

MEMO# 5375

December 7, 1993

PROPOSED AMENDMENTS TO ARKANSAS INVESTMENT ADVISER RULES

December 7, 1993 TO: INVESTMENT ADVISERS COMMITTEE NO. 36-93 ARKANSAS INVESTMENT ADVISER ASSOCIATE MEMBERS RE: PROPOSED AMENDMENTS TO ARKANSAS INVESTMENT ADVISER RULES _____ The Arkansas Securities Commissioner (the "Commissioner") has issued for comment proposed amendments to the rules under the Arkansas Securities Act governing the activities of investment advisers. A copy of the proposed amendments is attached. The proposed amendments would require an applicant for registration as an investment adviser to file with the Commissioner: a corporate resolution, other than the Form U2-A; copies of its articles of incorporation and bylaws or its partnership agreement, as appropriate; a statement signed by an officer or partner of the investment adviser affirming that all litigation and administrative proceedings by regulatory agencies during the past twelve months against the adviser or any of its control affiliates have been disclosed on Form ADV; and, audited financial statements. (See Rule 302.02B). These amendments also codify a previously issued policy statement of the Commissioner which requires investment adviser representatives to pass the Series 65 examination with a score of at least 80% unless exempt. The exemptions under current law from this examination requirement have been retained. The financial statement requirements would be amended to revise the types of financial statements that must be filed annually and to require investment advisers who hold customer funds or securities to file statements in addition to those filed by other advisers. Finally, the amendments would add several new provisions. These include a brochure rule, a rule permitting performance based compensation, a rule governing the activities of an adviser which has custody of customer funds or securities, and a list of dishonest or unethical practices. Each of these new rules is uniform with the provisions of the Uniform Securities Act and the Model Amendments thereto as well as with rules of the Securities and Exchange Commission under the Investment Advisers Act of 1940. Comments on these proposed regulations must be submitted by Tuesday December 21, 1993. If you have any comments on the proposed rules, please provide them to me by Tuesday December 14, 1993. My direct dial number is 202/955-8432. Tamara K. Cain
Assistant Counsel Attachment