



NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND

ASSOCIATIONS; SECURITIES REGULATION

R00-325

CHAPTER 4. CORPORATION COMMISSION—SECURITIES

ARTICLE 2. CANADIAN DEALERS AND SALESMEN

PREAMBLE

<u>1. Sections Affected</u>	<u>Rulemaking Action</u>
A.A.C. R14-4-201	New Section
A.A.C. R14-4-202	New Section
A.A.C. R14-4-203	New Section
A.A.C. R14-4-204	New Section
A.A.C. R14-4-205	New Section
A.A.C. R14-4-206	New Section
A.A.C. R14-4-207	New Section
A.A.C. R14-4-208	New Section
A.A.C. R14-4-209	New Section

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2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statute: A.R.S. §§ 44-1821, 44-1941, and 44-1945

Implementing statute: A.R.S. §§ 44-1941 and 44-1945

Constitutional authority: Arizona Constitution Article XV § 4, 6, and 13

3. A list of all previous notices appearing in the Arizona Administrative Register.

Notice of Rule Making Docket Opening 6 A.A.R. 1746, May 12, 2000

4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Sharleen A. Day, Associate General Counsel
Address: Arizona Corporation Commission, Securities Division
1300 W. Washington, Third Floor
Phoenix, AZ 85007-2996
Phone: (602) 542-4242
Fax Number: (602) 594-7421

5. An explanation of the rules, including the agency's reasons for initiating the rules:

The Arizona Corporation Commission (Commission) proposes to add new Sections R14-4-201 through R14-4-209 in order to: (i) provide for a limited registration for Canadian dealers and their salesmen; (ii) detail the requirements for the grant and maintenance of a limited registration; (iii) enumerate the registration and renewal requirements of the limited registration; (iv) provide guidance on the transfer of a salesman's limited registration; (v) detail the extent of the activity permitted in Arizona under a limited dealer and salesman registration; (vi) establish the reporting and disclosure requirements of the limited registration; and (vii) provide for the grounds for denial, revocation or suspension of the limited registration. A brief description of the Sections covered by this rulemaking follows:

R14-4-201. Limited Registration of Canadian Dealers and Salesmen: provides for a limited registration to dealers (i) domiciled in Canada; (ii) with no office or other physical presence in the United States, (iii) that are not an office of, branch of, or a natural person associated with a dealer domiciled in the United States. It also provides for a limited registration for a salesman representing dealers registered under Article.

R14-4-202. Requirements for Limited Dealer and Salesman Registration: requires that a dealer must, in order to qualify for and maintain a limited registration, (i) be a member of

a Canadian SRO or stock exchange, and (ii) maintain in good standing provincial or territorial registration and membership in a Canadian SRO or stock exchange.

It requires that a salesman must, in order to qualify for and maintain a limited registration (i) be registered in good standing in the jurisdiction from which the salesman is effecting transactions in Arizona, (ii) maintain his or her provincial or territorial registration in good standing, (iii) not have been convicted within ten years of the date of filing of the application under this Article of a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of the business of the applicant as a dealer or salesman, and (iv) not currently be subject to an order, judgment, or decree of a competent administrative or judicial jurisdiction enjoining or restraining the salesman from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities involving fraud, deceit, racketeering, or consumer protection laws.

R14-4-203. Dealer Application for Limited Registration; Filing Requirements: enumerates the specific filing requirements for a limited dealer registration.

R14-4-204. Salesman Application for Limited Registration; Filing Requirements: enumerates the specific filing requirements for a limited salesman registration.

R14-4-205. Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman Termination; Suspension of Salesman Limited Registration: details (i) how a salesman's limited registration may be transferred to any dealer registered under this Article, (ii) the duty of a dealer registered under this Article inform the Commission when a salesman is no longer employed with them, and (iii) that the limited registration of the salesman shall automatically be suspended from the time of termination of the salesman's

employment until the salesman is again employed by a dealer registered under this Article and the Commission is so notified by the dealer.

R14-4-206. Permitted Dealer and Salesman Activity: prescribes the activity in which a dealer and salesman registered under this article may engage. A dealer and salesman registered under this Article may sell or purchase or offer to sell or buy securities with or for (i) a natural person domiciled in Canada who is temporarily residing in Arizona and with whom the Canadian dealer had a bona fide dealer-client relationship before the person entered the United States, or (ii) a natural person who is residing in Arizona and whose transactions are in a self-directed tax advantaged retirement plan in Canada of which the person is the holder or contributor.

Transactions permitted under this rule may only be effected with or through (i) the issuers of the securities involved in the transactions, (ii) dealers registered under this Article or under A.R.S. Title 44, Chapter 12, or (iii) banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees.

R14-4-207. Reporting and Disclosure Requirements: requires dealers and salesmen to disclose the nature of the limited registration in Arizona to clients, inform the Commission of any disciplinary action taken against the dealer or its salesmen, and requires the dealers and salesmen to provide the Commission with the books and records relating to its Arizona activity.

R14-4-208. Renewal of Dealer and Salesman Limited Registration: enumerates the specific requirements to renew a limited dealer or salesman registration.

R14-4-209. Denial, Revocation, and Suspension of Limited Registration: provides guidance on the extent to which the Securities Act and the rules promulgated under the act apply to a limited dealer and salesman registration. It also details the remedies available to the Commission for violations of the applicable provisions of the Securities Act and the rules promulgated under the act.

6. Reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study, and other supporting material.

None.

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

8. The preliminary summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for Sections R14-4-201 through R14-4-209 (the "rules") analyzes the costs, savings, and benefits that accrue to the Commission, the office of the attorney general, the regulated public, and the general public. With the adoption of the proposed rules, the impact on established Commission procedures, Commission staff time, and other administrative costs is minimal. The estimated additional cost to the office of the attorney general is minimal. The benefits provided by the rules are nonquantifiable. The rules should benefit the Commission's relations with the regulated public because the grant of a limited registration will permit Canadian dealers and salesmen to manage and transact business in the accounts of their clients while those clients are in Arizona. The public will benefit from the continuation of certain standards for registered

entities and persons and will benefit from the convenience of effecting transactions in their accounts while in Arizona. The Commission anticipates that the proposed rulemaking will not significantly increase monitoring, record keeping, or reporting burdens on businesses or persons. The costs of implementation or enforcement are only marginally increased.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Sharleen A. Day, Associate General Counsel
Address: Arizona Corporation Commission, Securities Division
1300 W. Washington, Third Floor
Phoenix, AZ 85007-2996
Phone: (602) 542-4242
Fax Number: (602) 594-7421

10. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule, or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: September 26, 2000
Time: 9:30 a.m.
Location: Arizona Corporation Commission
1200 West Washington Avenue
Phoenix, Arizona 85007

Nature: Oral proceeding. Subsequent to the oral proceeding, the Arizona Corporation Commission will take final action at an open meeting with respect to the making of the proposed rule.

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

12. Incorporations by reference and their location in the rules:

None.

13. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION - SECURITIES

ARTICLE 2. CANADIAN DEALERS AND SALESMEN

Sections

R14-4-201. Limited Registration of Canadian Dealers and Salesmen

R14-4-202. Requirements for Limited Dealer and Salesman Registration

R14-4-203. Dealer Application for Limited Registration; Filing Requirements

R14-4-204. Salesman Application for Limited Registration; Filing Requirements

R14-4-205. Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman
Termination; Suspension of Salesman Limited Registration

R14-4-206. Permitted Dealer and Salesman Activity

R14-4-207. Reporting and Disclosure Requirements

R14-4-208. Renewal of Dealer and Salesman Limited Registration

R14-4-209. Denial, Revocation, and Suspension of Limited Registration

R14-4-201. Limited Registration of Canadian Dealers and Salesmen

A. A dealer that meets all of the following criteria may be granted a limited registration under this Article.

1. The dealer is domiciled in Canada.
2. The dealer has no office or other physical presence in the United States.
3. The dealer is not an office of, branch of, or a natural person associated with a dealer domiciled in the United States.

B. Salesmen representing dealers registered under this Article also may be granted a limited registration under this Article.

R14-4-202. Requirements for Limited Dealer and Salesman Registration

A. To register and maintain registration under this Article, a dealer shall:

1. Be a member of a Canadian SRO or stock exchange.
2. Maintain in good standing provincial or territorial registration and membership in a Canadian SRO or stock exchange.

B. To register and maintain registration under this Article, a salesman shall:

1. Be registered in good standing in the jurisdiction from which the salesman is effecting transactions in Arizona.
2. Maintain his or her provincial or territorial registration in good standing.
3. Not have been convicted within ten years of the date of filing of the application under this Article of a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of the business of the applicant as a dealer or salesman.

4. Not currently be subject to an order, judgment, or decree of a competent administrative or judicial jurisdiction enjoining or restraining the salesman from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities involving fraud, deceit, racketeering, or consumer protection laws.

R14-4-203. Dealer Application for Limited Registration; Filing Requirements

- A. Application for limited dealer registration may be made by any person that qualifies for limited registration under this Article. An application for limited registration shall be signed by the applicant and verified under oath.
- B. An application for limited registration shall be filed with the Commission, and shall contain all of the following:
1. An application in the form required by the jurisdiction in which the dealer has its principal office.
 2. A consent to service of process.
 3. The fees required under A.R.S. § 44-1861(A)(1).
 4. Written evidence of the dealer's provincial or territorial registration.
 5. Written evidence that the dealer's membership in a Canadian SRO or stock exchange is in good standing.
- C. A limited dealer registration granted under this Article shall be effective upon written notification by the Division.

R14-4-204. Salesman Application for Limited Registration; Filing Requirements

- A. Application for limited salesman registration may be made by any individual representing a dealer registered or applying for registration under this Article. An application for limited registration shall be signed by the applicant and verified under oath.
- B. An application for limited registration shall be filed with the Commission, and shall contain all of the following:
1. An application in the form required by the jurisdiction in which the dealer has its principal office.
 2. A consent to service of process.
 3. The fees required under A.R.S. § 44-1861(A)(2).
 4. Written evidence of the salesman's provincial or territorial registration.
- C. A limited salesman registration granted under this Article shall be effective upon written notification by the Division.

R14-4-205. Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman Termination; Suspension of Salesman Limited Registration

- A. A salesman may transfer the salesman's limited registration to any dealer registered under this Article by filing with the Commission the information and fees required for registration under this Article. Upon receipt of written notice of the transfer, the Commission will temporarily transfer any limited salesman registration for a period of thirty days pending receipt of the required fees and documentation.
- B. A dealer registered under this Article must immediately inform the Commission of the termination of the employment of any associated salesman registered under this Article.

C. The limited registration of the salesman shall automatically be suspended from the time of termination of the salesman's employment until the salesman is again employed by a dealer registered under this Article and the Commission is so notified by the dealer.

R14-4-206. Permitted Dealer and Salesman Activity

A. A dealer registered under this Article may sell or purchase or offer to sell or buy securities with or for any of the following:

1. A natural person domiciled in Canada who is temporarily residing in Arizona and with whom the Canadian dealer had a bona fide dealer-client relationship before the person entered the United States.

2. A natural person who is residing in Arizona and whose transactions are in a self-directed tax advantaged retirement plan in Canada of which the person is the holder or contributor.

B. A salesman who is affiliated with a dealer registered under this Article and who is registered under this Article may effect transactions in securities in Arizona to the extent permitted the dealer.

C. A dealer or salesman registered under this Article may only effect transactions in Arizona as permitted under this Article with or through any of the following:

1. The issuers of the securities involved in the transactions.

2. Dealers registered under this Article or under A.R.S. Title 44, Chapter 12.

3. Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-

sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees.

R14-4-207. Reporting and Disclosure Requirements

To maintain its limited registration under this Article, a dealer shall do all of the following:

1. Upon request, provide the Commission with its books and records relating to its business in Arizona as a dealer.
2. Immediately inform the Commission of any action taken against it or any of its salesmen registered under this Article by any competent jurisdiction.
3. Disclose to its clients in Arizona that the dealer and its salesmen have been granted only a limited registration and are not subject to the full regulatory requirements of A.R.S. Title 44, Chapter 12.

R14-4-208. Renewal of Dealer and Salesman Limited Registration

- A. Application for renewal under this Article may be made by filing a copy of the most recent renewal application, if any, filed in the jurisdiction in which the dealer has its principal office. If no such renewal application is required by that jurisdiction, application for renewal may be made by filing an updated form of the application previously filed with the Commission under this Article.
- B. Limited registrations under this Article expire on December 31 unless applications for renewal are received by the Commission prior to the end of business on December 31.
- C. Fees required under A.R.S. § 44-1861 shall accompany the application for renewal.

R14-4-209. Denial, Revocation, and Suspension of Limited Registration

- A. A Canadian dealer or salesman in compliance with this Article is exempt from A.R.S. Title 44, Chapter 12, Article 9, A.R.S. §§ 44-1961 and 44-1962, A.A.C. R14-4-109, R14-4-122, R14-4-129, R14-4-130, R14-4-131, and R14-4-132.
- B. The limited registration of a dealer or salesman registered under this Article may be denied, revoked, or suspended for a violation of any applicable provision of either A.R.S. Title 44, Chapter 12, or of A.A.C. Title 14, Chapter 4, Articles 1 or 2.

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Secretary of State

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Editor
Arizona Administrative Register

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NOTICE OF PROPOSED RULEMAKING

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 4. CORPORATION COMMISSION - SECURITIES

PREAMBLE

1. Sections Affected

	<u>Rulemaking Action</u>
Article 2	New Article
R14-4-201	New Section
R14-4-202	New Section
R14-4-203	New Section
R14-4-204	New Section
R14-4-205	New Section
R14-4-206	New Section
R14-4-207	New Section
R14-4-208	New Section
R14-4-209	New Section

2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statutes: A.R.S. §§ 44-1821, 44-1941, and 44-1945

Implementing statutes: A.R.S. §§ 44-1941 and 44-1945

Constitutional authority: Arizona Constitution Article XV § 4, 6, and 13

3. A list of all previous notices appearing in the Arizona Administrative Register.

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4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Sharleen A. Day, Associate General Counsel

Address: Arizona Corporation Commission, Securities Division
1300 West Washington, Third Floor
Phoenix, Arizona 85007-2996

Telephone: (602) 542-4242

Fax: (602) 594-7421

5. An explanation of the rules, including the agency's reasons for initiating the rules:

The Arizona Corporation Commission (Commission) proposes to add new Sections R14-4-201 through R14-4-209 in order to: (i) provide for a limited registration for Canadian dealers and their salesmen; (ii) detail the requirements for the grant and maintenance of a limited registration; (iii) enumerate the registration and renewal requirements of the limited registration; (iv) provide guidance on the transfer of a salesman's limited registration; (v) detail the extent of the activity permitted in Arizona under a limited dealer and salesman registration; (vi) establish the reporting and disclosure requirements of the limited registration; and (vii) provide for the grounds for denial, revocation or suspension of the limited registration. A brief description of the Sections covered by this rulemaking follows:

R14-4-201. Limited Registration of Canadian Dealers and Salesmen: provides for a limited registration to dealers (i) domiciled in Canada; (ii) with no office or other physical presence in the United States, (iii) that are not an office of, branch of, or a natural person associated with a dealer domiciled in the United States. It also provides for a limited registration for a salesman representing dealers registered under Article.

R14-4-202. Requirements for Limited Dealer and Salesman Registration: requires that a dealer must, in order to qualify for and maintain a limited registration, (i) be a member of a Canadian SRO or stock exchange, and (ii) maintain in good standing provincial or territorial registration and membership in a Canadian SRO or stock exchange.

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It requires that a salesman must, in order to qualify for and maintain a limited registration (i) be registered in good standing in the jurisdiction from which the salesman is effecting transactions in Arizona, (ii) maintain his or her provincial or territorial registration in good standing, (iii) not have been convicted within ten years of the date of filing of the application under this Article of a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of the business of the applicant as a dealer or salesman, and (iv) not currently be subject to an order, judgment, or decree of a competent administrative or judicial jurisdiction enjoining or restraining the salesman from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities involving fraud, deceit, racketeering, or consumer protection laws.

R14-4-203. Dealer Application for Limited Registration; Filing Requirements: enumerates the specific filing requirements for a limited dealer registration.

R14-4-204. Salesman Application for Limited Registration; Filing Requirements: enumerates the specific filing requirements for a limited salesman registration.

R14-4-205. Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman Termination; Suspension of Salesman Limited Registration: details (i) how a salesman's limited registration may be transferred to any dealer registered under this Article, (ii) the duty of a dealer registered under this Article inform the Commission when a salesman is no longer employed with them, and (iii) that the limited registration of the salesman shall automatically be suspended from the time of termination of the salesman's employment until the salesman is again employed by a dealer registered under this Article and the Commission is so notified by the dealer.

R14-4-206. Permitted Dealer and Salesman Activity: prescribes the activity in which a dealer and salesman registered under this Article may engage. A dealer and salesman registered under this Article may sell or purchase or offer to sell or buy securities with or for (i) a natural person domiciled in Canada who is temporarily residing in Arizona and with whom the Canadian dealer had a bona fide dealer-client relationship before the person entered the United States, or (ii) a natural person who is residing in Arizona and whose transactions are in a self-directed tax advantaged retirement plan in Canada of which the person is the holder or contributor.

Transactions permitted under this rule may only be effected with or through (i) the issuers of the securities involved in the transactions, (ii) dealers registered under this Article or under A.R.S. Title 44, Chapter 12, or (iii) banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees.

R14-4-207. Reporting and Disclosure Requirements: requires dealers and salesmen to disclosure the nature of the limited registration in Arizona to clients, inform the Commission of any disciplinary action taken against the dealer or its salesmen, and requires the dealers and salesmen to provide the Commission with the books and records relating to its Arizona activity.

R14-4-208. Renewal of Dealer and Salesman Limited Registration: enumerates the specific requirements to renew a limited dealer or salesman registration.

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6. Reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study, and other supporting material.

None

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

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Notices of Proposed Rulemaking

8. The preliminary summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for Sections R14-4-201 through R14-4-209 (the "rules") analyzes the costs, savings, and benefits that accrue to the Commission, the office of the attorney general, the regulated public, and the general public. With the adoption of the proposed rules, the impact on established Commission procedures, Commission staff time, and other administrative costs is minimal. The estimated additional cost to the office of the attorney general is minimal. The benefits provided by the rules are nonquantifiable. The rules should benefit the Commission's relations with the regulated public because the grant of a limited registration will permit Canadian dealers and salesmen to manage and transact business in the accounts of their clients while those clients are in Arizona. The public will benefit from the continuation of certain standards for registered entities and persons and will benefit from the convenience of effecting transactions in their accounts while in Arizona. The Commission anticipates that the proposed rulemaking will not significantly increase monitoring, record keeping, or reporting burdens on businesses or persons. The costs of implementation or enforcement are only marginally increased.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Sharleen A. Day, Associate General Counsel
Address: Arizona Corporation Commission, Securities Division
1300 West Washington, Third Floor
Phoenix, Arizona 85007-2996
Telephone: (602) 542-4242
Fax: (602) 594-7421

10. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule, or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: September 26, 2000
Time: 9:30 a.m.
Location: Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
Nature: Oral proceeding. Subsequent to the oral proceeding, the Arizona Corporation Commission will take final action at an open meeting with respect to the making of the proposed rule.

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

None

13. The full text of the rule follows:

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 4. CORPORATION COMMISSION - SECURITIES

ARTICLE 2. CANADIAN DEALERS AND SALESMEN

Sections

<u>R14-4-201.</u>	<u>Limited Registration of Canadian Dealers and Salesmen</u>
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<u>R14-4-204.</u>	<u>Salesman Application for Limited Registration; Filing Requirements</u>
<u>R14-4-205.</u>	<u>Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman Termination; Suspension of Salesman Limited Registration</u>
<u>R14-4-206.</u>	<u>Permitted Dealer and Salesman Activity</u>
<u>R14-4-207.</u>	<u>Reporting and Disclosure Requirements</u>
<u>R14-4-208.</u>	<u>Renewal of Dealer and Salesman Limited Registration</u>

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R14-4-209. Denial, Revocation, and Suspension of Limited Registration

ARTICLE 2. CANADIAN DEALERS AND SALESMEN

R14-4-201. Limited Registration of Canadian Dealers and Salesmen

- A. A dealer that meets all of the following criteria may be granted a limited registration under this Article.**
- 1. The dealer is domiciled in Canada.**
 - 2. The dealer has no office or other physical presence in the United States.**
 - 3. The dealer is not an office of, branch of, or a natural person associated with a dealer domiciled in the United States.**
- B. Salesmen representing dealers registered under this Article also may be granted a limited registration under this Article.**

R14-4-202. Requirements for Limited Dealer and Salesman Registration

- A. To register and maintain registration under this Article, a dealer shall:**
- 1. Be a member of a Canadian SRO or stock exchange.**
 - 2. Maintain in good standing provincial or territorial registration and membership in a Canadian SRO or stock exchange.**
- B. To register and maintain registration under this Article, a salesman shall:**
- 1. Be registered in good standing in the jurisdiction from which the salesman is effecting transactions in Arizona.**
 - 2. Maintain his or her provincial or territorial registration in good standing.**
 - 3. Not have been convicted within 10 years of the date of filing of the application under this Article of a felony or misdemeanor of which fraud is an essential element, or a felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of the business of the applicant as a dealer or salesman.**
 - 4. Not currently be subject to an order, judgment, or decree of a competent administrative or judicial jurisdiction enjoining or restraining the salesman from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities involving fraud, deceit, racketeering, or consumer protection laws.**

R14-4-203. Dealer Application for Limited Registration; Filing Requirements

- A. Application for limited dealer registration may be made by any person that qualifies for limited registration under this Article. An application for limited registration shall be signed by the applicant and verified under oath.**
- B. An application for limited registration shall be filed with the Commission, and shall contain all of the following:**
- 1. An application in the form required by the jurisdiction in which the dealer has its principal office.**
 - 2. A consent to service of process.**
 - 3. The fees required under A.R.S. § 44-1861(A)(1).**
 - 4. Written evidence of the dealer's provincial or territorial registration.**
 - 5. Written evidence that the dealer's membership in a Canadian SRO or stock exchange is in good standing.**
- C. A limited dealer registration granted under this Article shall be effective upon written notification by the Division.**

R14-4-204. Salesman Application for Limited Registration; Filing Requirements

- A. Application for limited salesman registration may be made by any individual representing a dealer registered or applying for registration under this Article. An application for limited registration shall be signed by the applicant and verified under oath.**
- B. An application for limited registration shall be filed with the Commission, and shall contain all of the following:**
- 1. An application in the form required by the jurisdiction in which the dealer has its principal office.**
 - 2. A consent to service of process.**
 - 3. The fees required under A.R.S. § 44-1861(A)(2).**
 - 4. Written evidence of the salesman's provincial or territorial registration.**
- C. A limited salesman registration granted under this Article shall be effective upon written notification by the Division.**

R14-4-205. Transfer of Salesman Limited Registration; Duty of Dealer to Inform of Salesman Termination; Suspension of Salesman Limited Registration

- A. A salesman may transfer the salesman's limited registration to any dealer registered under this Article by filing with the Commission the information and fees required for registration under this Article. Upon receipt of written notice of the transfer, the Commission will temporarily transfer any limited salesman registration for a period of 30 days pending receipt of the required fees and documentation.**
- B. A dealer registered under this Article must immediately inform the Commission of the termination of the employment of any associated salesman registered under this Article.**
- C. The limited registration of the salesman shall automatically be suspended from the time of termination of the salesman's employment until the salesman is again employed by a dealer registered under this Article and the Commission is so notified by the dealer.**

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R14-4-206. Permitted Dealer and Salesman Activity

- A.** A dealer registered under this Article may sell or purchase or offer to sell or buy securities with or for any of the following:
1. A natural person domiciled in Canada who is temporarily residing in Arizona and with whom the Canadian dealer had a bona fide dealer-client relationship before the person entered the United States.
 2. A natural person who is residing in Arizona and whose transactions are in a self-directed tax advantaged retirement plan in Canada of which the person is the holder or contributor.
- B.** A salesman who is affiliated with a dealer registered under this Article and who is registered under this Article may effect transactions in securities in Arizona to the extent permitted the dealer.
- C.** A dealer or salesman registered under this Article may only effect transactions in Arizona as permitted under this Article with or through any of the following:
1. The issuers of the securities involved in the transactions.
 2. Dealers registered under this Article or under A.R.S. Title 44, Chapter 12.
 3. Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees.

R14-4-207. Reporting and Disclosure Requirements

To maintain its limited registration under this Article, a dealer shall do all of the following:

1. Upon request, provide the Commission with its books and records relating to its business in Arizona as a dealer.
2. Immediately inform the Commission of any action taken against it or any of its salesmen registered under this Article by any competent jurisdiction.
3. Disclose to its clients in Arizona that the dealer and its salesmen have been granted only a limited registration and are not subject to the full regulatory requirements of A.R.S. Title 44, Chapter 12.

R14-4-208. Renewal of Dealer and Salesman Limited Registration

- A.** Application for renewal under this Article may be made by filing a copy of the most recent renewal application, if any, filed in the jurisdiction in which the dealer has its principal office. If no such renewal application is required by that jurisdiction, application for renewal may be made by filing an updated form of the application previously filed with the Commission under this Article.
- B.** Limited registrations under this Article expire on December 31, unless applications for renewal are received by the Commission prior to the end of business on December 31.
- C.** Fees required under A.R.S. § 44-1861 shall accompany the application for renewal.

R14-4-209. Denial, Revocation, and Suspension of Limited Registration

- A.** A Canadian dealer or salesman in compliance with this Article is exempt from A.R.S. Title 44, Chapter 12, Article 9, A.R.S. §§ 44-1961 and 44-1962, A.A.C. R14-4-109, R14-4-122, R14-4-129, R14-4-130, R14-4-131, and R14-4-132.
- B.** The limited registration of a dealer or salesman registered under this Article may be denied, revoked, or suspended for a violation of any applicable provision of either A.R.S. Title 44, Chapter 12, or of 14 A.A.C. 4, Articles 1 or 2.

NOTICE OF PROPOSED RULEMAKING

TITLE 17. TRANSPORTATION

CHAPTER 4. DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION

PREAMBLE

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| 1. <u>Sections affected:</u>
R17-4-219
R17-4-219 | <u>Rulemaking Action:</u>
Repeal
New Section |
| 2. <u>The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):</u>
Authorizing statute: A.R.S. § 28-366
Implementing statute: A.R.S. § 28-4546 | |
| 3. <u>A list of all previous notices appearing in the Register addressing the proposed rule:</u>
Notice of Rulemaking Docket Opening: 5 A.A.R. 3279, September 24, 1999 | |