

MEMO# 8640

February 13, 1997

MASSACHUSETTS PROPOSES AMENDMENTS TO RULES RELATING TO BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS AND ISSUES

February 13, 1997 TO: INVESTMENT ADVISERS COMMITTEE No. 10-97 STATE LIAISON COMMITTEE No. 3-97 RE: MASSACHUSETTS PROPOSES AMENDMENTS TO RULES RELATING TO BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS AND ISSUES

Massachusetts has proposed a series of rule amendments that would, among other things: Reorganize and revise the section relating to the regulation of broker-dealers to clarify the persons who must register, the documents that must be filed and the examination requirements, and to set new effective dates for registrations (Rules 12.201 and 12.204(3)) Incorporate certain federal requirements, such as the net capital requirements of Rule 15c3-1, the reports under Rule 17a-11, and the confirmation requirements of Rule 10b-10 (Rule 12-203) Provide specific rules for supervisory personnel (Rule 12-203) Substantially expand the list of dishonest and unethical practices by broker-dealers and agents that may subject such persons to administrative fines, censure, denial, suspension or revocation (Rule 12-204) Include a new provision identifying practices by broker-dealers and agents that may be fraudulent or manipulative (Rule 12-204(2)) Propose new exclusions from the definition of investment adviser in part to adopt the new national de minimis exemption (Rule 12-205(1)(b)) Permit the professional designation Chartered Financial Consultant to satisfy the examination and/or certification requirements for investment adviser representatives (Rule 12-205(4)) Exclude officers and directors of issuers from the definition of agent, provided certain conditions are met (Rule 14-401(B)) Exclude certain "finders" and persons serving Canadian residents from the definition of broker-dealer (Rule 14-401(C)) and Exclude internet offers from the securities registration requirements (Rule 14-402(B)(13)(n)) Comments are due on the proposed rules by February 24, 1997. Please provide any comments or thoughts you may have to me no later than Thursday, February 20, 1997. Marguerite C. Bateman Assistant Counsel Attachment (in .pdf format) Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 8640.

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