MEMO# 1296

July 28, 1989

VIRGINIA ADOPTS INVESTMENT ADVISER RULES

July 28, 1989 TO: INVESTMENT ADVISER MEMBERS NO. 41-89 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 40-89 RE: VIRGINIA ADOPTS INVESTMENT ADVISER RULES _____ Effective July 1, 1989, the Division of Securities and Retail Franchising of the Virginia State Corporation Commission adopted rules affecting investment advisers and investment adviser representatives. A copy of the relevant rules is attached. The adopted rules concern renewals, updates and amendments, termination of registration, investment adviser mergers or consolidations, changing a connection from one investment adviser to another, examinations and qualifications, recordkeeping, and dishonest and unethical practices. Under the examination/qualification rule, investment adviser representatives are required to provide evidence of passing the Uniform Investment Adviser Law Examination (Series 65) with a minimum grade of 70%. In the recordkeeping requirement area, the Virginia rules are generally consistent with the federal books and records requirement under Rule 204-2 of the Investment Advisers Act of 1940, including the 1988 amendment to the Advisers Act which requires advisers to keep their advertisements and data supporting any performance claims made in those advertisements. In the dishonest or unethical practices area, the rules for investment advisers are generally consistent with those rules adopted by the North American Securities Administrators Association, Inc.'s Financial Planner/Investment Adviser Committee in 1987. In addition to the investment adviser prohibited practices, investment adviser representatives are subject to certain unethical practices, including (i) disclosing the identity of any client to a third party unless required by law to do so or consent is given by the client; (ii) taking any action with regard to client funds or securities where the investment adviser representative has custody of such funds and when such action is not in compliance with the safekeeping requirements of Rule 1200; and (iii) entering into or extending an investment advisory contract unless the contract is in writing and discloses the specific provisions of the contractual arrangement. Robert L. Bunnen, Jr. Assistant General Counsel Attachment