

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Consumer Installment Loan Act is amended by
5 changing Section 15 as follows:

6 (205 ILCS 670/15) (from Ch. 17, par. 5415)

7 Sec. 15. Charges permitted.

8 (a) Every licensee may lend a principal amount not
9 exceeding \$40,000 and, except as to small consumer loans as
10 defined in this Section, may charge, contract for and receive
11 thereon interest at an annual percentage rate of no more than
12 36%, subject to the provisions of this Act; provided, however,
13 that the limitation on the annual percentage rate contained in
14 this subsection (a) does not apply to title-secured loans,
15 which are loans upon which interest is charged at an annual
16 percentage rate exceeding 36%, in which, at commencement, an
17 obligor provides to the licensee, as security for the loan,
18 physical possession of the obligor's title to a motor vehicle,
19 and upon which a licensee may charge, contract for, and receive
20 thereon interest at the rate agreed upon by the licensee and
21 borrower. For purposes of this Section, the annual percentage
22 rate shall be calculated in accordance with the federal Truth
23 in Lending Act.

1 (b) For purpose of this Section, the following terms shall
2 have the meanings ascribed herein.

3 "Applicable interest" for a precomputed loan contract
4 means the amount of interest attributable to each monthly
5 installment period. It is computed as if each installment
6 period were one month and any interest charged for extending
7 the first installment period beyond one month is ignored. The
8 applicable interest for any monthly installment period is, for
9 loans other than small consumer loans as defined in this
10 Section, that portion of the precomputed interest that bears
11 the same ratio to the total precomputed interest as the
12 balances scheduled to be outstanding during that month bear to
13 the sum of all scheduled monthly outstanding balances in the
14 original contract. With respect to a small consumer loan, the
15 applicable interest for any installment period is that portion
16 of the precomputed monthly installment account handling charge
17 attributable to the installment period calculated based on a
18 method at least as favorable to the consumer as the actuarial
19 method, as defined by the federal Truth in Lending Act.

20 "Interest-bearing loan" means a loan in which the debt is
21 expressed as a principal amount plus interest charged on actual
22 unpaid principal balances for the time actually outstanding.

23 "Precomputed loan" means a loan in which the debt is
24 expressed as the sum of the original principal amount plus
25 interest computed actuarially in advance, assuming all
26 payments will be made when scheduled.

1 "Small consumer loan" means a loan upon which interest is
2 charged at an annual percentage rate exceeding 36% and with an
3 amount financed of \$4,000 or less. "Small consumer loan" does
4 not include a title-secured loan as defined by subsection (a)
5 of this Section or a payday loan as defined by the Payday Loan
6 Reform Act.

7 "Substantially equal installment" includes a last
8 regularly scheduled payment that may be less than, but not more
9 than 5% larger than, the previous scheduled payment according
10 to a disclosed payment schedule agreed to by the parties.

11 (c) Loans may be interest-bearing or precomputed.

12 (d) To compute time for either interest-bearing or
13 precomputed loans for the calculation of interest and other
14 purposes, a month shall be a calendar month and a day shall be
15 considered 1/30th of a month when calculation is made for a
16 fraction of a month. A month shall be 1/12th of a year. A
17 calendar month is that period from a given date in one month to
18 the same numbered date in the following month, and if there is
19 no same numbered date, to the last day of the following month.
20 When a period of time includes a month and a fraction of a
21 month, the fraction of the month is considered to follow the
22 whole month. In the alternative, for interest-bearing loans,
23 the licensee may charge interest at the rate of 1/365th of the
24 agreed annual rate for each day actually elapsed.

25 (d-5) No licensee or other person may condition an
26 extension of credit to a consumer on the consumer's repayment

1 by preauthorized electronic fund transfers. Payment options,
2 including, but not limited to, electronic fund transfers and
3 Automatic Clearing House (ACH) transactions may be offered to
4 consumers as a choice and method of payment chosen by the
5 consumer.

6 (e) With respect to interest-bearing loans:

7 (1) Interest shall be computed on unpaid principal
8 balances outstanding from time to time, for the time
9 outstanding, until fully paid. Each payment shall be
10 applied first to the accumulated interest and the remainder
11 of the payment applied to the unpaid principal balance;
12 provided however, that if the amount of the payment is
13 insufficient to pay the accumulated interest, the unpaid
14 interest continues to accumulate to be paid from the
15 proceeds of subsequent payments and is not added to the
16 principal balance.

17 (2) Interest shall not be payable in advance or
18 compounded. However, if part or all of the consideration
19 for a new loan contract is the unpaid principal balance of
20 a prior loan, then the principal amount payable under the
21 new loan contract may include any unpaid interest which has
22 accrued. The unpaid principal balance of a precomputed loan
23 is the balance due after refund or credit of unearned
24 interest as provided in paragraph (f), clause (3). The
25 resulting loan contract shall be deemed a new and separate
26 loan transaction for all purposes.

1 (3) Loans must be fully amortizing and be repayable in
2 substantially equal and consecutive weekly, biweekly,
3 semimonthly, or monthly installments. Notwithstanding this
4 requirement, rates may vary according to an index that is
5 independently verifiable and beyond the control of the
6 licensee.

7 (4) The lender or creditor may, if the contract
8 provides, collect a delinquency or collection charge on
9 each installment in default for a period of not less than
10 10 days in an amount not exceeding 5% of the installment on
11 installments in excess of \$200, or \$10 on installments of
12 \$200 or less, but only one delinquency and collection
13 charge may be collected on any installment regardless of
14 the period during which it remains in default.

15 (f) With respect to precomputed loans:

16 (1) Loans shall be repayable in substantially equal and
17 consecutive weekly, biweekly, semimonthly, or monthly
18 installments of principal and interest combined, except
19 that the first installment period may be longer than one
20 month by not more than 15 days, and the first installment
21 payment amount may be larger than the remaining payments by
22 the amount of interest charged for the extra days; and
23 provided further that monthly installment payment dates
24 may be omitted to accommodate borrowers with seasonal
25 income.

26 (2) Payments may be applied to the combined total of

1 principal and precomputed interest until the loan is fully
2 paid. Payments shall be applied in the order in which they
3 become due, except that any insurance proceeds received as
4 a result of any claim made on any insurance, unless
5 sufficient to prepay the contract in full, may be applied
6 to the unpaid installments of the total of payments in
7 inverse order.

8 (3) When any loan contract is paid in full by cash,
9 renewal or refinancing, or a new loan, one month or more
10 before the final installment due date, a licensee shall
11 refund or credit the obligor with the total of the
12 applicable interest for all fully unexpired installment
13 periods, as originally scheduled or as deferred, which
14 follow the day of prepayment; provided, if the prepayment
15 occurs prior to the first installment due date, the
16 licensee may retain 1/30 of the applicable interest for a
17 first installment period of one month for each day from the
18 date of the loan to the date of prepayment, and shall
19 refund or credit the obligor with the balance of the total
20 interest contracted for. If the maturity of the loan is
21 accelerated for any reason and judgment is entered, the
22 licensee shall credit the borrower with the same refund as
23 if prepayment in full had been made on the date the
24 judgement is entered.

25 (4) The lender or creditor may, if the contract
26 provides, collect a delinquency or collection charge on

1 each installment in default for a period of not less than
2 10 days in an amount not exceeding 5% of the installment on
3 installments in excess of \$200, or \$10 on installments of
4 \$200 or less, but only one delinquency or collection charge
5 may be collected on any installment regardless of the
6 period during which it remains in default.

7 (5) If the parties agree in writing, either in the loan
8 contract or in a subsequent agreement, to a deferment of
9 wholly unpaid installments, a licensee may grant a
10 deferment and may collect a deferment charge as provided in
11 this Section. A deferment postpones the scheduled due date
12 of the earliest unpaid installment and all subsequent
13 installments as originally scheduled, or as previously
14 deferred, for a period equal to the deferment period. The
15 deferment period is that period during which no installment
16 is scheduled to be paid by reason of the deferment. The
17 deferment charge for a one month period may not exceed the
18 applicable interest for the installment period immediately
19 following the due date of the last undeferred payment. A
20 proportionate charge may be made for deferment for periods
21 of more or less than one month. A deferment charge is
22 earned pro rata during the deferment period and is fully
23 earned on the last day of the deferment period. Should a
24 loan be prepaid in full during a deferment period, the
25 licensee shall credit to the obligor a refund of the
26 unearned deferment charge in addition to any other refund

1 or credit made for prepayment of the loan in full.

2 (6) If two or more installments are delinquent one full
3 month or more on any due date, and if the contract so
4 provides, the licensee may reduce the unpaid balance by the
5 refund credit which would be required for prepayment in
6 full on the due date of the most recent maturing
7 installment in default. Thereafter, and in lieu of any
8 other default or deferment charges, the agreed rate of
9 interest or, in the case of small consumer loans, interest
10 at the rate of 18% per annum, may be charged on the unpaid
11 balance until fully paid.

12 (7) Fifteen days after the final installment as
13 originally scheduled or deferred, the licensee, for any
14 loan contract which has not previously been converted to
15 interest-bearing under paragraph (f), clause (6), may
16 compute and charge interest on any balance remaining
17 unpaid, including unpaid default or deferment charges, at
18 the agreed rate of interest or, in the case of small
19 consumer loans, interest at the rate of 18% per annum,
20 until fully paid. At the time of payment of said final
21 installment, the licensee shall give notice to the obligor
22 stating any amounts unpaid.

23 (Source: P.A. 96-936, eff. 3-21-11.)

24 Section 10. The Illinois Securities Law of 1953 is amended
25 by changing Sections 2.11, 2.12b, 8, and 12 and by adding

1 Section 3.5 as follows:

2 (815 ILCS 5/2.11) (from Ch. 121 1/2, par. 137.2-11)

3 Sec. 2.11. Investment adviser. "Investment adviser" means
4 any person who, for compensation, engages in this State in the
5 business of advising others, either directly or through
6 publications or writings, as to the value of securities or as
7 to the advisability of investing in, purchasing, or selling
8 securities or who, in this State for direct or indirect
9 compensation and as part of a regular advisory business, issues
10 or promulgates analyses or reports concerning securities or any
11 financial planner or other person who, as an integral component
12 of other financially related services, provides ~~the foregoing~~
13 investment advisory services to others for compensation and as
14 part of a business, or who holds himself or herself out as
15 providing ~~the foregoing~~ investment advisory services to others
16 for compensation; but "investment adviser" does not include:

17 (1) a bank or trust company, or the regular employees of a
18 bank or trust company;

19 (2) any lawyer, accountant, engineer, geologist or teacher
20 (i) whose performance of such services is solely incidental to
21 the practice of his or her profession or (ii) who:

22 (A) does not exercise investment discretion with
23 respect to the assets of clients or maintain custody of the
24 assets of clients for the purpose of investing those
25 assets, except when the person is acting as a bona fide

1 fiduciary in a capacity such as an executor, trustee,
2 personal representative, estate or trust agent, guardian,
3 conservator, or person serving in a similar fiduciary
4 capacity;

5 (B) does not accept or receive, directly or indirectly,
6 any commission, fee, or other remuneration contingent upon
7 the purchase or sale of any specific security by a client
8 of such person; and

9 (C) does not advise on the purchase or sale of specific
10 securities, except that this clause (C) shall not apply
11 when the advice about specific securities is based on
12 financial statement analyses or tax considerations that
13 are reasonably related to and in connection with the
14 person's profession;

15 (3) any registered dealer or partner, officer, director or
16 regular employee of a registered dealer, or registered
17 salesperson, whose performance of these services, in each case,
18 is solely incidental to the conduct of the business of the
19 registered dealer or registered salesperson, as the case may
20 be, and who receives no special compensation, directly or
21 indirectly, for such services;

22 (4) any publisher or regular employee of such publisher of
23 a bona fide newspaper, news magazine or business or financial
24 publication of regular and established paid circulation;

25 (5) any person whose advice, analyses or reports relate
26 only to securities which are direct obligations of, or

1 obligations guaranteed as to principal or interest by, the
2 United States, any state or any political subdivision of any
3 state, or any public agency or public instrumentality of any
4 one or more of the foregoing;

5 (5.5) any person who is a federal covered investment
6 adviser; or

7 (6) any other persons who are not within the intent of this
8 Section as the Secretary of State may designate by rules and
9 regulations or order.

10 (Source: P.A. 90-70, eff. 7-8-97.)

11 (815 ILCS 5/2.12b) (from Ch. 121 1/2, par. 137.2-12b)

12 Sec. 2.12b. Investment adviser representative. "Investment
13 adviser representative" means, with respect to an investment
14 adviser who is required to register under this Act, any
15 partner, officer, director of (or a person occupying a similar
16 status or performing similar functions), or other natural
17 person employed by or associated with an investment adviser,
18 except clerical or ministerial personnel, who in this State:

19 (1) makes any recommendations or otherwise renders
20 advice regarding securities or investment products;

21 (2) manages accounts or portfolios of clients;

22 (3) determines what recommendation or advice regarding
23 securities or investments should be given;

24 (4) supervises any employee who performs any of the
25 foregoing; or

1 (5) solicits, refers, offers, or negotiates for the
2 sale of, or sells, investment advisory services.

3 With respect to a federal covered investment adviser,
4 "investment adviser representative" means any person who is an
5 investment adviser representative with a place of business in
6 this State as such terms are defined by the Securities and
7 Exchange Commission under Section 203A of the Federal 1940
8 Investment Advisers Act.

9 (Source: P.A. 90-70, eff. 7-8-97; 90-667, eff. 7-30-98; 91-809,
10 eff. 1-1-01.)

11 (815 ILCS 5/3.5 new)

12 Sec. 3.5. Authority of Secretary of State. Notwithstanding
13 any other law, the Secretary of State has the authority to
14 enforce this Act as it pertains to the offer, sale, or
15 investment advice concerning a covered security as defined by
16 Section 2.29.

17 (815 ILCS 5/8) (from Ch. 121 1/2, par. 137.8)

18 Sec. 8. Registration of dealers, limited Canadian dealers,
19 Internet portals, salespersons, investment advisers, and
20 investment adviser representatives.

21 A. Except as otherwise provided in this subsection A, every
22 dealer, limited Canadian dealer, salesperson, investment
23 adviser, and investment adviser representative shall be

1 registered as such with the Secretary of State. No dealer or
2 salesperson need be registered as such when offering or selling
3 securities in transactions exempted by subsection A, B, C, D,
4 E, G, H, I, J, K, M, O, P, Q, R or S of Section 4 of this Act,
5 provided that such dealer or salesperson is not regularly
6 engaged in the business of offering or selling securities in
7 reliance upon the exemption set forth in subsection G or M of
8 Section 4 of this Act. No dealer, issuer or controlling person
9 shall employ a salesperson unless such salesperson is
10 registered as such with the Secretary of State or is employed
11 for the purpose of offering or selling securities solely in
12 transactions exempted by subsection A, B, C, D, E, G, H, I, J,
13 K, L, M, O, P, Q, R or S of Section 4 of this Act; provided that
14 such salesperson need not be registered when effecting
15 transactions in this State limited to those transactions
16 described in Section 15(h)(2) of the Federal 1934 Act or
17 engaging in the offer or sale of securities in respect of which
18 he or she has beneficial ownership and is a controlling person.
19 The Secretary of State may, by rule, regulation or order and
20 subject to such terms, conditions, and fees as may be
21 prescribed in such rule, regulation or order, exempt from the
22 registration requirements of this Section 8 any investment
23 adviser, if the Secretary of State shall find that such
24 registration is not necessary in the public interest by reason
25 of the small number of clients or otherwise limited character
26 of operation of such investment adviser.

1 B. An application for registration as a dealer or limited
2 Canadian dealer, executed, verified, or authenticated by or on
3 behalf of the applicant, shall be filed with the Secretary of
4 State, in such form as the Secretary of State may by rule,
5 regulation or order prescribe, setting forth or accompanied by:

6 (1) The name and address of the applicant, the location
7 of its principal business office and all branch offices, if
8 any, and the date of its organization;

9 (2) A statement of any other Federal or state licenses
10 or registrations which have been granted the applicant and
11 whether any such licenses or registrations have ever been
12 refused, cancelled, suspended, revoked or withdrawn;

13 (3) The assets and all liabilities, including
14 contingent liabilities of the applicant, as of a date not
15 more than 60 days prior to the filing of the application;

16 (4) (a) A brief description of any civil or criminal
17 proceeding of which fraud is an essential element pending
18 against the applicant and whether the applicant has ever
19 been convicted of a felony, or of any misdemeanor of which
20 fraud is an essential element;

21 (b) A list setting forth the name, residence and
22 business address and a 10 year occupational statement of
23 each principal of the applicant and a statement describing
24 briefly any civil or criminal proceedings of which fraud is
25 an essential element pending against any such principal and

1 the facts concerning any conviction of any such principal
2 of a felony, or of any misdemeanor of which fraud is an
3 essential element;

4 (5) If the applicant is a corporation: a list of its
5 officers and directors setting forth the residence and
6 business address of each; a 10-year occupational statement
7 of each such officer or director; and a statement
8 describing briefly any civil or criminal proceedings of
9 which fraud is an essential element pending against each
10 such officer or director and the facts concerning any
11 conviction of any officer or director of a felony, or of
12 any misdemeanor of which fraud is an essential element;

13 (6) If the applicant is a sole proprietorship, a
14 partnership, limited liability company, an unincorporated
15 association or any similar form of business organization:
16 the name, residence and business address of the proprietor
17 or of each partner, member, officer, director, trustee or
18 manager; the limitations, if any, of the liability of each
19 such individual; a 10-year occupational statement of each
20 such individual; a statement describing briefly any civil
21 or criminal proceedings of which fraud is an essential
22 element pending against each such individual and the facts
23 concerning any conviction of any such individual of a
24 felony, or of any misdemeanor of which fraud is an
25 essential element;

26 (7) Such additional information as the Secretary of

1 State may by rule or regulation prescribe as necessary to
2 determine the applicant's financial responsibility,
3 business repute and qualification to act as a dealer.

4 (8) (a) No applicant shall be registered or
5 re-registered as a dealer or limited Canadian dealer under
6 this Section unless and until each principal of the dealer
7 has passed an examination conducted by the Secretary of
8 State or a self-regulatory organization of securities
9 dealers or similar person, which examination has been
10 designated by the Secretary of State by rule, regulation or
11 order to be satisfactory for purposes of determining
12 whether the applicant has sufficient knowledge of the
13 securities business and laws relating thereto to act as a
14 registered dealer. Any dealer who was registered on
15 September 30, 1963, and has continued to be so registered;
16 and any principal of any registered dealer, who was acting
17 in such capacity on and continuously since September 30,
18 1963; and any individual who has previously passed a
19 securities dealer examination administered by the
20 Secretary of State or any examination designated by the
21 Secretary of State to be satisfactory for purposes of
22 determining whether the applicant has sufficient knowledge
23 of the securities business and laws relating thereto to act
24 as a registered dealer by rule, regulation or order, shall
25 not be required to pass an examination in order to continue
26 to act in such capacity. The Secretary of State may by

1 order waive the examination requirement for any principal
2 of an applicant for registration under this subsection B
3 who has had such experience or education relating to the
4 securities business as may be determined by the Secretary
5 of State to be the equivalent of such examination. Any
6 request for such a waiver shall be filed with the Secretary
7 of State in such form as may be prescribed by rule or
8 regulation.

9 (b) Unless an applicant is a member of the body
10 corporate known as the Securities Investor Protection
11 Corporation established pursuant to the Act of Congress of
12 the United States known as the Securities Investor
13 Protection Act of 1970, as amended, a member of an
14 association of dealers registered as a national securities
15 association pursuant to Section 15A of the Federal 1934
16 Act, or a member of a self-regulatory organization or stock
17 exchange in Canada which the Secretary of State has
18 designated by rule or order, an applicant shall not be
19 registered or re-registered unless and until there is filed
20 with the Secretary of State evidence that such applicant
21 has in effect insurance or other equivalent protection for
22 each client's cash or securities held by such applicant,
23 and an undertaking that such applicant will continually
24 maintain such insurance or other protection during the
25 period of registration or re-registration. Such insurance
26 or other protection shall be in a form and amount

1 reasonably prescribed by the Secretary of State by rule or
2 regulation.

3 (9) The application for the registration of a dealer or
4 limited Canadian dealer shall be accompanied by a filing
5 fee and a fee for each branch office in this State, in each
6 case in the amount established pursuant to Section 11a of
7 this Act, which fees shall not be returnable in any event.

8 (10) The Secretary of State shall notify the dealer or
9 limited Canadian dealer by written notice (which may be by
10 electronic or facsimile transmission) of the effectiveness
11 of the registration as a dealer in this State.

12 (11) Any change which renders no longer accurate any
13 information contained in any application for registration
14 or re-registration of a dealer or limited Canadian dealer
15 shall be reported to the Secretary of State within 10
16 business days after the occurrence of such change; but in
17 respect to assets and liabilities only materially adverse
18 changes need be reported.

19 C. Any registered dealer, limited Canadian dealer, issuer,
20 or controlling person desiring to register a salesperson shall
21 file an application with the Secretary of State, in such form
22 as the Secretary of State may by rule or regulation prescribe,
23 which the salesperson is required by this Section to provide to
24 the dealer, issuer, or controlling person, executed, verified,
25 or authenticated by the salesperson setting forth or

1 accompanied by:

2 (1) the name, residence and business address of the
3 salesperson;

4 (2) whether any federal or State license or
5 registration as dealer, limited Canadian dealer, or
6 salesperson has ever been refused the salesperson or
7 cancelled, suspended, revoked, withdrawn, barred, limited,
8 or otherwise adversely affected in a similar manner or
9 whether the salesperson has ever been censured or expelled;

10 (3) the nature of employment with, and names and
11 addresses of, employers of the salesperson for the 10 years
12 immediately preceding the date of application;

13 (4) a brief description of any civil or criminal
14 proceedings of which fraud is an essential element pending
15 against the salesperson, and whether the salesperson has
16 ever been convicted of a felony, or of any misdemeanor of
17 which fraud is an essential element;

18 (5) such additional information as the Secretary of
19 State may by rule, regulation or order prescribe as
20 necessary to determine the salesperson's business repute
21 and qualification to act as a salesperson; and

22 (6) no individual shall be registered or re-registered
23 as a salesperson under this Section unless and until such
24 individual has passed an examination conducted by the
25 Secretary of State or a self-regulatory organization of
26 securities dealers or similar person, which examination

1 has been designated by the Secretary of State by rule,
2 regulation or order to be satisfactory for purposes of
3 determining whether the applicant has sufficient knowledge
4 of the securities business and laws relating thereto to act
5 as a registered salesperson.

6 Any salesperson who was registered prior to September
7 30, 1963, and has continued to be so registered, and any
8 individual who has passed a securities salesperson
9 examination administered by the Secretary of State or an
10 examination designated by the Secretary of State by rule,
11 regulation or order to be satisfactory for purposes of
12 determining whether the applicant has sufficient knowledge
13 of the securities business and laws relating thereto to act
14 as a registered salesperson, shall not be required to pass
15 an examination in order to continue to act as a
16 salesperson. The Secretary of State may by order waive the
17 examination requirement for any applicant for registration
18 under this subsection C who has had such experience or
19 education relating to the securities business as may be
20 determined by the Secretary of State to be the equivalent
21 of such examination. Any request for such a waiver shall be
22 filed with the Secretary of State in such form as may be
23 prescribed by rule, regulation or order.

24 (7) The application for registration of a salesperson
25 shall be accompanied by a filing fee and a Securities Audit
26 and Enforcement Fund fee, each in the amount established

1 pursuant to Section 11a of this Act, which shall not be
2 returnable in any event.

3 (8) Any change which renders no longer accurate any
4 information contained in any application for registration
5 or re-registration as a salesperson shall be reported to
6 the Secretary of State within 10 business days after the
7 occurrence of such change. If the activities are terminated
8 which rendered an individual a salesperson for the dealer,
9 issuer or controlling person, the dealer, issuer or
10 controlling person, as the case may be, shall notify the
11 Secretary of State, in writing, within 30 days of the
12 salesperson's cessation of activities, using the
13 appropriate termination notice form.

14 (9) A registered salesperson may transfer his or her
15 registration under this Section 8 for the unexpired term
16 thereof from one registered dealer or limited Canadian
17 dealer to another by the giving of notice of the transfer
18 by the new registered dealer or limited Canadian dealer to
19 the Secretary of State in such form and subject to such
20 conditions as the Secretary of State shall by rule or
21 regulation prescribe. The new registered dealer or limited
22 Canadian dealer shall promptly file an application for
23 registration of such salesperson as provided in this
24 subsection C, accompanied by the filing fee prescribed by
25 paragraph (7) of this subsection C.

1 C-5. Except with respect to federal covered investment
2 advisers whose only clients are investment companies as defined
3 in the Federal 1940 Act, other investment advisers, federal
4 covered investment advisers, or any similar person which the
5 Secretary of State may prescribe by rule or order, a federal
6 covered investment adviser shall file with the Secretary of
7 State, prior to acting as a federal covered investment adviser
8 in this State, such documents as have been filed with the
9 Securities and Exchange Commission as the Secretary of State by
10 rule or order may prescribe. The notification of a federal
11 covered investment adviser shall be accompanied by a
12 notification filing fee established pursuant to Section 11a of
13 this Act, which shall not be returnable in any event. Every
14 person acting as a federal covered investment adviser in this
15 State shall file a notification filing and pay an annual
16 notification filing fee established pursuant to Section 11a of
17 this Act, which is not returnable in any event. The failure to
18 file any such notification shall constitute a violation of
19 subsection D of Section 12 of this Act, subject to the
20 penalties enumerated in Section 14 of this Act. Until October
21 10, 1999 or other date as may be legally permissible, a federal
22 covered investment adviser who fails to file the notification
23 or refuses to pay the fees as required by this subsection shall
24 register as an investment adviser with the Secretary of State
25 under Section 8 of this Act. The civil remedies provided for in
26 subsection A of Section 13 of this Act and the civil remedies

1 of rescission and appointment of receiver, conservator,
2 ancillary receiver, or ancillary conservator provided for in
3 subsection F of Section 13 of this Act shall not be available
4 against any person by reason of the failure to file any such
5 notification or to pay the notification fee or on account of
6 the contents of any such notification.

7 D. An application for registration as an investment
8 adviser, executed, verified, or authenticated by or on behalf
9 of the applicant, shall be filed with the Secretary of State,
10 in such form as the Secretary of State may by rule or
11 regulation prescribe, setting forth or accompanied by:

12 (1) The name and form of organization under which the
13 investment adviser engages or intends to engage in
14 business; the state or country and date of its
15 organization; the location of the adviser's principal
16 business office and branch offices, if any; the names and
17 addresses of the adviser's principal, partners, officers,
18 directors, and persons performing similar functions or, if
19 the investment adviser is an individual, of the individual;
20 and the number of the adviser's employees who perform
21 investment advisory functions;

22 (2) The education, the business affiliations for the
23 past 10 years, and the present business affiliations of the
24 investment adviser and of the adviser's principal,
25 partners, officers, directors, and persons performing

1 similar functions and of any person controlling the
2 investment adviser;

3 (3) The nature of the business of the investment
4 adviser, including the manner of giving advice and
5 rendering analyses or reports;

6 (4) The nature and scope of the authority of the
7 investment adviser with respect to clients' funds and
8 accounts;

9 (5) The basis or bases upon which the investment
10 adviser is compensated;

11 (6) Whether the investment adviser or any principal,
12 partner, officer, director, person performing similar
13 functions or person controlling the investment adviser (i)
14 within 10 years of the filing of the application has been
15 convicted of a felony, or of any misdemeanor of which fraud
16 is an essential element, or (ii) is permanently or
17 temporarily enjoined by order or judgment from acting as an
18 investment adviser, underwriter, dealer, principal or
19 salesperson, or from engaging in or continuing any conduct
20 or practice in connection with any such activity or in
21 connection with the purchase or sale of any security, and
22 in each case the facts relating to the conviction, order or
23 judgment;

24 (7) (a) A statement as to whether the investment
25 adviser is engaged or is to engage primarily in the
26 business of rendering investment supervisory services; and

1 (b) A statement that the investment adviser will
2 furnish his, her, or its clients with such information as
3 the Secretary of State deems necessary in the form
4 prescribed by the Secretary of State by rule or regulation;

5 (8) Such additional information as the Secretary of
6 State may, by rule, regulation or order prescribe as
7 necessary to determine the applicant's financial
8 responsibility, business repute and qualification to act
9 as an investment adviser.

10 (9) No applicant shall be registered or re-registered
11 as an investment adviser under this Section unless and
12 until each principal of the applicant who is actively
13 engaged in the conduct and management of the applicant's
14 advisory business in this State has passed an examination
15 or completed an educational program conducted by the
16 Secretary of State or an association of investment advisers
17 or similar person, which examination or educational
18 program has been designated by the Secretary of State by
19 rule, regulation or order to be satisfactory for purposes
20 of determining whether the applicant has sufficient
21 knowledge of the securities business and laws relating
22 thereto to conduct the business of a registered investment
23 adviser.

24 Any person who was a registered investment adviser
25 prior to September 30, 1963, and has continued to be so
26 registered, and any individual who has passed an investment

1 adviser examination administered by the Secretary of
2 State, or passed an examination or completed an educational
3 program designated by the Secretary of State by rule,
4 regulation or order to be satisfactory for purposes of
5 determining whether the applicant has sufficient knowledge
6 of the securities business and laws relating thereto to
7 conduct the business of a registered investment adviser,
8 shall not be required to pass an examination or complete an
9 educational program in order to continue to act as an
10 investment adviser. The Secretary of State may by order
11 waive the examination or educational program requirement
12 for any applicant for registration under this subsection D
13 if the principal of the applicant who is actively engaged
14 in the conduct and management of the applicant's advisory
15 business in this State has had such experience or education
16 relating to the securities business as may be determined by
17 the Secretary of State to be the equivalent of the
18 examination or educational program. Any request for a
19 waiver shall be filed with the Secretary of State in such
20 form as may be prescribed by rule or regulation.

21 (10) No applicant shall be registered or re-registered
22 as an investment adviser under this Section 8 unless the
23 application for registration or re-registration is
24 accompanied by an application for registration or
25 re-registration for each person acting as an investment
26 adviser representative on behalf of the adviser and a

1 Securities Audit and Enforcement Fund fee that shall not be
2 returnable in any event is paid with respect to each
3 investment adviser representative.

4 (11) The application for registration of an investment
5 adviser shall be accompanied by a filing fee and a fee for
6 each branch office in this State, in each case in the
7 amount established pursuant to Section 11a of this Act,
8 which fees shall not be returnable in any event.

9 (12) The Secretary of State shall notify the investment
10 adviser by written notice (which may be by electronic or
11 facsimile transmission) of the effectiveness of the
12 registration as an investment adviser in this State.

13 (13) Any change which renders no longer accurate any
14 information contained in any application for registration
15 or re-registration of an investment adviser shall be
16 reported to the Secretary of State within 10 business days
17 after the occurrence of the change. In respect to assets
18 and liabilities of an investment adviser that retains
19 custody of clients' cash or securities or accepts
20 pre-payment of fees in excess of \$500 per client and 6 or
21 more months in advance only materially adverse changes need
22 be reported by written notice (which may be by electronic
23 or facsimile transmission) no later than the close of
24 business on the second business day following the discovery
25 thereof.

26 (14) Each application for registration as an

1 investment adviser shall become effective automatically on
2 the 45th day following the filing of the application,
3 required documents or information, and payment of the
4 required fee unless (i) the Secretary of State has
5 registered the investment adviser prior to that date or
6 (ii) an action with respect to the applicant is pending
7 under Section 11 of this Act.

8 D-5. A registered investment adviser or federal covered
9 investment adviser desiring to register an investment adviser
10 representative shall file an application with the Secretary of
11 State, in the form as the Secretary of State may by rule or
12 order prescribe, which the investment adviser representative
13 is required by this Section to provide to the investment
14 adviser, executed, verified, or authenticated by the
15 investment adviser representative and setting forth or
16 accompanied by:

17 (1) The name, residence, and business address of the
18 investment adviser representative;

19 (2) A statement whether any federal or state license or
20 registration as a dealer, salesperson, investment adviser,
21 or investment adviser representative has ever been
22 refused, canceled, suspended, revoked or withdrawn;

23 (3) The nature of employment with, and names and
24 addresses of, employers of the investment adviser
25 representative for the 10 years immediately preceding the

1 date of application;

2 (4) A brief description of any civil or criminal
3 proceedings, of which fraud is an essential element,
4 pending against the investment adviser representative and
5 whether the investment adviser representative has ever
6 been convicted of a felony or of any misdemeanor of which
7 fraud is an essential element;

8 (5) Such additional information as the Secretary of
9 State may by rule or order prescribe as necessary to
10 determine the investment adviser representative's business
11 repute or qualification to act as an investment adviser
12 representative;

13 (6) Documentation that the individual has passed an
14 examination conducted by the Secretary of State, an
15 organization of investment advisers, or similar person,
16 which examination has been designated by the Secretary of
17 State by rule or order to be satisfactory for purposes of
18 determining whether the applicant has sufficient knowledge
19 of the investment advisory or securities business and laws
20 relating to that business to act as a registered investment
21 adviser representative; and

22 (7) A Securities Audit and Enforcement Fund fee
23 established under Section 11a of this Act, which shall not
24 be returnable in any event.

25 The Secretary of State may by order waive the examination
26 requirement for an applicant for registration under this

1 subsection D-5 who has had the experience or education relating
2 to the investment advisory or securities business as may be
3 determined by the Secretary of State to be the equivalent of
4 the examination. A request for a waiver shall be filed with the
5 Secretary of State in the form as may be prescribed by rule or
6 order.

7 A change that renders no longer accurate any information
8 contained in any application for registration or
9 re-registration as an investment adviser representative must
10 be reported to the Secretary of State within 10 business days
11 after the occurrence of the change. If the activities that
12 rendered an individual an investment adviser representative
13 for the investment adviser are terminated, the investment
14 adviser shall notify the Secretary of State in writing (which
15 may be by electronic or facsimile transmission), within 30 days
16 of the investment adviser representative's termination, using
17 the appropriate termination notice form as the Secretary of
18 State may prescribe by rule or order.

19 A registered investment adviser representative may
20 transfer his or her registration under this Section 8 for the
21 unexpired term of the registration from one registered
22 investment adviser to another by the giving of notice of the
23 transfer by the new investment adviser to the Secretary of
24 State in the form and subject to the conditions as the
25 Secretary of State shall prescribe. The new registered
26 investment adviser shall promptly file an application for

1 registration of the investment adviser representative as
2 provided in this subsection, accompanied by the Securities
3 Audit and Enforcement Fund fee prescribed by paragraph (7) of
4 this subsection D-5.

5 E. (1) Subject to the provisions of subsection F of Section
6 11 of this Act, the registration of a dealer, limited Canadian
7 dealer, salesperson, investment adviser, or investment adviser
8 representative may be denied, suspended or revoked if the
9 Secretary of State finds that the dealer, limited Canadian
10 dealer, Internet portal, salesperson, investment adviser, or
11 investment adviser representative or any principal officer,
12 director, partner, member, trustee, manager or any person who
13 performs a similar function of the dealer, limited Canadian
14 dealer, Internet portal, or investment adviser:

15 (a) has been convicted of any felony during the 10 year
16 period preceding the date of filing of any application for
17 registration or at any time thereafter, or of any
18 misdemeanor of which fraud is an essential element;

19 (b) has engaged in any unethical practice in connection
20 with any security, or in any fraudulent business practice;

21 (c) has failed to account for any money or property, or
22 has failed to deliver any security, to any person entitled
23 thereto when due or within a reasonable time thereafter;

24 (d) in the case of a dealer, limited Canadian dealer,
25 or investment adviser, is insolvent;

1 (e) in the case of a dealer, limited Canadian dealer,
2 salesperson, or registered principal of a dealer or limited
3 Canadian dealer (i) has failed reasonably to supervise the
4 securities activities of any of its salespersons or other
5 employees and the failure has permitted or facilitated a
6 violation of Section 12 of this Act or (ii) is offering or
7 selling or has offered or sold securities in this State
8 through a salesperson other than a registered salesperson,
9 or, in the case of a salesperson, is selling or has sold
10 securities in this State for a dealer, limited Canadian
11 dealer, issuer or controlling person with knowledge that
12 the dealer, limited Canadian dealer, issuer or controlling
13 person has not complied with the provisions of this Act or
14 (iii) has failed reasonably to supervise the
15 implementation of compliance measures following notice by
16 the Secretary of State of noncompliance with the Act or
17 with the regulations promulgated thereunder or both or (iv)
18 has failed to maintain and enforce written procedures to
19 supervise the types of business in which it engages and to
20 supervise the activities of its salespersons that are
21 reasonably designed to achieve compliance with applicable
22 securities laws and regulations;

23 (f) in the case of an investment adviser, has failed
24 reasonably to supervise the advisory activities of any of
25 its investment adviser representatives or employees and
26 the failure has permitted or facilitated a violation of

1 Section 12 of this Act;

2 (g) has violated any of the provisions of this Act;

3 (h) has made any material misrepresentation to the
4 Secretary of State in connection with any information
5 deemed necessary by the Secretary of State to determine a
6 dealer's, limited Canadian dealer's, or investment
7 adviser's financial responsibility or a dealer's, limited
8 Canadian dealer's, investment adviser's, salesperson's, or
9 investment adviser representative's business repute or
10 qualifications, or has refused to furnish any such
11 information requested by the Secretary of State;

12 (i) has had a license or registration under any Federal
13 or State law regulating securities, commodity futures
14 contracts, or stock futures contracts refused, cancelled,
15 suspended, withdrawn, revoked, or otherwise adversely
16 affected in a similar manner;

17 (j) has had membership in or association with any
18 self-regulatory organization registered under the Federal
19 1934 Act or the Federal 1974 Act suspended, revoked,
20 refused, expelled, cancelled, barred, limited in any
21 capacity, or otherwise adversely affected in a similar
22 manner arising from any fraudulent or deceptive act or a
23 practice in violation of any rule, regulation or standard
24 duly promulgated by the self-regulatory organization;

25 (k) has had any order entered against it after notice
26 and opportunity for hearing by a securities agency of any

1 state, any foreign government or agency thereof, the
2 Securities and Exchange Commission, or the Federal
3 Commodities Futures Trading Commission arising from any
4 fraudulent or deceptive act or a practice in violation of
5 any statute, rule or regulation administered or
6 promulgated by the agency or commission;

7 (l) in the case of a dealer or limited Canadian dealer,
8 fails to maintain a minimum net capital in an amount which
9 the Secretary of State may by rule or regulation require;

10 (m) has conducted a continuing course of dealing of
11 such nature as to demonstrate an inability to properly
12 conduct the business of the dealer, limited Canadian
13 dealer, salesperson, investment adviser, or investment
14 adviser representative;

15 (n) has had, after notice and opportunity for hearing,
16 any injunction or order entered against it or license or
17 registration refused, cancelled, suspended, revoked,
18 withdrawn, limited, or otherwise adversely affected in a
19 similar manner by any state or federal body, agency or
20 commission regulating banking, insurance, finance or small
21 loan companies, real estate or mortgage brokers or
22 companies, if the action resulted from any act found by the
23 body, agency or commission to be a fraudulent or deceptive
24 act or practice in violation of any statute, rule or
25 regulation administered or promulgated by the body, agency
26 or commission;

1 (o) has failed to file a return, or to pay the tax,
2 penalty or interest shown in a filed return, or to pay any
3 final assessment of tax, penalty or interest, as required
4 by any tax Act administered by the Illinois Department of
5 Revenue, until such time as the requirements of that tax
6 Act are satisfied;

7 (p) (blank);

8 (q) has failed to maintain the books and records
9 required under this Act or rules or regulations promulgated
10 under this Act or under any requirements established by the
11 Securities and Exchange Commission or a self-regulatory
12 organization;

13 (r) has refused to allow or otherwise impeded designees
14 of the Secretary of State from conducting an audit,
15 examination, inspection, or investigation provided for
16 under Section 8 or 11 of this Act;

17 (s) has failed to maintain any minimum net capital or
18 bond requirement set forth in this Act or any rule or
19 regulation promulgated under this Act;

20 (t) has refused the Secretary of State or his or her
21 designee access to any office or location within an office
22 to conduct an investigation, audit, examination, or
23 inspection;

24 (u) has advised or caused a public pension fund or
25 retirement system established under the Illinois Pension
26 Code to make an investment or engage in a transaction not

1 authorized by that Code;

2 (v) if a corporation, limited liability company, or
3 limited liability partnership has been suspended,
4 canceled, revoked, or has failed to register as a foreign
5 corporation, limited liability company, or limited
6 liability partnership with the Secretary of State;

7 (w) is permanently or temporarily enjoined by any court
8 of competent jurisdiction, including any state, federal,
9 or foreign government, from engaging in or continuing any
10 conduct or practice involving any aspect of the securities
11 or commodities business or in any other business where the
12 conduct or practice enjoined involved investments,
13 franchises, insurance, banking, or finance;

14 (2) If the Secretary of State finds that any registrant or
15 applicant for registration is no longer in existence or has
16 ceased to do business as a dealer, limited Canadian dealer,
17 Internet portal, salesperson, investment adviser, or
18 investment adviser representative, or is subject to an
19 adjudication as a person under legal disability or to the
20 control of a guardian, or cannot be located after reasonable
21 search, or has failed after written notice to pay to the
22 Secretary of State any additional fee prescribed by this
23 Section or specified by rule or regulation, the Secretary of
24 State may by order cancel the registration or application.

25 (3) Withdrawal of an application for registration or
26 withdrawal from registration as a dealer, limited Canadian

1 dealer, salesperson, investment adviser, or investment adviser
2 representative becomes effective 30 days after receipt of an
3 application to withdraw or within such shorter period of time
4 as the Secretary of State may determine, unless any proceeding
5 is pending under Section 11 of this Act when the application is
6 filed or a proceeding is instituted within 30 days after the
7 application is filed. If a proceeding is pending or instituted,
8 withdrawal becomes effective at such time and upon such
9 conditions as the Secretary of State by order determines. If no
10 proceeding is pending or instituted and withdrawal
11 automatically becomes effective, the Secretary of State may
12 nevertheless institute a revocation or suspension proceeding
13 within 2 years after withdrawal became effective and enter a
14 revocation or suspension order as of the last date on which
15 registration was effective.

16 F. The Secretary of State shall make available upon request
17 the date that each dealer, investment adviser, salesperson, or
18 investment adviser representative was granted registration,
19 together with the name and address of the dealer, limited
20 Canadian dealer, or issuer on whose behalf the salesperson is
21 registered, and all orders of the Secretary of State denying or
22 abandoning an application, or suspending or revoking
23 registration, or censuring the persons. The Secretary of State
24 may designate by rule, regulation or order the statements,
25 information or reports submitted to or filed with him or her

1 pursuant to this Section 8 which the Secretary of State
2 determines are of a sensitive nature and therefore should be
3 exempt from public disclosure. Any such statement, information
4 or report shall be deemed confidential and shall not be
5 disclosed to the public except upon the consent of the person
6 filing or submitting the statement, information or report or by
7 order of court or in court proceedings.

8 G. The registration or re-registration of a dealer or
9 limited Canadian dealer and of all salespersons registered upon
10 application of the dealer or limited Canadian dealer shall
11 expire on the next succeeding anniversary date of the
12 registration or re-registration of the dealer; and the
13 registration or re-registration of an investment adviser and of
14 all investment adviser representatives registered upon
15 application of the investment adviser shall expire on the next
16 succeeding anniversary date of the registration of the
17 investment adviser; provided, that the Secretary of State may
18 by rule or regulation prescribe an alternate date which any
19 dealer registered under the Federal 1934 Act or a member of any
20 self-regulatory association approved pursuant thereto, a
21 member of a self-regulatory organization or stock exchange in
22 Canada, or any investment adviser may elect as the expiration
23 date of its dealer or limited Canadian dealer and salesperson
24 registrations, or the expiration date of its investment adviser
25 registration, as the case may be. A registration of a

1 salesperson registered upon application of an issuer or
2 controlling person shall expire on the next succeeding
3 anniversary date of the registration, or upon termination or
4 expiration of the registration of the securities, if any,
5 designated in the application for his or her registration or
6 the alternative date as the Secretary may prescribe by rule or
7 regulation. Subject to paragraph (9) of subsection C of this
8 Section 8, a salesperson's registration also shall terminate
9 upon cessation of his or her employment, or termination of his
10 or her appointment or authorization, in each case by the person
11 who applied for the salesperson's registration, provided that
12 the Secretary of State may by rule or regulation prescribe an
13 alternate date for the expiration of the registration.

14 H. Applications for re-registration of dealers, limited
15 Canadian dealers, Internet portals, salespersons, investment
16 advisers, and investment adviser representatives shall be
17 filed with the Secretary of State prior to the expiration of
18 the then current registration and shall contain such
19 information as may be required by the Secretary of State upon
20 initial application with such omission therefrom or addition
21 thereto as the Secretary of State may authorize or prescribe.
22 Each application for re-registration of a dealer, limited
23 Canadian dealer, Internet portal, or investment adviser shall
24 be accompanied by a filing fee, each application for
25 re-registration as a salesperson shall be accompanied by a

1 filing fee and a Securities Audit and Enforcement Fund fee
2 established pursuant to Section 11a of this Act, and each
3 application for re-registration as an investment adviser
4 representative shall be accompanied by a Securities Audit and
5 Enforcement Fund fee established under Section 11a of this Act,
6 which shall not be returnable in any event. Notwithstanding the
7 foregoing, applications for re-registration of dealers,
8 limited Canadian dealers, Internet portals, and investment
9 advisers may be filed within 30 days following the expiration
10 of the registration provided that the applicant pays the annual
11 registration fee together with an additional amount equal to
12 the annual registration fee and files any other information or
13 documents that the Secretary of State may prescribe by rule or
14 regulation or order. Any application filed within 30 days
15 following the expiration of the registration shall be
16 automatically effective as of the time of the earlier
17 expiration provided that the proper fee has been paid to the
18 Secretary of State.

19 Each registered dealer, limited Canadian dealer, Internet
20 portal, or investment adviser shall continue to be registered
21 if the registrant changes his, her, or its form of organization
22 provided that the dealer or investment adviser files an
23 amendment to his, her, or its application not later than 30
24 days following the occurrence of the change and pays the
25 Secretary of State a fee in the amount established under
26 Section 11a of this Act.

1 I. (1) (a) Every registered dealer, limited Canadian
2 dealer, Internet portal, and investment adviser shall make and
3 keep for such periods, such accounts, correspondence,
4 memoranda, papers, books and records as the Secretary of State
5 may by rule or regulation prescribe. All records so required
6 shall be preserved for 3 years unless the Secretary of State by
7 rule, regulation or order prescribes otherwise for particular
8 types of records.

9 (b) Every registered dealer, limited Canadian dealer,
10 Internet portal, and investment adviser shall provide to the
11 Secretary of State, upon request, such accounts,
12 correspondence, memoranda, papers, books, and records as the
13 Secretary of State may by rule or regulation prescribe, that it
14 possesses and that it preserves for periods of longer than 3
15 years.

16 (2) Every registered dealer, limited Canadian dealer,
17 Internet portal, and investment adviser shall file such
18 financial reports as the Secretary of State may by rule or
19 regulation prescribe.

20 (3) All the books and records referred to in paragraph (1)
21 of this subsection I are subject at any time or from time to
22 time to such reasonable periodic, special or other audits,
23 examinations, or inspections by representatives of the
24 Secretary of State, within or without this State, as the
25 Secretary of State deems necessary or appropriate in the public

1 interest or for the protection of investors.

2 (4) At the time of an audit, examination, or inspection,
3 the Secretary of State, by his or her designees, may conduct an
4 interview of any person employed or appointed by or affiliated
5 with a registered dealer, limited Canadian dealer, Internet
6 portal, or investment advisor, provided that the dealer,
7 limited Canadian dealer, Internet portal, or investment
8 advisor shall be given reasonable notice of the time and place
9 for the interview. At the option of the dealer, limited
10 Canadian dealer, Internet portal, or investment advisor, a
11 representative of the dealer or investment advisor with
12 supervisory responsibility over the individual being
13 interviewed may be present at the interview.

14 J. The Secretary of State may require by rule or regulation
15 the payment of an additional fee for the filing of information
16 or documents required to be filed by this Section which have
17 not been filed in a timely manner. The Secretary of State may
18 also require by rule or regulation the payment of an
19 examination fee for administering any examination which it may
20 conduct pursuant to subsection B, C, D, or D-5 of this Section
21 8.

22 K. The Secretary of State may declare any application for
23 registration or limited registration under this Section 8
24 abandoned by order if the applicant fails to pay any fee or

1 file any information or document required under this Section 8
2 or by rule or regulation for more than 30 days after the
3 required payment or filing date. The applicant may petition the
4 Secretary of State for a hearing within 15 days after the
5 applicant's receipt of the order of abandonment, provided that
6 the petition sets forth the grounds upon which the applicant
7 seeks a hearing.

8 L. Any document being filed pursuant to this Section 8
9 shall be deemed filed, and any fee being paid pursuant to this
10 Section 8 shall be deemed paid, upon the date of actual receipt
11 thereof by the Secretary of State or his or her designee.

12 M. (Blank).

13 (Source: P.A. 99-182, eff. 1-1-16; 100-872, eff. 8-14-18.)

14 (815 ILCS 5/12) (from Ch. 121 1/2, par. 137.12)

15 Sec. 12. Violation. It shall be a violation of the
16 provisions of this Act for any person:

17 A. To offer or sell any security except in accordance
18 with the provisions of this Act.

19 B. To deliver to a purchaser any security required to
20 be registered under Section 5, Section 6 or Section 7
21 hereof unless accompanied or preceded by a prospectus that
22 meets the requirements of the pertinent subsection of
23 Section 5 or of Section 6 or of Section 7.

1 C. To act as a dealer, Internet portal, salesperson,
2 investment adviser, or investment adviser representative,
3 unless registered as such, where such registration is
4 required, under the provisions of this Act.

5 D. To fail to file with the Secretary of State any
6 application, report or document required to be filed under
7 the provisions of this Act or any rule or regulation made
8 by the Secretary of State pursuant to this Act or to fail
9 to comply with the terms of any order of the Secretary of
10 State issued pursuant to Section 11 hereof.

11 E. To make, or cause to be made, (1) in any sworn
12 testimony before the Secretary of State or the Illinois
13 Securities Department within the Office of the Secretary,
14 or application, report or document filed under this Act or
15 any rule or regulation made by the Secretary of State
16 pursuant to this Act, any statement which was false or
17 misleading with respect to any material fact or (2) any
18 statement to the effect that a security (other than a
19 security issued by the State of Illinois) has been in any
20 way endorsed or approved by the Secretary of State or the
21 State of Illinois.

22 F. To engage in any transaction, practice or course of
23 business in connection with the sale or purchase of
24 securities which works or tends to work a fraud or deceit
25 upon the purchaser or seller thereof.

26 G. To obtain money or property through the sale of

1 securities by means of any untrue statement of a material
2 fact or any omission to state a material fact necessary in
3 order to make the statements made, in the light of the
4 circumstances under which they were made, not misleading.

5 H. To sign or circulate any statement, prospectus, or
6 other paper or document required by any provision of this
7 Act or pertaining to any security knowing or having
8 reasonable grounds to know any material representation
9 therein contained to be false or untrue.

10 I. To employ any device, scheme or artifice to defraud
11 in connection with the sale or purchase of any security,
12 directly or indirectly.

13 J. When acting as an investment adviser, investment
14 adviser representative, or federal covered investment
15 adviser, by any means or instrumentality, directly or
16 indirectly:

17 (1) To employ any device, scheme or artifice to defraud
18 any client or prospective client;

19 (2) To engage in any transaction, practice, or
20 course of business which operates as a fraud or deceit
21 upon any client or prospective client; or

22 (3) To engage in any act, practice, or course of
23 business which is fraudulent, deceptive or
24 manipulative. The Secretary of State shall for the
25 purposes of this paragraph (3), by rules and
26 regulations, define and prescribe means reasonably

1 designed to prevent such acts, practices, and courses
2 of business as are fraudulent, deceptive, or
3 manipulative.

4 K. When offering or selling any mineral investment
5 contract or mineral deferred delivery contract:

6 (1) To employ any device, scheme, or artifice to
7 defraud any customer, prospective customer, or
8 offeree;

9 (2) To engage in any transaction, practice, or course
10 of business that operates as a fraud or deceit upon any
11 customer, prospective customer, or offeree; or

12 (3) To engage in any act, practice, or course of
13 business that is fraudulent, deceptive, or
14 manipulative. The Secretary of State shall for the
15 purposes of this paragraph (3), by rules and
16 regulations, define and prescribe means reasonably
17 designed to prevent acts, practices, and courses of
18 business as are fraudulent, deceptive, or
19 manipulative.

20 L. To knowingly influence, coerce, manipulate, or
21 mislead any person engaged in the preparation or audit of
22 financial statements or appraisals to be used in the offer
23 or sale of securities for the purpose of rendering such
24 financial statements or appraisals materially misleading.

25 (Source: P.A. 99-182, eff. 1-1-16.)

1 Section 15. The Payday Loan Reform Act is amended by
2 changing Section 2-5 as follows:

3 (815 ILCS 122/2-5)

4 Sec. 2-5. Loan terms.

5 (a) Without affecting the right of a consumer to prepay at
6 any time without cost or penalty, no payday loan may have a
7 minimum term of less than 13 days.

8 (b) Except for an installment payday loan as defined in
9 this Section, no payday loan may be made to a consumer if the
10 loan would result in the consumer being indebted to one or more
11 payday lenders for a period in excess of 45 consecutive days.
12 Except as provided under subsection (c) of this Section and
13 Section 2-40, if a consumer has or has had loans outstanding
14 for a period in excess of 45 consecutive days, no payday lender
15 may offer or make a loan to the consumer for at least 7
16 calendar days after the date on which the outstanding balance
17 of all payday loans made during the 45 consecutive day period
18 is paid in full. For purposes of this subsection, the term
19 "consecutive days" means a series of continuous calendar days
20 in which the consumer has an outstanding balance on one or more
21 payday loans; however, if a payday loan is made to a consumer
22 within 6 days or less after the outstanding balance of all
23 loans is paid in full, those days are counted as "consecutive
24 days" for purposes of this subsection.

25 (c) Notwithstanding anything in this Act to the contrary, a

1 payday loan shall also include any installment loan otherwise
2 meeting the definition of payday loan contained in Section
3 1-10, but that has a term agreed by the parties of not less
4 than 112 days and not exceeding 180 days; hereinafter an
5 "installment payday loan". The following provisions shall
6 apply:

7 (i) Any installment payday loan must be fully
8 amortizing, with a finance charge calculated on the
9 principal balances scheduled to be outstanding and be
10 repayable in substantially equal and consecutive
11 installments, according to a payment schedule agreed by the
12 parties with not less than 13 days and not more than one
13 month between payments; except that the first installment
14 period may be longer than the remaining installment periods
15 by not more than 15 days, and the first installment payment
16 may be larger than the remaining installment payments by
17 the amount of finance charges applicable to the extra days.
18 In calculating finance charges under this subsection, when
19 the first installment period is longer than the remaining
20 installment periods, the amount of the finance charges
21 applicable to the extra days shall not be greater than
22 \$15.50 per \$100 of the original principal balance divided
23 by the number of days in a regularly scheduled installment
24 period and multiplied by the number of extra days
25 determined by subtracting the number of days in a regularly
26 scheduled installment period from the number of days in the

1 first installment period.

2 (ii) An installment payday loan may be refinanced by a
3 new installment payday loan one time during the term of the
4 initial loan; provided that the total duration of
5 indebtedness on the initial installment payday loan
6 combined with the total term of indebtedness of the new
7 loan refinancing that initial loan, shall not exceed 180
8 days. For purposes of this Act, a refinancing occurs when
9 an existing installment payday loan is paid from the
10 proceeds of a new installment payday loan.

11 (iii) In the event an installment payday loan is paid
12 in full prior to the date on which the last scheduled
13 installment payment before maturity is due, other than
14 through a refinancing, no licensee may offer or make a
15 payday loan to the consumer for at least 2 calendar days
16 thereafter.

17 (iv) No installment payday loan may be made to a
18 consumer if the loan would result in the consumer being
19 indebted to one or more payday lenders for a period in
20 excess of 180 consecutive days. The term "consecutive days"
21 does not include the date on which a consumer makes the
22 final installment payment.

23 (d) (Blank).

24 (e) No lender may make a payday loan to a consumer if the
25 total of all payday loan payments coming due within the first
26 calendar month of the loan, when combined with the payment

1 amount of all of the consumer's other outstanding payday loans
2 coming due within the same month, exceeds the lesser of:

3 (1) \$1,000; or

4 (2) in the case of one or more payday loans, 25% of the
5 consumer's gross monthly income; or

6 (3) in the case of one or more installment payday
7 loans, 22.5% of the consumer's gross monthly income; or

8 (4) in the case of a payday loan and an installment
9 payday loan, 22.5% of the consumer's gross monthly income.

10 No loan shall be made to a consumer who has an outstanding
11 balance on 2 payday loans, except that, for a period of 12
12 months after March 21, 2011 (the effective date of Public Act
13 96-936), consumers with an existing CILA loan may be issued an
14 installment loan issued under this Act from the company from
15 which their CILA loan was issued.

16 (e-5) Except as provided in subsection (c)(i), no lender
17 may charge more than \$15.50 per \$100 loaned on any payday loan,
18 or more than \$15.50 per \$100 on the initial principal balance
19 and on the principal balances scheduled to be outstanding
20 during any installment period on any installment payday loan.
21 Except for installment payday loans and except as provided in
22 Section 2-25, this charge is considered fully earned as of the
23 date on which the loan is made. For purposes of determining the
24 finance charge earned on an installment payday loan, the
25 disclosed annual percentage rate shall be applied to the
26 principal balances outstanding from time to time until the loan

1 is paid in full, or until the maturity date, whichever occurs
2 first. No finance charge may be imposed after the final
3 scheduled maturity date.

4 When any loan contract is paid in full, the licensee shall
5 refund any unearned finance charge. The unearned finance charge
6 that is refunded shall be calculated based on a method that is
7 at least as favorable to the consumer as the actuarial method,
8 as defined by the federal Truth in Lending Act. The sum of the
9 digits or rule of 78ths method of calculating prepaid interest
10 refunds is prohibited.

11 (f) A lender may not take or attempt to take an interest in
12 any of the consumer's personal property to secure a payday
13 loan.

14 (g) A consumer has the right to redeem a check or any other
15 item described in the definition of payday loan under Section
16 1-10 issued in connection with a payday loan from the lender
17 holding the check or other item at any time before the payday
18 loan becomes payable by paying the full amount of the check or
19 other item.

20 (h) For the purpose of this Section, "substantially equal
21 installment" includes a last regularly scheduled payment that
22 may be less than, but no more than 5% larger than, the previous
23 scheduled payment according to a disclosed payment schedule
24 agreed to by the parties.

25 (Source: P.A. 100-201, eff. 8-18-17.)

1 (815 ILCS 5/2.10a rep.)

2 Section 20. The Illinois Securities Law of 1953 is amended
3 by repealing Section 2.10a.

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.