

MEMO# 5524

January 27, 1994

INVESTMENT ADVISER LEGISLATION INTRODUCED IN VERMONT

January 27, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 5-94 VERMONT INVESTMENT ADVISER ASSOCIATE MEMBERS RE: INVESTMENT ADVISER LEGISLATION INTRODUCED IN VERMONT _____

Legislation was recently introduced in Vermont to provide for the registration and regulation of investment advisers and investment adviser representatives. In addition, House Bill 617, would amend the Vermont Securities Act in a manner generally consistent with the NASAA Model Amendments to the Uniform Securities Act relating to investment advisers to: -- Require an investment adviser to register each branch office located in Vermont at an annual fee of \$100; -- Permit the Vermont Commissioner of Securities (the "Commissioner") to require the dissemination of information as necessary for the protection of investors. The Commissioner may permit information furnished to clients pursuant to the Investment Advisers Act of 1940 and the rules thereunder to satisfy this requirement in whole or in part; -- Prohibit an investment adviser from entering into a contract unless it provides in writing the compensation arrangement between the adviser and the client and the nature of the services to be provided by the client to the adviser; -- Prohibit the use of any advertising material until such materials have been filed with and approved by the Commissioner; -- Require investment advisers to maintain a bond in an amount to be set by the Commissioner not to exceed \$25,000; -- Prohibit an investment adviser representative from being registered with more than one investment adviser at a time; -- Require investment advisers to file certified financial statements when requested by the Commissioner; and -- Require the maintenance of records prescribed by the Commissioner for a period of six years unless another period is prescribed by the Commissioner. The bill also permits the Commissioner to promulgate rules establishing examination and minimum financial requirements for investment advisers. Civil and administrative remedies are provided for violation of the provisions of the bill or any rules promulgated thereunder. A copy of House Bill 617 is attached. If you have any comments on the bill, please call the undersigned at 202/326-5825. Tamara K. Cain Assistant Counsel Attachment