

MEMO# 6591

January 24, 1995

TEXAS STATE SECURITIES BOARD PROPOSES AMENDMENTS TO REGULATIONS GOVERNING SECURITIES REGISTRATION AND INVESTMENT ADVISERS

January 24, 1995 TO: INVESTMENT ADVISERS COMMITTEE No. 7-95 STATE LIAISON COMMITTEE No. 6-95 UNIT INVESTMENT TRUST COMMITTEE No. 8-95 TEXAS INVESTMENT ADVISER ASSOCIATE MEMBERS RE: TEXAS STATE SECURITIES BOARD PROPOSES AMENDMENTS TO REGULATIONS GOVERNING SECURITIES REGISTRATION AND INVESTMENT ADVISERS _____ The

Texas State Securities Board (the "Board") has issued for comment amendments to various rules promulgated under the Texas Securities Act relating to the registration of securities and the activities of investment advisers. The relevant portions of the proposed amendments are summarized below.

I. Provisions Relating to Securities Registration

A. Undertakings The Board has proposed creation of Rule 113.14, Undertakings, which, in part, would permit the Securities Commissioner (the "Commissioner") to require that an applicant furnish the Commissioner with a written undertaking to comply with any requirements, conditions, or restrictions as the Commissioner deems necessary for the protection of investors.

B. Forms Rules 133.5 and 133.6 would be amended to update the notice for the secondary trading exemption and renewal, respectively. Although a copy of the new form does not accompany the Board's proposed Rules, the Board has advised us that the new forms provide a space for the correspondent's name, address, telephone number, and other changes that would promote consistency and clarity. Also, Rule 133.33 would be amended to adopt the "USR-1" in place of the "USR" as the acceptable sales report form.

II. Provisions Relating to Investment Advisers Rule 133.35 would be amended to add the Form ADV-W to the list of forms that may be accepted by the Board. Also, Rule 115.8(a)(2) would be created to define "inequitable" practices by investment advisers and their agents. The defined activities are substantially similar to the dishonest or unethical practices in the NASAA Model Amendments to Rule 102(a)(4)-1A of the Uniform Securities Act. As proposed by the Board, the registration of a person engaging in any of the enumerated inequitable practices may be subject to denial, suspension, revocation, probation, or reprimand. A copy of the proposed rules is attached. The Board has requested comments by February 15, 1995. Persons having any comments on the proposed rules should contact me by phone (202/326-5825) or fax (202/326-5828) no later than Wednesday, February 8, 1995. Tamara K. Cain Assistant Counsel Attachment

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