

# SB1628



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

SB1628

Introduced 2/15/2019, by Sen. Ram Villivalam

#### SYNOPSIS AS INTRODUCED:

815 ILCS 5/8

from Ch. 121 1/2, par. 137.8

Amends the Illinois Securities Law of 1953. Provides that every registered dealer, limited Canadian dealer, Internet portal, and investment adviser shall provide to the Secretary of State, upon request, such accounts, correspondence, memoranda, papers, books, and records as the Secretary of State may by rule prescribe, that it possesses and that it preserves for periods of longer than 3 years.

LRB101 05279 TAE 50292 b

A BILL FOR

1 AN ACT concerning business.

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

4 Section 5. The Illinois Securities Law of 1953 is amended  
5 by changing Section 8 as follows:

6 (815 ILCS 5/8) (from Ch. 121 1/2, par. 137.8)

7 Sec. 8. Registration of dealers, limited Canadian dealers,  
8 Internet portals, salespersons, investment advisers, and  
9 investment adviser representatives.

10 A. Except as otherwise provided in this subsection A, every  
11 dealer, limited Canadian dealer, salesperson, investment  
12 adviser, and investment adviser representative shall be  
13 registered as such with the Secretary of State. No dealer or  
14 salesperson need be registered as such when offering or selling  
15 securities in transactions exempted by subsection A, B, C, D,  
16 E, G, H, I, J, K, M, O, P, Q, R or S of Section 4 of this Act,  
17 provided that such dealer or salesperson is not regularly  
18 engaged in the business of offering or selling securities in  
19 reliance upon the exemption set forth in subsection G or M of  
20 Section 4 of this Act. No dealer, issuer or controlling person  
21 shall employ a salesperson unless such salesperson is  
22 registered as such with the Secretary of State or is employed

1 for the purpose of offering or selling securities solely in  
2 transactions exempted by subsection A, B, C, D, E, G, H, I, J,  
3 K, L, M, O, P, Q, R or S of Section 4 of this Act; provided that  
4 such salesperson need not be registered when effecting  
5 transactions in this State limited to those transactions  
6 described in Section 15(h)(2) of the Federal 1934 Act or  
7 engaging in the offer or sale of securities in respect of which  
8 he or she has beneficial ownership and is a controlling person.  
9 The Secretary of State may, by rule, regulation or order and  
10 subject to such terms, conditions, and fees as may be  
11 prescribed in such rule, regulation or order, exempt from the  
12 registration requirements of this Section 8 any investment  
13 adviser, if the Secretary of State shall find that such  
14 registration is not necessary in the public interest by reason  
15 of the small number of clients or otherwise limited character  
16 of operation of such investment adviser.

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

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

25 (2) A statement of any other Federal or state licenses

1 or registrations which have been granted the applicant and  
2 whether any such licenses or registrations have ever been  
3 refused, cancelled, suspended, revoked or withdrawn;

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

7 (4) (a) A brief description of any civil or criminal  
8 proceeding of which fraud is an essential element pending  
9 against the applicant and whether the applicant has ever  
10 been convicted of a felony, or of any misdemeanor of which  
11 fraud is an essential element;

12 (b) A list setting forth the name, residence and  
13 business address and a 10 year occupational statement of  
14 each principal of the applicant and a statement describing  
15 briefly any civil or criminal proceedings of which fraud is  
16 an essential element pending against any such principal and  
17 the facts concerning any conviction of any such principal  
18 of a felony, or of any misdemeanor of which fraud is an  
19 essential element;

20 (5) If the applicant is a corporation: a list of its  
21 officers and directors setting forth the residence and  
22 business address of each; a 10-year occupational statement  
23 of each such officer or director; and a statement  
24 describing briefly any civil or criminal proceedings of  
25 which fraud is an essential element pending against each  
26 such officer or director and the facts concerning any

1 conviction of any officer or director of a felony, or of  
2 any misdemeanor of which fraud is an essential element;

3 (6) If the applicant is a sole proprietorship, a  
4 partnership, limited liability company, an unincorporated  
5 association or any similar form of business organization:  
6 the name, residence and business address of the proprietor  
7 or of each partner, member, officer, director, trustee or  
8 manager; the limitations, if any, of the liability of each  
9 such individual; a 10-year occupational statement of each  
10 such individual; a statement describing briefly any civil  
11 or criminal proceedings of which fraud is an essential  
12 element pending against each such individual and the facts  
13 concerning any conviction of any such individual of a  
14 felony, or of any misdemeanor of which fraud is an  
15 essential element;

16 (7) Such additional information as the Secretary of  
17 State may by rule or regulation prescribe as necessary to  
18 determine the applicant's financial responsibility,  
19 business repute and qualification to act as a dealer.

20 (8) (a) No applicant shall be registered or  
21 re-registered as a dealer or limited Canadian dealer under  
22 this Section unless and until each principal of the dealer  
23 has passed an examination conducted by the Secretary of  
24 State or a self-regulatory organization of securities  
25 dealers or similar person, which examination has been  
26 designated by the Secretary of State by rule, regulation or

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

25 (b) Unless an applicant is a member of the body  
26 corporate known as the Securities Investor Protection

1 Corporation established pursuant to the Act of Congress of  
2 the United States known as the Securities Investor  
3 Protection Act of 1970, as amended, a member of an  
4 association of dealers registered as a national securities  
5 association pursuant to Section 15A of the Federal 1934  
6 Act, or a member of a self-regulatory organization or stock  
7 exchange in Canada which the Secretary of State has  
8 designated by rule or order, an applicant shall not be  
9 registered or re-registered unless and until there is filed  
10 with the Secretary of State evidence that such applicant  
11 has in effect insurance or other equivalent protection for  
12 each client's cash or securities held by such applicant,  
13 and an undertaking that such applicant will continually  
14 maintain such insurance or other protection during the  
15 period of registration or re-registration. Such insurance  
16 or other protection shall be in a form and amount  
17 reasonably prescribed by the Secretary of State by rule or  
18 regulation.

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

24 (10) The Secretary of State shall notify the dealer or  
25 limited Canadian dealer by written notice (which may be by  
26 electronic or facsimile transmission) of the effectiveness

1 of the registration as a dealer in this State.

2 (11) Any change which renders no longer accurate any  
3 information contained in any application for registration  
4 or re-registration of a dealer or limited Canadian dealer  
5 shall be reported to the Secretary of State within 10  
6 business days after the occurrence of such change; but in  
7 respect to assets and liabilities only materially adverse  
8 changes need be reported.

9 C. Any registered dealer, limited Canadian dealer, issuer,  
10 or controlling person desiring to register a salesperson shall  
11 file an application with the Secretary of State, in such form  
12 as the Secretary of State may by rule or regulation prescribe,  
13 which the salesperson is required by this Section to provide to  
14 the dealer, issuer, or controlling person, executed, verified,  
15 or authenticated by the salesperson setting forth or  
16 accompanied by:

17 (1) the name, residence and business address of the  
18 salesperson;

19 (2) whether any federal or State license or  
20 registration as dealer, limited Canadian dealer, or  
21 salesperson has ever been refused the salesperson or  
22 cancelled, suspended, revoked, withdrawn, barred, limited,  
23 or otherwise adversely affected in a similar manner or  
24 whether the salesperson has ever been censured or expelled;

25 (3) the nature of employment with, and names and



1 addresses of, employers of the salesperson for the 10 years  
2 immediately preceding the date of application;

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

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

12 (6) no individual shall be registered or re-registered  
13 as a salesperson under this Section unless and until such  
14 individual has passed an examination conducted by the  
15 Secretary of State or a self-regulatory organization of  
16 securities dealers or similar person, which examination  
17 has been designated by the Secretary of State by rule,  
18 regulation or order to be satisfactory for purposes of  
19 determining whether the applicant has sufficient knowledge  
20 of the securities business and laws relating thereto to act  
21 as a registered salesperson.

22 Any salesperson who was registered prior to September  
23 30, 1963, and has continued to be so registered, and any  
24 individual who has passed a securities salesperson  
25 examination administered by the Secretary of State or an  
26 examination designated by the Secretary of State by rule,

1 regulation or order to be satisfactory for purposes of  
2 determining whether the applicant has sufficient knowledge  
3 of the securities business and laws relating thereto to act  
4 as a registered salesperson, shall not be required to pass  
5 an examination in order to continue to act as a  
6 salesperson. The Secretary of State may by order waive the  
7 examination requirement for any applicant for registration  
8 under this subsection C who has had such experience or  
9 education relating to the securities business as may be  
10 determined by the Secretary of State to be the equivalent  
11 of such examination. Any request for such a waiver shall be  
12 filed with the Secretary of State in such form as may be  
13 prescribed by rule, regulation or order.

14 (7) The application for registration of a salesperson  
15 shall be accompanied by a filing fee and a Securities Audit  
16 and Enforcement Fund fee, each in the amount established  
17 pursuant to Section 11a of this Act, which shall not be  
18 returnable in any event.

19 (8) Any change which renders no longer accurate any  
20 information contained in any application for registration  
21 or re-registration as a salesperson shall be reported to  
22 the Secretary of State within 10 business days after the  
23 occurrence of such change. If the activities are terminated  
24 which rendered an individual a salesperson for the dealer,  
25 issuer or controlling person, the dealer, issuer or  
26 controlling person, as the case may be, shall notify the

1 Secretary of State, in writing, within 30 days of the  
2 salesperson's cessation of activities, using the  
3 appropriate termination notice form.

4 (9) A registered salesperson may transfer his or her  
5 registration under this Section 8 for the unexpired term  
6 thereof from one registered dealer or limited Canadian  
7 dealer to another by the giving of notice of the transfer  
8 by the new registered dealer or limited Canadian dealer to  
9 the Secretary of State in such form and subject to such  
10 conditions as the Secretary of State shall by rule or  
11 regulation prescribe. The new registered dealer or limited  
12 Canadian dealer shall promptly file an application for  
13 registration of such salesperson as provided in this  
14 subsection C, accompanied by the filing fee prescribed by  
15 paragraph (7) of this subsection C.

16 C-5. Except with respect to federal covered investment  
17 advisers whose only clients are investment companies as defined  
18 in the Federal 1940 Act, other investment advisers, federal  
19 covered investment advisers, or any similar person which the  
20 Secretary of State may prescribe by rule or order, a federal  
21 covered investment adviser shall file with the Secretary of  
22 State, prior to acting as a federal covered investment adviser  
23 in this State, such documents as have been filed with the  
24 Securities and Exchange Commission as the Secretary of State by  
25 rule or order may prescribe. The notification of a federal

1 covered investment adviser shall be accompanied by a  
2 notification filing fee established pursuant to Section 11a of  
3 this Act, which shall not be returnable in any event. Every  
4 person acting as a federal covered investment adviser in this  
5 State shall file a notification filing and pay an annual  
6 notification filing fee established pursuant to Section 11a of  
7 this Act, which is not returnable in any event. The failure to  
8 file any such notification shall constitute a violation of  
9 subsection D of Section 12 of this Act, subject to the  
10 penalties enumerated in Section 14 of this Act. Until October  
11 10, 1999 or other date as may be legally permissible, a federal  
12 covered investment adviser who fails to file the notification  
13 or refuses to pay the fees as required by this subsection shall  
14 register as an investment adviser with the Secretary of State  
15 under Section 8 of this Act. The civil remedies provided for in  
16 subsection A of Section 13 of this Act and the civil remedies  
17 of rescission and appointment of receiver, conservator,  
18 ancillary receiver, or ancillary conservator provided for in  
19 subsection F of Section 13 of this Act shall not be available  
20 against any person by reason of the failure to file any such  
21 notification or to pay the notification fee or on account of  
22 the contents of any such notification.

23 D. An application for registration as an investment  
24 adviser, executed, verified, or authenticated by or on behalf  
25 of the applicant, shall be filed with the Secretary of State,

1 in such form as the Secretary of State may by rule or  
2 regulation prescribe, setting forth or accompanied by:

3 (1) The name and form of organization under which the  
4 investment adviser engages or intends to engage in  
5 business; the state or country and date of its  
6 organization; the location of the adviser's principal  
7 business office and branch offices, if any; the names and  
8 addresses of the adviser's principal, partners, officers,  
9 directors, and persons performing similar functions or, if  
10 the investment adviser is an individual, of the individual;  
11 and the number of the adviser's employees who perform  
12 investment advisory functions;

13 (2) The education, the business affiliations for the  
14 past 10 years, and the present business affiliations of the  
15 investment adviser and of the adviser's principal,  
16 partners, officers, directors, and persons performing  
17 similar functions and of any person controlling the  
18 investment adviser;

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

22 (4) The nature and scope of the authority of the  
23 investment adviser with respect to clients' funds and  
24 accounts;

25 (5) The basis or bases upon which the investment  
26 adviser is compensated;

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

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

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

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

26           (9) No applicant shall be registered or re-registered

1 as an investment adviser under this Section unless and  
2 until each principal of the applicant who is actively  
3 engaged in the conduct and management of the applicant's  
4 advisory business in this State has passed an examination  
5 or completed an educational program conducted by the  
6 Secretary of State or an association of investment advisers  
7 or similar person, which examination or educational  
8 program has been designated by the Secretary of State by  
9 rule, regulation or order to be satisfactory for purposes  
10 of determining whether the applicant has sufficient  
11 knowledge of the securities business and laws relating  
12 thereto to conduct the business of a registered investment  
13 adviser.

14 Any person who was a registered investment adviser  
15 prior to September 30, 1963, and has continued to be so  
16 registered, and any individual who has passed an investment  
17 adviser examination administered by the Secretary of  
18 State, or passed an examination or completed an educational  
19 program designated by the Secretary of State by rule,  
20 regulation or order to be satisfactory for purposes of  
21 determining whether the applicant has sufficient knowledge  
22 of the securities business and laws relating thereto to  
23 conduct the business of a registered investment adviser,  
24 shall not be required to pass an examination or complete an  
25 educational program in order to continue to act as an  
26 investment adviser. The Secretary of State may by order

1 waive the examination or educational program requirement  
2 for any applicant for registration under this subsection D  
3 if the principal of the applicant who is actively engaged  
4 in the conduct and management of the applicant's advisory  
5 business in this State has had such experience or education  
6 relating to the securities business as may be determined by  
7 the Secretary of State to be the equivalent of the  
8 examination or educational program. Any request for a  
9 waiver shall be filed with the Secretary of State in such  
10 form as may be prescribed by rule or regulation.

11 (10) No applicant shall be registered or re-registered  
12 as an investment adviser under this Section 8 unless the  
13 application for registration or re-registration is  
14 accompanied by an application for registration or  
15 re-registration for each person acting as an investment  
16 adviser representative on behalf of the adviser and a  
17 Securities Audit and Enforcement Fund fee that shall not be  
18 returnable in any event is paid with respect to each  
19 investment adviser representative.

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

25 (12) The Secretary of State shall notify the investment  
26 adviser by written notice (which may be by electronic or



1 facsimile transmission) of the effectiveness of the  
2 registration as an investment adviser in this State.

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

16 (14) Each application for registration as an  
17 investment adviser shall become effective automatically on  
18 the 45th day following the filing of the application,  
19 required documents or information, and payment of the  
20 required fee unless (i) the Secretary of State has  
21 registered the investment adviser prior to that date or  
22 (ii) an action with respect to the applicant is pending  
23 under Section 11 of this Act.

24 D-5. A registered investment adviser or federal covered  
25 investment adviser desiring to register an investment adviser

1 representative shall file an application with the Secretary of  
2 State, in the form as the Secretary of State may by rule or  
3 order prescribe, which the investment adviser representative  
4 is required by this Section to provide to the investment  
5 adviser, executed, verified, or authenticated by the  
6 investment adviser representative and setting forth or  
7 accompanied by:

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

10 (2) A statement whether any federal or state license or  
11 registration as a dealer, salesperson, investment adviser,  
12 or investment adviser representative has ever been  
13 refused, canceled, suspended, revoked or withdrawn;

14 (3) The nature of employment with, and names and  
15 addresses of, employers of the investment adviser  
16 representative for the 10 years immediately preceding the  
17 date of application;

18 (4) A brief description of any civil or criminal  
19 proceedings, of which fraud is an essential element,  
20 pending against the investment adviser representative and  
21 whether the investment adviser representative has ever  
22 been convicted of a felony or of any misdemeanor of which  
23 fraud is an essential element;

24 (5) Such additional information as the Secretary of  
25 State may by rule or order prescribe as necessary to  
26 determine the investment adviser representative's business

1           repute or qualification to act as an investment adviser  
2           representative;

3           (6) Documentation that the individual has passed an  
4           examination conducted by the Secretary of State, an  
5           organization of investment advisers, or similar person,  
6           which examination has been designated by the Secretary of  
7           State by rule or order to be satisfactory for purposes of  
8           determining whether the applicant has sufficient knowledge  
9           of the investment advisory or securities business and laws  
10          relating to that business to act as a registered investment  
11          adviser representative; and

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

15          The Secretary of State may by order waive the examination  
16          requirement for an applicant for registration under this  
17          subsection D-5 who has had the experience or education relating  
18          to the investment advisory or securities business as may be  
19          determined by the Secretary of State to be the equivalent of  
20          the examination. A request for a waiver shall be filed with the  
21          Secretary of State in the form as may be prescribed by rule or  
22          order.

23          A change that renders no longer accurate any information  
24          contained in any application for registration or  
25          re-registration as an investment adviser representative must  
26          be reported to the Secretary of State within 10 business days

1 after the occurrence of the change. If the activities that  
2 rendered an individual an investment adviser representative  
3 for the investment adviser are terminated, the investment  
4 adviser shall notify the Secretary of State in writing (which  
5 may be by electronic or facsimile transmission), within 30 days  
6 of the investment adviser representative's termination, using  
7 the appropriate termination notice form as the Secretary of  
8 State may prescribe by rule or order.

9 A registered investment adviser representative may  
10 transfer his or her registration under this Section 8 for the  
11 unexpired term of the registration from one registered  
12 investment adviser to another by the giving of notice of the  
13 transfer by the new investment adviser to the Secretary of  
14 State in the form and subject to the conditions as the  
15 Secretary of State shall prescribe. The new registered  
16 investment adviser shall promptly file an application for  
17 registration of the investment adviser representative as  
18 provided in this subsection, accompanied by the Securities  
19 Audit and Enforcement Fund fee prescribed by paragraph (7) of  
20 this subsection D-5.

21 E. (1) Subject to the provisions of subsection F of Section  
22 11 of this Act, the registration of a dealer, limited Canadian  
23 dealer, salesperson, investment adviser, or investment adviser  
24 representative may be denied, suspended or revoked if the  
25 Secretary of State finds that the dealer, limited Canadian

1 dealer, Internet portal, salesperson, investment adviser, or  
2 investment adviser representative or any principal officer,  
3 director, partner, member, trustee, manager or any person who  
4 performs a similar function of the dealer, limited Canadian  
5 dealer, Internet portal, or investment adviser:

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

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

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

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

17 (e) in the case of a dealer, limited Canadian dealer,  
18 salesperson, or registered principal of a dealer or limited  
19 Canadian dealer (i) has failed reasonably to supervise the  
20 securities activities of any of its salespersons or other  
21 employees and the failure has permitted or facilitated a  
22 violation of Section 12 of this Act or (ii) is offering or  
23 selling or has offered or sold securities in this State  
24 through a salesperson other than a registered salesperson,  
25 or, in the case of a salesperson, is selling or has sold  
26 securities in this State for a dealer, limited Canadian

1 dealer, issuer or controlling person with knowledge that  
2 the dealer, limited Canadian dealer, issuer or controlling  
3 person has not complied with the provisions of this Act or  
4 (iii) has failed reasonably to supervise the  
5 implementation of compliance measures following notice by  
6 the Secretary of State of noncompliance with the Act or  
7 with the regulations promulgated thereunder or both or (iv)  
8 has failed to maintain and enforce written procedures to  
9 supervise the types of business in which it engages and to  
10 supervise the activities of its salespersons that are  
11 reasonably designed to achieve compliance with applicable  
12 securities laws and regulations;

13 (f) in the case of an investment adviser, has failed  
14 reasonably to supervise the advisory activities of any of  
15 its investment adviser representatives or employees and  
16 the failure has permitted or facilitated a violation of  
17 Section 12 of this Act;

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

19 (h) has made any material misrepresentation to the  
20 Secretary of State in connection with any information  
21 deemed necessary by the Secretary of State to determine a  
22 dealer's, limited Canadian dealer's, or investment  
23 adviser's financial responsibility or a dealer's, limited  
24 Canadian dealer's, investment adviser's, salesperson's, or  
25 investment adviser representative's business repute or  
26 qualifications, or has refused to furnish any such

1 information requested by the Secretary of State;

2 (i) has had a license or registration under any Federal  
3 or State law regulating securities, commodity futures  
4 contracts, or stock futures contracts refused, cancelled,  
5 suspended, withdrawn, revoked, or otherwise adversely  
6 affected in a similar manner;

7 (j) has had membership in or association with any  
8 self-regulatory organization registered under the Federal  
9 1934 Act or the Federal 1974 Act suspended, revoked,  
10 refused, expelled, cancelled, barred, limited in any  
11 capacity, or otherwise adversely affected in a similar  
12 manner arising from any fraudulent or deceptive act or a  
13 practice in violation of any rule, regulation or standard  
14 duly promulgated by the self-regulatory organization;

15 (k) has had any order entered against it after notice  
16 and opportunity for hearing by a securities agency of any  
17 state, any foreign government or agency thereof, the  
18 Securities and Exchange Commission, or the Federal  
19 Commodities Futures Trading Commission arising from any  
20 fraudulent or deceptive act or a practice in violation of  
21 any statute, rule or regulation administered or  
22 promulgated by the agency or commission;

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

26 (m) has conducted a continuing course of dealing of

1 such nature as to demonstrate an inability to properly  
2 conduct the business of the dealer, limited Canadian  
3 dealer, salesperson, investment adviser, or investment  
4 adviser representative;

5 (n) has had, after notice and opportunity for hearing,  
6 any injunction or order entered against it or license or  
7 registration refused, cancelled, suspended, revoked,  
8 withdrawn, limited, or otherwise adversely affected in a  
9 similar manner by any state or federal body, agency or  
10 commission regulating banking, insurance, finance or small  
11 loan companies, real estate or mortgage brokers or  
12 companies, if the action resulted from any act found by the  
13 body, agency or commission to be a fraudulent or deceptive  
14 act or practice in violation of any statute, rule or  
15 regulation administered or promulgated by the body, agency  
16 or commission;

17 (o) has failed to file a return, or to pay the tax,  
18 penalty or interest shown in a filed return, or to pay any  
19 final assessment of tax, penalty or interest, as required  
20 by any tax Act administered by the Illinois Department of  
21 Revenue, until such time as the requirements of that tax  
22 Act are satisfied;

23 (p) (blank);

24 (q) has failed to maintain the books and records  
25 required under this Act or rules or regulations promulgated  
26 under this Act or under any requirements established by the



1 Securities and Exchange Commission or a self-regulatory  
2 organization;

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

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

10 (t) has refused the Secretary of State or his or her  
11 designee access to any office or location within an office  
12 to conduct an investigation, audit, examination, or  
13 inspection;

14 (u) has advised or caused a public pension fund or  
15 retirement system established under the Illinois Pension  
16 Code to make an investment or engage in a transaction not  
17 authorized by that Code;

18 (v) if a corporation, limited liability company, or  
19 limited liability partnership has been suspended,  
20 canceled, revoked, or has failed to register as a foreign  
21 corporation, limited liability company, or limited  
22 liability partnership with the Secretary of State;

23 (w) is permanently or temporarily enjoined by any court  
24 of competent jurisdiction, including any state, federal,  
25 or foreign government, from engaging in or continuing any  
26 conduct or practice involving any aspect of the securities

1           or commodities business or in any other business where the  
2           conduct or practice enjoined involved investments,  
3           franchises, insurance, banking, or finance;

4           (2) If the Secretary of State finds that any registrant or  
5           applicant for registration is no longer in existence or has  
6           ceased to do business as a dealer, limited Canadian dealer,  
7           Internet portal, salesperson, investment adviser, or  
8           investment adviser representative, or is subject to an  
9           adjudication as a person under legal disability or to the  
10          control of a guardian, or cannot be located after reasonable  
11          search, or has failed after written notice to pay to the  
12          Secretary of State any additional fee prescribed by this  
13          Section or specified by rule or regulation, the Secretary of  
14          State may by order cancel the registration or application.

15          (3) Withdrawal of an application for registration or  
16          withdrawal from registration as a dealer, limited Canadian  
17          dealer, salesperson, investment adviser, or investment adviser  
18          representative becomes effective 30 days after receipt of an  
19          application to withdraw or within such shorter period of time  
20          as the Secretary of State may determine, unless any proceeding  
21          is pending under Section 11 of this Act when the application is  
22          filed or a proceeding is instituted within 30 days after the  
23          application is filed. If a proceeding is pending or instituted,  
24          withdrawal becomes effective at such time and upon such  
25          conditions as the Secretary of State by order determines. If no  
26          proceeding is pending or instituted and withdrawal

1 automatically becomes effective, the Secretary of State may  
2 nevertheless institute a revocation or suspension proceeding  
3 within 2 years after withdrawal became effective and enter a  
4 revocation or suspension order as of the last date on which  
5 registration was effective.

6 F. The Secretary of State shall make available upon request  
7 the date that each dealer, investment adviser, salesperson, or  
8 investment adviser representative was granted registration,  
9 together with the name and address of the dealer, limited  
10 Canadian dealer, or issuer on whose behalf the salesperson is  
11 registered, and all orders of the Secretary of State denying or  
12 abandoning an application, or suspending or revoking  
13 registration, or censuring the persons. The Secretary of State  
14 may designate by rule, regulation or order the statements,  
15 information or reports submitted to or filed with him or her  
16 pursuant to this Section 8 which the Secretary of State  
17 determines are of a sensitive nature and therefore should be  
18 exempt from public disclosure. Any such statement, information  
19 or report shall be deemed confidential and shall not be  
20 disclosed to the public except upon the consent of the person  
21 filing or submitting the statement, information or report or by  
22 order of court or in court proceedings.

23 G. The registration or re-registration of a dealer or  
24 limited Canadian dealer and of all salespersons registered upon

1 application of the dealer or limited Canadian dealer shall  
2 expire on the next succeeding anniversary date of the  
3 registration or re-registration of the dealer; and the  
4 registration or re-registration of an investment adviser and of  
5 all investment adviser representatives registered upon  
6 application of the investment adviser shall expire on the next  
7 succeeding anniversary date of the registration of the  
8 investment adviser; provided, that the Secretary of State may  
9 by rule or regulation prescribe an alternate date which any  
10 dealer registered under the Federal 1934 Act or a member of any  
11 self-regulatory association approved pursuant thereto, a  
12 member of a self-regulatory organization or stock exchange in  
13 Canada, or any investment adviser may elect as the expiration  
14 date of its dealer or limited Canadian dealer and salesperson  
15 registrations, or the expiration date of its investment adviser  
16 registration, as the case may be. A registration of a  
17 salesperson registered upon application of an issuer or  
18 controlling person shall expire on the next succeeding  
19 anniversary date of the registration, or upon termination or  
20 expiration of the registration of the securities, if any,  
21 designated in the application for his or her registration or  
22 the alternative date as the Secretary may prescribe by rule or  
23 regulation. Subject to paragraph (9) of subsection C of this  
24 Section 8, a salesperson's registration also shall terminate  
25 upon cessation of his or her employment, or termination of his  
26 or her appointment or authorization, in each case by the person

1 who applied for the salesperson's registration, provided that  
2 the Secretary of State may by rule or regulation prescribe an  
3 alternate date for the expiration of the registration.

4 H. Applications for re-registration of dealers, limited  
5 Canadian dealers, Internet portals, salespersons, investment  
6 advisers, and investment adviser representatives shall be  
7 filed with the Secretary of State prior to the expiration of  
8 the then current registration and shall contain such  
9 information as may be required by the Secretary of State upon  
10 initial application with such omission therefrom or addition  
11 thereto as the Secretary of State may authorize or prescribe.  
12 Each application for re-registration of a dealer, limited  
13 Canadian dealer, Internet portal, or investment adviser shall  
14 be accompanied by a filing fee, each application for  
15 re-registration as a salesperson shall be accompanied by a  
16 filing fee and a Securities Audit and Enforcement Fund fee  
17 established pursuant to Section 11a of this Act, and each  
18 application for re-registration as an investment adviser  
19 representative shall be accompanied by a Securities Audit and  
20 Enforcement Fund fee established under Section 11a of this Act,  
21 which shall not be returnable in any event. Notwithstanding the  
22 foregoing, applications for re-registration of dealers,  
23 limited Canadian dealers, Internet portals, and investment  
24 advisers may be filed within 30 days following the expiration  
25 of the registration provided that the applicant pays the annual

1 registration fee together with an additional amount equal to  
2 the annual registration fee and files any other information or  
3 documents that the Secretary of State may prescribe by rule or  
4 regulation or order. Any application filed within 30 days  
5 following the expiration of the registration shall be  
6 automatically effective as of the time of the earlier  
7 expiration provided that the proper fee has been paid to the  
8 Secretary of State.

9 Each registered dealer, limited Canadian dealer, Internet  
10 portal, or investment adviser shall continue to be registered  
11 if the registrant changes his, her, or its form of organization  
12 provided that the dealer or investment adviser files an  
13 amendment to his, her, or its application not later than 30  
14 days following the occurrence of the change and pays the  
15 Secretary of State a fee in the amount established under  
16 Section 11a of this Act.

17 I. (1) (a) Every registered dealer, limited Canadian  
18 dealer, Internet portal, and investment adviser shall make and  
19 keep for such periods, such accounts, correspondence,  
20 memoranda, papers, books and records as the Secretary of State  
21 may by rule or regulation prescribe. All records so required  
22 shall be preserved for 3 years unless the Secretary of State by  
23 rule, regulation or order prescribes otherwise for particular  
24 types of records.

25 (b) Every registered dealer, limited Canadian dealer,

1 Internet portal, and investment adviser shall provide to the  
2 Secretary of State, upon request, such accounts,  
3 correspondence, memoranda, papers, books and records as the  
4 Secretary of State may by rule or regulation prescribe, that it  
5 possesses and that it preserves for periods of longer than 3  
6 years.

7 (2) Every registered dealer, limited Canadian dealer,  
8 Internet portal, and investment adviser shall file such  
9 financial reports as the Secretary of State may by rule or  
10 regulation prescribe.

11 (3) All the books and records referred to in paragraph (1)  
12 of this subsection I are subject at any time or from time to  
13 time to such reasonable periodic, special or other audits,  
14 examinations, or inspections by representatives of the  
15 Secretary of State, within or without this State, as the  
16 Secretary of State deems necessary or appropriate in the public  
17 interest or for the protection of investors.

18 (4) At the time of an audit, examination, or inspection,  
19 the Secretary of State, by his or her designees, may conduct an  
20 interview of any person employed or appointed by or affiliated  
21 with a registered dealer, limited Canadian dealer, Internet  
22 portal, or investment advisor, provided that the dealer,  
23 limited Canadian dealer, Internet portal, or investment  
24 advisor shall be given reasonable notice of the time and place  
25 for the interview. At the option of the dealer, limited  
26 Canadian dealer, Internet portal, or investment advisor, a

1 representative of the dealer or investment advisor with  
2 supervisory responsibility over the individual being  
3 interviewed may be present at the interview.

4 J. The Secretary of State may require by rule or regulation  
5 the payment of an additional fee for the filing of information  
6 or documents required to be filed by this Section which have  
7 not been filed in a timely manner. The Secretary of State may  
8 also require by rule or regulation the payment of an  
9 examination fee for administering any examination which it may  
10 conduct pursuant to subsection B, C, D, or D-5 of this Section  
11 8.

12 K. The Secretary of State may declare any application for  
13 registration or limited registration under this Section 8  
14 abandoned by order if the applicant fails to pay any fee or  
15 file any information or document required under this Section 8  
16 or by rule or regulation for more than 30 days after the  
17 required payment or filing date. The applicant may petition the  
18 Secretary of State for a hearing within 15 days after the  
19 applicant's receipt of the order of abandonment, provided that  
20 the petition sets forth the grounds upon which the applicant  
21 seeks a hearing.

22 L. Any document being filed pursuant to this Section 8  
23 shall be deemed filed, and any fee being paid pursuant to this



1 Section 8 shall be deemed paid, upon the date of actual receipt  
2 thereof by the Secretary of State or his or her designee.

3 M. (Blank).

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