



2001 ASSEMBLY BILL 881

March 4, 2002 - Introduced by Representative GROTHMAN, cosponsored by Senator M. MEYER. Referred to Committee on Financial Institutions.

1 **AN ACT** *to amend* 551.31 (6), 551.33 (1), 551.33 (6), 551.34 (1) (e) and 551.34 (1)
2 (f) of the statutes; **relating to:** the regulation of investment adviser
3 representatives.

Analysis by the Legislative Reference Bureau

Under current law, the division of securities in the department of financial institutions (DFI) oversees the licensing of securities broker-dealers, agents, investment advisers, and investment adviser representatives. Currently, an investment adviser representative is generally subject to licensing requirements similar to those applicable to a securities broker-dealer, agent, or investment adviser. Furthermore, current law contains numerous requirements regulating licensed securities broker-dealers, agents, and investment advisers. This bill expands the coverage of current law to include investment adviser representatives as regulated individuals under certain requirements currently applicable to securities broker-dealers, agents, and investment advisers.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 551.31 (6) of the statutes is amended to read:

ASSEMBLY BILL 881**SECTION 1**

1 551.31 (6) It is unlawful for any licensed broker-dealer, agent ~~or~~, investment
2 adviser, or investment adviser representative, or any person directly or indirectly
3 controlling a licensed broker-dealer or investment adviser, to transact business in
4 this state if the licensee is in violation of this chapter, or any rule under this chapter,
5 or any order under this chapter of which the licensee or person has notice, or if the
6 information contained in the licensee's or person's application for license, as of the
7 date of such transactions, is incomplete in any material respect or is false or
8 misleading with respect to any material fact.

9 **SECTION 2.** 551.33 (1) of the statutes is amended to read:

10 551.33 (1) Every licensed broker-dealer, agent ~~and~~, investment adviser, and
11 investment adviser representative shall make and keep all accounts,
12 correspondence, memoranda, papers, books and other records which the division
13 prescribes by rule or order, subject to the limitations of section 15 of the Securities
14 Exchange Act of 1934 for broker-dealers and section 222 of the Investment Advisers
15 Act of 1940 for investment advisers. All records required shall be preserved for the
16 period prescribed by the division by rule or order. All required records shall, at the
17 request of the division, be made available at any time for examination by the division
18 either in the principal office of the licensee or by production of exact copies thereof
19 in this state.

20 **SECTION 3.** 551.33 (6) of the statutes is amended to read:

21 551.33 (6) The division may by rule establish standards for the conduct of
22 business by broker-dealers, agents, investment advisers, investment adviser
23 representatives, and clearing corporations as defined in s. 408.102 (1) (e).

24 **SECTION 4.** 551.34 (1) (e) of the statutes is amended to read:

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1 551.34 (1) (e) Is the subject of an order of the division denying an application
2 or suspending or revoking a license as a broker-dealer, agent or , investment adviser,
3 or investment adviser representative;

4 **SECTION 5.** 551.34 (1) (f) of the statutes is amended to read:

5 551.34 (1) (f) Is the subject of an order entered within the past 5 years by the
6 securities administrator of any other state or by the securities and exchange
7 commission denying, suspending or revoking the person's registration or license as
8 a broker-dealer, agent, investment adviser, investment adviser representative, or
9 federal covered adviser, or is the subject of an order of the securities and exchange
10 commission or of a securities exchange or association registered under the Securities
11 Exchange Act of 1934 suspending or expelling such person from a securities
12 exchange or association or forbidding the association or affiliation of the person with
13 a broker-dealer or investment adviser, or is the subject of a U.S. postal service fraud
14 order. The division may not institute a revocation or suspension proceeding under
15 this paragraph more than one year from the date of the order relied on, and the
16 division may not enter an order under this paragraph on the basis of an order under
17 another state law or federal law unless the order was based on facts which would
18 currently constitute a ground for an order under this section;

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(END)