

Clearinghouse Rule 00-017

CERTIFICATE

State of Wisconsin)
Department of Financial Institutions)ss.
Division of Securities)

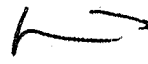
TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Patricia D. Struck, Administrator of the Department of Financial Institutions, Division of Securities, and custodian of the official records of the Division, do hereby certify that the annexed rules under Chapter 551, Wis. Stats., the Wisconsin Uniform Securities Law, relating to investment adviser representative competency examination grandfathering provisions, were duly approved and adopted by the Division on April 24, 2000.

I further certify that this copy has been compared by me with the original on file in this Division and that it is a true copy of the original and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department of Financial Institutions, Division of Securities, at 345 West Washington Avenue in the City of Madison, this ~~24th~~ day of April, 2000.

[SEAL]

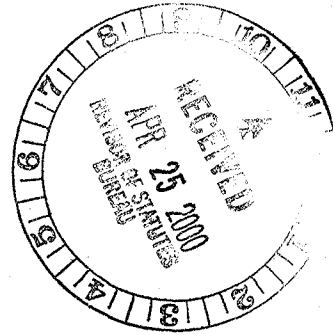


Patricia D. Struck
Administrator
Division of Securities



6-1-00
00-017

**FINAL ORDER OF THE
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES
STATE OF WISCONSIN
ADOPTING RULES**



To amend DFI-Sec 5.01(4)(b) and to create DFI-Sec 5.01(4)(e) relating to investment adviser representative competency examination grandfathering provisions.

Analysis Prepared by the Department of Financial Institutions, Division of Securities

Statutory Authority: Sections 551.32(4) and 551.63(2), Wis. Stats.

Statute Interpreted: Section 551.32(4), Wis. Stats.

These permanent rules are promulgated to be in place upon the expiration of identical emergency rules currently in effect that were issued by Order of the Administrator of the Division of Securities on December 23, 1999, and became effective on January 1, 2000 following publication in the official state newspaper and the required filings with the Secretary of State and the Revisor of Statutes Bureau. The permanent rules, as do the current emergency rules, are necessary to establish certain "grandfathering"/examination-waiver provisions applicable to a newly-enacted investment adviser representative competency examination requirement, so as to be uniform with equivalent grandfathering provisions adopted in most states.

See the Statement Explaining Need for Rules in Section (a) of the attached Report for a more comprehensive discussion.

The rulemaking action is comprised of two provisions which do the following: (1) provide an examination waiver in new section DFI-Sec 5.01(4)(e) for any applicant licensed as an investment adviser or investment adviser representative in any jurisdiction in the U.S. on January 1, 2000; and (2) provide an examination waiver in amended section DFI-Sec 5.01(4)(b) for any applicant that has been licensed as an investment adviser or investment adviser representative in any jurisdiction in the U.S. within two years prior to the date the application is filed.

Text of Rules

SECTION 1. DFI-Sec 5.01(4)(b) is amended to read:

DFI-Sec 5.01(4)(b) The applicant ~~was~~ has been licensed as an investment adviser or licensed as an investment adviser representative ~~under ch. 551, Stats.,~~ in any jurisdiction in the United States within 2 years prior to the date the application is filed.


SECTION 2. DFI-SEC 5.01(4)(e) is created to read:

DFI-Sec 5.01(4)(e) The applicant was licensed as an investment adviser or licensed as an investment adviser representative in any jurisdiction in the United States on January 1, 2000, except that the administrator may require additional examinations for any individual found to have violated any state or federal securities law.

The rules contained in this Order shall take effect as provided in sec. 227.22(2), Wis. Stats., on the first day of the month commencing after publication of the rules in the Wisconsin Administrative Register.

Dated at Madison, Wisconsin, this 24th day of April, 2000.

[SEAL]



Patricia D. Struck
Administrator

**REPORT PREPARED BY THE
DEPARTMENT OF FINANCIAL INSTITUTIONS DIVISION OF SECURITIES
RELATING TO FINAL FORM OF REVISIONS TO
THE RULES OF THE DIVISION OF SECURITIES**

(a) Statement Explaining Need for Rules

These permanent rules are promulgated to be in place upon the expiration of identical emergency rules currently in effect that were issued by Order of the Administrator of the Division of Securities on December 23, 1999, and became effective on January 1, 2000 following publication in the official state newspaper and the required filings with the Secretary of State and the Revisor of Statutes Bureau. The permanent rules, as do the current emergency rules, are necessary to establish certain "grandfathering"/examination-waiver provisions applicable to a newly-enacted investment adviser representative competency examination requirement, so as to be uniform with equivalent grandfathering provisions adopted in most states.

The Division recently adopted for January 1, 2000 effectiveness as part of its annual rule revision process for 1999, a new administrative rule in DFI-Sec 5.01(3) that prescribes a new examination requirement for investment advisers and investment adviser representatives seeking licensure in Wisconsin on or after January 1, 2000. That new examination requirement, which includes completely revised Series 65 and Series 66 examinations, was developed over a 3-year period by a Project Group of the North American Securities Administrators Association ("NASAA").

The new NASAA examination requirement (which also included certain "grandfathering"/examination-waiver provisions) was approved by vote of NASAA member states (including Wisconsin) at the NASAA 1999 Spring Conference to become effective on December 31, 1999. The NASAA membership vote was accompanied by a recommendation that for uniformity purposes, each NASAA member state complete the necessary steps to adopt and have effective by January 1, 2000, the new examination requirement conforming to the NASAA format in all respects.

Following the adoption on November 18, 1999 by the Division of the new investment adviser examination requirement in DFI-Sec 5.01(3) as part of the Division's annual rule revision process, it was noted that the "grandfathering"/examination waiver provisions that had been included in DFI-Sec 5.01(4) did not track the NASAA model language in two respects.

Because it is critical that the grandfathering provisions for the new Wisconsin investment adviser examination requirement be uniform with those of other NASAA member states so that applicants for licensing in Wisconsin receive equivalent treatment to that accorded them by other states in which they may be seeking licensure, both the emergency rulemaking and the permanent rulemaking became necessary.

The rulemaking action is comprised of two provisions which do the following: (1) provide an examination waiver in new section DFI-Sec 5.01(4)(e) for any applicant licensed as an investment adviser or investment adviser representative in any jurisdiction in the U.S. on January 1, 2000; and (2) provide an examination waiver in amended section DFI-Sec 5.01(4)(b) for any applicant that has been licensed as an investment adviser or investment adviser representative in any jurisdiction in the U.S.

within two years prior to the date the application is filed.

(b) Explanation of Modifications Made as a Result of the Public Hearing and Comment Process

No modifications were made as a result of the public hearing and comment process. No persons, other than staff, appeared at the public rule-making hearing, and no comment letters were received.

(c) List of Persons Appearing or Registering at the Public Hearing and Comment Letters Received

-- Randall E. Schumann, Legal Counsel for the Division of Securities, made an appearance on behalf of the Division staff to submit documents and information for the record and to be available to respond to any questions should the need arise.

--No comment letters were received.

(d) Response to Legislative Rules Clearinghouse Report Recommendations

The Rules Clearinghouse Report did not contain any recommendations, thus no responses are warranted.

(e) No final regulatory flexibility analysis is included on the basis that the Division of Securities has determined, after complying with s. 227.016(1) to (5), Wis. Stats., that the proposed rules will not have a significant impact on a substantial number of small businesses.

LRB or Bill No./Adm. Rule No.
DFI-Sec 5.01(4)(b) and (e)
Amendment No. if Applicable

FISCAL ESTIMATE
DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

Subject Investment adviser representative competency examination grandfathering provisions

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

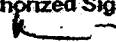
The emergency rules revise a newly-adopted investment adviser representative examination rule requirement so as to have its "grandfathering"/examination-waiver provisions be uniform with those being adopted in other states for January 1, 2000 effectiveness. [The Division has recently adopted for January 1, 2000 effectiveness as part of its annual rule revision process for 1999, a new administrative rule in DFI-Sec 5.01(3) that prescribes a new examination requirement for investment advisers and investment adviser representatives seeking licensure in Wisconsin on or after January 1, 2000. That new examination requirement, which includes completely revised Series 65 and Series 66 examinations, was developed over a 3-year period by a Project Group of the North American Securities Administrators Association ("NASAA").]

The rule adoptions will not have any state fiscal effect because they do not impact any revenue-generating activities of the Division.

The rules do not involve any local government costs.

Long-Range Fiscal Implications None

Agency/Prepared by: (Name & Phone No.)
Dept. of Financial Institutions/Div of Securities
Randall Schumann, Legal Counsel 266-3414

Authorized Signature/Telephone No.

Patricia D. Struck, Administrator 266-3432

Date
12-28-99

Subject

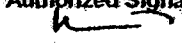
Investment adviser representative competency examination grandfathering provisions

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 None

II. Annualized Costs:		Annualized Fiscal impact on State funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$ 0	\$ - 0
(FTE Position Changes)		(0 FTE)	(- 0 FTE)
State Operations - Other Costs			-
Local Assistance			-
Aids to Individuals or Organizations			-
TOTAL State Costs by Category		\$ 0	\$ - 0
B. State Costs by Source of Funds			
		Increased Costs	Decreased Costs
GPR		\$	\$ -
FED			-
PRO/PRS		0	- 0
SEG/SEG-S			-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		Increased Rev.	Decreased Rev.
GPR Taxes		\$	\$ -
GPR Earned			-
FED			-
PRO/PRS		0	- 0
SEG/SEG-S			-
TOTAL State Revenues		\$ 0	\$ - 0

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 0	\$ 0
NET CHANGE IN REVENUES	\$ 0	\$ 0

Agency/Prepared by: (Name & Phone No.) Dept. of Financial Institutions/Div of Securities Randall Schumann, Legal Counsel 266-3414	Authorized Signature/Telephone No.  Patricia D. Struck, Administrator 266-3432	Date 12-28-99
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WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

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Assistant Director
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Madison, WI 53701-2536
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CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 00-017

AN ORDER to amend DFI-Sec 5.01 (4) (b); and to create DFI-Sec 5.01 (4) (e), relating to investment adviser representative competency examination grandfather provisions.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

01-20-00 RECEIVED BY LEGISLATIVE COUNCIL.

02-17-00 REPORT SENT TO AGENCY.

RS:DLS:rv

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached

YES

NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached

YES

NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached

YES

NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached

YES

NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached

YES

NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached

YES

NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached

YES

NO



State of Wisconsin
Department of Financial Institutions

Tommy G. Thompson, **Governor**

Richard L. Dean, **Secretary**

April 24, 2000

Office of the Secretary of State
30 W. Mifflin St.
Madison, WI 53703

✓ Revisor of Statutes Bureau
131 W. Wilson St., Ste. 800
Madison, WI 53703-3233

Re: Wisconsin Division of Securities, Department of Financial Institutions,
Filing of Certified Copies of Final Order Adopting Rules/Clearinghouse Rule 00-017

Gentlemen and Mesdames:

Pursuant to the requirements of sec. 227.20, Wis. Stats., a certified copy is herewith filed with each of your offices of the above-referenced Final Order Adopting Rules in the form prescribed by sec. 227.14, Wis. Stats., as signed and issued today by Division Administrator Patricia Struck.

Also attached is a copy of the Report prepared by this Division relating to the final rules, together with a copy of a fiscal estimate and a copy of the Wisconsin Legislative Council Rules Clearinghouse Report.

If you have any questions, please call me at 266-3414.

Very truly yours,

Randall E. Schumann
Legal Counsel for the Division

RES
Enclosures

cc: Patricia D. Struck, DFI/DOS Administrator
David Anderson, DFI Executive Assistant

