

MEMO# 6388

November 15, 1994

WISCONSIN COMMISSIONER OF SECURITIES ADOPTS AMENDMENTS TO REGULATIONS UNDER THE WISCONSIN UNIFORM SECURITIES ACT

November 15, 1994 TO: CONTRACTUAL PLANS COMMITTEE NO. 14-94 SEC RULES
COMMITTEE NO. 120-94 STATE SECURITIES MEMBERS NO. 49-94 UNIT INVESTMENT TRUST
MEMBERS NO. 43-94 RE: WISCONSIN COMMISSIONER OF SECURITIES ADOPTS
AMENDMENTS TO REGULATIONS UNDER THE WISCONSIN UNIFORM SECURITIES ACT

The Institute is pleased to inform you that effective January 2, 1995 the Office of the Wisconsin Securities Commissioner (the "Commissioner") has adopted various amendments to Administrative Rules under the Wisconsin Uniform Securities Act. These amendments include a newly created exclusion for qualified mutual funds from Wisconsin's existing merit and disclosure requirements, which requirements are inconsistent with federal law. To qualify for this exclusion, the fund must be advised by an investment adviser that is either currently registered as an adviser under the Investment Advisers Act of 1940 (the "Act") or is a depository institution exempt from registration under the Act and that during the preceding three years has (1) been registered or affiliated with an adviser that has been registered under the Act and (2) acted as an investment adviser to one or more investment companies. (SEC 3.09(7)) Additionally, amendments have been adopted to SEC 3.23 to provide that prospectuses of mutual funds that qualify for the exclusion under SEC 3.09 are deemed to satisfy full disclosure of material facts under Wisconsin law. Accordingly, such prospectuses will not be subject to a separate disclosure review by the Commissioner's Office. Other amendments adopted by the Commissioner include: -- A registration exemption for resales of unit investment trusts by the trust sponsor provided the sponsor acquired the interest in the secondary market from a public holder after completion of the trust's initial public offering (SEC 2.02(9)); -- An amendment to SEC 4.05, relating to the sale of mutual funds on the premises of financial institutions, to make such regulation compatible with guidelines and interpretations issued over the past year by federal financial institution regulators; -- An exception to an unauthorized trading prohibition to permit the use of negative response letters that conform to the Rules of Fair Practice of the NASD (SEC 4.06); and -- With respect to investment advisers: (1) a requirement that Wisconsin branch offices of the adviser maintain copies of customer complaints and records of customer positions (SEC 5.03(4)); (2) changes to financial statement filing requirements to permit sole proprietors to satisfy the requirement by providing evidence of net capital of at least \$5,000 (SEC 5.04(1)(c)); and (3) a requirement that advisers participating in wrap fee arrangements disclose the portion of the fee attributable to advisory services (SEC 5.05(9)). This requirement may be

satisfied through Schedule H to Form ADV. Also, while the Commissioner had proposed repeal of a provision in SEC 3.01(3) that currently permits the sale of contractual plans, such proposed repeal has been deleted from the adopted regulations. Accordingly, it remains lawful to sell contractual plans in Wisconsin provided such plans are sold in accordance with the NASAA "Guidelines for Registration of Periodic Payment Plans." A copy of the Final Order of the Commissioner adopting these amendments is attached. Tamara K. Cain Assistant Counsel Attachment

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