



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB3232

Introduced 2/24/2011, by Rep. Constance A. Howard - Esther Golar

SYNOPSIS AS INTRODUCED:

815 ILCS 5/8

from Ch. 121 1/2, par. 137.8

Amends the Illinois Securities Law of 1953. Provides that upon registration of an investment adviser representative, the applicant shall file evidence setting forth that such investment adviser representative has in effect fidelity insurance and insurance or other equivalent protection for each client's cash or securities held by the investment adviser representative, and an undertaking that the investment adviser representative will continually maintain such fidelity insurance and insurance or other protection during the period of registration or re-registration. Provides that such fidelity insurance and insurance or other protection shall be in a form and amount reasonably prescribed by the Secretary of State by rule or regulation.

LRB097 07053 AEK 47146 b

1 AN ACT concerning employment.

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 salespersons, investment advisers, and investment adviser
9 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; and ~~-~~

15 (8) Evidence that the investment adviser
16 representative has in effect fidelity insurance and
17 insurance or other equivalent protection for each client's
18 cash or securities held by the investment adviser
19 representative, and an undertaking that the investment
20 adviser representative will continually maintain such
21 fidelity insurance and insurance or other protection
22 during the period of registration or re-registration. Such
23 fidelity insurance and insurance or other protection shall
24 be in a form and amount reasonably prescribed by the
25 Secretary of State by rule or regulation.

26 The Secretary of State may by order waive the examination

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

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

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

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

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

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

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

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

25 (d) in the case of a dealer, limited Canadian dealer,

1 or investment adviser, is insolvent;

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

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

1 the failure has permitted or facilitated a violation of
2 Section 12 of this Act;

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

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

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

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

26 (k) has had any order entered against it after notice

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

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

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

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

1 or commission;

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

8 (p) in the case of a natural person who is a dealer,
9 limited Canadian dealer, salesperson, investment adviser,
10 or investment adviser representative, has defaulted on an
11 educational loan guaranteed by the Illinois Student
12 Assistance Commission, until the natural person has
13 established a satisfactory repayment record as determined
14 by the Illinois Student Assistance Commission;

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 salesperson, investment adviser, or investment adviser
25 representative, or is subject to an adjudication as a person
26 under legal disability or to the control of a guardian, or

1 cannot be located after reasonable search, or has failed after
2 written notice to pay to the Secretary of State any additional
3 fee prescribed by this Section or specified by rule or
4 regulation, or if a natural person, has defaulted on an
5 educational loan guaranteed by the Illinois Student Assistance
6 Commission, the Secretary of State may by order cancel the
7 registration or application.

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

25 F. The Secretary of State shall make available upon request

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

17 G. The registration or re-registration of a dealer or
18 limited Canadian dealer and of all salespersons registered upon
19 application of the dealer or limited Canadian dealer shall
20 expire on the next succeeding anniversary date of the
21 registration or re-registration of the dealer; and the
22 registration or re-registration of an investment adviser and of
23 all investment adviser representatives registered upon
24 application of the investment adviser shall expire on the next
25 succeeding anniversary date of the registration of the

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

23 H. Applications for re-registration of dealers, limited
24 Canadian dealers, salespersons, investment advisers, and
25 investment adviser representatives shall be filed with the

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

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

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

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

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

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

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

20 K. The Secretary of State may declare any application for
21 registration or limited registration under this Section 8
22 abandoned by order if the applicant fails to pay any fee or
23 file any information or document required under this Section 8
24 or by rule or regulation for more than 30 days after the

1 required payment or filing date. The applicant may petition the
2 Secretary of State for a hearing within 15 days after the
3 applicant's receipt of the order of abandonment, provided that
4 the petition sets forth the grounds upon which the applicant
5 seeks a hearing.

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

10 M. The Secretary of State shall provide to the Illinois
11 Student Assistance Commission annually or at mutually agreed
12 periodic intervals the names and social security numbers of
13 natural persons registered under subsections B, C, D, and D-5
14 of this Section. The Illinois Student Assistance Commission
15 shall determine if any student loan defaulter is registered as
16 a dealer, limited Canadian dealer, salesperson, or investment
17 adviser under this Act and report its determination to the
18 Secretary of State or his or her designee.

19 (Source: P.A. 92-308, eff. 1-1-02; 93-580, eff. 8-21-03.)