

2008 -- H 7519

LC02144

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2008

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIP - RHODE ISLAND UNIFORM SECURITIES ACT

Introduced By: Representatives Kennedy, Church, Carter, and Pacheco

Date Introduced: February 26, 2008

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 7-11-206 of the General Laws in Chapter 7-11 entitled "Rhode
2 Island Uniform Securities Act" is hereby amended to read as follows:

3 **7-11-206. Licensing and notice fees; and filing requirements for federal covered**

4 **advisers.** -- (a) A federal covered adviser or an applicant for licensing shall pay an annual fee as
5 follows:

6 (1) Broker dealer two hundred and fifty dollars (\$250) and for each branch office one
7 hundred dollars (\$100);

8 (2) Sales representative fifty dollars (\$50.00);

9 (3) Investment adviser two hundred and fifty dollars (\$250); and

10 (4) Investment adviser representative fifty dollars (\$50.00).

11 (5) Federal covered adviser two hundred and fifty dollars (\$250).

12 (b) Except with respect to federal covered advisers whose only clients are those
13 described in section 7-11-204(1)(i), a federal covered adviser shall file any documents filed with
14 the U.S. Securities and Exchange Commission with the director, that the director requires by rule
15 or order, together with any notice fee and consent to service of process that the director requires
16 by rule or order. The notice filings under this subsection expire annually on December 31, unless
17 renewed.

18 (c) A notice filing under this section is effective from receipt until the end of the

1 calendar year. A notice filing may be renewed by filing any documents that have been filed with
2 the U.S. Securities and Exchange Commission as required by the director along with a renewal
3 fee of two hundred fifty dollars (\$250).

4 (d) A federal covered adviser may terminate a notice filing upon providing the director
5 notice of the termination, which is effective upon receipt by the director.

6 (e) Notwithstanding the provisions of this section, until October 11, 1999, the director
7 may require the registration as an investment adviser of any federal covered adviser who has
8 failed to promptly pay the fees required by this section after written notification from the director
9 of the non-payment or underpayment of the fees. A federal covered adviser is considered to have
10 promptly paid the fees if they are remitted to the director within fifteen (15) days following the
11 federal covered adviser's receipt of written notice from the director.

12 (f) ~~For purposes of this section, "branch office" means an office of a broker-dealer in this~~
13 ~~state, other than the principal office in this state of the broker-dealer, from which three (3) or~~
14 ~~more sales representatives transact business.~~

15 For purposes of this section, "branch office" means any location where one or more
16 associated persons of a broker-dealer regularly conducts the business of effecting any transactions
17 in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such,
18 excluding:

19 (1) Any location that is established solely for customer service and/or back office type
20 functions where no sales activities are conducted and that is not held out to the public as a branch
21 office;

22 (2) Any location that is the associated person's primary residents; provided that:

23 (i) Only one associated person, or multiple associated persons who reside at that location
24 and are members of the same immediate family, conduct business at the location;

25 (ii) The location is not held out to the public as an office and the associated person does
26 not meet with customers at the location;

27 (iii) Neither customer funds nor securities are handled at that location;

28 (iv) The associated person is assigned to a designated branch office, and such designated
29 branch office is reflected on all business cards, stationery, advertisements and other
30 communications to the public by such associated person;

31 (v) The associated person's correspondence and communications with the public are
32 subject to the firm's supervision in accordance with Rule 3010 of the financial industry regulatory
33 authority;

34 (vi) Electronic communications are made through the broker-dealer's electronic system;

1 (vii) All orders are entered through the designated branch office or an electronic system
2 established by the broker-dealer that is reviewable at the branch office;

3 (viii) Written supervisory procedures pertaining to supervision of sales activities
4 conducted at the residence are maintained by the broker-dealer; and

5 (ix) A list of the residence locations is maintained by the broker-dealer;

6 (3) Any location, other than a primary residence, that is used for securities business for
7 less than thirty (30) business days in any one calendar year, provided the broker-dealer complies
8 with the provisions of paragraph (f)(2)(i) through (ix) above;

9 (4) Any office of convenience, where associated person occasionally and exclusively by
10 appointment meet with customers, which is not held out to the public as an office.

11 (5) Any location that is used primarily to engage in non-securities activities and from
12 which the associated person(s) effects no more than twenty-five (25) securities transactions in any
13 one calendar year; provided that any advertisement or sales literature identifying such location
14 also sets forth the address and telephone number of the location from which the associated
15 person(s) conducting business at the non-branch locations are directly supervised;

16 (6) The floor of a registered national securities exchange where a broker-dealer conducts
17 a direct access business with public customers.

18 (7) A temporary location established in response to the implementation of a business
19 continuity plan.

20 (8) Notwithstanding the exclusions in paragraph (f)(2), any location that is responsible
21 for supervising the activities of persons associated with the broker-dealer at one or more non-
22 branch locations of the broker-dealer is considered to be a branch office.

23 (9) The term "business day" as used in subsection 7-11-206(f) shall not include any
24 partial business day provided that the associated person spends at least four (4) hours on such
25 business day at his or her designated branch office during the hours that such office is normally
26 open for business.

27 (10) Where such office of convenience is located on bank premises, signage necessary to
28 comply with applicable federal and state laws, rules and regulations and applicable rules and
29 regulations of the New York Stock Exchange, other self-regulatory organizations, and securities
30 and banking regulators may be displayed and shall not be deemed "holding out" for purposes of
31 subdivision 7-11-206(f)(2)(iv).

32 (g) If an application is denied or withdrawn or the license is revoked, suspended, or
33 withdrawn, the director is not required to refund the fee paid.

34 (h) The director may issue a stop order suspending the activities of a federal covered

1 adviser in this state if the director reasonably believes there has been a violation of the provisions
2 of this section.

3 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIP - RHODE
ISLAND UNIFORM SECURITIES ACT

- 1 This act would amend the definition of "branch office' under the Rhode Island Uniform
- 2 Securities Act.
- 3 This act would take effect upon passage.

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