

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2990

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 12, 1997

The Assembly Financial Institutions Committee reports favorably and with committee amendments, Assembly Bill No. 2990.

The bill, as amended, is designed to assist companies that wish to raise capital from investors. Exemptions from registration for securities and transactions more closely track the federal securities law transactions and the bureau chief has been given general exemptive authority, so as to carve out new exemptions as new types of securities and novel methods of distributing securities arise.

This bill provides the Bureau of Securities strong enforcement powers to deal with securities firms and individuals regulated by the bureau who violate the law. Under the bill, the bureau is authorized to issue cease and desist orders, which include post-issuance due process provisions to protect the defendant. The bureau is authorized to enforce its own subpoenas, in addition to the existing remedy of applying to a court to enforce its subpoenas.

The bill expands the grounds for denial of a broker-dealer, agent or investment adviser registration and for entry of a stop order denying effectiveness of a securities offering by including activity and disciplinary actions outside the securities realm, such as fraudulent activity in the banking or insurance industries.

Under the bill, the bureau's fees are set by regulation, rather than by statute, but in a manner which bears a correlation to the actual expenses of running the bureau.

This bill makes several changes with respect to "investment advisers:" it incorporates the changes made recently by federal legislation which gives sole responsibility to the states for regulating investment adviser firms with less than \$25 million in assets under management; it places individuals and companies which have called themselves "financial planners" under the definition of "investment adviser," and thus requires them to register with the Securities and Exchange Commission and the State Bureau of Securities, as appropriate; and requires the registration of investment adviser representatives with the State.

Under the bill, an exemption from registration is granted to all

investment companies and unit investment trusts, but each investment company and unit investment trust is required to make a notice filing and pay a fee to claim this exemption.

This bill is a thorough revision, with some supplementary sections, of the "Uniform Securities Law (1967)." The bill was drafted in close consultation with the Securities Advisory Committee which was created by the Attorney General as an ad hoc advisory body in September, 1993.

The committee amended the bill to delete the reference which provides that certain securities are exempt from the provisions of section 14 of the bill, which concerns the filing of certain documents with respect to certain federal covered securities, and make technical changes.