

MEMO# 1262

July 19, 1989

MARYLAND PROPOSES INVESTMENT ADVISER RULES

July 19, 1989 TO: INVESTMENT ADVISERS COMMITTEE NO. 28-89 RE: MARYLAND PROPOSES INVESTMENT ADVISER RULES _____ The

Maryland Securities Division has proposed investment adviser rules under the new Maryland investment adviser law (see Memorandum to Investment Adviser Members and Investment Adviser Associate Members No. 30-89, dated June 7, 1989). A copy of the proposed regulations is attached. As you will recall, the Maryland investment adviser law is bifurcated with two effective dates. Section I, which took effect on July 1, 1989, basically defines the terms investment adviser and investment adviser representative and sets forth certain new antifraud provisions applicable to such persons. The proposed rules deal only with this section of the bill. Section II, which does not take effect until July 1, 1990, contains the licensing provisions by which investment advisers and representatives will be required to register with the Maryland Securities Division. The proposed rules are based in large part on the NASAA model investment adviser rules under the Uniform Securities Act of 1956. There are several modifications, however; some of these modifications are a result of specific Maryland statutory differences from the NASAA model rules. The proposed rules include provisions relating to definitions, dishonest or unethical practices, custody, the brochure rule, agency cross transactions, performance-based compensation, etc. If you have any comments on the proposed Maryland investment adviser rules, please forward them to the undersigned by August 9, 1989. We will keep you informed of developments. Robert L. Bunnan, Jr. Assistant General Counsel Attachment

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