

## NEBRASKA ADMINISTRATIVE CODE

### Title 48 - DEPARTMENT OF BANKING AND FINANCE

#### Chapter 8 - FEDERAL COVERED ADVISERS

##### 001 GENERAL.

001.01 This Rule has been promulgated pursuant to authority delegated to the Director in Section 8-1120(3) of the Securities Act of Nebraska ("Act").

001.02 The Department has determined that this Rule relating to federal covered advisers is consistent with investor protection and is in the public interest.

001.03 The definitions in 48 NAC 2 shall apply to the provisions of this Rule, unless otherwise specified.

001.04 Federal statutes and rules of the Securities and Exchange Commission ("SEC") or the Financial Industry Regulatory Authority ("FINRA") referenced herein shall mean those statutes and rules as amended on or before the effective date of this Rule. A copy of the applicable statutes or rules referenced in this Rule is attached hereto.

002 NOTICE FILING. Every federal covered adviser doing business in Nebraska shall, pursuant to Section 8-1103(3) of the Act, file with the Central Registry Depository/Investment Adviser Registration Depository ("CRD/IARD") a notice containing the following information:

002.01 A copy of Application for Investment Adviser Registration ("Form ADV"), Part 1A and Part 2, together with all applicable schedules, as filed with the Securities and Exchange Commission ("SEC") for registration as an investment adviser pursuant to Section 203 of the Investment Advisers Act of 1940;

002.02 Either a consent to service of process in Nebraska or a signed and fully executed page 1 of Form ADV, that consents to the appointment of the Director of the Department of Banking and Finance as the agent of the federal covered adviser for service of process in Nebraska.

002.02A With respect to any document filed electronically through CRD/IARD, when a signature or signatures are required by the particular instructions of any filing to be made through CRD/IARD, a duly authorized officer of the applicant or the applicant him or herself, as required, shall affix his or her electronic signature to the filing by typing his or her name in the appropriate fields and submitting the filing to CRD/IARD. Submission of a filing in this manner shall constitute irrefutable evidence of legal signature by any individual whose name is typed on the filing.

002.03 A fee in the amount of two hundred dollars (\$200.00) to be paid through the CRD/IARD; and

002.04 Any other information the Director may require.

002.05 A notice filing of a federal covered adviser shall be deemed filed with the Director when the filing fee and Form ADV are transmitted to and accepted by CRD/IARD on behalf of Nebraska.

003 RENEWAL.

003.01 Federal covered adviser notice filings automatically expire annually on December 31. Notice filings by federal covered advisers must be renewed on or prior to that date.

003.02 The notice filing may be renewed annually by filing the following information with CRD/IARD:

003.02A A copy of all amendments to Form ADV, Part 1A and Part 2, together with all applicable schedules, that have not previously been filed with the Director; and

003.02B A fee in the amount of two hundred dollars (\$200.00) to be paid through CRD/IARD.

003.02C A notice filing of a federal covered adviser shall be deemed filed when the filing fee and Form ADV are filed with, and accepted by, CRD/IARD on behalf of Nebraska.

004 WITHDRAWAL. If a federal covered adviser is no longer conducting business in the state, the federal covered adviser shall notify the Director, through CRD/IARD, by filing Notice of Withdrawal from Registration as Investment Adviser, ("Form ADV-W"). A notice of withdrawal is deemed effective when filed with, and accepted by, CRD/IARD on behalf of Nebraska.

005 CORRECTION OF DOCUMENTS.

005.01 If the information contained in any document filed pursuant to this Rule is or becomes inaccurate or incomplete in any material respect, the federal covered adviser shall file a correcting amendment.

005.02 Any amendment required by Section 005.01, above, for a federal covered adviser shall be made on Form ADV in the manner prescribed by that form.

005.03 Any amendment to Form ADV shall be filed within the time period specified in the instructions to that form relating to filings made with the SEC.

006 SUPERVISION. A federal covered adviser is ultimately responsible for the acts of its investment adviser representatives and other associated persons and must maintain reasonable supervision and control over such persons at all times.

007 ASSIGNMENTS. For purposes of Section 8-1102(3)(b) of the Act, a transaction which does not result in a change of actual control or management of a federal covered adviser is not an assignment.

008 NOTICE FILING BY A SUCCESSOR TO FEDERAL COVERED ADVISER. In the event that a federal covered adviser succeeds to and continues the business of a federal covered adviser for which a notice filing has been made pursuant to Section 8-1103(b) of the Act or succeeds to and continues the business of a registered investment adviser, the notice filing or registration of the predecessor shall be deemed to remain effective as the notice filing of the successor if the successor, within thirty days from such succession, files a copy of its Form ADV, and the predecessor files a copy of Form ADV-W if and when filed with the SEC.

009 VERIFICATION OF IMMIGRATION STATUS. Every federal covered adviser who registers investment adviser representatives to transact business in Nebraska must verify the citizenship and immigration status of each investment adviser representative registered to transact business on its behalf in Nebraska and submit such verification to the Department.

009.01 For each investment adviser representative identified as a qualified legal alien, the federal covered adviser must submit a completed United States Citizenship Attestation Form, and a legible, current and unexpired copy of the front and back of one of the currently acceptable forms of documentation required by the Systematic Alien Verification for Entitlements Program and the Department of Homeland Security.

009.02 The federal covered adviser shall maintain a copy of the completed United States Citizenship Attestation Form for each investment adviser representative registered in Nebraska, regardless of citizenship or immigration status.

010 DISHONEST OR UNETHICAL BUSINESS PRACTICES.

010.01 The conduct set forth in 48 NAC 12.005 shall constitute “an act, practice or course of business which operates, or would operate, as a fraud or deceit upon another person,” for purposes of Section 8-1102(2)(b) of the Act and “dishonest or unethical business practices” for purposes of Section 8-1102(2)(d) of the Act by a federal covered adviser.

010.02 The delineation of certain acts and practices is not intended to be all inclusive. Acts or practices not enumerated therein may also be deemed fraudulent and dishonest.

**15 U.S.C.**

United States Code, 2014 Edition  
Title 15 - COMMERCE AND TRADE  
CHAPTER 2D - INVESTMENT COMPANIES AND ADVISERS  
SUBCHAPTER II - INVESTMENT ADVISERS  
Sec. 80b-3 - Registration of investment advisers  
From the U.S. Government Publishing Office, [www.gpo.gov](http://www.gpo.gov)

**§80b-3. Registration of investment advisers****(a) Necessity of registration**

Except as provided in subsection (b) of this section and section 80b-3a of this title, it shall be unlawful for any investment adviser, unless registered under this section, to make use of the mails or any means or instrumentality of interstate commerce in connection with his or its business as an investment adviser.

**(b) Investment advisers who need not be registered**

The provisions of subsection (a) of this section shall not apply to—

(1) any investment adviser, other than an investment adviser who acts as an investment adviser to any private fund, all of whose clients are residents of the State within which such investment adviser maintains his or its principal office and place of business, and who does not furnish advice or issue analyses or reports with respect to securities listed or admitted to unlisted trading privileges on any national securities exchange;

(2) any investment adviser whose only clients are insurance companies;

(3) any investment adviser that is a foreign private adviser;

(4) any investment adviser that is a charitable organization, as defined in section 3(c)(10)(D) of the Investment Company Act of 1940 [15 U.S.C. 80a-3(c)(10)(D)], or is a trustee, director, officer, employee, or volunteer of such a charitable organization acting within the scope of such person's employment or duties with such organization, whose advice, analyses, or reports are provided only to one or more of the following:

(A) any such charitable organization;

(B) a fund that is excluded from the definition of an investment company under section 3(c)(10)(B) of the Investment Company Act of 1940 [15 U.S.C. 80a-3(c)(10)(B)]; or

(C) a trust or other donative instrument described in section 3(c)(10)(B) of the Investment Company Act of 1940 [15 U.S.C. 80a-3(c)(10)(B)], or the trustees, administrators, settlors (or potential settlors), or beneficiaries of any such trust or other instrument;

(5) any plan described in section 414(e) of title 26, any person or entity eligible to establish and maintain such a plan under title 26, or any trustee, director, officer, or employee of or volunteer for any such plan or person, if such person or entity, acting in such capacity, provides investment advice exclusively to, or with respect to, any plan, person, or entity or any company, account, or fund that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 [15 U.S.C. 80a-3(c)(14)];

(6)(A) any investment adviser that is registered with the Commodity Futures Trading Commission as a commodity trading advisor whose business does not consist primarily of acting as an investment adviser, as defined in section 80b-2(a)(11) of this title, and that does not act as an investment adviser to—

(i) an investment company registered under subchapter I of this chapter; or

(ii) a company which has elected to be a business development company pursuant to section 80a-53 of this title and has not withdrawn its election; or

(B) institute proceedings to determine whether registration should be denied. Such proceedings shall include notice of the grounds for denial under consideration and opportunity for hearing and shall be concluded within one hundred twenty days of the date of the filing of the application for registration. At the conclusion of such proceedings the Commission, by order, shall grant or deny such registration. The Commission may extend the time for conclusion of such proceedings for up to ninety days if it finds good cause for such extension and publishes its reasons for so finding or for such longer period as to which the applicant consents.

The Commission shall grant such registration if the Commission finds that the requirements of this section are satisfied and that the applicant is not prohibited from registering as an investment adviser under section 80b-3a of this title. The Commission shall deny such registration if it does not make such a finding or if it finds that if the applicant were so registered, its registration would be subject to suspension or revocation under subsection (e) of this section.

**(d) Other acts prohibited by subchapter**

Any provision of this subchapter (other than subsection (a) of this section) which prohibits any act, practice, or course of business if the mails or any means or instrumentality of interstate commerce are used in connection therewith shall also prohibit any such act, practice, or course of business by any investment adviser registered pursuant to this section or any person acting on behalf of such an investment adviser, irrespective of any use of the mails or any means or instrumentality of interstate commerce in connection therewith.

**(e) Censure, denial, or suspension of registration; notice and hearing**

The Commission, by order, shall censure, place limitations on the activities, functions, or operations of, suspend for a period not exceeding twelve months, or revoke the registration of any investment adviser if it finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or revocation is in the public interest and that such investment adviser, or any person associated with such investment adviser, whether prior to or subsequent to becoming so associated—

(1) has willfully made or caused to be made in any application for registration or report required to be filed with the Commission under this subchapter, or in any proceeding before the Commission with respect to registration, any statement which was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact which is required to be stated therein.

(2) has been convicted within ten years preceding the filing of any application for registration or at any time thereafter of any felony or misdemeanor or of a substantially equivalent crime by a foreign court of competent jurisdiction which the Commission finds—

(A) involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, any substantially equivalent activity however denominated by the laws of the relevant foreign government, or conspiracy to commit any such offense;

(B) arises out of the conduct of the business of a broker, dealer, municipal securities dealer, investment adviser, bank, insurance company, government securities broker, government securities dealer, fiduciary, transfer agent, credit rating agency, foreign person performing a function substantially equivalent to any of the above, or entity or person required to be registered under the Commodity Exchange Act [7 U.S.C. 1 et seq.] or any substantially equivalent statute or regulation;

(C) involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities or substantially equivalent activity however denominated by the laws of the relevant foreign government; or

(B) violated any foreign statute or regulation regarding transactions in securities or contracts of sale of a commodity for future delivery traded on or subject to the rules of a contract market or any board of trade; or

(C) aided, abetted, counseled, commanded, induced, or procured the violation by any other person of any foreign statute or regulation regarding transactions in securities or contracts of sale of a commodity for future delivery traded on or subject to the rules of a contract market or any board of trade, or has been found, by the foreign financial<sup>3</sup> regulatory authority, to have failed reasonably to supervise, with a view to preventing violations of statutory provisions, and rules and regulations promulgated thereunder, another person who commits such a violation, if such other person is subject to his supervision; or

(9) is subject to any final order of a State securities commission (or any agency or officer performing like functions), State authority that supervises or examines banks, savings associations, or credit unions, State insurance commission (or any agency or office performing like functions), an appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(q))), or the National Credit Union Administration, that—

(A) bars such person from association with an entity regulated by such commission, authority, agency, or officer, or from engaging in the business of securities, insurance, banking, savings association activities, or credit union activities; or

(B) constitutes a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct.

**(f) Bar or suspension from association with investment adviser; notice and hearing**

The Commission, by order, shall censure or place limitations on the activities of any person associated, seeking to become associated, or, at the time of the alleged misconduct, associated or seeking to become associated with an investment adviser, or suspend for a period not exceeding 12 months or bar any such person from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, if the Commission finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person has committed or omitted any act or omission enumerated in paragraph (1), (5), (6), (8), or (9) of subsection (e) of this section or has been convicted of any offense specified in paragraph (2) or (3) of subsection (e) of this section within ten years of the commencement of the proceedings under this subsection, or is enjoined from any action, conduct, or practice specified in paragraph (4) of subsection (e) of this section. It shall be unlawful for any person as to whom such an order suspending or barring him from being associated with an investment adviser is in effect willfully to become, or to be, associated with an investment adviser without the consent of the Commission, and it shall be unlawful for any investment adviser to permit such a person to become, or remain, a person associated with him without the consent of the Commission, if such investment adviser knew, or in the exercise of reasonable care, should have known, of such order.

**(g) Registration of successor to business of investment adviser**

Any successor to the business of an investment adviser registered under this section shall be deemed likewise registered hereunder, if within thirty days from its succession to such business it shall file an application for registration under this section, unless and until the Commission, pursuant to subsection (c) or subsection (e) of this section, shall deny registration to or revoke or suspend the registration of such successor.

**(h) Withdrawal of registration**

Any person registered under this section may, upon such terms and conditions as the Commission finds necessary in the public interest or for the protection of investors, withdraw from registration by filing a written notice of withdrawal with the Commission. If the Commission finds that any person

(ii) such act or omission directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons or resulted in substantial pecuniary gain to the person who committed the act or omission.

**(3) Determination of public interest**

In considering under this section whether a penalty is in the public interest, the Commission may consider—

(A) whether the act or omission for which such penalty is assessed involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement;

(B) the harm to other persons resulting either directly or indirectly from such act or omission;

(C) the extent to which any person was unjustly enriched, taking into account any restitution made to persons injured by such behavior;

(D) whether such person previously has been found by the Commission, another appropriate regulatory agency, or a self-regulatory organization to have violated the Federal securities laws, State securities laws, or the rules of a self-regulatory organization, has been enjoined by a court of competent jurisdiction from violations of such laws or rules, or has been convicted by a court of competent jurisdiction of violations of such laws or of any felony or misdemeanor described in subsection (e)(2) of this section;

(E) the need to deter such person and other persons from committing such acts or omissions; and

(F) such other matters as justice may require.

**(4) Evidence concerning ability to pay**

In any proceeding in which the Commission may impose a penalty under this section, a respondent may present evidence of the respondent's ability to pay such penalty. The Commission may, in its discretion, consider such evidence in determining whether such penalty is in the public interest. Such evidence may relate to the extent of such person's ability to continue in business and the collectability of a penalty, taking into account any other claims of the United States or third parties upon such person's assets and the amount of such person's assets.

**(j) Authority to enter order requiring accounting and disgorgement**

In any proceeding in which the Commission may impose a penalty under this section, the Commission may enter an order requiring accounting and disgorgement, including reasonable interest. The Commission is authorized to adopt rules, regulations, and orders concerning payments to investors, rates of interest, periods of accrual, and such other matters as it deems appropriate to implement this subsection.

**(k) Cease-and-desist proceedings**

**(1) Authority of Commission**

If the Commission finds, after notice and opportunity for hearing, that any person is violating, has violated, or is about to violate any provision of this subchapter, or any rule or regulation thereunder, the Commission may publish its findings and enter an order requiring such person, and any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation, to cease and desist from committing or causing such violation and any future violation of the same provision, rule, or regulation. Such order may, in addition to requiring a person to cease and desist from committing or causing a violation, require such person to comply, or to take steps to effect compliance, with such provision, rule, or regulation, upon such terms and conditions and within such time as the Commission may specify in such order. Any such order may, as the Commission deems appropriate, require future compliance or steps to effect future compliance, either permanently or for such period of time as the Commission may specify, with such provision, rule, or regulation with respect to any security, any issuer, or any other person.

order entered without a prior Commission hearing may not apply to the court except after hearing and decision by the Commission on the respondent's application under subparagraph (A) of this paragraph.

**(C) No automatic stay of temporary order**

The commencement of proceedings under subparagraph (B) of this paragraph shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

**(D) Exclusive review**

Section 80b-13 of this title shall not apply to a temporary order entered pursuant to this section.

**(5) Authority to enter order requiring accounting and disgorgement**

In any cease-and-desist proceeding under paragraph (1), the Commission may enter an order requiring accounting and disgorgement, including reasonable interest. The Commission is authorized to adopt rules, regulations, and orders concerning payments to investors, rates of interest, periods of accrual, and such other matters as it deems appropriate to implement this subsection.

**(l) Exemption of venture capital fund advisers**

No investment adviser that acts as an investment adviser solely to 1 or more venture capital funds shall be subject to the registration requirements of this subchapter with respect to the provision of investment advice relating to a venture capital fund. Not later than 1 year after July 21, 2010, the Commission shall issue final rules to define the term "venture capital fund" for purposes of this subsection. The Commission shall require such advisers to maintain such records and provide to the Commission such annual or other reports as the Commission determines necessary or appropriate in the public interest or for the protection of investors.

**(m) Exemption of and reporting by certain private fund advisers**

**(1) In general**

The Commission shall provide an exemption from the registration requirements under this section to any investment adviser of private funds, if each of <sup>2</sup> such investment adviser acts solely as an adviser to private funds and has assets under management in the United States of less than \$150,000,000.

**(2) Reporting**

The Commission shall require investment advisers exempted by reason of this subsection to maintain such records and provide to the Commission such annual or other reports as the Commission determines necessary or appropriate in the public interest or for the protection of investors.

**(n) Registration and examination of mid-sized private fund advisers**

In prescribing regulations to carry out the requirements of this section with respect to investment advisers acting as investment advisers to mid-sized private funds, the Commission shall take into account the size, governance, and investment strategy of such funds to determine whether they pose systemic risk, and shall provide for registration and examination procedures with respect to the investment advisers of such funds which reflect the level of systemic risk posed by such funds.

(Aug. 22, 1940, ch. 686, title II, §203, 54 Stat. 850; Pub. L. 86-750, §§2-5, Sept. 13, 1960, 74 Stat. 885, 886; Pub. L. 91-547, §24, Dec. 14, 1970, 84 Stat. 1430; Pub. L. 94-29, §29(1)-(4), June 4, 1975, 89 Stat. 166-169; Pub. L. 96-477, title II, §202, Oct. 21, 1980, 94 Stat. 2290; Pub. L. 99-571, title I, §102(m), Oct. 28, 1986, 100 Stat. 3220; Pub. L. 100-181, title VII, §702, Dec. 4, 1987, 101 Stat. 1263; Pub. L. 101-429, title IV, §401, Oct. 15, 1990, 104 Stat. 946; Pub. L. 101-550, title II, §205(b), (c), Nov. 15, 1990, 104 Stat. 2719, 2720; Pub. L. 104-62, §5, Dec. 8, 1995, 109 Stat. 685; Pub. L. 104-290, title III, §§303(b), (d), 305, title V, §508(d), Oct. 11, 1996, 110 Stat. 3438, 3439,