

STATEMENT OF BASIS AND PURPOSE

Promulgation of Amendments to Division Rules

Colorado Division of Securities
_____, 202_

Pursuant to the authority found in the Colorado Securities Act (“Act”), sections §11-56-1-101, et seq., C.R.S., including part 7 of the Act, the Securities Commissioner adopts amendments to Division Rules 51-2.1, 51-2.1.1, 51-3.2, 51-3.4.B.3, 51-3.13, 51-3.15, 51-3.16, 51-3.19, 51-3.20, 51-3.22.C, 51-3.24, 51-3.31, 51-3.32, 51-3.34, 51-3.35, 51-3.36, 51-4.3, 51-4.6.1, 51-4.7, 51-4.8, 51-4.1(IA), 51-4.3(IA), 51-4.4(IA), 51-4.4.1(IA), 51-4.6(IA), 51-4.7(IA), 51-4.8(IA)(P), 51-4.9(IA), 51-4.11(IA), 51-4.12(IA), 51-4.13(IA), 51-4-15(IA), 51-6.0, 51-6.2, 51-9.1, 51-9.2, Form DT-1, Form DT-2.

Rule 51-2.1 This rule was amended to reorganize the definitions and include some new definitions that will provide context to other rules already in effect.

Rule 51-2.1.1 This rule was amended to replace the pronoun “his” with “their”.

Rule 51-3.2 This rule was amended to include language directing applicants for registration by qualification where to file and pay applicable fees.

Rule 51-3.4.B.3 This rule was amended adding the term “the Commissioner’s” to clarify that only the Securities Commissioner may authorize the release of funds escrowed pursuant to 11-51-302(6), C.R.S. prior to the lapse of nine days after receipt of notice filed pursuant to the current Rule.

Rule 51-3.13 This rule was amended to capitalize the term “Securities Commissioner”.

Rule 51-3.15 This rule was amended to remove an unnecessary term.

Rule 51-3.16 This rule was amended to remove an unnecessary term.

Rule 51-3.19 This rule was amended to remove an unnecessary term.

Rule 51-3.20 This rule was amended to capitalize the term “Securities Commissioner” and to add language directing issuers where to file crowdfunding notices and pay fees.

Rule 51-3.22.C This rule was amended adding the term “recently completed” to correct an error/omission in the prior rule.

Rule 51-3.24 This rule was amended to capitalize the term “Commissioner” and to replace the pronoun “his” with “their”.

Rule 51-3.31 This rule was amended to capitalize the term “Securities Commissioner” and to add language directing issuers where to notice file federal crowdfunding notices and pay fees.

Rule 51-3.32 This rule was amended to capitalize the term “Securities Commissioner” and to correct a typo in section C.2.

Rule 51-3.34 This rule was amended to capitalize the term “Securities Commissioner”.

Rule 51-3.35 This rule was amended to capitalize the term “Securities Commissioner”.

Rule 51-3.36 This rule was amended to capitalize the term “Securities Commissioner”.

Rule 51-4.3 This rule was amended to comply with the “lawful presence” provisions of Senate Bill 21-077.

Rule 51-4.6.1 This rule was amended to capitalize the term “Commissioner”.

Rule 51-4.7 This rule was amended to incorporate U.S. Securities and Exchange Commission Regulation Best Interest and include a violation of the rule as unfair and dishonest dealings and to correct a typo sections J and K.

Rule 51-4.8 This rule was amended to require broker-dealers to maintain written policies and procedures to ensure the “physical security of records” in addition to current requirements for policies and procedures related to cybersecurity.

Rule 51-4.1(IA) This rule was amended to replace the pronouns “him or herself” and “his or her” with “themselves” and “their”.

Rule 51-4.3(IA) This rule was amended to clarify the requirements for the filing, through IARD, of an Annual Updating Amendment of Form ADV. The amended rule also changes the pronouns “himself” and “him” to “themselves” and “them”.

Rule 51-4.4(IA) This rule was amended to comply with the “lawful presence” provisions of Senate Bill 21-077. The amended rule also capitalizes the term “Commissioner”.

Rule 51-4.4.1(IA) The amended rule adds a continuing education requirement for all licensed investment adviser representatives. This rule adopts a North American Securities Administrators Association (NASAA) model rule.

Rule 51-4.6(IA) This amended rule cleans up the books and records requirements for Investment Advisers and provides clarity for certain books and records requirements.

Rule 51-4.7(IA) This rule was amended to provide clarity regarding mandatory disclosures and the delivery to clients of an updated Part 2 of an advisers Form ADV.

Rule 51-4.8(IA)(P) This rule was amended to clarify the requirement that an investment adviser, investment adviser representative or federal covered adviser include specific information required by Part 2 of Form ADV in every advisory contract. This rule adopts a NASAA model rule.

Rule 51-4.9(IA) This rule was amended to correct an internal citation and add that filing requirements for a financial statement shall be filed at the end of the adviser's "fiscal year" vs. "year". The amended rule also capitalizes the term "Commissioner".

Rule 51-4.11(IA) This rule was amended to capitalize the term "Securities Commissioner".

Rule 51-4.12(IA) This rule was amended to require investment advisers to establish, maintain and enforce specific written policies and procedures. This rule adopts a NASSA model rule.

Rule 51-4.13(IA) This rule was amended to capitalize the term "Securities Commissioner". The rule was also amended to add the term "liquid" before "net worth" in section B.1.

Rule 51-4.15(IA) This rule was amended to correct a typo in the section number from 4.15 to 4.14.

Rule 51-6.0 This rule was amended to change the pronouns "him/her/it" to "themselves".

Rule 51-6.2 The amended rule also changes the pronouns "herself" and "him" to "themselves".

51-6.5 This rule was amended to add the phrase "or the Board" in section A. This addition conforms the rule with the Act.

Rule 51-9.1 This rule was amended to capitalize the term "Securities Commissioner".

Rule 51-9.2 This rule was amended to capitalize the term "Securities Commissioner".

Form DT-1 This form was amended to add a heading to section 1. This form was also amended to capitalize the term "Securities Commissioner".

Form DT-2 This form was amended to capitalize the term "Securities Commissioner".

The Securities Commissioner finds that the adoption of these amendments to the Rules is necessary and appropriate in the public interest, and is consistent with the purposes and provisions of the Act.

The Securities Commissioner further finds that the record demonstrates the need for the Rules; the Rules are clearly and simply stated; proper statutory authority exists for the Rules; the Rules do not conflict with any other rules or statutes governing the Division of Securities; and the Rules are coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made, to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rules adopted by the Securities Commissioner on __, 2022.

The rules become effective on _____

DATED this __ day of _____, 2023.

Tung Chan
Securities Commissioner