

Changes to the New Hampshire Securities Laws – RSA 421-B (Effective July 1, 2007)

On June 11, 2007, Governor John Lynch signed into law House Bill 889, a law updating the New Hampshire Uniform Securities Act. This law, which goes into effect on July 1, 2007, changes the definition of “branch office” as it applies to broker-dealers and the supervisory requirements for both broker-dealers and investment advisers. It also provides for a new category of licensed investment advisers and investment adviser representatives who act solely as solicitors. The new law also provides for a discretionary examination process that will allow the Bureau to focus resources where most needed to protect investors.

Definition of Branch Office

Under the new law, a broker-dealer branch office is broadly defined as any location where one or more broker-dealer agents regularly conduct the business of or hold themselves out as conducting the business of effecting transactions in securities or inducing or attempting to induce the purchase or sale of any security. The law does provide for several exceptions to this broad definition, including offices established solely for customer service or back-office operations, primary residences subject to specific limitations, offices of convenience not held out to the public, and locations that primarily conduct non-securities business and which handle no more than 25 transactions per calendar year.

Branch Office Supervision

In addition to the change to the definition of branch office, the law provides new supervisory standards for broker-dealers and investment advisers. The bill requires each broker-dealer and investment adviser to establish supervisory procedures reasonably designed to achieve compliance with the securities laws. Various enumerated factors will determine the level of responsibility for these procedures. Lastly, the law removes the requirement that each branch office of a broker-dealer located in New Hampshire be supervised by a principal located in New Hampshire.

Solicitors for Investment Advisory Business

The new law also creates a new category of investment adviser and investment adviser representative defined as a “solicitor.” A solicitor is an investment adviser or investment adviser representative who conducts an investment advisory business solely for the purpose of soliciting, directly or indirectly, any client for, or referring any client to, an investment adviser licensed in New Hampshire. The solicitor will be compensated by a cash fee for solicitations or referrals and must operate under a written agreement with the investment adviser containing specific statutory requirements. Solicitors will still be required to be licensed as investment advisers or investment adviser representatives under New Hampshire law, but will not be required to meet the examination requirements under

states law – currently either the Series 65 or a combination of the Series 7 and 66 examinations.

Field Examinations

Lastly, the scheduling of field examinations of broker-dealers, investment advisers, issuer-dealers, and branch offices will be at the discretion of the Bureau rather than subject to a fixed schedule. This will allow the Bureau to most efficiently focus resources where they can be most effective in protecting investors and ensuring regulatory compliance.

Technical Changes/Corrections

In addition to these substantive changes, the law also contains some technical changes. The securities law has been amended to clarify the relation of Rule 506 filings under the federal law to the isolated sales exemption found at RSA 421-B:17, II(a). In addition, the new law clarifies that where more than one business is conducted from a branch office location, disclosures shall provide the name of each business, in addition to the business activity conducted, and each agent's relationship to each business.

Please be advised that this brief summary is not intended to be a substitute for the actual legislation passed by the legislature and signed by the Governor. This summary is not intended to provide legal advice but simply notification and highlights of the new law. To get a more comprehensive understanding of the new law, please click [here](#) to view [HB 889](#).