

**MEMO# 4084**

September 10, 1992

## **WISCONSIN PROPOSES RULE AMENDMENTS**

September 10, 1992 TO: INVESTMENT ADVISERS COMMITTEE NO. 32-92 WISCONSIN  
ASSOCIATE MEMBERS RE: WISCONSIN PROPOSES RULE AMENDMENTS

The Office of the Wisconsin Securities Commissioner recently proposed several revisions to the Administrative Rules of the Wisconsin Commissioner of Securities. The following is a summary of the provisions affecting investment advisers: 1. SEC 4.01(10) (p. 12) This new provision would require agents of broker-dealers who provide investment advisory services to meet the state examination requirements for investment adviser representatives. 2. SEC 5.01(3) and (4) (pp. 17-18) - The amendments to these provisions would require an applicant for an initial license as an investment adviser or for qualification as an investment adviser representative after January 1, 1993 (and each applicant whose application has not become effective by that date) to pass a Series 65 Investment Adviser Examination. The amendments would provide waivers for an applicant who has (1) passed (or received a waiver from) the Series 2, 7, or 24 Examinations and has passed the Series 63 Examination; (2) been licensed as an investment adviser or qualified as an investment adviser representative within 2 years prior to the date the application is filed; or (3) otherwise received a waiver from the commissioner. 3. SEC 5.02(3) (p. 19) - This new provision would permit the commissioner to exempt an investment adviser from the net capital requirement. 4. SEC 5.03(1) and SEC 5.05(7) (p. 20, pp. 21-22) - The amendments to these provisions would require an investment adviser to prepare and keep current, at its principal office or a designated office, books and records relating to its business. The investment adviser also would be required to designate a supervisor at that location. 5. SEC 5.03(6) (pp. 20-21) - This new provision would require an investment adviser that keeps its required books and records outside of the United States to enter into a memorandum of understanding acceptable to the commissioner. The MOU would have to describe how the records will be accessible for examination by the commissioner and require a surety bond for payment of the commissioner's expenses in examining the adviser's activities or books and records in a foreign country. 6. SEC 5.05(9) (p. 22) - This new provision would require every investment adviser that participates in a wrap fee arrangement with a broker-dealer to disclose to each customer under the arrangement the portion of the wrap fee that is attributable to advisory services. \* \* \* A copy of the proposed rules is attached. Written comments on the proposed rules may be submitted to the commissioner through September 30, 1992. A hearing on the rule proposals will be held on Thursday, October 1, 1992 at 10:00 a.m. in Madison, Wisconsin. Please contact me at 202/955-6251 with any comments you would like incorporated in the Institute's comment letter by Monday, September 21, 1992. In my absence, please provide your comments to Amy Lancellotta at 202/955-3523. Thomas M. Selman Assistant Counsel Attachment

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