

MEMO# 5649

March 4, 1994

PROPOSED AMENDMENTS TO MARYLAND INVESTMENT ADVISER REGULATIONS

March 4, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 19-94 RE: PROPOSED AMENDMENTS TO MARYLAND INVESTMENT ADVISER REGULATIONS

The Maryland Office of the Attorney General has issued for comment proposed amendments to regulations governing the activities of investment advisers. A copy of the proposed amendments is attached. The proposed amendments are generally technical in nature and are intended to make the Maryland regulations more consistent with the federal regulations. Some of the significant aspects of the amendments are as follows: (1) Regulation 02.02.05.02 (page 283) would apply the antifraud provisions of the Maryland Securities Act to a person who receives indirect consideration for investment advisory activities; (2) Regulation 02.02.05.10 (page 285) would require that a sample copy of the investment advisory contract utilized by the adviser be filed with the adviser's application for registration; and (3) Regulation 02.02.05.14 (page 286), which defines the financial requirements for investment advisers with custody of client funds, assets, or securities or that require prepayment of advisory fees, would be amended to delete a provision that permits advisers to satisfy the financial requirements by maintaining minimum net worth of \$35,000. As a result of this change, advisers would have to maintain minimum net capital of \$20,000 or minimum tangible assets of \$35,000. Comments on the proposed regulations must be submitted by Tuesday March 22, 1994. If you have any comments, please provide them to me by Tuesday March 15, 1994. My direct dial number is 202/326-5825. Tamara K. Cain Assistant Counsel Attachment