



General Assembly

January Session, 2003

Raised Bill No. 1000

LCO No. 3712

Referred to Committee on Banks

Introduced by:

(BA)

AN ACT CONCERNING INVESTMENT ADVISERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36b-7 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2003*):

3 (a) A broker-dealer, agent, investment adviser or investment adviser
4 agent may obtain an initial or renewal registration by filing with the
5 commissioner or other depository as the commissioner may by
6 regulation or order designate an application together with a consent to
7 service of process pursuant to subsection (g) of section 36b-33. The
8 application shall contain such information as the commissioner may
9 require.

10 (b) The application for initial or renewal registration for an
11 investment adviser shall include a statement to be signed by the
12 applicant, in which the applicant represents that the applicant (1) will
13 not charge or receive compensation in connection with the rendering
14 of investment advice unless such compensation is fair and reasonable,
15 determined on an equitable basis and adequately disclosed to each
16 client, (2) will ensure that each broker-dealer selected by the

17 investment adviser to effect transactions in securities for the account of
18 a client is registered pursuant to chapter 672a, and (3) will provide to
19 the commissioner any adverse financial or disciplinary information
20 required by the commissioner.

21 Sec. 2. Section 36b-14 of the general statutes is repealed and the
22 following is substituted in lieu thereof (*Effective October 1, 2003*):

23 (a) (1) Every registered investment adviser shall make, keep and
24 preserve such accounts, correspondence, memoranda, papers, books
25 and other records as the commissioner by regulation prescribes. All
26 such records shall be preserved for such period as the commissioner
27 by regulation prescribes.

28 (2) Every investment adviser that is registered with the Securities
29 and Exchange Commission or excepted from the definition of
30 investment adviser under Section 202(a)(11) of the Investment
31 Advisers Act of 1940, and every registered broker-dealer, shall make,
32 keep and preserve such accounts, correspondence, memoranda,
33 papers, books and other records as the Securities and Exchange
34 Commission requires. All such records shall be preserved for such
35 period as the Securities and Exchange Commission requires.

36 (3) All records referred to in this subsection may be stored on
37 microfilm, microfiche or on an electronic data processing system or
38 similar system utilizing an internal memory device provided that a
39 printed copy of any such record is immediately accessible.

40 (b) (1) Every registered investment adviser shall file such financial
41 reports as the commissioner by regulation prescribes.

42 (2) Every registered investment adviser shall also file with the
43 commissioner, on the date of issue or publication to the investing
44 public, one copy of (A) any prospectus, pamphlet, circular, form letter
45 or other sales literature addressed or intended for general distribution
46 to clients or prospective clients of the investment adviser, and (B) any

47 advertisement offering investment advisory services to such clients or
48 prospective clients.

49 [(2)] (3) Every investment adviser that is registered with the
50 Securities and Exchange Commission or excepted from the definition
51 of investment adviser under Section 202(a)(11) of the Investment
52 Advisers Act of 1940, and every registered broker-dealer, shall file
53 such financial reports as the commissioner by regulation prescribes,
54 except that the commissioner shall not require the filing of financial
55 reports that are not required to be filed with the Securities and
56 Exchange Commission.

57 (c) If the information contained in any document filed with the
58 commissioner under this section is or becomes inaccurate or
59 incomplete in any material respect, the person making the filing shall
60 promptly file a correcting amendment unless notification of the
61 correction has been given under sections 36b-2 to 36b-33, inclusive.

62 (d) All the records of a registered investment adviser and a
63 registered broker-dealer referred to in subsection (a) of this section are
64 subject at any time or from time to time to such reasonable periodic,
65 special or other examinations by the commissioner, within or without
66 this state, as the commissioner deems necessary or appropriate in the
67 public interest or for the protection of investors. Every registered
68 investment adviser and every registered broker-dealer shall keep such
69 records open to examination by the commissioner and, upon the
70 commissioner's request, shall provide copies of any such records to the
71 commissioner. For the purpose of avoiding unnecessary duplication of
72 examinations, the commissioner, insofar as the commissioner deems it
73 practicable in administering this subsection, may cooperate with the
74 securities administrators of other states, the Securities and Exchange
75 Commission, and any national securities exchange or national
76 securities association registered under the Securities Exchange Act of
77 1934.

78 Sec. 3. (NEW) (*Effective July 1, 2003*) The Commissioner of Banking

79 shall adopt regulations, in accordance with the provisions of chapter
80 54 of the general statutes, establishing continuing education
81 requirements on and after January 1, 2004, for persons registered as
82 investment advisers, as defined in section 36b-3 of the general statutes.
83 On and after January 1, 2005, a registration for an investment adviser
84 may not be renewed unless the investment adviser submits to the
85 commissioner proof of compliance with such continuing education
86 requirements.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>July 1, 2003</i>

Statement of Purpose:

To provide additional consumer protections for clients of investment advisers.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]