

**SF4156 - 0 - MN Securities Act Registration Provisions Modified**

Chief Author: **Matt Klein**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/11/2024 10:54:26 PM**  
 Lead Agency: **Commerce Dept**  
 Other Agencies:  
     Administrative Hearings

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
State Total						
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Karl Palm      **Date:** 3/11/2024 10:54:26 PM  
**Phone:** 651-296-6055      **Email:** karl.palm@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**SF4156 - 0 - MN Securities Act Registration Provisions Modified**

Chief Author: **Matt Klein**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/11/2024 10:54:26 PM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

<b>State Cost (Savings)</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

<b>Full Time Equivalent Positions (FTE)</b>		<b>Biennium</b>			<b>Biennium</b>	
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Karl Palm      **Date:** 3/11/2024 10:53:37 PM  
**Phone:** 651-296-6055      **Email:** karl.palm@lbo.mn.gov

### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-	-
	Biennial Total			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
	Total	-	-	-	-	-
	Biennial Total			-		-
<b>2 - Revenues, Transfers In*</b>						
	Total	-	-	-	-	-
	Biennial Total			-		-

### Bill Description

HF4040-0 includes 4 different updates that will modernize securities regulations and adopt uniformity with other states.

HF4040-0 includes a notice filing requirement regarding Regulation A, Tier 2 securities offerings. This is a type of securities offering that has been filed with the SEC and is preempted from state registration requirements. Many states require notice filing of Regulation A, Tier 2 offerings to monitor and protect investors. There is no fee associated with these filings. This statute would help align Minnesota with other states.

HF4040-0 updates the examination requirements of an Investment Advisor Representative to include the General Securities Representative Examination (Series 7). The Series 7 is a co-requisite of the Uniform Combined State Law Examination (Series 66) which is already in the statute. Adding in the Series 7 is meant to clarify any confusion as it was removed in error. This statute would help align Minnesota with other states.

HF4040-0 establishes the authority of the Department of Commerce to issue by rule or order continuing education requirements for an Investment Adviser Representative. The specific details related to requirements will come in a subsequent rule. This statute would help align Minnesota with other states.

HF4040-0 includes an addition to the financial stipulations regarding franchise fees that an investor would pay to a franchisor. If it is found that the applicant (franchisor) does not meet certain financial conditions, the Department can currently require escrow or impoundment of franchise fees and other funds paid by the franchisee or sub franchisor until the business is opened. HF4040-0 is adding in another preferred and easy to administer option of fee deferral to align with other states. The Department is already allowing for deferral of fees in practice and is looking to add to statute. This statute would help align Minnesota with other states.

### Assumptions

The Department assumes that these provisions have either no cost or are covered with existing resources to the Department. Details on the assumptions below:

#### RegA-Tier2

- Most states require notice filings of RegA, Tier 2 offerings and this requirement will not disrupt filers.
- The Department currently receives roughly 20 RegA, Tier 2 notice filings annually and the Department assumes this requirement may double the amount received.
- Adding this requirement would have a nominal impact on workload.
- There is no cost for notice filing RegA, Tier 2 offerings.

#### Series 7

- Adding back in the Series 7 requirement will cause no disruption as it is already a co-requisite for the Series 66. This change is fixing an error and stating the obvious.

#### IAR CE

As of 2/1/2024 18 states have adopted NASAA's (North American Securities Administrators Association) IAR CE model rule and more states will adopt in the future.

- As of 2/1/2024 18 states have adopted NASAA's (North American Securities Administrators Association) IAR CE model rule and more states will adopt in the future.
- An IAR who is also registered in a state that has already adopted the model rule is not required to complete additional CE.
- An IAR who is also registered as an agent of a FINRA member broker-dealer, and who complies with FINRA's continuing education requirements, is considered to be in compliance with the Products and Practice portion of the CE requirement.
- An IAR who takes a course to maintain a professional designation that is also approved for purposes of IAR CE will receive IAR CE credit for the professional designation course.
- As of 2/1/2024 there are roughly 12,700 IARs registered with the state of Minnesota.
- Of the 12,700, 10,892 of those registered in Minnesota are also registered with a Broker Dealer which would satisfy CE credits.
- Of the 12,700, 3,904 of those registered in Minnesota are already subjected to CE requirements with another state which would satisfy CE credits.
- Many individuals registered in the state of Minnesota have one of the approved designations and therefore would have some CE credits satisfied as well. Designation information is not tracked so there is no figure to rely on here.
- This CE requirement is meant to address those individuals who are not subject to continuing education through other means; i.e. approved designation, registered in another CE requirement state, and those also registered as an agent of a FINRA member broker-dealer who complies with FINRA's CE requirements

#### Franchise Fee Deferral

- Roughly 10% of franchise applications processed by the State require some sort of financial stipulation.
- Fee deferral is the easiest to administer and most widely used financial stipulation imposed in states that review franchise applications.
- The Department is already allowing for this stipulation and is looking to get it added to statute.

#### **Expenditure and/or Revenue Formula**

N/A

#### **Long-Term Fiscal Considerations**

N/A

#### **Local Fiscal Impact**

#### **References/Sources**

#### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Amy Trumper

**Date:** 3/7/2024 4:59:56 PM

**Phone:** 651-539-1517

**Email:** amy.trumper@state.mn.us

**SF4156 - 0 - MN Securities Act Registration Provisions Modified**

Chief Author: **Matt Klein**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/11/2024 10:54:26 PM**  
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns      **Date:** 3/11/2024 10:37:15 PM  
**Phone:** 651-297-1423      **Email:** chloe.burns@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

HF4040 provides for the Department of Commerce to adopt rules to conform with changes made in the bill regarding investment advisor registration continuing education requirements, as well as franchise fees deferral.

The legislation authorizes the Department of Commerce to conduct good cause exempt rulemaking to implement the provisions of Sec. 5, Rulemaking.

**Assumptions**

The Office of Administrative Hearings (OAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

While this bill makes mention of rulemaking in Section 5, the Department of Commerce has assumed no rulemaking costs at OAH, therefore it is assumed that OAH would have no fiscal impact.

**Expenditure and/or Revenue Formula****Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources**

**Agency Contact:** Denise Collins

**Agency Fiscal Note Coordinator Signature:** Denise Collins

**Phone:** 651-3617875

**Date:** 3/11/2024 3:47:00 PM

**Email:** denise.collins@state.mn.us