

MEMO# 2037

July 23, 1990

RHODE ISLAND ADOPTS NEW INVESTMENT ADVISER LAW

- 1 - July 23, 1990 TO: INVESTMENT ADVISER MEMBERS NO. 34-90 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 30-90 RE: RHODE ISLAND ADOPTS NEW INVESTMENT ADVISER LAW _____ Effective July 12, 1990, new laws relating to the sale of securities in Rhode Island were enacted, including provisions regarding investment advisers and investment adviser representatives. A copy of relevant provisions of the new statute is attached. The definition of investment adviser has been modified so that the statutory exemption from registration for nonresident advisers with 5 or fewer clients in Rhode Island is no longer available. However, an exemption is now available for nonresident investment advisers who direct business communications to existing clients whose principal place of residence is outside of Rhode Island. In addition, the application fee for investment advisers has been increased to \$250. Investment adviser representatives are now required to be licensed. This provision is similar to the former requirement relating to registration of investment adviser "agents" in Rhode Island. The statute defines an investment adviser representative as a person, other than an investment adviser, associated with an investment adviser who (1) makes any recommendations or otherwise renders advice regarding securities to clients, (2) manages accounts or portfolios of clients, (3) determines which recommendation or advice regarding securities should be given, (4) solicits, offers or negotiates for the sale of or sells investment advisory services or (5) supervises employees who perform any of the foregoing. The application fee for investment adviser representatives is \$50. - 2 - We understand that the Rhode Island Securities Department has begun drafting regulations to implement the new laws. The Institute is working with the Superintendent of Securities in an effort to clarify the definition of investment adviser representative under these regulations. We will keep you informed of further developments. W. Richard Mason Assistant General Counsel Attachment

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