

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1010

Short Title: Investment Adviser Study.

(Public)

Sponsors: Senator Hoyle.

Referred to: Rules and Operations of the Senate.

April 15, 1999

A BILL TO BE ENTITLED

**AN ACT TO AUTHORIZE A STUDY OF THE PRACTICE OF INVESTMENT
ADVISERS.**

The General Assembly of North Carolina enacts:

Section 1. The Legislative Research Commission may study the issue of the regulation and practice of investment advisers. If the Commission undertakes the study, it may:

- (1) Review and consider the current registration and notice filing procedures required by State law and determine whether the law should be amended to require the disclosure of more information to potential clients of investment advisers to protect the consumers of the State;
- (2) Consider whether there should be established in the Office of the Secretary of State an arbitration program that would administer arbitration of disputes, claims, or controversies arising out of contractual relationships between investment advisers and clients or between investment advisers and those who hold client accounts and clear security transactions. If the study determines that an arbitration program should be established, the proposal should include recommendations regarding the training of arbitrators, the composition

- 1 of arbitration panels, a policy to make the program self-funding, and a
2 schedule of fees for those who use arbitration services;
- 3 (3) Review the use of internet-based security transactions and how those
4 transactions are regulated by the State and consider the establishment of
5 a clearinghouse in the Office of the Secretary of State through which all
6 internet-based security transactions would be monitored and recorded.
7 If the study determines that a clearinghouse should be established, the
8 proposal should include recommendations regarding the technology
9 required to record those transactions effectively, while maintaining the
10 security of corporate documents and records, and the cost of such
11 technology; and
- 12 (4) Study any other issues the Legislative Research Commission considers
13 relevant.

14 The Legislative Research Commission is encouraged to appoint members who
15 represent the North Carolina Investment Advisers Association, Inc., the Information
16 Resource Management Commission, and the Office of the Secretary of State, as well as
17 legislative members.

18 Section 2. The Legislative Research Commission may make an interim report
19 of its recommendations to the 2000 Regular Session of the 1999 General Assembly and a
20 final report to the 2001 General Assembly.

21 Section 3. This act is effective when it becomes law.