

STATEMENT OF SCOPE

Department of Financial Institutions

Rule No.: DFI-Sec ch. 11

Relating to: Continuing education for investment adviser representatives

Rule Type: Permanent

1. Finding/nature of emergency (Emergency Rule only):

N/A

2. Detailed description of the objective of the proposed rule:

Investment adviser representatives, or “IARs,” are individuals who are employed by or associated with investment advisers and who make recommendations regarding securities, give investment advice, manage client accounts or portfolios, or supervise others who perform those activities, among other activities set forth in Section 551.102(16) of the Wisconsin Statutes. Under Wisconsin law, non-exempt IARs doing business in this state must register with the Department of Financial Institutions (DFI) and comply with chapter 551 of the Wisconsin Statutes and administrative rules promulgated thereunder.

In November 2020, the membership of the North American Securities Administrators Association (NASAA) – a multistate organization of state securities regulators – adopted a model rule on continuing education requirements for state-registered IARs. The model rule requires IARs to complete 12 hours of continuing education per year, including at least three hours covering the topic of ethics. DFI seeks to adopt this model rule, thus establishing continuing education requirements for Wisconsin-registered IARs.

3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:

Lawyers and many other professions requiring expertise and public trust are subject to continuing education requirements in this state. The Wisconsin Legislature contemplated that IARs would be among them. In 2008, it enacted legislation authorizing DFI to promulgate administrative rules establishing continuing education requirements for IARs. See Wis. Stat. § 551.411(8). To date, however, no administrative rules have been promulgated to establish those requirements.

As the Legislature recognized in enacting Wis. Stat. § 551.411(8), continuing education requirements serve important functions for regulated professions. They help ensure that professionals’ competencies remain up-to-date; inform them of relevant changes in industry practices, products, and governing law; reinforce ethics rules and expectations; and foster public confidence in registered professionals as a whole. These benefits would be especially significant for IARs, whose clients rely upon them to give sound advice, supervision, and portfolio management (often on a discretionary basis) within an investment landscape that is constantly evolving.

In addition, because DFI anticipates that most other states (including our neighbors in Minnesota, Illinois, and Michigan) will adopt the substance of the NASAA model rule, adopting it here will help ensure

uniformity and avoid situations where IARs registered in multiple states would need to comply with different sets of continuing education requirements in each jurisdiction.

4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):

Section 551.411(8) of the Wisconsin Statutes authorizes DFI to promulgate administrative rules requiring continuing education for IARs registered under Wis. Stat. § 551.404. See Wis. Stat. § 551.411(8) (“[A] rule adopted or order issued under this chapter may require continuing education for an individual registered under § 551.404.”).

5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule :

60-80 hours.

6. List with description of all entities that may be affected by the proposed rule :

Investment adviser representatives registered with DFI under Wis. Stat. § 551.404.

7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule :

There are no federal government regulations establishing continuing education requirements for registered IARs, but some registered IARs are also registered with the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization, as agents of FINRA member broker-dealers. Those IARs are subject to FINRA continuing education requirements. Under the NASAA model rule, continuing education courses completed through FINRA will satisfy a portion (6 hours) of relevant state continuing education requirements so long as the content meets certain baseline criteria.

8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):

Some existing continuing education courses offered through FINRA have modest enrollment fees (less than \$100), but NASAA has stated its intent to engage a “wide range of vendors” – including state regulatory agencies such as DFI – to offer approved continuing education courses for IARs. See NASAA’s *Frequently Asked Questions: Investment Adviser Continuing Education*, available at <https://www.nasaa.org/industry-resources/investment-advisers/resources/iar-ce-faq>. Given the anticipated availability of low- or no-cost course options to satisfy these requirements, and the fact that many IARs already take advantage of educational course offerings even without a state mandate, this rule is not expected to have a material economic impact on IARs.

Contact Person:

Leslie Van Buskirk
Administrator, Division of Securities
Wisconsin Department of Financial Institutions
608.266.3432
Leslie.VanBuskirk@dfi.wisconsin.gov