

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 Sections 2.11, 2.12b, 8, and 12 and by adding
6 Section 3.5 as follows:

7 (815 ILCS 5/2.11) (from Ch. 121 1/2, par. 137.2-11)

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

22 (1) a bank or trust company, or the regular employees of a
23 bank or trust company;

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

4 (A) does not exercise investment discretion with
5 respect to the assets of clients or maintain custody of the
6 assets of clients for the purpose of investing those
7 assets, except when the person is acting as a bona fide
8 fiduciary in a capacity such as an executor, trustee,
9 personal representative, estate or trust agent, guardian,
10 conservator, or person serving in a similar fiduciary
11 capacity;

12 (B) does not accept or receive, directly or indirectly,
13 any commission, fee, or other remuneration contingent upon
14 the purchase or sale of any specific security by a client
15 of such person; and

16 (C) does not advise on the purchase or sale of specific
17 securities, except that this clause (C) shall not apply
18 when the advice about specific securities is based on
19 financial statement analyses or tax considerations that
20 are reasonably related to and in connection with the
21 person's profession;

22 (3) any registered dealer or partner, officer, director or
23 regular employee of a registered dealer, or registered
24 salesperson, whose performance of these services, in each case,
25 is solely incidental to the conduct of the business of the
26 registered dealer or registered salesperson, as the case may

1 be, and who receives no special compensation, directly or
2 indirectly, for such services;

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

6 (5) any person whose advice, analyses or reports relate
7 only to securities which are direct obligations of, or
8 obligations guaranteed as to principal or interest by, the
9 United States, any state or any political subdivision of any
10 state, or any public agency or public instrumentality of any
11 one or more of the foregoing;

12 (5.5) any person who is a federal covered investment
13 adviser; or

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

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

18 (815 ILCS 5/2.12b) (from Ch. 121 1/2, par. 137.2-12b)

19 Sec. 2.12b. Investment adviser representative. "Investment
20 adviser representative" means, with respect to an investment
21 adviser who is required to register under this Act, any
22 partner, officer, director of (or a person occupying a similar
23 status or performing similar functions), or other natural
24 person employed by or associated with an investment adviser,
25 except clerical or ministerial personnel, who in this State:

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

3 (2) manages accounts or portfolios of clients;

4 (3) determines what recommendation or advice regarding
5 securities or investments should be given;

6 (4) supervises any employee who performs any of the
7 foregoing; or

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

10 With respect to a federal covered investment adviser,
11 "investment adviser representative" means any person who is an
12 investment adviser representative with a place of business in
13 this State as such terms are defined by the Securities and
14 Exchange Commission under Section 203A of the Federal 1940
15 Investment Advisers Act.

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

18 (815 ILCS 5/3.5 new)

19 Sec. 3.5. Authority of Secretary of State. Notwithstanding
20 any other law, the Secretary of State has the authority to
21 enforce this Act as it pertains to the offer, sale, or
22 investment advice concerning a covered security as defined by
23 Section 2.29.

24 (815 ILCS 5/8) (from Ch. 121 1/2, par. 137.8)

1 Sec. 8. Registration of dealers, limited Canadian dealers,
2 Internet portals, salespersons, investment advisers, and
3 investment adviser representatives.

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

1 subject to such terms, conditions, and fees as may be
2 prescribed in such rule, regulation or order, exempt from the
3 registration requirements of this Section 8 any investment
4 adviser, if the Secretary of State shall find that such
5 registration is not necessary in the public interest by reason
6 of the small number of clients or otherwise limited character
7 of operation of such investment adviser.

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

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

16 (2) A statement of any other Federal or state licenses
17 or registrations which have been granted the applicant and
18 whether any such licenses or registrations have ever been
19 refused, cancelled, suspended, revoked or withdrawn;

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

23 (4) (a) A brief description of any civil or criminal
24 proceeding of which fraud is an essential element pending
25 against the applicant and whether the applicant has ever

1 been convicted of a felony, or of any misdemeanor of which
2 fraud is an essential element;

3 (b) A list setting forth the name, residence and
4 business address and a 10 year occupational statement of
5 each principal of the applicant and a statement describing
6 briefly any civil or criminal proceedings of which fraud is
7 an essential element pending against any such principal and
8 the facts concerning any conviction of any such principal
9 of a felony, or of any misdemeanor of which fraud is an
10 essential element;

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

20 (6) If the applicant is a sole proprietorship, a
21 partnership, limited liability company, an unincorporated
22 association or any similar form of business organization:
23 the name, residence and business address of the proprietor
24 or of each partner, member, officer, director, trustee or
25 manager; the limitations, if any, of the liability of each
26 such individual; a 10-year occupational statement of each

1 such individual; a statement describing briefly any civil
2 or criminal proceedings of which fraud is an essential
3 element pending against each such individual and the facts
4 concerning any conviction of any such individual of a
5 felony, or of any misdemeanor of which fraud is an
6 essential element;

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

11 (8) (a) No applicant shall be registered or
12 re-registered as a dealer or limited Canadian dealer under
13 this Section unless and until each principal of the dealer
14 has passed an examination conducted by the Secretary of
15 State or a self-regulatory organization of securities
16 dealers or similar person, which examination has been
17 designated by the Secretary of State by rule, regulation or
18 order to be satisfactory for purposes of determining
19 whether the applicant has sufficient knowledge of the
20 securities business and laws relating thereto to act as a
21 registered dealer. Any dealer who was registered on
22 September 30, 1963, and has continued to be so registered;
23 and any principal of any registered dealer, who was acting
24 in such capacity on and continuously since September 30,
25 1963; and any individual who has previously passed a
26 securities dealer examination administered by the

1 Secretary of State or any examination designated by the
2 Secretary of State 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 dealer by rule, regulation or order, shall
6 not be required to pass an examination in order to continue
7 to act in such capacity. The Secretary of State may by
8 order waive the examination requirement for any principal
9 of an applicant for registration under this subsection B
10 who has had such experience or education relating to the
11 securities business as may be determined by the Secretary
12 of State to be the equivalent of such examination. Any
13 request for such a waiver shall be filed with the Secretary
14 of State in such form as may be prescribed by rule or
15 regulation.

16 (b) Unless an applicant is a member of the body
17 corporate known as the Securities Investor Protection
18 Corporation established pursuant to the Act of Congress of
19 the United States known as the Securities Investor
20 Protection Act of 1970, as amended, a member of an
21 association of dealers registered as a national securities
22 association pursuant to Section 15A of the Federal 1934
23 Act, or a member of a self-regulatory organization or stock
24 exchange in Canada which the Secretary of State has
25 designated by rule or order, an applicant shall not be
26 registered or re-registered unless and until there is filed

1 with the Secretary of State evidence that such applicant
2 has in effect insurance or other equivalent protection for
3 each client's cash or securities held by such applicant,
4 and an undertaking that such applicant will continually
5 maintain such insurance or other protection during the
6 period of registration or re-registration. Such insurance
7 or other protection shall be in a form and amount
8 reasonably prescribed by the Secretary of State by rule or
9 regulation.

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

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

19 (11) Any change which renders no longer accurate any
20 information contained in any application for registration
21 or re-registration of a dealer or limited Canadian dealer
22 shall be reported to the Secretary of State within 10
23 business days after the occurrence of such change; but in
24 respect to assets and liabilities only materially adverse
25 changes need be reported.

1 C. Any registered dealer, limited Canadian dealer, issuer,
2 or controlling person desiring to register a salesperson shall
3 file an application with the Secretary of State, in such form
4 as the Secretary of State may by rule or regulation prescribe,
5 which the salesperson is required by this Section to provide to
6 the dealer, issuer, or controlling person, executed, verified,
7 or authenticated by the salesperson setting forth or
8 accompanied by:

9 (1) the name, residence and business address of the
10 salesperson;

11 (2) whether any federal or State license or
12 registration as dealer, limited Canadian dealer, or
13 salesperson has ever been refused the salesperson or
14 cancelled, suspended, revoked, withdrawn, barred, limited,
15 or otherwise adversely affected in a similar manner or
16 whether the salesperson has ever been censured or expelled;

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

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

25 (5) such additional information as the Secretary of
26 State may by rule, regulation or order prescribe as

1 necessary to determine the salesperson's business repute
2 and qualification to act as a salesperson; and

3 (6) no individual shall be registered or re-registered
4 as a salesperson under this Section unless and until such
5 individual has passed an examination conducted by the
6 Secretary of State or a self-regulatory organization of
7 securities dealers or similar person, which examination
8 has been designated by the Secretary of State by rule,
9 regulation or order to be satisfactory for purposes of
10 determining whether the applicant has sufficient knowledge
11 of the securities business and laws relating thereto to act
12 as a registered salesperson.

13 Any salesperson who was registered prior to September
14 30, 1963, and has continued to be so registered, and any
15 individual who has passed a securities salesperson
16 examination administered by the Secretary of State or an
17 examination 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, shall not be required to pass
22 an examination in order to continue to act as a
23 salesperson. The Secretary of State may by order waive the
24 examination requirement for any applicant for registration
25 under this subsection C who has had such experience or
26 education relating to the securities business as may be

1 determined by the Secretary of State to be the equivalent
2 of such examination. Any request for such a waiver shall be
3 filed with the Secretary of State in such form as may be
4 prescribed by rule, regulation or order.

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

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

21 (9) A registered salesperson may transfer his or her
22 registration under this Section 8 for the unexpired term
23 thereof from one registered dealer or limited Canadian
24 dealer to another by the giving of notice of the transfer
25 by the new registered dealer or limited Canadian dealer to
26 the Secretary of State in such form and subject to such

1 conditions as the Secretary of State shall by rule or
2 regulation prescribe. The new registered dealer or limited
3 Canadian dealer shall promptly file an application for
4 registration of such salesperson as provided in this
5 subsection C, accompanied by the filing fee prescribed by
6 paragraph (7) of this subsection C.

7 C-5. Except with respect to federal covered investment
8 advisers whose only clients are investment companies as defined
9 in the Federal 1940 Act, other investment advisers, federal
10 covered investment advisers, or any similar person which the
11 Secretary of State may prescribe by rule or order, a federal
12 covered investment adviser shall file with the Secretary of
13 State, prior to acting as a federal covered investment adviser
14 in this State, such documents as have been filed with the
15 Securities and Exchange Commission as the Secretary of State by
16 rule or order may prescribe. The notification of a federal
17 covered investment adviser shall be accompanied by a
18 notification filing fee established pursuant to Section 11a of
19 this Act, which shall not be returnable in any event. Every
20 person acting as a federal covered investment adviser in this
21 State shall file a notification filing and pay an annual
22 notification filing fee established pursuant to Section 11a of
23 this Act, which is not returnable in any event. The failure to
24 file any such notification shall constitute a violation of
25 subsection D of Section 12 of this Act, subject to the

1 penalties enumerated in Section 14 of this Act. Until October
2 10, 1999 or other date as may be legally permissible, a federal
3 covered investment adviser who fails to file the notification
4 or refuses to pay the fees as required by this subsection shall
5 register as an investment adviser with the Secretary of State
6 under Section 8 of this Act. The civil remedies provided for in
7 subsection A of Section 13 of this Act and the civil remedies
8 of rescission and appointment of receiver, conservator,
9 ancillary receiver, or ancillary conservator provided for in
10 subsection F of Section 13 of this Act shall not be available
11 against any person by reason of the failure to file any such
12 notification or to pay the notification fee or on account of
13 the contents of any such notification.

14 D. An application for registration as an investment
15 adviser, executed, verified, or authenticated by or on behalf
16 of the applicant, shall be filed with the Secretary of State,
17 in such form as the Secretary of State may by rule or
18 regulation prescribe, setting forth or accompanied by:

19 (1) The name and form of organization under which the
20 investment adviser engages or intends to engage in
21 business; the state or country and date of its
22 organization; the location of the adviser's principal
23 business office and branch offices, if any; the names and
24 addresses of the adviser's principal, partners, officers,
25 directors, and persons performing similar functions or, if

1 the investment adviser is an individual, of the individual;
2 and the number of the adviser's employees who perform
3 investment advisory functions;

4 (2) The education, the business affiliations for the
5 past 10 years, and the present business affiliations of the
6 investment adviser and of the adviser's principal,
7 partners, officers, directors, and persons performing
8 similar functions and of any person controlling the
9 investment adviser;

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

13 (4) The nature and scope of the authority of the
14 investment adviser with respect to clients' funds and
15 accounts;

16 (5) The basis or bases upon which the investment
17 adviser is compensated;

18 (6) Whether the investment adviser or any principal,
19 partner, officer, director, person performing similar
20 functions or person controlling the investment adviser (i)
21 within 10 years of the filing of the application has been
22 convicted of a felony, or of any misdemeanor of which fraud
23 is an essential element, or (ii) is permanently or
24 temporarily enjoined by order or judgment from acting as an
25 investment adviser, underwriter, dealer, principal or
26 salesperson, or from engaging in or continuing any conduct

1 or practice in connection with any such activity or in
2 connection with the purchase or sale of any security, and
3 in each case the facts relating to the conviction, order or
4 judgment;

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

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

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

17 (9) No applicant shall be registered or re-registered
18 as an investment adviser under this Section unless and
19 until each principal of the applicant who is actively
20 engaged in the conduct and management of the applicant's
21 advisory business in this State has passed an examination
22 or completed an educational program conducted by the
23 Secretary of State or an association of investment advisers
24 or similar person, which examination or educational
25 program has been designated by the Secretary of State by
26 rule, regulation or order to be satisfactory for purposes

1 of determining whether the applicant has sufficient
2 knowledge of the securities business and laws relating
3 thereto to conduct the business of a registered investment
4 adviser.

5 Any person who was a registered investment adviser
6 prior to September 30, 1963, and has continued to be so
7 registered, and any individual who has passed an investment
8 adviser examination administered by the Secretary of
9 State, or passed an examination or completed an educational
10 program 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
14 conduct the business of a registered investment adviser,
15 shall not be required to pass an examination or complete an
16 educational program in order to continue to act as an
17 investment adviser. The Secretary of State may by order
18 waive the examination or educational program requirement
19 for any applicant for registration under this subsection D
20 if the principal of the applicant who is actively engaged
21 in the conduct and management of the applicant's advisory
22 business in this State has had such experience or education
23 relating to the securities business as may be determined by
24 the Secretary of State to be the equivalent of the
25 examination or educational program. Any request for a
26 waiver shall be filed with the Secretary of State in such

1 form as may be prescribed by rule or regulation.

2 (10) No applicant shall be registered or re-registered
3 as an investment adviser under this Section 8 unless the
4 application for registration or re-registration is
5 accompanied by an application for registration or
6 re-registration for each person acting as an investment
7 adviser representative on behalf of the adviser and a
8 Securities Audit and Enforcement Fund fee that shall not be
9 returnable in any event is paid with respect to each
10 investment adviser representative.

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

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

20 (13) Any change which renders no longer accurate any
21 information contained in any application for registration
22 or re-registration of an investment adviser shall be
23 reported to the Secretary of State within 10 business days
24 after the occurrence of the change. In respect to assets
25 and liabilities of an investment adviser that retains
26 custody of clients' cash or securities or accepts

1 pre-payment of fees in excess of \$500 per client and 6 or
2 more months in advance only materially adverse changes need
3 be reported by written notice (which may be by electronic
4 or facsimile transmission) no later than the close of
5 business on the second business day following the discovery
6 thereof.

7 (14) Each application for registration as an
8 investment adviser shall become effective automatically on
9 the 45th day following the filing of the application,
10 required documents or information, and payment of the
11 required fee unless (i) the Secretary of State has
12 registered the investment adviser prior to that date or
13 (ii) an action with respect to the applicant is pending
14 under Section 11 of this Act.

15 D-5. A registered investment adviser or federal covered
16 investment adviser desiring to register an investment adviser
17 representative shall file an application with the Secretary of
18 State, in the form as the Secretary of State may by rule or
19 order prescribe, which the investment adviser representative
20 is required by this Section to provide to the investment
21 adviser, executed, verified, or authenticated by the
22 investment adviser representative and setting forth or
23 accompanied by:

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

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

5 (3) The nature of employment with, and names and
6 addresses of, employers of the investment adviser
7 representative for the 10 years immediately preceding the
8 date of application;

9 (4) A brief description of any civil or criminal
10 proceedings, of which fraud is an essential element,
11 pending against the investment adviser representative and
12 whether the investment adviser representative has ever
13 been convicted of a felony or of any misdemeanor of which
14 fraud is an essential element;

15 (5) Such additional information as the Secretary of
16 State may by rule or order prescribe as necessary to
17 determine the investment adviser representative's business
18 repute or qualification to act as an investment adviser
19 representative;

20 (6) Documentation that the individual has passed an
21 examination conducted by the Secretary of State, an
22 organization of investment advisers, or similar person,
23 which examination has been designated by the Secretary of
24 State by rule or order to be satisfactory for purposes of
25 determining whether the applicant has sufficient knowledge
26 of the investment advisory or securities business and laws

1 relating to that business to act as a registered investment
2 adviser representative; and

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

6 The Secretary of State may by order waive the examination
7 requirement for an applicant for registration under this
8 subsection D-5 who has had the experience or education relating
9 to the investment advisory or securities business as may be
10 determined by the Secretary of State to be the equivalent of
11 the examination. A request for a waiver shall be filed with the
12 Secretary of State in the form as may be prescribed by rule or
13 order.

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

26 A registered investment adviser representative may

1 transfer his or her registration under this Section 8 for the
2 unexpired term of the registration from one registered
3 investment adviser to another by the giving of notice of the
4 transfer by the new investment adviser to the Secretary of
5 State in the form and subject to the conditions as the
6 Secretary of State shall prescribe. The new registered
7 investment adviser shall promptly file an application for
8 registration of the investment adviser representative as
9 provided in this subsection, accompanied by the Securities
10 Audit and Enforcement Fund fee prescribed by paragraph (7) of
11 this subsection D-5.

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

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

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

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

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

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

1 supervise the activities of its salespersons that are
2 reasonably designed to achieve compliance with applicable
3 securities laws and regulations;

4 (f) in the case of an investment adviser, has failed
5 reasonably to supervise the advisory activities of any of
6 its investment adviser representatives or employees and
7 the failure has permitted or facilitated a violation of
8 Section 12 of this Act;

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

10 (h) has made any material misrepresentation to the
11 Secretary of State in connection with any information
12 deemed necessary by the Secretary of State to determine a
13 dealer's, limited Canadian dealer's, or investment
14 adviser's financial responsibility or a dealer's, limited
15 Canadian dealer's, investment adviser's, salesperson's, or
16 investment adviser representative's business repute or
17 qualifications, or has refused to furnish any such
18 information requested by the Secretary of State;

19 (i) has had a license or registration under any Federal
20 or State law regulating securities, commodity futures
21 contracts, or stock futures contracts refused, cancelled,
22 suspended, withdrawn, revoked, or otherwise adversely
23 affected in a similar manner;

24 (j) has had membership in or association with any
25 self-regulatory organization registered under the Federal
26 1934 Act or the Federal 1974 Act suspended, revoked,

1 refused, expelled, cancelled, barred, limited in any
2 capacity, or otherwise adversely affected in a similar
3 manner arising from any fraudulent or deceptive act or a
4 practice in violation of any rule, regulation or standard
5 duly promulgated by the self-regulatory organization;

6 (k) has had any order entered against it after notice
7 and opportunity for hearing by a securities agency of any
8 state, any foreign government or agency thereof, the
9 Securities and Exchange Commission, or the Federal
10 Commodities Futures Trading Commission arising from any
11 fraudulent or deceptive act or a practice in violation of
12 any statute, rule or regulation administered or
13 promulgated by the agency or commission;

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

17 (m) has conducted a continuing course of dealing of
18 such nature as to demonstrate an inability to properly
19 conduct the business of the dealer, limited Canadian
20 dealer, salesperson, investment adviser, or investment
21 adviser representative;

22 (n) has had, after notice and opportunity for hearing,
23 any injunction or order entered against it or license or
24 registration refused, cancelled, suspended, revoked,
25 withdrawn, limited, or otherwise adversely affected in a
26 similar manner by any state or federal body, agency or

1 commission regulating banking, insurance, finance or small
2 loan companies, real estate or mortgage brokers or
3 companies, if the action resulted from any act found by the
4 body, agency or commission to be a fraudulent or deceptive
5 act or practice in violation of any statute, rule or
6 regulation administered or promulgated by the body, agency
7 or commission;

8 (o) has failed to file a return, or to pay the tax,
9 penalty or interest shown in a filed return, or to pay any
10 final assessment of tax, penalty or interest, as required
11 by any tax Act administered by the Illinois Department of
12 Revenue, until such time as the requirements of that tax
13 Act are satisfied;

14 (p) (blank);

15 (q) has failed to maintain the books and records
16 required under this Act or rules or regulations promulgated
17 under this Act or under any requirements established by the
18 Securities and Exchange Commission or a self-regulatory
19 organization;

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

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

1 (t) has refused the Secretary of State or his or her
2 designee access to any office or location within an office
3 to conduct an investigation, audit, examination, or
4 inspection;

5 (u) has advised or caused a public pension fund or
6 retirement system established under the Illinois Pension
7 Code to make an investment or engage in a transaction not
8 authorized by that Code;

9 (v) if a corporation, limited liability company, or
10 limited liability partnership has been suspended,
11 canceled, revoked, or has failed to register as a foreign
12 corporation, limited liability company, or limited
13 liability partnership with the Secretary of State;

14 (w) is permanently or temporarily enjoined by any court
15 of competent jurisdiction, including any state, federal,
16 or foreign government, from engaging in or continuing any
17 conduct or practice involving any aspect of the securities
18 or commodities business or in any other business where the
19 conduct or practice enjoined involved investments,
20 franchises, insurance, banking, or finance;

21 (2) If the Secretary of State finds that any registrant or
22 applicant for registration is no longer in existence or has
23 ceased to do business as a dealer, limited Canadian dealer,
24 Internet portal, salesperson, investment adviser, or
25 investment adviser representative, or is subject to an
26 adjudication as a person under legal disability or to the

1 control of a guardian, or cannot be located after reasonable
2 search, or has failed after written notice to pay to the
3 Secretary of State any additional fee prescribed by this
4 Section or specified by rule or regulation, the Secretary of
5 State may by order cancel the registration or application.

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

23 F. The Secretary of State shall make available upon request
24 the date that each dealer, investment adviser, salesperson, or
25 investment adviser representative was granted registration,

1 together with the name and address of the dealer, limited
2 Canadian dealer, or issuer on whose behalf the salesperson is
3 registered, and all orders of the Secretary of State denying or
4 abandoning an application, or suspending or revoking
5 registration, or censuring the persons. The Secretary of State
6 may designate by rule, regulation or order the statements,
7 information or reports submitted to or filed with him or her
8 pursuant to this Section 8 which the Secretary of State
9 determines are of a sensitive nature and therefore should be
10 exempt from public disclosure. Any such statement, information
11 or report shall be deemed confidential and shall not be
12 disclosed to the public except upon the consent of the person
13 filing or submitting the statement, information or report or by
14 order of court or in court proceedings.

15 G. The registration or re-registration of a dealer or
16 limited Canadian dealer and of all salespersons registered upon
17 application of the dealer or limited Canadian dealer shall
18 expire on the next succeeding anniversary date of the
19 registration or re-registration of the dealer; and the
20 registration or re-registration of an investment adviser and of
21 all investment adviser representatives registered upon
22 application of the investment adviser shall expire on the next
23 succeeding anniversary date of the registration of the
24 investment adviser; provided, that the Secretary of State may
25 by rule or regulation prescribe an alternate date which any

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

21 H. Applications for re-registration of dealers, limited
22 Canadian dealers, Internet portals, salespersons, investment
23 advisers, and investment adviser representatives shall be
24 filed with the Secretary of State prior to the expiration of
25 the then current registration and shall contain such

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

26 Each registered dealer, limited Canadian dealer, Internet

1 portal, or investment adviser shall continue to be registered
2 if the registrant changes his, her, or its form of organization
3 provided that the dealer or investment adviser files an
4 amendment to his, her, or its application not later than 30
5 days following the occurrence of the change and pays the
6 Secretary of State a fee in the amount established under
7 Section 11a of this Act.

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

16 (b) Every registered dealer, limited Canadian dealer,
17 Internet portal, and investment adviser shall provide to the
18 Secretary of State, upon request, such accounts,
19 correspondence, memoranda, papers, books, and records as the
20 Secretary of State may by rule or regulation prescribe, that it
21 possesses and that it preserves for periods of longer than 3
22 years.

23 (2) Every registered dealer, limited Canadian dealer,
24 Internet portal, and investment adviser shall file such
25 financial reports as the Secretary of State may by rule or

1 regulation prescribe.

2 (3) All the books and records referred to in paragraph (1)
3 of this subsection I are subject at any time or from time to
4 time to such reasonable periodic, special or other audits,
5 examinations, or inspections by representatives of the
6 Secretary of State, within or without this State, as the
7 Secretary of State deems necessary or appropriate in the public
8 interest or for the protection of investors.

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

21 J. The Secretary of State may require by rule or regulation
22 the payment of an additional fee for the filing of information
23 or documents required to be filed by this Section which have
24 not been filed in a timely manner. The Secretary of State may
25 also require by rule or regulation the payment of an

1 examination fee for administering any examination which it may
2 conduct pursuant to subsection B, C, D, or D-5 of this Section
3 8.

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

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

18 M. (Blank).

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

20 (815 ILCS 5/12) (from Ch. 121 1/2, par. 137.12)

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

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

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

8 C. To act as a dealer, Internet portal, salesperson,
9 investment adviser, or investment adviser representative,
10 unless registered as such, where such registration is
11 required, under the provisions of this Act.

12 D. To fail to file with the Secretary of State any
13 application, report or document required to be filed under
14 the provisions of this Act or any rule or regulation made
15 by the Secretary of State pursuant to this Act or to fail
16 to comply with the terms of any order of the Secretary of
17 State issued pursuant to Section 11 hereof.

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

1 way endorsed or approved by the Secretary of State or the
2 State of Illinois.

3 F. To engage in any transaction, practice or course of
4 business in connection with the sale or purchase of
5 securities which works or tends to work a fraud or deceit
6 upon the purchaser or seller thereof.

7 G. To obtain money or property through the sale of
8 securities by means of any untrue statement of a material
9 fact or any omission to state a material fact necessary in
10 order to make the statements made, in the light of the
11 circumstances under which they were made, not misleading.

12 H. To sign or circulate any statement, prospectus, or
13 other paper or document required by any provision of this
14 Act or pertaining to any security knowing or having
15 reasonable grounds to know any material representation
16 therein contained to be false or untrue.

17 I. To employ any device, scheme or artifice to defraud
18 in connection with the sale or purchase of any security,
19 directly or indirectly.

20 J. When acting as an investment adviser, investment
21 adviser representative, or federal covered investment
22 adviser, by any means or instrumentality, directly or
23 indirectly:

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

26 (2) To engage in any transaction, practice, or

1 course of business which operates as a fraud or deceit
2 upon any client or prospective client; or

3 (3) To engage in any act, practice, or course of
4 business which is fraudulent, deceptive or
5 manipulative. The Secretary of State shall for the
6 purposes of this paragraph (3), by rules and
7 regulations, define and prescribe means reasonably
8 designed to prevent such acts, practices, and courses
9 of business as are fraudulent, deceptive, or
10 manipulative.

11 K. When offering or selling any mineral investment
12 contract or mineral deferred delivery contract:

13 (1) To employ any device, scheme, or artifice to
14 defraud any customer, prospective customer, or
15 offeree;

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

19 (3) To engage in any act, practice, or course of
20 business that is fraudulent, deceptive, or
21 manipulative. The Secretary of State shall for the
22 purposes of this paragraph (3), by rules and
23 regulations, define and prescribe means reasonably
24 designed to prevent acts, practices, and courses of
25 business as are fraudulent, deceptive, or
26 manipulative.

1 L. To knowingly influence, coerce, manipulate, or
2 mislead any person engaged in the preparation or audit of
3 financial statements or appraisals to be used in the offer
4 or sale of securities for the purpose of rendering such
5 financial statements or appraisals materially misleading.

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

7 (815 ILCS 5/2.10a rep.)

8 Section 10. The Illinois Securities Law of 1953 is amended
9 by repealing Section 2.10a.

10 Section 99. Effective date. This Act takes effect July 1,
11 2019.