

ADMINISTRATIVE RULES

Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected	2. Date January 2, 2025
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) DFI-Sec 1-11, 31, 32, 34, and 35	
4. Subject Extending the validity of qualification exams if certain conditions are met, creating a registration exemption for certain merger and acquisition brokers, correcting cross-references, eliminating obsolete provisions, correcting errors, and modifying the structure of existing rules in nonsubstantive ways to improve clarity and meet current drafting standards.	
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	6. Chapter 20, Stats. Appropriations Affected N/A
7. Fiscal Effect of Implementing the Rule <input checked="" type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget	
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input type="checkbox"/> Small Businesses (if checked, complete Attachment A)	
9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137(3)(b)(1). \$Estimated implementation and compliance costs will be negligible. The most substantive change in the rule implements the North American Securities Administrators Association (NASAA) Exam Validity Extension Program (EVEP), which offers an opportunity for registered representatives and investment adviser representatives to extend the validity of their NASAA professional qualification exams for a period of up to five years by opting in to the program, paying an annual fee, and maintaining certain continuing education requirements. Although opting into EVEP would require eligible licensees to pay a fee, it would also extend the validity period of professional licenses, and the program participation is optional. The proposed rule would also create a new exemption from registration requirements for broker-dealers and agents under Wis. Stat., ss. 551.401 (1) and 551.402 (1). This provision applies to certain merger and acquisition brokers and is based on a NASAA model rule related to such brokers. Approximately 25 states have adopted provisions that are based on or similar to the NASAA model rule. The additional rules revisions are nonsubstantive and do not require investment firms or investment advisers to assume any new duties, change existing practices, or incur new costs.	
10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137(3)(b)(2)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11. Policy Problem Addressed by the Rule Regarding EVEP, by affording registered representatives and investment adviser representatives the opportunity to extend the validity of their NASAA professional qualification exams for up to 5 years, Wisconsin will achieve the policy goal of streamlining the regulatory burden on such professionals by participating in the most up to date model rule of NASAA, which is consistent with the Financial Industry Regulatory Authority (FINRA) standards. Exempting certain broker-dealers and agents, or merger and acquisition brokers, from registration requirements addresses the policy problem of Wisconsin not complying with the most up-to-date policies and practices that are consistent with federal law and employed by other states that have already adopted and implemented the NASAA model rule. The other policy goals of the rule are to fix erroneous cross-references to state or federal rules or statutes and to modify the structure of existing rules in nonsubstantive ways to be consistent with modern drafting practices of the legislative reference bureau and the form and style requirements of the bureau and the legislative council staff.	

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12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments.

The Division's staff has had multiple discussions with NASAA and colleagues in other states, as well as representatives of industry, regarding EVEP and the exemption of merger and acquisition brokers from the registration requirements.

13. Identify the Local Governmental Units that Participated in the Development of this EIA.

No local governmental units participated in the development of this EIA.

14. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

As mentioned above, the rule's estimated economic and fiscal impact on securities firms and investment advisers is expected to be negligible because the changes contained in the rule do not require these firms or individuals to assume any new duties or obligations, significantly change existing practices, or incur new costs.

15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The benefits of implementing the rule include reducing regulatory burdens on registered representatives and investment adviser representatives by affording them the opportunity to extend the validity of their NASAA professional qualification exams, creating a registration exemption for certain broker-dealers and agents in the securities industry consistent with federal law and NASAA Model Act, updating cross-references and other provisions that have become obsolete, repealing provisions that have become unnecessary, and modifying the structure of existing rules to conform to current Wisconsin drafting practices.

16. Long Range Implications of Implementing the Rule

The revisions ensure that Wisconsin's rules are consistent with the most current NASAA standards, which conform to federal law and are designed to ease regulatory burdens on industry, ensure investor protection, and promote uniformity among state regulators. The revisions will also foster compliance with existing statutory policies requiring the elimination of obsolete or unauthorized rules, correction of cross-reference errors, elimination of conflicts with current statutes, and modification of existing rules to ensure consistency with current drafting conventions.

17. Compare With Approaches Being Used by Federal Government

Regarding EVEP, federal law does not regulate the registration of individuals and the examinations that qualify them for registration with state securities regulators. It is therefore important for state regulations to address the validity of the qualification examinations that individuals must maintain for their registration applications. The approaches used in this proposed rule in other affected areas are consistent with the approaches used by the Federal Government. In particular, the recently-adopted NASAA amendments to the model rule exempting certain merger and acquisition brokers from registration was done to achieve uniformity with amendments to the federal Securities Exchange Act of 1934, which were done to ease regulatory burdens, protect investors, and promote uniformity.

18. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

The neighboring states of Illinois, Iowa, and Michigan have all adopted a similar rule, based on the NASAA model rule. See Ill. Admin. Code title 14, subtitle A, ch. 1, part 130, Subpart H, § 130.830; Iowa Admin. Code, ch. 50, Div. II, § 191-50.10 (502); Mich. Admin. Code R. 451.4.2

Minnesota has not adopted a similar rule, but it is the Division's understanding that Minnesota plans on incorporating by reference the recent amendments to the federal Securities Exchange Act, which was the impetus for NASAA to adopt the amendments to the model rule.

19. Contact Name	20. Contact Phone Number
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ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

The effect on small businesses is expected to be negligible.

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

There was no need to analyze data sources because the rule's estimated economic and fiscal impact on securities firms and investment advisers is expected to be negligible. This is because the changes contained in the rule do not require these firms or individuals to assume any new duties or obligations, significantly change existing practices, or incur new costs.

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- ☐ Less Stringent Compliance or Reporting Requirements
- ☐ Less Stringent Schedules or Deadlines for Compliance or Reporting
- ☐ Consolidation or Simplification of Reporting Requirements
- ☐ Establishment of performance standards in lieu of Design or Operational Standards
- ☐ Exemption of Small Businesses from some or all requirements
- ☐ Other, describe:

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

See item 2 above.

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

☐ Yes ☒ No
