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COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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JUL 05 2000

MEMORANDUM

DOCKETED BY [Signature]

TO: Chairman Carl J. Kunasek
Commissioner Jim Irvin
Commissioner William A. Mundell

FROM: Mark Sendrow [Signature]
Director of Securities

DATE: July 5, 2000

RE: Proposed Rules A.A.C. R14-4-201 through A.A.C. R14-4-209
Docket No. RS-00000A-99-0691

cc: Brian C. McNeil, Executive Secretary

The Securities Division (the "Division") is seeking permission from the Commissioners to publish a Notice of Proposed Rulemaking concerning A.A.C. R14-4-201 through A.A.C. R14-4-209 (the "rules"). The rules relate to provision of a limited registration for Canadian dealers and their salesmen.

The proposed rules will provide for a limited registration for Canadian dealers and salesmen, and are patterned after Section 201 of the Uniform Securities Act. The primary provisions of the proposed rules will:

1. Provide for the limited registration for Canadian dealers and salesmen under A.R.S. §§ 44-1941 and 44-1945.
2. Establish the standards regarding the grant and maintenance of the limited registration.
3. Detail the registration and renewal requirements of the limited registration.
4. Provide guidance on the transfer of a salesman's limited registration.
5. Specify the limitations on the permitted activity under the limited registration.
6. Establish the reporting and disclosure requirements of the limited registration.

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7. Provide for the grounds for denial, revocation or suspension of the limited registration.

Attached is a copy of the proposed rules. The Division has solicited the informal advice and comments of the office of the attorney general, the securities section of the Arizona State Bar, members of securities industry organizations, and the Division's staff regarding the proposed rules.

The Division recommends that a Notice of Proposed Rulemaking be sent to the secretary of state's office and public comment regarding the rules be obtained.

Originator: Sharleen A. Day

Asst. AG Assigned: Robert Zumoff

Title 14. Trade and Commerce
Chapter 4. Sale of Securities
Article 2. Canadian Dealers and Salesmen

- 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.

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

In the matter of)

PROPOSED RULEMAKING)

TO PROVIDE A LIMITED)

REGISTRATION FOR CANADIAN)

DEALERS AND SALESMEN)

DOCKET NO. RS-00000A-99-0691

DECISION NO. _____

ORDER

Open Meeting)

July 18 and 19, 2000

Phoenix, AZ

BY THE COMMISSION:

INTRODUCTION

The Securities Division of the Arizona Corporation Commission (the "Commission") has forwarded to the Commission a proposal recommending that the Commission add new sections A.A.C. R14-4-201 through A.A.C. R14-4-209 (the "rules") to the Arizona Administrative Code rules governing the administration of the securities statutes.

FINDINGS

1. The rules are proposed to provide for a limited registration for Canadian dealers and their salesmen under A.R.S. §§ 44-1941 and 44-1945.

2. The Securities Division has recommended that the rules be made to (i) provide for a limited registration for Canadian dealers and their salesmen; (ii) detail the requirements for the grant and maintenance of the 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) specify the limitations on the permitted activity under the limited 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.

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IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. MCNEIL, EXECUTIVE SECRETARY OF THE ARIZONA CORPORATION COMMISSION, HAVE HEREUNTO SET MY HAND AND CAUSED THE OFFICIAL SEAL OF THE COMMISSION TO BE AFFIXED AT THE CAPITOL, IN THE CITY OF PHOENIX, THIS ____ DAY OF _____, 2000.

BRIAN C. McNEIL
Executive Secretary

DISSENT

(sad)

This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA Coordinator, voice phone number 602-542-0838, E-mail Csandoval@cc.state.az.us