

MEMO# 1060

March 22, 1989

TENNESSEE PROPOSES INVESTMENT ADVISER REGULATIONS

March 22, 1989 TO: INVESTMENT ADVISERS COMMITTEE NO. 16-89 RE: TENNESSEE PROPOSES INVESTMENT ADVISER REGULATIONS

The Division of Securities of the Tennessee Department of Commerce and Insurance has proposed the attached regulations concerning investment adviser registration and post-registration requirements. The proposed regulations include, among other things, provisions that would require an adviser to submit a balance sheet and an income statement, maintain net capital of \$25,000 or more, compute its net capital on a quarterly basis, submit any complaint or allegation against it to the Division of Securities for any investment-related violation, and be subject to certain dishonest and unethical practices, which are based, in large part, on the proposed broker-dealer dishonest and unethical practices. The proposed regulations also would exempt from the investment adviser registration requirements (i) any person domiciled in Tennessee whose only investment advisory clients are insurance companies or (ii) any person domiciled in Tennessee who has had fewer than 15 clients during the preceeding 12 months and who does not hold himself out to the public as an investment adviser nor act as an investment adviser to any investment company registered under the Investment Company Act. A hearing has been scheduled for Friday, March 31, 1989 at 10:00 a.m. Therefore, your comments, if any, should be submitted to the undersigned by Wednesday, March 29, 1989. We will keep you informed of developments in Tennessee.

Robert L. Bunnan, Jr. Assistant General Counsel Attachment

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