LC 1256/01

LC 1256/01

lenate BILL NO. 237 1 INTRODUCED BY Ober 2 BY REQUEST OF THE INVESTMENT COMMISSIONER 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 5

15-2006, R.C.N. 1947, TO ALLOW THE COMMISSIONER OF 6 INVESTMENTS TO WAIVE THE 1-YEAR RESIDENCY REQUIREMENT FOR 7 SECURITIES SALESMEN." А

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 10 Section 1. Section 15-2006, R.C.M. 1947, is amended to 11

read as follows: 12

#15-2006. Registration of broker-dealers, salesmen, 13 and investment advisers. (1) It is unlawful for any person 14 to transact business in this state as a broker-dealer or 15 salesman, except in transactions exempt under section 16 15-2014, unless he is registered under this act. It is 17 unlawful for any person to transact business in this state 18 as an investment adviser unless (1) he is so registered 19 under this act or (2) he is registered as a broker-dealer 20 under this act, or (3) his only clients in this state are 21 investment companies as defined in the Investment Company 22 Act of 1940 or insurance companies. 23

(2) A broker-dealer, salesman, acting as agents for an 24 issuer or issuers or acting as agents for a broker-dealer in 25

sale of securities for an issuer or issuers or 2 investment adviser may apply for registration by filing with 3 the commissioner an application in such form as the 4 commissioner shall prescribe and payment of the fee 5 prescribed in section 15-2016. Except for persons in the employ of brokerage firms governed by the regulations of the ъ 7 securities and exchange commission, all salesmen must be 8 legal residents of this state and must have actually resided 9 in this state for a period of at least one (1) year next 10 prior to the date of application for registration. The 11 condissioner_max, upon_request_and_for_good_cause__shown_by 12 an___applicant, waive the l-year residency requirement. 13 Salesmen shall also file with the commissioner a bond of a 14 surety company duly authorized to transact business in this 15 state. Said bond to be in the sum of five thousand dollars 16 (\$5,000.00), payable to the state of Montana, and 17 conditioned upon the faithful compliance with the provisions of this act, and shall provide that upon failure to so 18 comply the salesman shall be liable to any and all persons 19 20 who may suffer loss by reason thereof. (3) The application shall contain whatever information 21

22 the commissioner requires.

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23 (4) If no denial order is in effect and no proceeding 24 is pending under subdivision (8) of this section, 25 registration becomes effective at noon of the chirtleth

INTRODUCED BILL

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(30th) day after an application is filed. The commissioner
 may specify an earlier effective date and he may by order
 defer the effective date for an additional sixty (60) days;
 the effective day after the filing of any amendment shall be
 noon of the thirtieth (30th) day thereafter unless otherwise
 accelerated by the commissioner.

7 (5) Registration of a broker-dealer, salesman or 8 investment adviser shall be effective until the first (1st) 9 day of March next following such registration and may be renewed as hereinafter provided. The registration of a 10 11 salesman is not effective during any period when he is not associated with an issuer or a registered broker-dealer 12 13 specified in his application. When a salesman begins or 14 terminates a connection with an issuer or registered 15 broker-dealer, the salesman and the issuer or broker-dealer shall promptly notify the commissioner. 16

17 (6) Registration of a broker-dealer, salesman or 18 investment adviser may be renewed by filing with the 19 commissioner prior to the expiration thereof an application 20 containing such information as the commissioner may require to indicate any material change in the information contained 21 22 in the original application or any renewal application for registration as a broker-dealer, salesman or investment 23 Z4 adviser filed with the commissioner by the applicant, payment of the prescribed fee and, in the case of a 25

broker-dealer, a financial statement showing the financial
 condition of such broker-dealer as of a date within ninety
 (90) days. A registered broker-dealer or investment adviser
 may file an application for registration of a successor, to
 become effective upon approval of the commissioner.

(7) Every registered broker-dealer and investment 6 7 adviser shall make and keep such accounts and other records, 8 except with respect to securities exempt under section 15-2013 (1), as may be prescribed by the commissioner. All 9 records so required shall be preserved for three (3) years 10 11 unless the commissioner prescribes otherwise for particular 12 types of records. All the records of a registered 13 broker-dealer or investment adviser are subject at any time 14 or from time to time to such reasonable periodic, special or 15 other examinations, within or without this state, by 16 representatives of the commissioner, as the commissioner 17 deems necessary or appropriate in the public interest or for 18 the protection of investors.

19 (8) The commissioner may by order deny, suspend, or 20 revoke registration of any broker-dealer, salesman, or 21 investment adviser if he finds that the order is in the 22 public interest and that the applicant or registrant or, in 23 the case of a broker-dealer or investment adviser, any 24 - partner, officer, or director:

25 (a) has filed an application for registration under

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this section which, as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact;

7 (b) has willfully violated or willfully failed to
8 comply with any provision of this act or a predecessor act
9 or any rule or order under this act or a predecessor act;

(c) has been convicted of any misdemeanor involving a
security or any aspect of the securities business, or any
felony;

(d) is permanently or temporarily enjoined by any
court of competent jurisdiction from engaging in or
continuing any conduct or practice involving any aspect of
the securities business;

17 (e) is the subject of an order of the commissioner
13 danying, suspending, or revoking registration as 3
19 broker-dealer, salesman, or investment adviser;

(f) is the subject of an order entered within the past five (5) years by the securities administrator of any other state or by the federal securities and exchange commission denying or revoking registration as a broker-dealer or salesman, or the substantial equivalent of those terms as defined in this act, or is the subject of an order of the

federal securities and exchange commission suspending or 1 2 expelling him from a national securities exchange or 3 national securities association registered under the Securities Exchange Act of 1934, or is the subject of a 4 5 United States post office fraud order; but (a) the commissioner may not institute a revocation or suspension 5 7 proceeding under this clause more than one (1) year from the 8 date of the order relied on, and (b) he may not enter any 9 order under this clause on the basis of an order unless that order was based on facts which would currently constitute a 10 11 ground for an order under this section:

12 (g) has engaged in dishonest or unethical practices in13 the securities business;

14 (h) is insolvent, either in the sense that his 15 liabilities exceed his assets or in the sense that he cannot 16 meet his obligations as they mature; but the commissioner 17 may not enter an order against a broker-dealer or investment 18 adviser under this clause without a finding of insolvency as 19 to the broker-dealer or investment adviser; or

(i) has not complied with a condition imposed by the
commissioner under subdivision (8) of this section, or is
not qualified on the basis of such factors as training,
experience, or knowledge of the securities business; or

(j) has failed to pay the proper filing fee; but thecommissioner may enter only a denial order under this

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clause, and he shall vacate any such order when the
 deficiency has been corrected. The commissioner may by order
 summarily postpone or suspend registration pending final
 determination of any proceeding under this section.

5 (9) Upon the entry of the order under subdivision (8) of this section, the commissioner shall promptly notify the 6 7 applicant or registrant, as well as the employer or 8 prospective employer if the applicant or registrant is a 9 salesman, that it has been entered and of the reasons 10 therefor and that if requested by the applicant or registrant within fifteen (15) days after the receipt of the 11 12 commissioner's notification the matter will be promptly set 13 down for hearing. If no hearing is requested within fifteen 14 (15) days and none is ordered by the commissioner, the order 15 will remain in effect until it is modified or vacated by the 16 commissioner. If a hearing is requested or ordered, the 17 commissioner, after notice of and opportunity for hearing, 18 may affirm, modify or vacate the order.

19 (10) If the commissioner finds that any registrant or 20 applicant for registration is no longer in existence or has 21 ceased to do business as a broker-dealer, investment adviser 22 or salesman, or is subject to an adjudication of mental 23 incompetence or to the control of a committee, conservator, 24 or guardian, or cannot be located after reasonable search, 25 the commissioner may by order cancel the registration or

1 application."

-End-

45th Legislature

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Approved by Committee on <u>Business</u> and Industry

l	SENATE BILL NO. 207
2	INTRODUCED BY ABER
3	BY REQUEST OF THE INVESTMENT COMMISSIONER
4	
5	A BILL FOR AN ACT ENTITLED: MAN ACT TO AMEND SECTION
6	15-2006+ R.C.M. 1947+ TO ALLOW THE COMMISSIONER OF
7	INVESTMENTS TO WAIVE THE 1-YEAR RESIDENCY REQUIREMENT FOR
8	SECURITIES SALESMEN."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Section 15-2006, R.C.M. 1947, is amended to
12	read as follows:
13	#15-2006。 Registration of broker-dealers, salesmen,
14	and investment advisers. (1) It is unlawful for any person
15	to transact business in this state as a broker-dealer or
16	salesman, except in transactions exempt under section
17	15-2014, unless he is registered under this act. It is
18	unlawful for any person to transact business in this state
19	as an investment adviser unless (1) he is so registered
20	under this act+ or (2) he is registered as a broker-dealer
21	under this act, or (3) his only clients in this state are
22	investment companies as defined in the Investment Company
23	Act of 1940 or insurance companies.

24 (2) A broker-dealer, salesman, acting as agents for an
25 issuer or issuers or acting as agents for a broker-dealer in

SECOND READING

sale of securities for an issuer or issuers or 1 t he investment adviser may apply for registration by filing with z 3 the commissioner an application in such form as the commissioner shall prescribe and payment of the fee 4 5 prescribed in section 15-2016. Except for persons in the employ of brokerage firms governed by the regulations of the 6 7 securities and exchange commission, all salesmen must be legal residents of this state and must have actually resided 8 in this state for a period of at least one (1) year next 9 prior to the date of application for registration. The 10 11 commissioner may, upon request and for good cause shown by an applicant, waive the trear residency requirement. 12 Salesmen shall also file with the commissioner a bond of a 13 surety company duly authorized to transact business in this 14 state. Said bond to be in the sum of five thousand dollars 15 (\$5,000.00), payable to the state of Montana, and 16 17 conditioned upon the faithful compliance with the provisions of this act, and shall provide that upon failure to so 18 19 comply the salesman shall be liable to any and all persons who may suffer loss by reason thereof. 20 (3) The application shall contain whatever information 21

22 the commissioner requires.

23 (4) If no denial order is in effect and no proceeding
24 is pending under subdivision (8) of this section+
25 registration becomes effective at noon of the thirtieth

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1 (30th) day after an application is filed. The commissioner 2 may specify an earlier effective date and he may by order 3 defer the effective date for an additional sixty (60) days; 4 the effective day after the filing of any amendment shall be 5 noon of the thirtieth (30th) day thereafter unless otherwise 6 accelerated by the commissioner.

7 (5) Registration of a broker-dealer, salesman or investment adviser shall be effective until the first (1st) 8 9 day of March next following such registration and may be renewed as hereinafter provided. The registration of a 10 salesman is not effective during any period when he is not 11 associated with an issuer or a registered broker-dealer 12 specified in his application. When a salesman begins or 13 terminates a connection with an issuer or registered 14 broker-dealer, the salesman and the issuer or broker-dealer 15 shall promptly notify the commissioner. 16

17 {6} Registration of a broker-dealer, salesman or 18 investment adviser may be renewed by filing with the 19 commissioner prior to the expiration thereof an application 20 containing such information as the commissioner may require 21 to indicate any material change in the information contained 22 in the original application or any renewal application for registration as a broker-dealer, salesman or investment 23 adviser filed with the commissioner by the applicant, 24 25 payment of the prescribed fee and, in the case of a

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broker-dealer. a financial statement showing the financial
 condition of such broker-dealer as of a date within ninety
 (40) days. A registered broker-dealer or investment adviser
 may file an application for registration of a successor. to
 become effective upon approval of the commissioner.

6 (7) Every registered broker-dealer and investment 7 adviser shall make and keep such accounts and other records, 8 except with respect to securities exempt under section 9 15-2013 (1), as may be prescribed by the commissioner. All records so required shall be preserved for three (3) years 10 11 unless the commissioner prescribes otherwise for particular types of records. All the records of a registered 12 broker-dealer or investment adviser are subject at any time 13 or from time to time to such reasonable periodic, special or 14 other examinations, within or without this state, by 15 representatives of the commissioner, as the commissioner 16 deems necessary or appropriate in the public interest or for 17 18 the protection of investors.

19 (B) The commissioner may by order deny, suspend, or 20 revoke registration of any broker-dealer, salesman, or 21 investment adviser if he finds that the order is in the 22 public interest and that the applicant or registrant or, in 23 the case of a broker-dealer or investment adviser, any 24 partner, officer, or director:

(a) has filed an application for registration under

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1 this section which, as of its effective date, or as of any 2 date after filing in the case of an order denying 3 effectiveness, was incomplete in any material respect or 4 contained any statement which was, in the light of the 5 circumstances under which it was made, false or misleading 6 with respect to any material fact;

7 (b) has willfully violated or willfully failed to
8 comply with any provision of this act or a predecessor act
9 or any rule or order under this act or a predecessor act;
10 (c) has been convicted of any misdemeanor involving a
11 security or any aspect of the securities business, or any
12 felony;

(d) is permanently or temporarily enjoined by any
court of competent jurisdiction from engaging in or
continuing any conduct or practice involving any aspect of
the securities business;

17 (e) is the subject of an order of the commissioner
18 denying, suspending, or revoking registration as a
19 broker-dealer, salesman, or investment adviser;

20 (f) is the subject of an order entered within the past 21 five (5) years by the securities administrator of any other 22 state or by the federal securities and exchange commission 23 denying or revoking registration as a broker-dealer or 24 salesman, or the substantial equivalent of those terms as 25 defined in this act, or is the subject of an order of the

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federal securities and exchange commission suspending or 1 expelling him from a national securities exchange or 2 national securities association registered under the 3 Securities Exchange Act of 1934, or is the subject of a 4 United States post office fraud order; but (a) the 5 commissioner may not institute a revocation or suspension 6 7 proceeding under this clause more than one (1) year from the date of the order relied on, and (b) he may not enter any 8 order under this clause on the basis of an order unless that 9 10 order was based on facts which would currently constitute a 11 ground for an order under this section:

12 (g) has engaged in dishonest or unethical practices in13 the securities business;

14 (h) is insolvent, either in the sense that his 15 liabilities exceed his assets or in the sense that he cannot 16 meet his obligations as they mature; but the commissioner 17 may not enter an order against a broker-dealer or investment 18 adviser under this clause without a finding of insolvency as 19 to the broker-dealer or investment adviser; or

20 (i) has not complied with a condition imposed by the
21 commissioner under subdivision (8) of this section, or is
22 not qualified on the basis of such factors as training,
23 experience, or knowledge of the securities business; or

(j) has failed to pay the proper filing fee; but thecommissioner may enter only a denial order under this

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clause, and he shall vacate any such order when the
 deficiency has been corrected. The commissioner may by order
 summarily postpone or suspend registration pending final
 determination of any proceeding under this section.

 (\forall) Upon the entry of the order under subdivision (8) 5 of this section, the commissioner shall promptly notify the 6 applicant or registrant, as well as the employer or 7 prospective employer if the applicant or registrant is a 8 9 salesman, that it has been entered and of the reasons therefor and that if requested by the applicant or 10 registrant within fifteen (15) days after the receipt of the 11 commissioner's notification the matter will be promptly set 12 down for hearing. If no hearing is requested within fifteen 13 (15) days and none is ordered by the commissioner, the order 14 15 will remain in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the 16 commissioner, after notice of and opportunity for hearing, 17 may affirm, modify or vacate the order. 18

19 (10) If the commissioner finds that any registrant or 20 applicant for registration is no longer in existence or has 21 ceased to do business as a broker-dealer, investment adviser 22 or salesman, or is subject to an adjudication of mental 23 incompetence or to the control of a committee, conservator, 24 or guardian, or cannot be located after reasonable search, 25 the commissioner may by order cancel the registration or SB 0287/02

1 application."

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ı	SENATE BILL NO. 287
Z	INTRODUCED BY ABER
3	BY REQUEST OF THE INVESTMENT COMMISSIONER
4	
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
6	15-2006, R.C.M. 1947, TO ALLOW THE COMMISSIONER OF
7	INVESTMENTS TO WAIVE THE 1-VEAR RESIDENCY REQUIREMENT FOR
8	SECURITIES SALESMEN."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Section 15-2006; R.C.M. 1947; is amended to
12	read as follows:
13	*15-2006• Registration of broker-dealers• salesmen•
14	and investment advisers. (1) It is unlawful for any person
15	to transact business in this state as a broker-dealer or
16	salesman, except in transactions exempt under section
17	15-2014, unless he is registered under this act. It is
18	unlawful for any person to transact business in this state
19	as an investment adviser unless (1) he is so registered
20	under this act, or (2) he is registered as a broker-dealer

21 under this act, or (3) his only clients in this state are
22 investment companies as defined in the Investment Company
23 Act of 1940 or insurance companies.

24 (2) A broker-dealer, salesman, acting as agents for an
25 issuer or issuers or acting as agents for a broker-dealer in

the sale of securities for an issuer or issuers or 1 Z investment adviser may apply for registration by filing with the commissioner an application in such form as the 3 commissioner shall prescribe and payment of the fee 4 5 prescribed in section 15-2016. Except for persons in the employ of brokerage firms governed by the regulations of the 6 securities and exchange commission, all salesmen must be 7 legal residents of this state and must have actually resided 8 in this state for a period of at least one (1) year next 9 prior to the date of application for registration. The 10 11 commissioner may, upon request and for good cause shown by 12 an applicants waive the investments residency requirements 13 Salesmen shall also file with the commissioner a bond of a surety company duly authorized to transact business in this 14 15 state. Said bond to be in the sum of five thousand dollars 16 (\$5,000.00), payable to the state of Montana, and 17 conditioned upon the faithful compliance with the provisions 18 of this act, and shall provide that upon failure to so comply the salesman shall be liable to any and all persons 19 who may suffer loss by reason thereof. 20 •(3) The application shall contain whatever information 21

22 the commissioner requires.

23 (4) If no denial order is in effect and no proceeding
24 is pending under subdivision (8) of this section;
25 registration becomes effective at noon of the thirtieth

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THIRD READING
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(30th) day after an application is filed. The commissioner
 may specify an earlier effective date and he may by order
 defer the effective date for an additional sixty (60) days;
 the effective day after the filing of any amendment shall be
 noon of the thirtieth (30th) day thereafter unless otherwise
 accelerated by the commissioner.

7 (5) Registration of a broker-dealer, salesman or 8 investment adviser shall be effective until the first (1st) 9 day of March next following such registration and may be 10 renewed as hereinafter provided. The registration of a salesman is not effective during any period when he is not 11 associated with an issuer or a registered broker-dealer 12 13 specified in his application. When a salesman begins or terminates a connection with an issuer or registered 14 15 broker-dealer, the salesman and the issuer or broker-dealer 16 shall promptly notify the commissioner.

17 (6) Registration of a broker-dealer, salesman or investment adviser may be renewed by filing with the 18 commissioner prior to the expiration thereof an application 19 containing such information as the commissioner may require 20 to indicate any material change in the information contained 21 in the original application or any renewal application for 22 registration as a broker-dealer, salesman or investment 23 24 adviser filed with the commissioner by the applicant, payment of the prescribed fee and, in the case of a 25

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broker-dealer, a financial statement showing the financial
 condition of such broker-dealer as of a date within ninety
 (90) days. A registered broker-dealer or investment adviser
 may file an application for registration of a successor, to
 become effective upon approval of the commissioner.
 (7) Every registered broker-dealer and investment

6 7 adviser shall make and keep such accounts and other records. except with respect to securities exempt under section 8 9 15-2013 (1), as may be prescribed by the commissioner. All records so required shall be preserved for three (3) years 10 11 unless the commissioner prescribes otherwise for particular 12 types of records. All the records of a registered 13 broker-dealer or investment adviser are subject at any time 14 or from time to time to such reasonable periodic, special or 15 other examinations, within or without this state, by 16 representatives of the commissioner, as the commissioner 17 deems necessary or appropriate in the public interest or for 18 the protection of investors.

19 (8) The commissioner may by order deny, suspend, or 20 revoke registration of any broker-dealer, salesman, or 21 investment adviser if he finds that the order is in the 22 public interest and that the applicant or registrant or, in 23 the case of a broker-dealer or investment adviser, any 24 partner, officer, or director:

25 (a) has filed an application for registration under

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this section which, as of its effective date, or as of any 1 date after filing in the case of an order denying 2 effectiveness, was incomplete in any material respect or 3 contained any statement which was, in the light of the 4 circumstances under which it was made, false or misleading 5 with respect to any material fact; 6

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(b) has willfully violated or willfully failed to 7 comply with any provision of this act or a predecessor act 8 or any rule or order under this act or a predecessor act; 9 (c) has been convicted of any misdemeanor involving a 10 security or any aspect of the securities business, or any 11 12 felony:

(d) is permanently or temporarily enjoined by any 13 court of competent jurisdiction from engaging in or 14 continuing any conduct or practice involving any aspect of 15 the securities business: 16

(e) is the subject of an order of the commissioner 17 denying, suspending, or revoking registration as a 18 broker-dealer, salesman, or investment adviser; 19

(f) is the subject of an order entered within the past 20 five (5) years by the securities administrator of any other 21 state or by the federal securities and exchange commission 22 23 denying or revoking registration as a broker-dealer or salesman, or the substantial equivalent of those terms as 24 25 defined in this act, or is the subject of an order of the

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1 federal securities and exchange commission suspending or 2 expelling him from a national securities exchange or 3 national securities association registered under the Securities Exchange Act of 1934, or is the subject of a 4 5 United States post office fraud order; but (a) the commissioner may not institute a revocation or suspension 7 proceeding under this clause more than one (1) year from the date of the order relied on, and (b) he may not enter any order under this clause on the basis of an order unless that 9 order was based on facts which would currently constitute a 10 11 ground for an order under this section;

12 (g) has engaged in dishonest or unethical practices in 13 the securities business;

14 (h) is insolvent, either in the sense that his 15 liabilities exceed his assets or in the sense that he cannot meet his obligations as they mature; but the commissioner 16 17 may not enter an order against a broker-dealer or investment adviser under this clause without a finding of insolvency as 18 19 to the broker-dealer or investment adviser; or

20 (i) has not complied with a condition imposed by the Z 1 commissioner under subdivision (8) of this section, or is 22 not qualified on the basis of such factors as training, 23 experience, or knowledge of the securities business; or 24 (i) has failed to pay the proper filing fee; but the

25 commissioner may enter only a denial order under this

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clause, and he shall vacate any such order when the
 deficiency has been corrected. The commissioner may by order
 summarily postpone or suspend registration pending final
 determination of any proceeding under this section.

5 (9) Upon the entry of the order under subdivision (8) of this section, the commissioner shall promptly notify the 6 applicant or registrant, as well as the employer or 7 prospective employer if the applicant or registrant is a 8 9 salesman, that it has been entered and of the reasons 10 therefor and that if requested by the applicant or registrant within fifteen (15) days after the receipt of the 11 commissioner's notification the matter will be promptly set 12 down for hearing. If no hearing is requested within fifteen 13 (15) days and none is ordered by the commissioner, the order 14 15 will remain in effect until it is modified or vacated by the 16 commissioner. If a hearing is requested or ordered, the 17 commissioner, after notice of and opportunity for hearing, may affirm, modify or vacate the order. 18

19 (10) If the commissioner finds that any registrant or 20 applicant for registration is no longer in existence or has 21 ceased to do business as a broker-dealer, investment adviser 22 or salesman, or is subject to an adjudication of mental 23 incompetence or to the control of a committee, conservator, 24 or guardian, or cannot be located after reasonable search, 25 the commissioner may by order cancel the registration or

1 application.*

-End-

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1	SENATE BILL NO. 287
5	INTRODUCED BY ABER
٤	BY REQUEST OF THE INVESTMENT COMMISSIONER
4	
5	A BILL FOR AN ACT ENTITLED: MAN ACT TO AMEND SECTION
6	15-2006, R.C.M. 1947, TO ALLOW THE COMMISSIONER OF
7	INVESTMENTS TO WAIVE THE 1-Year residency requirement for
8	SECURITIES SALESMEN."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Section 15-2006, R.C.M. 1947, is amended to
12	read as follows:
13	<pre>"15-2006. Registration of broker-dealers, salesmen,</pre>
14	and investment advisers. {1} It is unlawful for any person
15	to transact business in this state as a broker-dealer or
16	salesman, except in transactions exempt under section
17	15-2014, unless he is registered under this act. It is
10	unlawful for any person to transact business in this state
19	as an investment adviser unless (1) he is so registered
zo	under this act, or (2) he is registered as a broker-dealer
21	under this act, or (3) his only clients in this state are
22	investment companies as defined in the Investment Company
23	Act of 1940 or insurance companies.

24 (2) A broker-dealer, salesman, acting as agents for an
25 issuer or issuers or acting as agents for proker-dealer in

REFERENCE BILL

1 the sale of securities for an issuer or issuers or 2 investment adviser may apply for registration by filing with 3 the commissioner an application in such form as the commissioner shall prescribe and payment of the fee 4 5 prescribed in section 15-2016. Except for persons in the employ of brokerage firms governed by the regulations of the 6 securities and exchange commission, all salesmen must be 1 8 legal residents of this state and must have actually resided in this state for a period of at least one (1) year next 9 10 prior to the date of application for registration. The 11 commissioner may upon request and for good cause shown by 12 an __applicant. waive the l-year residency requirement. 13 Salesmen shall also file with the commissioner a bond of a surety company duly authorized to transact business in this 14 15 state. Said bond to be in the sum of five thousand dollars 16 (\$5,000.00), payable to the state of Montana, and 17 conditioned upon the faithful compliance with the provisions 18 of this act, and shall provide that upon failure to so 19 comply the salesman shall be liable to any and all persons who may suffer loss by reason thereof. 20

21 (3) The application shall contain whatever information22 the commissioner requires.

23 (4) If no denial order is in effect and no proceeding
24 is bending under subdivision (8) of this section,
25 registration becomes affective at noon of the thirtieth

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(30th) day after an application is filed. The commissioner
 may specify an earlier effective date and he may by order
 defer the effective date for an additional sixty (60) days;
 the effective day after the filing of any amendment shall be
 noon of the thirtieth (30th) day thereafter unless otherwise
 accelerated by the commissioner.

7 (5) Registration of a broker-dealer, salesman or 8 investment adviser shall be effective until the first (1st) 9 day of March next following such registration and may be 10 renewed as hereinafter provided. The registration of a 11 salesman is not effective during any period when he is not 12 associated with an issuer or a registered broker-dealer 13 specified in his application. When a salesman begins or 14 terminates a connection with an issuer or registered 15 broker-dealer, the salesman and the issuer or broker-dealer 16 shall promptly notify the commissioner.

17 (6) Registration of a broker-dealer, salesman or 18 investment adviser may be renewed by filing with the 19 commissioner prior to the expiration thereof an application 20 containing such information as the commissioner may require 21 to indicate any material change in the information contained 22 in the original application or any renewal application for 23 registration as a broker-dealer, salesman or investment 24 adviser filed with the commissioner by the applicant, 25 payment of the prescribed fee and, in the case of a

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broker-dealer, a financial statement showing the financial
 condition of such broker-dealer as of a date within ninety
 (90) days. A registered broker-dealer or investment adviser
 may file an application for registration of a successor, to
 become effective upon approval of the commissioner.

6 (7) Every registered broker-dealer and investment 7 adviser shall make and keep such accounts and other records. 8 except with respect to securities exempt under section 9 15-2013 (1), as may be prescribed by the commissioner. All 10 records so required shall be preserved for three (3) years 11 unless the commissioner prescribes otherwise for particular types of records. All the records of a registered 12 broker-dealer or investment adviser are subject at any time 13 or from time to time to such reasonable periodic, special or 14 other examinations, within or without this state, by 15 representatives of the commissioner, as the commissioner 16 17 deems necessary or appropriate in the public interest or for the protection of investors. 18

(8) The commissioner may by order deny, suspend, or
revoke registration of any broker-dealer, salesman, or
investment adviser if he finds that the order is in the
public interest and that the applicant or registrant or, in
the case of a broker-dealer or investment adviser, any
partner, officer, or director:

25 (a) has filed an application for registration under

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this section which, as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact;

7 (b) has willfully violated or willfully failed to 8 comply with any provision of this act or a predecessor act 9 or any rule or order under this act or a predecessor act;

(c) has been convicted of any misdemeanor involving a
security or any aspect of the securities business, or any
felony;

13 (d) is permanently or temporarily enjoined by any 14 court of competent jurisdiction from engaging in or 15 continuing any conduct or practice involving any aspect of 16 the securities business;

17 (e) is the subject of an order of the commissioner
18 denying, suspending, or revoking registration as a
19 broker-dealer, salesman, or investment adviser;

20 (f) is the subject of an order entered within the past 21 five (5) years by the securities administrator of any other 22 state or by the federal securities and exchange commission 23 denying or revoking registration as a broker-dealer or 24 salesman, or the substantial equivalent of those terms as 25 defined in this act, or is the subject of an order of the

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federal securities and exchange commission suspending or 1 2 expelling him from a national securities exchange or 3 national securities association registered under the Securities Exchange Act of 1934, or is the subject of a 4 5 United States post office fraud order; but (a) the commissioner may not institute a revocation or suspension 6 7 proceeding under this clause more than one (1) year from the 8 date of the order relied on, and (b) he may not enter any 9 order under this clause on the basis of an order unless that 10 order was based on facts which would currently constitute a 11 ground for an order under this section; 12 (g) has engaged in dishonest or unethical practices in 13 the securities business;

14 (h) is insolvent, either in the sense that his 15 liabilities exceed his assets or in the sense that he cannot 16 meet nis obligations as they mature; but the commissioner 17 may not enter an order against a broker-dealer or investment 18 adviser under this clause without a finding of insolvency as 19 to the broker-dealer or investment adviser; or

(i) has not complied with a condition imposed by the
 commissioner under subdivision (8) of this section, or is
 not qualified on the basis of such factors as training,
 experience, or knowledge of the securities business; or

24 (j) has failed to pay the proper filing fee; but the25 commissioner may enter only a denial order under this

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clause, and he shall vacate any such order when the
 deficiency has been corrected. The commissioner may by order
 summarily postpone or suspend registration pending final
 determination of any proceeding under this section.

5 (9) Upon the entry of the order under subdivision (8) 6 of this section, the commissioner shall promptly notify the 7 applicant or registrant, as well as the employer or ø prospective employer if the applicant or registrant is a 9 salesman, that it has been entered and of the reasons therefor and that if requested by the applicant or 10 11 registrant within fifteen (15) days after the receipt of the 12 commissioner's notification the matter will be promptly set 13 down for hearing. If no hearing is requested within fifteen (15) days and none is ordered by the commissioner, the order 14 15 will remain in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the 16 commissioner, after notice of and opportunity for hearing, 17 18 may affirm, modify or vacate the order.

19 (10) If the commissioner finds that any registrant or 20 applicant for registration is no longer in existence or has 21 ceased to do business as a broker-dealer, investment adviser 22 or salesman, or is subject to an adjudication of mental 23 incompetence or to the control of a committee, conservator, 24 or guardian, or cannot be located after reasonable search, 25 the commissioner may by order cancel the registration or

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1 application."

-End-

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