

MEMO# 7528

January 2, 1996

TEXAS PROPOSES RULE TO PERMIT OFFERS THROUGH THE INTERNET

January 2, 1996 TO: SMALL FUNDS COMMITTEE No. 1-96 STATE LIAISON COMMITTEE No. 1-96 UNIT INVESTMENT TRUST COMMITTEE No. 1-96 RE: TEXAS PROPOSES RULE TO PERMIT OFFERS THROUGH THE INTERNET

The Texas State Securities Board (the "Board") has issued for comment a proposal that would permit issuers to offer over the Internet securities not registered for sale in Texas provided certain conditions are met. These conditions include: (1) the offer indicates that the securities are not being offered for sale in Texas; (2) the offer is not specifically directed to any person in Texas; and (3) no sales of the securities are made to persons residing in Texas. In addition, if the offer originates from Texas, the offeror must comply with the dealer registration requirements of the Texas Securities Act. A copy of the Texas proposal is attached. While the Texas proposal was patterned after an administrative order issued by the Pennsylvania Securities Commission in September relating to offers over the Internet, there is a substantial difference between the Texas proposal and the Pennsylvania order. Under the Pennsylvania order, the offer must indicate "directly or indirectly" that the securities are not being offered for sale. The Texas proposal, however, requires that the offer indicate the securities are not being offered for sale in Texas. The Institute has filed the attached comment letter with the Board. In addition to supporting final adoption of the rule, we seek clarification of whether the omission of the phrase "directly or indirectly" will be construed by the Board to require specific disclaimer language. Tamara K. Cain Assistant Counsel

Attachments