

**MEMO# 6134**

August 16, 1994

# **WISCONSIN PROPOSED AMENDMENTS TO RULES RELATING TO INVESTMENT ADVISERS**

August 16, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 44-94 WISCONSIN  
INVESTMENT ADVISER ASSOCIATE MEMBERS RE: WISCONSIN PROPOSED AMENDMENTS TO  
RULES RELATING TO INVESTMENT ADVISERS

\_\_\_\_\_ The Wisconsin Commissioner of Securities (the "Commissioner") has issued for comment proposed amendments to various rules promulgated under the Wisconsin Uniform Securities Act governing the activities of investment advisers. The substantive changes proposed by these amendments are summarized below.

1. Books and Records Requirements -- The amendments to Rule 5.03 would require each branch office of a licensed investment adviser to prepare and keep current copies of all customer complaints and responses thereto as well as records relating to each customer's current securities positions. Under current law, these records must only be maintained at the principal office of the adviser.

2. Financial Statement Requirements -- Under the proposed amendments to Rule 5.04, an adviser that is a sole proprietor would be able to satisfy the annual financial statement requirement by providing proof of cash or securities on deposit as of the adviser's fiscal year-end evidencing net capital of at least \$5,000. Also, the amendments would (1) permit all advisers filing financial statements the option of filing statements that are either audited, prepared, or compiled by an independent accountant on either a cash or accrual basis and (2) clarify that statements need not be filed by advisers who have received a waiver of the net capital requirements.

3. Wrap Fee Programs -- Two of the proposed amendments relate to wrap fee programs. First, Rule 1.02(5)(c), the definition of "transact business," would be amended to exclude solicitors (1) that are licensed with an adviser or a broker-dealer that is approved to provide investment advisory services or (2) that solicit or refer fewer than ten persons to any one investment adviser within a calendar year. This amendment is intended to permit such solicitors for wrap fee programs from having to be licensed with multiple investment advisers. Secondly, Rule 5.05(9) would be amended to require advisers participating in wrap fee arrangements to disclose to each customer under the arrangement "the portion of the wrap fee that is attributable to advisory services." This requirement may be satisfied if the information is contained in the brochure required by Schedule H to Form ADV.

4. Miscellaneous -- Rule 7.01(7)(b) would be amended to impose a fee of \$100 for filing any material amendments delinquent. Rule 9.01(1)(b) would be amended to require investment adviser applicants to file a Form IAAA, Investment Adviser Applicant Activities Questionnaire, a Form IAPC, Investment Adviser Procedures Checklist, and Form IADS, Designation of Investment Adviser Supervisory when applying for licensing. In addition to these substantive amendments, several of the proposed amendments are technical in

nature and are intended to either clarify existing procedures or adopt uniform forms. For instance, Rule 5.07 would be amended to clarify that applications for renewal of investment adviser licenses must be filed no later than March 31; while Rules 5.08 and 9.01 would be amended to repeal registration application forms that are unique to Wisconsin and to adopt in their place uniform forms (i.e., Forms ADV, ADV-W, U-4 and U-5). A copy of these proposed rules is attached. Comments are due to the Commissioner no later than September 27, 1994. Please provide me with any comments you may have on the proposed rules by Friday, September 15, 1994. My direct number is 202/326-5825 and the fax number is 202/326-5828. Tamara K. Cain Assistant Counsel Attachment

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.