

### **§703. Registration of dealers, salesmen, and investment advisers and investment adviser representatives; surety bonds; records**

A. Generally. (1) No dealer or salesman shall offer for sale or sell any securities within or from this state, except in transactions exempt under R.S. 51:709(1), (2), (6), (7), (8), (9), (11), (12), (13), or (17) unless he is a registered dealer or salesman pursuant to this Section.

(2) It shall be unlawful for any person to transact business in this state as an investment adviser or investment adviser representative unless one of the following applies:

(a) Such person is registered in the office of the commissioner pursuant to the provisions of this Section.

(b) Such person is registered as a dealer pursuant to the provisions of this Section.

(c) The only clients of such person in this state are investment companies as defined in the Investment Company Act of 1940 (15 U.S.C. §§80a-1 through 80a-52; F.C.A., Title 15, §§80a-1 through 80a-52) or insurance companies.

B. Dealers. (1) Application for registration as a dealer may be made by any person. Such application for registration shall be made in writing in a form prescribed by the commissioner, shall be executed by the applicant, shall be duly verified under oath, shall be filed in the office of the commissioner, and shall contain the following information:

(a) The name of the applicant.

(b) The address of the principal place of business of the applicant and the addresses of all branch offices of the applicant in this state.

(c) The form of business organization and the date of organization of the applicant.

(d) The names and business addresses of all general partners, limited partners, directors, affiliates, or executive officers of the applicant; a statement of the limitations, if any, of the liability of any general partner, limited partner, director, affiliate, or executive officer; and a statement setting forth in chronological order the occupational activities of each such general partner, limited partner, director, affiliate, or executive officer during the preceding ten years.

(e) A brief description of the general character of the business conducted or proposed to be conducted by the applicant.

(f) A list of any other states in which the applicant is registered as a securities broker, dealer, or salesman and, if registration of the applicant as a securities broker,

dealer or salesman has ever been denied, revoked, suspended or withdrawn or if such a proceeding is pending in any state, full details with respect thereto.

(g) Whether the applicant is registered as a broker or dealer under the Securities Exchange Act of 1934 or any act adopted in amendment thereof and whether any such registration of the applicant has ever been denied, revoked, or suspended or is then the subject of proceedings for revocation or suspension by the Securities and Exchange Commission.

(h) The names of all organizations of securities brokers or dealers of which the applicant is a member or before which any application for membership on the part of the applicant is then pending and whether any membership of the applicant in any such organization has ever been denied, revoked, or suspended or is then the subject of proceedings for revocation or suspension.

(i) The names of any securities exchanges of which the applicant or any of its partners, limited partners, directors, affiliates, or executive officers is a member and whether any such membership has ever been denied, revoked, or suspended or is then the subject of proceedings for revocation or suspension.

(j) A balance sheet as of a date within ninety days prior to the date of filing. This balance sheet need not be certified. If the balance sheet is not certified, there shall be filed in addition a certified balance sheet as of a date within one year prior to the date of filing unless the fiscal year of the applicant has ended within ninety days prior to the date of filing, in which case the balance sheet may be dated as of the end of the fiscal year preceding such last fiscal year. Such balance sheets shall be prepared in accordance with generally accepted accounting principles and, if required to be certified, shall be certified by an independent public accountant duly registered and in good standing as such under the laws of the place of his residence or principal office.

(k) Whether the applicant or any general partner, limited partner, director, affiliate, or executive officer of such applicant has ever been subject to any injunction or disciplinary proceeding of the Securities and Exchange Commission or any state securities commission involving a security or any aspect of the securities business, has ever been convicted of or charged with a misdemeanor of which fraud is an essential element or which involves a security or any aspect of the securities business, or has ever been convicted of or charged with a felony and, if so, all pertinent information with respect to such injunction, disciplinary proceeding, conviction, or charge.

(2) The commissioner may waive the furnishing of any information required by R.S. 51:703(B)(1), other than the requirements with respect to financial statements provided for in R.S. 51:703(B)(1)(j), and may, at any time within thirty days after the commissioner's receipt of the application, require such additional information as to the previous history, records, or association of the applicant, its general partners, limited partners, directors, affiliates, or executive officers as he may reasonably deem necessary to establish whether or not the applicant should be registered as a dealer under the provisions of this Part.

(3) No applicant shall be registered as a dealer under this Part, nor shall any such registration be renewed, unless each principal of such applicant has passed a written examination administered by the commissioner or someone acting under his direction, or unless such applicant presents proof satisfactory to the commissioner showing that each principal has passed a similar examination conducted by the Financial Industry Regulatory Authority, or any other examination substantially similar to that given by the commissioner, as the commissioner may determine. The commissioner is further authorized to prescribe the time, manner, or procedure relative to the holding of such examination, and may impose a fee against each principal taking said examination to cover the costs thereof. For the purposes of this Subsection only, with respect to a dealer or an applicant for registration as a dealer, the term "principal" refers to a person associated with such dealer or applicant who is engaged in the management of such dealer's or applicant's business, including the supervision, solicitation, or conduct of such business or the training of persons associated with such dealer or applicant for any of these functions.

(4) There shall be filed with such application an irrevocable written consent of the applicant to the service of process upon the commissioner in actions against such applicant in the manner and form provided in R.S. 51:718 and payment of the prescribed registration fee.

(5) When an applicant has fully complied with the provisions of this Subsection and Subsections G and H of this Section, the commissioner shall, within thirty days after his receipt of the applicant's application or, if the commissioner shall have required additional information of the applicant before the expiration of such thirty day period, within thirty days after the applicant shall have furnished such additional information, register such applicant as a dealer unless he shall find that the applicant is not of good business reputation or does not appear qualified by training or experience to act as a dealer in securities. When the commissioner has registered an applicant as a dealer, he shall immediately notify the applicant of such registration. If the commissioner shall not have registered an applicant as a dealer within the period of time specified above in this Paragraph, he shall promptly send the applicant notice, as provided in R.S. 51:716, of opportunity for a hearing on the question of whether the commissioner should enter an order refusing to register the applicant.

C. Salesmen. (1) Application for registration as a salesman may be made by any individual. Such application for registration shall be made in writing in a form prescribed by the commissioner, shall be executed by the applicant and by the dealer or issuer employing or proposing to employ such applicant, shall be duly verified under oath, shall be filed in the office of the commissioner, and shall contain the following information:

- (a) Name and residence and business address of the applicant.
- (b) Name of the dealer or issuer employing or proposing to employ the applicant.
- (c) Names and addresses of three persons of whom the commissioner may inquire as to the character and business reputation of the applicant.

(d) Applicant's age and education.

(e) The nature of employment and names and addresses of employers of the applicant for the period of ten years immediately preceding the date of application.

(f) Other state or federal laws under which the applicant has ever been registered as a securities broker, dealer, or salesman and, if any such registration has ever been refused, canceled, suspended, or revoked or if such a proceeding is pending, full details with respect thereto.

(g) Whether the applicant has ever been subject to any injunction or disciplinary proceeding of the Securities and Exchange Commission or any state securities commission involving a security or any aspect of the securities business, has ever been convicted of or charged with a misdemeanor of which fraud is an essential element or which involves a security or any aspect of the securities business, or has ever been convicted of or charged with a felony, and, if so, all pertinent information with respect to such injunction, disciplinary proceeding, conviction, or charge.

(2) The commissioner may waive the furnishing of any information required by R.S. 51:703(C) and may require such additional information as to applicant's previous business experience as he may deem necessary to determine whether or not the applicant should be registered as a salesman under the provisions of this Part. There shall be filed with such application payment of the prescribed registration fee.

(3) When an applicant has fully complied with the provisions of this Subsection and Subsection G of this Section, the commissioner shall register such applicant as a salesman, unless he finds that such applicant is not of good business reputation or does not appear to be qualified by training, experience, or knowledge of the securities business to act as a salesman of securities. When the commissioner has registered an applicant as a salesman, he shall immediately notify the applicant of such registration.

(4) No dealer or issuer shall employ any salesman who is not registered as required by this Part, and each such person shall promptly notify the commissioner of the termination of the employment by him of a salesman. The registration of such salesman shall automatically be terminated from the time of termination of such employment. Any license, certificate, or other evidence of such registration which such salesman has been issued shall immediately be returned to the commissioner.

(5) No applicant shall be registered as a salesman under this Part, nor any such registration be renewed, unless such person has passed a written examination administered by the commissioner or someone acting under his direction or unless such applicant presents proof satisfactory to the commissioner showing that he has previously passed a similar examination conducted by the Financial Industry Regulatory Authority, or any other examination substantially similar to that given by the commissioner, as the commissioner may determine. The commissioner is further authorized to prescribe the time, manner, and procedure relative to the holding of such examination and may impose a fee against the applicant taking said examination to cover the costs thereof.

(6) There shall be filed with such application an irrevocable written consent of the applicant to the service of process upon the commissioner in actions against the applicant in the manner and form provided in R.S. 51:718.

D.(1) Investment Advisers and Investment Adviser Representatives. The procedure relative to the registration of a dealer, as provided in Subsection B of this Section, shall likewise apply to the registration of an investment adviser, except that no applicant for registration as an investment adviser, and no principal or investment adviser representative of any such applicant shall be required to post any surety bond required by Subsection H of this Section, and except that no financial statement required to be submitted in connection with the application need be certified by an independent public accountant.

(2) Notice Filing for Federal Covered Advisers. It shall be unlawful for any federal covered adviser to conduct advisory business in this state unless, prior to acting as a federal covered adviser in this state, such person files such documents as have been filed with the United States Securities and Exchange Commission with the commissioner.

(3) The procedure relative to the registration of a salesman, as provided for in Subsection C of this Section, shall also apply to the registration of an investment adviser representative.

(4)(a) No applicant shall be registered as an investment adviser representative under this Part, nor shall any such registration be renewed, unless such investment adviser representative has passed a written examination, the form, content, and conduct of which the commissioner may prescribe by rule. The examination requirement provided for in this Subparagraph shall not apply to an individual holding one or more certifications that the commissioner may designate by rule.

(b) The commissioner may by rule provide that the investment adviser representatives of any investment adviser registered under this Part on the effective date of the rule shall not be required to satisfy the examination or certification requirements for a period of up to two years.

(c) Beginning August 31, 2016, and thereafter, investment adviser representatives registered or required to be registered under this Part and who are employed by a federal covered adviser shall be required to satisfy the examination requirement or certification requirement as provided for in Subparagraph (a) of this Paragraph. The commissioner may adopt rules to implement the provisions of this Subparagraph.

E. Refusal of registration. (1) If, after affording an applicant a hearing or an opportunity for a hearing as provided in R.S. 51:716, the commissioner finds that there are sufficient grounds to refuse to register such applicant as provided in this Section, he shall issue an order refusing to register such applicant. The order shall state specifically the grounds for its issuance. A copy of the order shall be mailed to the applicant at his

business address and, if the application is for registration as a salesman, to the dealer or issuer who proposed to employ such applicant.

(2) If the commissioner shall find that an applicant has committed any act or made any omission which would constitute a sufficient ground for revocation of a dealer's, salesman's, or investment adviser's registration under R.S. 51:704, such act or omission may constitute a sufficient ground for a finding by the commissioner, under Subsection B, C, or D of this Section, that such applicant is not of "good business reputation".

F. Record and renewal of registrations. (1) Every registration under this Section shall expire on December thirty-first in each year. Registration of dealers, salesmen, investment advisers, and investment adviser representatives shall be renewed each year by the submission of a renewal application containing the information required in an application for registration, to the extent that such information had not previously been included in an application or renewal application previously filed, by the payment of the proper registration fee and, in the case of a dealer, by the filing of a balance sheet as of a date within ninety days prior to the date of filing. This balance sheet need not be certified. If the balance sheet is not certified, there shall be filed in addition a certified balance sheet as of a date within one year of the date of filing unless the fiscal year of the applicant has ended within ninety days prior to the date of filing, in which case the balance sheet may be dated as of the end of the preceding fiscal year. Such balance sheets shall be prepared in accordance with generally accepted accounting principles and, if required to be certified, shall be certified by an independent public accountant duly registered and in good standing as such under the laws of the place of his residence or principal office.

(2) Upon any change in the general partners, limited partners, managing partners, directors, affiliates, or executive officers of a dealer or investment adviser, such dealer or investment adviser shall promptly notify the commissioner and shall furnish to him in writing such information concerning such persons which has not previously been filed as required in an original application for registration.

G. Fees. The following fees shall be paid in advance to the commissioner and shall be transmitted immediately by him to the state treasurer for credit to the state general fund; provided that the commissioner of securities shall retain an amount sufficient to properly administer the provisions of this Part and to provide a sufficient number of examiners and other personnel necessary for the purpose and for all other expenses incurred in the operation of the office of financial institutions:

(1) For a registration of each dealer applicant and the issuance of a dealer's license, two hundred fifty dollars for the original license and two hundred fifty dollars for the annual renewal license.

(2) For the registration of each salesman applicant in the issuance of a salesman's license, sixty dollars for the original license and sixty dollars for the annual renewal license.

(3) For the registration of each investment adviser applicant and the issuance of an investment adviser's license, one hundred fifty dollars for the original license and one hundred fifty dollars for the annual renewal license.

H. Bonds. (1) Except as otherwise provided in this Subsection, the commissioner shall by rule require registered dealers to post surety bonds in amounts up to ten thousand dollars. Every bond shall provide for suit thereon by any person who has a cause of action arising under this Part. No suit may be maintained to enforce liability on the bond required hereunder unless filed within two years after the sale or other act upon which suit is based and shall also provide that the liability of the surety on each such bond to all persons aggrieved shall, in no event, exceed in the aggregate the penal sum thereof. Every such bond shall also contain a provision authorizing the surety thereon to cancel it upon thirty days written notice to the registrant and to the commissioner.

(2) The requirement for the filing of such bond by an applicant for registration or renewal of registration as a dealer shall not be applicable if:

(a) Such applicant has filed with the commissioner written proof of membership in the Securities Investor Protection Corporation and a written undertaking to comply continuously with all applicable provisions of the Securities Investor Protection Act of 1970, U.S.C.A. 78aaa et seq.; or

(b) As of the dates of the most recent balance sheet certified by an independent public accountant filed by such applicant pursuant to this Section and any subsequent noncertified balance sheet so filed, such applicant had a minimum capital of not less than two hundred fifty thousand dollars. For purposes of this Subparagraph, minimum capital shall mean net worth as determined in accordance with generally accepted accounting principles, unless for the purposes of this Subparagraph, the commissioner shall adopt rules and regulations for determining the minimum capital of a dealer, in which case minimum capital shall be determined in accordance with such rules or regulations. The aforesaid balance sheets filed by such applicant shall be used to determine such applicant's minimum capital unless the commissioner shall have adopted the rules or regulations authorized in the preceding sentence, in which case the applicant's minimum capital shall be determined from schedules prepared in accordance with such rules and regulations. The schedule prepared as of the date of the certified balance sheet referred to above shall be certified as having been prepared in accordance with the rules or regulations adopted by the commissioner, as provided in this Subparagraph, by an independent public accountant duly registered and in good standing as such under the laws of the place of his residence.

I. Records. Every dealer, salesman, or investment adviser registered under this Part shall make and keep such accounts and other records with respect to sales of securities in this state, whether or not pursuant to exemptions contained in R.S. 51:708 or 709, as the commissioner may by rule or regulation require. All records so required shall be preserved for five years unless the commissioner shall provide otherwise. All records of such dealers, salesmen, or investment advisers are subject to such reasonable periodic, special, or other examinations by representatives of the

commissioner, within or without this state, as the commissioner deems necessary or appropriate in the public interest or for the protection of investors.

J. Successors to dealers. In the event that a dealer succeeds to and continues the business of another registered dealer, the registration of the predecessor shall be deemed to remain effective as the registration of the successor for a period of seventy-five days after such succession, provided that an application for registration is filed within thirty days after succession on a form prescribed by the commissioner.

Acts 1985, No. 722, §1; Acts 1989, No. 30, §1, eff. June 15, 1989; Acts 1992, No. 233, §1, eff. June 10, 1992; Acts 2001, No. 8, §17, eff. July 1, 2001; Acts 2006, No. 543, §1, eff. June 22, 2006; Acts 2006, No. 544, §1, eff. June 22, 2006; Acts 2008, No. 274, §1; Acts 2010, No. 7, §4, eff. May 19, 2010; Acts 2014, No. 298, §1, eff. May 28, 2014.