduct that would constitute, as of the date of  
14 the order, a ground for a stop order under this section.

15 (d) The issuer's enterprise or method of business includes or would include  
16 activities that are unlawful where performed.

17 (e) With respect to a security sought to be registered under s. 551.303, there has  
18 been a failure to comply with the undertaking required by s. 551.303 (2) (d).

19 (f) The applicant or registrant has not paid the filing fee, but the administrator  
20 shall void the order if the deficiency is corrected.

21 (g) The offering will work or tend to work a fraud upon purchasers or would so  
22 operate.

23 **(3) INSTITUTION OF STOP ORDER.** The administrator may not institute a stop order  
24 proceeding against an effective registration statement on the basis of conduct or a  
25 transaction known to the administrator when the registration statement became

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1 effective unless the proceeding is instituted within 30 days after the registration  
2 statement became effective.

3 (4) SUMMARY PROCESS. The administrator may summarily revoke, deny,  
4 postpone, or suspend the effectiveness of a registration statement pending final  
5 determination of an administrative proceeding. Upon the issuance of the order, the  
6 administrator shall promptly notify each person specified in sub. (5) that the order  
7 has been issued, the reasons for the revocation, denial, postponement, or suspension,  
8 and that within 10 days after the receipt of a request in a record from the person the  
9 matter will be scheduled for a hearing. If a hearing is not requested and none is  
10 ordered by the administrator, within 30 days after the date of service of the order, the  
11 order becomes final. If a hearing is requested or ordered, the administrator, after  
12 notice of and opportunity for hearing for each person subject to the order, may modify  
13 or vacate the order or extend the order until final determination.

14 (5) PROCEDURAL REQUIREMENTS FOR STOP ORDER. A stop order may not be issued  
15 under this chapter without all of the following:

16 (a) Appropriate notice to the applicant or registrant, the issuer, and the person  
17 on whose behalf the securities are to be or have been offered.

18 (b) An opportunity for hearing.

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

20 (6) MODIFICATION OR VACATION OF STOP ORDER. The administrator may modify  
21 or vacate a stop order issued under this section if the administrator finds that the  
22 conditions that caused its issuance have changed or that it is necessary or  
23 appropriate in the public interest or for the protection of investors.

24 **551.307 Waiver and modification.** The administrator may waive or modify,  
25 in whole or in part, any or all of the requirements of ss. 551.302, 551.303, and 551.304



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1 (2) or the requirement of any information or record in a registration statement or in  
2 a periodic report filed pursuant to s. 551.305 (9).

## SUBCHAPTER IV

BROKER-DEALERS, AGENTS,  
INVESTMENT ADVISERS, INVESTMENT  
ADVISER REPRESENTATIVES, AND  
FEDERAL COVERED INVESTMENT ADVISERS**551.401 Broker-dealer registration requirement and exemptions. (1)**

9 REGISTRATION REQUIREMENT. It is unlawful for a person to transact business in this  
10 state as a broker-dealer unless the person is registered under this chapter as a  
11 broker-dealer or is exempt from registration as a broker-dealer under sub. (2) or (4).

12 (2) EXEMPTIONS FROM REGISTRATION. A broker-dealer is exempt from the  
13 registration requirement of sub. (1) if its only transactions effected in this state are  
14 with the following:

15 (a) The issuer of the securities involved in the transactions.

16 (b) A broker-dealer registered as a broker-dealer under this chapter or not  
17 required to be registered as a broker-dealer under this chapter.

18 (c) Institutional investors.

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

21 (d) A nonaffiliated federal covered investment adviser with investments under  
22 management in excess of \$100,000,000 acting for the account of others pursuant to  
23 discretionary authority in a signed record.

24 (e) A bona fide preexisting customer whose principal place of residence is not  
25 in this state and the person is registered as a broker-dealer under the Securities

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1 Exchange Act of 1934 or not required to be registered under the Securities Exchange  
2 Act of 1934 and is registered under the securities act of the state in which the  
3 customer maintains a principal place of residence.

4 (f) A bona fide preexisting customer whose principal place of residence is in this  
5 state but was not present in this state when the customer relationship was  
6 established, if all of the following apply:

7 1. The broker-dealer is registered under the Securities Exchange Act of 1934  
8 or not required to be registered under the Securities Exchange Act of 1934 and is  
9 registered under the securities laws of the state in which the customer relationship  
10 was established and where the customer had maintained a principal place of  
11 residence.

12 2. Within 45 days after the customer's first transaction in this state, the person  
13 files an application for registration as a broker-dealer in this state and a further  
14 transaction is not effected more than 75 days after the date on which the application  
15 is filed, or, if earlier, the date on which the administrator notifies the person that the  
16 administrator has granted registration or denied the application for registration or  
17 has stayed the pendency of the application for good cause; provided the person may  
18 effect unsolicited orders to liquidate open positions in existing customer accounts if  
19 no commission or other remuneration is paid or given directly or indirectly for  
20 effecting such transactions.

21 (h) Any other person exempted by rule adopted or order issued under this  
22 chapter.

23 **(3) LIMITS ON EMPLOYMENT OR ASSOCIATION.** It is unlawful for a broker-dealer,  
24 or for an issuer engaged in offering, offering to purchase, purchasing, or selling  
25 securities in this state, directly or indirectly, to employ or associate with an

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1 individual to engage in an activity related to securities transactions in this state if  
2 the registration of the individual is denied or suspended or revoked or the individual  
3 is barred from employment or association with a broker-dealer, an issuer, an  
4 investment adviser, or a federal covered investment adviser by an order of the  
5 administrator under this chapter, the Securities and Exchange Commission, or a  
6 self-regulatory organization. A broker-dealer or issuer does not violate this  
7 subsection if the broker-dealer or issuer did not know, and in the exercise of  
8 reasonable care could not have known, of the denial, suspension, revocation, or bar.  
9 Upon request from a broker-dealer or issuer and for good cause, an order under this  
10 chapter may modify or waive, in whole or in part, the application of the prohibitions  
11 of this subsection to the broker-dealer.

12 (4) FOREIGN TRANSACTIONS. A rule adopted or order issued under this chapter  
13 may permit any of the following:

14 (a) A broker-dealer that is registered in Canada or other foreign jurisdiction  
15 and that does not have a place of business in this state to effect transactions in  
16 securities with or for, or attempt to effect the purchase or sale of any securities by,  
17 any of the following:

18 1. An individual from Canada or other foreign jurisdiction who is temporarily  
19 present in this state and with whom the broker-dealer had a bona fide customer  
20 relationship before the individual entered the United States.

21 2. An individual from Canada or other foreign jurisdiction who is present in this  
22 state and whose transactions are in a self-directed tax advantaged retirement plan  
23 of which the individual is the holder or contributor in that foreign jurisdiction.

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1           3. An individual who is present in this state, with whom the broker-dealer  
2 customer relationship arose while the individual was temporarily or permanently  
3 resident in Canada or the other foreign jurisdiction.

4           (b) An agent who represents a broker-dealer that is exempt under this  
5 subsection to effect transactions in securities or attempt to effect the purchase or sale  
6 of securities in this state as permitted for a broker-dealer described in par. (a).

7           **551.402 Agent registration requirement and exemptions. (1)**

8           REGISTRATION REQUIREMENT. It is unlawful for an individual to transact business in  
9 this state as an agent unless the individual is registered under this chapter as an  
10 agent or is exempt from registration as an agent under sub. (2).

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

13           (a) An individual who represents a broker-dealer in effecting transactions in  
14 this state limited to those described in section 15 (h) (2) of the Securities Exchange  
15 Act of 1934 (15 USC 78o (h) (2)).

16           (b) An individual who represents a broker-dealer that is exempt under s.  
17 551.401 (2) or (4).

18           (c) An individual who represents an issuer with respect to an offer or sale of the  
19 issuer's own securities or those of the issuer's parent or any of the issuer's  
20 subsidiaries, and who is not compensated in connection with the individual's  
21 participation by the payment of commissions or other remuneration based, directly  
22 or indirectly, on transactions in those securities.

23           (d) An individual who represents an issuer and who effects transactions in the  
24 issuer's securities exempted by s. 551.202, other than s. 551.202 (11), (14) or (24).

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1 (e) An individual who represents an issuer that effects transactions solely in  
2 federal covered securities of the issuer, but an individual who effects transactions in  
3 a federal covered security under section 18 (b) (3) or 18 (b) (4) (D) of the Securities  
4 Act of 1933 (15 USC 77r (b) (3) or 77r (b) (4) (D)) is not exempt if the individual is  
5 compensated in connection with the agent's participation by the payment of  
6 commissions or other remuneration based, directly or indirectly, on transactions in  
7 those securities.

8 (f) An individual who represents a broker-dealer registered in this state under  
9 s. 551.401 (1) or exempt from registration under s. 551.401 (2) in the offer and sale  
10 of securities for an account of a nonaffiliated federal covered investment adviser with  
11 investments under management in excess of \$100,000,000 acting for the account of  
12 others pursuant to discretionary authority in a signed record.

13 (g) An individual who represents an issuer in connection with the purchase of  
14 the issuer's own securities.

15 (h) An individual who represents an issuer or broker-dealer and who restricts  
16 participation to performing clerical or ministerial acts.

17 (hm) An individual who represents a broker-dealer and effects transactions in  
18 this state exclusively with customers listed under s. 551.401 (2) (a) to (d) and (h).

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

21 **(3) REGISTRATION EFFECTIVE ONLY WHILE EMPLOYED OR ASSOCIATED.** The  
22 registration of an agent is effective only while the agent is employed by or associated  
23 with a broker-dealer registered under this chapter or an issuer that is offering,  
24 selling, or purchasing its securities in this state.

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

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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

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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.



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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

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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.

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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:

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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

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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 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.

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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.

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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

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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



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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.

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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

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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).

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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

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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.

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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.

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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

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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:



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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.

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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 or  
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

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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 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.

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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.

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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.