

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 391**

A bill to amend 1964 PA 265, entitled
"Uniform securities act,"
by amending section 202 (MCL 451.602), as amended by 2000 PA
494.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 202. (a) A broker-dealer, agent, or investment adviser
2 may obtain an initial registration by filing with the
3 administrator an application together with a consent to service
4 of process pursuant to section 414(g). The application shall
5 contain the information that the administrator by rule requires
6 concerning any of the following:
7 (1) The applicant's form and place of organization.
8 (2) The applicant's proposed method of doing business.
9 (3) The qualifications and business history of the applicant;
10 in the case of a broker-dealer or investment adviser, the

1 qualifications and business history of any partner, officer, or
2 director, any person occupying a similar status or performing
3 similar functions, or any person directly or indirectly
4 controlling the broker-dealer or investment adviser; and, in the
5 case of an investment adviser, the qualifications and business
6 history of any employee.

7 (4) Any injunction or administrative order or conviction of a
8 misdemeanor or of a felony.

9 (5) The applicant's financial condition and history.

10 (b) The administrator may by rule or order require an
11 applicant for initial registration to publish an announcement of
12 the application in 1 or more specified newspapers published in
13 this state. Registration becomes effective upon order of the
14 administrator. The administrator may by rule or order establish
15 classes of or otherwise condition the registration of
16 broker-dealers, agents, or investment advisers.

17 (c) ~~Every~~ **Before October 1, 2003 or after September 30,**
18 **2007, an** applicant for registration shall pay a filing fee and
19 every registrant shall pay an annual fee of \$250.00 in the case
20 of a broker-dealer, \$30.00 in the case of an agent, and \$150.00
21 in the case of an investment adviser. ~~Every~~ **Before October 1,**
22 **2003 or after September 30, 2007, an** applicant filing an
23 application for registration of a successor pursuant to
24 subsection (d) shall pay a filing fee of \$100.00 for the
25 unexpired portion of the year. ~~A~~ **Before October 1, 2003 or**
26 **after September 30, 2007, a** registered agent who has terminated
27 his or her connection with a broker-dealer shall pay a transfer

1 fee of \$10.00 when transferring his or her connection to another
2 broker-dealer. After September 30, 2003 and before October 1,
3 2007, an applicant for registration shall pay a filing fee and
4 every registrant shall pay an annual fee of \$300.00 in the case
5 of a broker-dealer, \$65.00 in the case of an agent, and \$200.00
6 in the case of an investment adviser. After September 30, 2003
7 and before October 1, 2007, an applicant filing an application
8 for registration of a successor pursuant to subsection (d) shall
9 pay a filing fee of \$125.00 for the unexpired portion of the
10 year. After September 30, 2003 and before October 1, 2007, a
11 registered agent who has terminated his or her connection with a
12 broker-dealer shall pay a transfer fee of \$20.00 when
13 transferring his or her connection to another broker-dealer.

14 (d) A registered broker-dealer or investment adviser may file
15 an application for registration of a successor, whether or not
16 the successor is then in existence. The administrator may grant
17 or deny the application.

18 (e) An applicant for registration under this act or an issuer
19 who offers or sells a security in this state through any person
20 shall file with the administrator, in the form prescribed by the
21 administrator by rule or order, an irrevocable consent to service
22 of process.

23 (f) Subject to the requirements of section 15 ~~of title I~~ of
24 the securities exchange act of 1934, 15 U.S.C. 78o, and section
25 222 of the investment advisers act of 1940, 15 U.S.C. 80b-18a,
26 the administrator may by rule or order require a minimum capital
27 for registered broker-dealers and investment advisers and

1 prescribe a ratio between net capital and aggregate
2 indebtedness. If the registrant fails to comply with the minimum
3 net capital requirement, the registrant shall immediately cease
4 all investment advisory or securities business operations and
5 promptly notify the administrator of its failure to maintain the
6 required net capital, of the steps to be taken to cure the net
7 capital deficiency, and of its anticipated date of reopening
8 business operations. The registrant shall not reactivate its
9 securities or investment advisory business operations without
10 prior notification to the administrator.

11 (g) Except as otherwise provided in this section, the
12 administrator may require a fidelity bond from a broker-dealer,
13 agent, or investment adviser who is required to be registered
14 under this act. The administrator may not require a bond from a
15 broker-dealer that is registered under the securities exchange
16 act of 1934 or an investment adviser that maintains its principal
17 place of business in a state other than this state if the
18 investment adviser is registered in that other state and is in
19 compliance with that state's bonding requirements, if any.

20 (h) Unless the requirement is waived by rule or order of the
21 administrator, all persons, including but not limited to
22 partners, officers, directors, and agents employed by a
23 broker-dealer or investment adviser who are regularly employed
24 within this state shall, as a condition of employment, be
25 fingerprinted. The administrator may process the fingerprint
26 cards with the federal bureau of investigation and the department
27 of state police either directly or through the national

1 association of securities dealers. The fingerprints or
2 information relating to the fingerprints shall be used for the
3 official use of the administrator only.