

**MEMO# 2056**

July 24, 1990

## **PROPOSED MARYLAND INVESTMENT ADVISER REGULATIONS**

- 1 - July 24, 1990 TO: INVESTMENT ADVISERS COMMITTEE NO. 23-90 MARYLAND INVESTMENT ADVISER MEMBERS MARYLAND ADVISER ASSOCIATE MEMBERS RE: PROPOSED MARYLAND INVESTMENT ADVISER REGULATIONS

The Maryland Securities Division recently released the attached proposed regulations regarding investment adviser registration. The Institute commented on the draft proposed regulations on June 6, 1990 and is pleased that most of our recommendations have been incorporated into the proposal. A copy of the Institute's comment letter on the draft proposal is also attached. The proposed regulations generally follow Federal regulations under the Investment Advisers Act of 1940 and the requirements of SEC Form ADV regarding records and disclosure. The regulations also require principals and investment adviser representatives to pass the NASD series 65 examination by a score of 70 percent. Exemptions to the series 65 examination are available for individuals who have been accredited as Certified Financial Planners, Chartered Financial Consultants or Accredited Personal Financial Specialists by the State of Maryland. Also exempted are advisers and representatives who, (1) for a period of 2 years before October 1, 1990 engaged in business activities which would have required registration in Maryland had registration been required, (2) passed, within two years of the date of the application for registration, NASD series 6, 7, 8 or 62 examinations or (3) had continuous experience as a registered securities agent for 2 or more years before the application. Applications for registration must be filed by April 1, 1991 in order to be exempt from the series 65 requirement. A registered adviser with custody of client funds or an adviser who requires payment of fees 6 months or more in advance and in excess of \$500 per client is required to maintain a minimum net capital of \$20,000 or minimum tangible net assets of \$35,000 and be bonded in the amount of at least \$10,000. The regulations have an "emergency" effective date of - 2 - August 1, 1990 in order to allow advisers ample time to comply by the October 1, 1990 registration deadline. However, comments on the proposed regulations may be made until August 17, 1990. Therefore, please contact me by August 9, 1990 with any comments you may have on the attached proposed regulations. My direct number is (202) 955-3516. We will keep you informed of further developments. W. Richard Mason Assistant General Counsel

Attachment