

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 4264

(SENATE AUTHORS: KLEIN)

DATE
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Introduction and first reading
Referred to Commerce and Consumer Protection

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to financial institutions; modifying various provisions governing securities
1.3 broker-dealers and broker-dealers' agents; providing penalties; authorizing
1.4 administrative rulemaking; amending Minnesota Statutes 2024, sections 80A.50;
1.5 80A.69; 80C.12, subdivision 1; Minnesota Statutes 2025 Supplement, section
1.6 80A.66; proposing coding for new law in Minnesota Statutes, chapter 80A.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2024, section 80A.50, is amended to read:

1.9 **80A.50 SECTION 302; FEDERAL COVERED SECURITIES; SMALL**
1.10 **CORPORATE OFFERING REGISTRATION.**

1.11 (a) **Federal covered securities.**

1.12 (1) **Required filing of records.** With respect to a federal covered security, as defined
1.13 in Section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. Section 77r(b)(2)), that is not
1.14 otherwise exempt under sections 80A.45 through 80A.47, a rule adopted or order issued
1.15 under this chapter may require the filing of any or all of the following records:

1.16 (A) before the initial offer of a federal covered security in this state, all records that are
1.17 part of a federal registration statement filed with the Securities and Exchange Commission
1.18 under the Securities Act of 1933 and a consent to service of process complying with section
1.19 80A.88 signed by the issuer;

1.20 (B) after the initial offer of the federal covered security in this state, all records that are
1.21 part of an amendment to a federal registration statement filed with the Securities and
1.22 Exchange Commission under the Securities Act of 1933; and

2.1 (C) to the extent necessary or appropriate to compute fees, a report of the value of the
2.2 federal covered securities sold or offered to persons present in this state, if the sales data
2.3 are not included in records filed with the Securities and Exchange Commission.

2.4 (2) **Notice filing effectiveness and renewal.** A notice filing under subsection (a) is
2.5 effective for one year commencing on the later of the notice filing or the effectiveness of
2.6 the offering filed with the Securities and Exchange Commission. On or before expiration,
2.7 the issuer may renew a notice filing by filing a copy of those records filed by the issuer with
2.8 the Securities and Exchange Commission that are required by rule or order under this chapter
2.9 to be filed. A previously filed consent to service of process complying with section 80A.88
2.10 may be incorporated by reference in a renewal. A renewed notice filing becomes effective
2.11 upon the expiration of the filing being renewed.

2.12 (3) **Notice filings for federal covered securities under section 18(b)(4)(D).** With
2.13 respect to a security that is a federal covered security under Section 18(b)(4)(D) of the
2.14 Securities Act of 1933 (15 U.S.C. Section 77r(b)(4)(D)), a rule under this chapter may
2.15 require a notice filing by or on behalf of an issuer to include a copy of Form D, including
2.16 the Appendix, as promulgated by the Securities and Exchange Commission, and a consent
2.17 to service of process complying with section 80A.88 signed by the issuer not later than 15
2.18 days after the first sale of the federal covered security in this state.

2.19 (4) **Stop orders.** Except with respect to a federal security under Section 18(b)(1) of the
2.20 Securities Act of 1933 (15 U.S.C. Section 77r(b)(1)), if the administrator finds that there is
2.21 a failure to comply with a notice or fee requirement of this section, the administrator may
2.22 issue a stop order suspending the offer and sale of a federal covered security in this state.
2.23 If the deficiency is corrected, the stop order is void as of the time of its issuance and no
2.24 penalty may be imposed by the administrator.

2.25 (b) **Small corporation offering registration.**

2.26 (1) **Registration required.** A security meeting the conditions set forth in this section
2.27 may be registered as set forth in this section.

2.28 (2) **Availability.** Registration under this section is available only to the issuer of securities
2.29 and not to an affiliate of the issuer or to any other person for resale of the issuer's securities.
2.30 The issuer must be organized under the laws of one of the states or possessions of the United
2.31 States. The securities offered must be exempt from registration under the Securities Act of
2.32 1933 pursuant to Rule 504 of Regulation D (15 U.S.C. Section 77c).

2.33 (3) **Disqualification.** Registration under this section is not available to any of the
2.34 following issuers:

3.1 (A) an issuer subject to the reporting requirements of Section 13 or 15(d) of the Securities
3.2 Exchange Act of 1934;

3.3 (B) an investment company;

3.4 (C) a development stage company that either has no specific business plan or purpose
3.5 or has indicated that its business plan is to engage in a merger or acquisition with an
3.6 unidentified company or companies or other entity or person;

3.7 (D) an issuer if the issuer or any of its predecessors, officers, directors, governors,
3.8 partners, ten percent stock or equity holders, promoters, or any selling agents of the securities
3.9 to be offered, or any officer, director, governor, or partner of the selling agent:

3.10 (i) has filed a registration statement that is the subject of a currently effective registration
3.11 stop order entered under a federal or state securities law within five years before the filing
3.12 of the small corporate offering registration application;

3.13 (ii) has been convicted within five years before the filing of the small corporate offering
3.14 registration application of a felony or misdemeanor in connection with the offer, purchase,
3.15 or sale of a security or a felony involving fraud or deceit, including, but not limited to,
3.16 forgery, embezzlement, obtaining money under false pretenses, larceny, or conspiracy to
3.17 defraud;

3.18 (iii) is currently subject to a state administrative enforcement order or judgment entered
3.19 by a state securities administrator or the Securities and Exchange Commission within five
3.20 years before the filing of the small corporate offering registration application, or is subject
3.21 to a federal or state administrative enforcement order or judgment in which fraud or deceit,
3.22 including, but not limited to, making untrue statements of material facts or omitting to state
3.23 material facts, was found and the order or judgment was entered within five years before
3.24 the filing of the small corporate offering registration application;

3.25 (iv) is currently subject to an order, judgment, or decree of a court of competent
3.26 jurisdiction temporarily restraining or enjoining, or is subject to an order, judgment, or
3.27 decree of a court of competent jurisdiction permanently restraining or enjoining the party
3.28 from engaging in or continuing any conduct or practice in connection with the purchase or
3.29 sale of any security or involving the making of a false filing with a state or with the Securities
3.30 and Exchange Commission entered within five years before the filing of the small corporate
3.31 offering registration application; or

4.1 (v) is subject to a state's administrative enforcement order, or judgment that prohibits,
4.2 denies, or revokes the use of an exemption for registration in connection with the offer,
4.3 purchase, or sale of securities,

4.4 (I) except that clauses (i) to (iv) do not apply if the person subject to the disqualification
4.5 is duly licensed or registered to conduct securities-related business in the state in which the
4.6 administrative order or judgment was entered against the person or if the dealer employing
4.7 the party is licensed or registered in this state and the form BD filed in this state discloses
4.8 the order, conviction, judgment, or decree relating to the person, and

4.9 (II) except that the disqualification under this subdivision is automatically waived if the
4.10 state securities administrator or federal agency that created the basis for disqualification
4.11 determines upon a showing of good cause that it is not necessary under the circumstances
4.12 to deny the registration.

4.13 **(4) Filing and effectiveness of registration statement.** A small corporate offering
4.14 registration statement must be filed with the administrator. If no stop order is in effect and
4.15 no proceeding is pending under section 80A.54, such registration statement shall become
4.16 effective automatically at the close of business on the 20th day after filing of the registration
4.17 statement or the last amendment of the registration statement or at such earlier time as the
4.18 administrator may designate by rule or order. For the purposes of a nonissuer transaction,
4.19 other than by an affiliate of the issuer, all outstanding securities of the same class identified
4.20 in the small corporate offering registration statement as a security registered under this
4.21 chapter are considered to be registered while the small corporate offering registration
4.22 statement is effective. A small corporate offering registration statement is effective for one
4.23 year after its effective date or for any longer period designated in an order under this chapter.
4.24 A small corporate offering registration statement may be withdrawn only with the approval
4.25 of the administrator.

4.26 **(5) Contents of registration statement.** A small corporate offering registration statement
4.27 under this section shall be on Form U-7, including exhibits required by the instructions
4.28 thereto, as adopted by the North American Securities Administrators Association, or such
4.29 alternative form as may be designated by the administrator by rule or order and must include:

4.30 (A) a consent to service of process complying with section 80A.88;

4.31 (B) a statement of the type and amount of securities to be offered and the amount of
4.32 securities to be offered in this state;

4.33 (C) a specimen or copy of the security being registered, unless the security is
4.34 uncertificated, a copy of the issuer's articles of incorporation and bylaws or their substantial

5.1 equivalents in effect, and a copy of any indenture or other instrument covering the security
5.2 to be registered;

5.3 (D) a signed or conformed copy of an opinion of counsel concerning the legality of the
5.4 securities being registered which states whether the securities, when sold, will be validly
5.5 issued, fully paid, and nonassessable and, if debt securities, binding obligations of the issuer;

5.6 (E) the states (i) in which the securities are proposed to be offered; (ii) in which a
5.7 registration statement or similar filing has been made in connection with the offering
5.8 including information as to effectiveness of each such filing; and (iii) in which a stop order
5.9 or similar proceeding has been entered or in which proceedings or actions seeking such an
5.10 order are pending;

5.11 (F) a copy of the offering document proposed to be delivered to offerees; and

5.12 (G) a copy of any other pamphlet, circular, form letter, advertisement, or other sales
5.13 literature intended as of the effective date to be used in connection with the offering and
5.14 any solicitation of interest used in compliance with section 80A.46(17)(B).

5.15 (6) **Copy to purchaser.** A copy of the offering document as filed with the administrator
5.16 must be delivered to each person purchasing the securities prior to sale of the securities to
5.17 such person.

5.18 (c) **Offering limit.** Offers and sales of securities under a small corporate offering
5.19 registration as set forth in this section are allowed up to the limit prescribed by Code of
5.20 Federal Regulations, title 17, part 230.504 (b)(2), as amended.

5.21 (d) **Regulation A - Tier 2 filing requirements.**

5.22 (1) **Initial filing.** An issuer planning to offer and sell securities in Minnesota in an
5.23 offering exempt under Tier 2 of federal Regulation A must, at least 21 calendar days before
5.24 the date of the initial sale of securities in Minnesota, submit to the administrator:

5.25 (A) a completed Regulation A - Tier 2 offering notice filing form or copies of all the
5.26 documents filed with the Securities Exchange Commission; and

5.27 (B) a consent to service of process on Form U-2, if consent to service of process is not
5.28 provided in the Regulation A - Tier 2 offering notice filing form.

5.29 The initial notice filing made in Minnesota is effective for 12 months after the date the
5.30 filing is made.

5.31 (2) **Renewal.** For each additional 12-month period in which the same offering is
5.32 continued, an issuer conducting a Tier 2 offering under federal Regulation A may renew

6.1 the notice filing by filing (i) the Regulation A - Tier 2 offering notice filing form marked
6.2 "renewal," or (ii) a cover letter or other document requesting renewal. The renewal filing
6.3 must be made on or before the date notice filing expires.

6.4 (3) **Amendment.** An issuer may increase the amount of securities offered in Minnesota
6.5 by submitting a Regulation A - Tier 2 offering notice filing form or other document
6.6 describing the transaction.

6.7 (e) Notice filing requirement for federal crowdfunding offerings. This paragraph
6.8 applies to offerings made under Regulation Crowdfunding, Code of Federal Regulations,
6.9 title 17, part 227, and sections 4(a)(6) and 18(b)(4)(C) of the Securities Act of 1933, United
6.10 States Code, title 15, sections 77d(A)(6) and 77r(b)(4)(C).

6.11 (1) Initial filing. An issuer that (i) offers and sells securities in Minnesota in an offering
6.12 exempt under federal Regulation Crowdfunding, and (ii) has a principal place of business
6.13 in Minnesota or sells at least 50 percent of the offering's aggregate amount to Minnesota
6.14 residents, must file with the administrator:

6.15 (A) a completed Uniform Notice of Federal Crowdfunding Offering form or copies of
6.16 all documents filed with the Securities Exchange Commission; and

6.17 (B) if the issuer is not filing on the Uniform Notice of Federal Crowdfunding Offering
6.18 form, consent to service of process on Form U-2.

6.19 If the issuer's principal place of business is in Minnesota, the initial filing must be submitted
6.20 with the administrator when the issuer makes the issuer's initial Form C filing concerning
6.21 the offering with the Securities and Exchange Commission. If the issuer's principal place
6.22 of business is not in Minnesota but Minnesota residents have purchased at least 50 percent
6.23 of the aggregate amount of the offering, the filing must be submitted when the issuer becomes
6.24 aware that the aggregate purchases made by Minnesota residents meets the threshold, but
6.25 no later than 30 days after the date the offering is complete. The initial notice filing is
6.26 effective for a 12-month period beginning on the date the initial filing is submitted to the
6.27 administrator.

6.28 (2) Renewal. For each additional 12-month period in which a single offering is continued,
6.29 an issuer conducting an offering under federal Regulation Crowdfunding may renew the
6.30 issuer's notice filing by filing with the administrator on or before the date the current notice
6.31 filing expires:

6.32 (A) a completed Uniform Notice of Federal Crowdfunding Offering form that is marked
6.33 "renewal"; or

7.1 (B) a cover letter or other document requesting renewal.

7.2 (3) **Amendment.** An issuer may increase the amount of securities offered in Minnesota
7.3 by submitting (i) a completed Uniform Notice of Federal Crowdfunding Offering form that
7.4 is marked "amendment," or (ii) another document that describes the modified transaction.

7.5 Sec. 2. Minnesota Statutes 2025 Supplement, section 80A.66, is amended to read:

7.6 **80A.66 SECTION 411; POSTREGISTRATION REQUIREMENTS.**

7.7 (a) **Financial requirements.** Subject to Section 15(h) of the Securities Exchange Act
7.8 of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940
7.9 (15 U.S.C. Section 80b-22), a rule adopted or order issued under this chapter may establish
7.10 minimum financial requirements for broker-dealers registered or required to be registered
7.11 under this chapter and investment advisers registered or required to be registered under this
7.12 chapter.

7.13 (b) **Financial reports.** Subject to Section 15(h) of the Securities Exchange Act of 1934
7.14 (15 U.S.C. Section 78o(h)) or Section 222(b) of the Investment Advisers Act of 1940 (15
7.15 U.S.C. Section 80b-22), a broker-dealer registered or required to be registered under this
7.16 chapter and an investment adviser registered or required to be registered under this chapter
7.17 shall file such financial reports as are required by a rule adopted or order issued under this
7.18 chapter. If the information contained in a record filed under this subsection is or becomes
7.19 inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting
7.20 amendment.

7.21 (c) **Record keeping.** Subject to Section 15(h) of the Securities Exchange Act of 1934
7.22 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15
7.23 U.S.C. Section 80b-22):

7.24 (1) a broker-dealer registered or required to be registered under this chapter and an
7.25 investment adviser registered or required to be registered under this chapter shall make and
7.26 maintain the accounts, correspondence, memoranda, papers, books, and other records
7.27 required by rule adopted or order issued under this chapter;

7.28 (2) broker-dealer records required to be maintained under paragraph (1) may be
7.29 maintained in any form of data storage acceptable under Section 17(a) of the Securities
7.30 Exchange Act of 1934 (15 U.S.C. Section 78q(a)) if they are readily accessible to the
7.31 administrator; ~~and~~

7.32 (3) a broker-dealer must establish and maintain: (i) a set of written supervisory procedures
7.33 that reasonably prevent and detect violations of chapter 80A; Minnesota Rules, chapter

8.1 2876; or related orders issued by the commissioner; and (ii) a system to apply the procedures
 8.2 established under this clause. The procedures must designate by name or title a number of
 8.3 supervisory employees that is reasonable relative to the number of the broker-dealer's
 8.4 registered agents, offices, and transactions in Minnesota. A copy of the written procedures
 8.5 and the system to apply the procedures must be kept and maintained at each branch office
 8.6 affiliated with the broker-dealer; and

8.7 ~~(3)~~(4) investment adviser records required to be maintained under paragraph (d)(1) may
 8.8 be maintained in any form of data storage required by rule adopted or order issued under
 8.9 this chapter.

8.10 **(d) Records and reports of private funds.**

8.11 (1) **In general.** An investment adviser to a private fund shall maintain such records of,
 8.12 and file with the administrator such reports and amendments thereto, that an exempt reporting
 8.13 adviser is required to file with the Securities and Exchange Commission pursuant to SEC
 8.14 Rule 204-4, Code of Federal Regulations, title 17, section 275.204-4.

8.15 (2) **Treatment of records.** The records and reports of any private fund to which an
 8.16 investment adviser provides investment advice shall be deemed to be the records and reports
 8.17 of the investment adviser.

8.18 (3) **Required information.** The records and reports required to be maintained by an
 8.19 investment adviser, which are subject to inspection by a representative of the administrator
 8.20 at any time, shall include for each private fund advised by the investment adviser, a
 8.21 description of:

8.22 (A) the amount of assets under management;

8.23 (B) the use of leverage, including off-balance-sheet leverage, as to the assets under
 8.24 management;

8.25 (C) counterparty credit risk exposure;

8.26 (D) trading and investment positions;

8.27 (E) valuation policies and practices of the fund;

8.28 (F) types of assets held;

8.29 (G) side arrangements or side letters, whereby certain investors in a fund obtain more
 8.30 favorable rights or entitlements than other investors;

8.31 (H) trading practices; and

9.1 (I) such other information as the administrator determines is necessary and appropriate
9.2 in the public interest and for the protection of investors, which may include the establishment
9.3 of different reporting requirements for different classes of fund advisers, based on the type
9.4 or size of the private fund being advised.

9.5 (4) **Filing of records.** A rule or order under this chapter may require each investment
9.6 adviser to a private fund to file reports containing such information as the administrator
9.7 deems necessary and appropriate in the public interest and for the protection of investors.

9.8 (e) **Audits or inspections.** The records of a broker-dealer registered or required to be
9.9 registered under this chapter and of an investment adviser registered or required to be
9.10 registered under this chapter, including the records of a private fund described in paragraph
9.11 (d) and the records of investment advisers to private funds, are subject to such reasonable
9.12 periodic, special, or other audits or inspections by a representative of the administrator,
9.13 within or without this state, as the administrator considers necessary or appropriate in the
9.14 public interest and for the protection of investors. An audit or inspection may be made at
9.15 any time and without prior notice. The administrator may copy, and remove for audit or
9.16 inspection copies of, all records the administrator reasonably considers necessary or
9.17 appropriate to conduct the audit or inspection. The administrator may assess a reasonable
9.18 charge for conducting an audit or inspection under this subsection.

9.19 (f) **Custody and discretionary authority bond or insurance.** Subject to Section 15(h)
9.20 of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the
9.21 Investment Advisers Act of 1940 (15 U.S.C. Section 80b-22), a rule adopted or order issued
9.22 under this chapter may require a broker-dealer or investment adviser that has custody of or
9.23 discretionary authority over funds or securities of a customer or client to obtain insurance
9.24 or post a bond or other satisfactory form of security in an amount of at least \$25,000, but
9.25 not to exceed \$100,000. The administrator may determine the requirements of the insurance,
9.26 bond, or other satisfactory form of security. Insurance or a bond or other satisfactory form
9.27 of security may not be required of a broker-dealer registered under this chapter whose net
9.28 capital exceeds, or of an investment adviser registered under this chapter whose minimum
9.29 financial requirements exceed, the amounts required by rule or order under this chapter.
9.30 The insurance, bond, or other satisfactory form of security must permit an action by a person
9.31 to enforce any liability on the insurance, bond, or other satisfactory form of security if
9.32 instituted within the time limitations in section 80A.76(j)(2).

9.33 (g) **Requirements for custody.** Subject to Section 15(h) of the Securities Exchange Act
9.34 of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940
9.35 (15 U.S.C. Section 80b-22), an agent may not have custody of funds or securities of a

10.1 customer except under the supervision of a broker-dealer and an investment adviser
10.2 representative may not have custody of funds or securities of a client except under the
10.3 supervision of an investment adviser or a federal covered investment adviser. A rule adopted
10.4 or order issued under this chapter may prohibit, limit, or impose conditions on a broker-dealer
10.5 regarding custody of funds or securities of a customer and on an investment adviser regarding
10.6 custody of securities or funds of a client.

10.7 (h) **Investment adviser brochure rule.** With respect to an investment adviser registered
10.8 or required to be registered under this chapter, a rule adopted or order issued under this
10.9 chapter may require that information or other record be furnished or disseminated to clients
10.10 or prospective clients in this state as necessary or appropriate in the public interest and for
10.11 the protection of investors and advisory clients.

10.12 (i) **Continuing education.** A rule adopted or order issued under this chapter may require
10.13 an individual registered under section 80A.57 or 80A.58 to participate in a continuing
10.14 education program approved by the Securities and Exchange Commission and administered
10.15 by a self-regulatory organization, the North American Securities Administrators Association,
10.16 or the commissioner.

10.17 (j) **Business continuity and succession plan.** An investment adviser must establish,
10.18 maintain, and enforce written policies and procedures relating to business continuity and
10.19 succession planning. At a minimum, the policies and procedures under this paragraph must
10.20 provide:

10.21 (1) a means to protect, back up, and recover books and records;

10.22 (2) an alternate method to provide notice to customers; key personnel; employees;
10.23 vendors; service providers, including third-party custodians; and regulators, regarding issues
10.24 pertaining to the investment adviser's business operations, including but not limited to
10.25 significant business interruption, the death or unavailability of key personnel, other disruption
10.26 to business activities, or ceasing business operations;

10.27 (3) a plan to relocate the office space for a principal place of business that is subject to
10.28 a temporary or permanent loss;

10.29 (4) a plan to assign duties to qualified responsible persons if key personnel die or are
10.30 otherwise unavailable; and

10.31 (5) a plan to otherwise minimize service disruption and client harm that might result
10.32 from sudden and significant business interruption.

11.1 (k) Physical security and cybersecurity policies and procedures. An investment
11.2 adviser must establish, implement, update, and enforce written physical security and
11.3 cybersecurity policies and procedures that are designed to ensure the confidentiality, integrity,
11.4 and availability of physical and electronic records and information. The policies and
11.5 procedures must be tailored to the investment adviser's business model and must take into
11.6 account the investment advisor's business size, type of service provided, and number of
11.7 locations.

11.8 (1) The physical security and cybersecurity policies and procedures must:

11.9 (A) protect against reasonably anticipated threats or hazards to the security or integrity
11.10 of client records and information;

11.11 (B) ensure that the investment adviser protects confidential client records and information;
11.12 and

11.13 (C) protect client records and information that, if released, might result in harm or
11.14 inconvenience to the client.

11.15 (2) At a minimum, the physical security and cybersecurity policies and procedures must
11.16 develop and implement:

11.17 (A) an organizational understanding to manage information security risk with respect
11.18 to systems, assets, data, and capabilities;

11.19 (B) safeguards to ensure delivery of critical infrastructure services;

11.20 (C) actions and tools to identify when an information security event occurs;

11.21 (D) actions to take when a information security event is detected; and

11.22 (E) plans for security and system resilience, and to restore capabilities or services that
11.23 are impaired due to an information security event.

11.24 (3) At the time a client engages an investment adviser and on an annual basis thereafter,
11.25 an investment adviser must deliver to the client a privacy policy that is reasonably designed
11.26 to assist the client understand how the investment adviser collects and shares, to the extent
11.27 permitted by state and federal law, nonpublic personal information. If information in the
11.28 policy becomes inaccurate, the investment adviser must promptly update and deliver an
11.29 amended privacy policy to the client.

11.30 (l) Written confirmation. A broker-dealer must promptly provide to the customer a
11.31 written confirmation after executing a transaction and before completing a transaction. The
11.32 confirmation must:

12.1 (1) describe the security purchased or sold, the date of the transaction, the price of the
 12.2 security purchased or sold, and any commission charged;

12.3 (2) indicate whether the broker-dealer acted for the broker-dealer's account, as an agent
 12.4 for a customer, as an agent for another person, or an agent for both a customer and another
 12.5 person;

12.6 (3) if the broker-dealer is acting as an agent for a customer, include (i) the name of the
 12.7 person who purchased the security, (ii) the name of the person who sold the security, or (iii)
 12.8 a statement that the information in item (i) or (ii) is available to a customer on request if
 12.9 the broker-dealer knows the information or is able to ascertain the information with
 12.10 reasonable diligence;

12.11 (4) indicate whether the transaction was unsolicited; and

12.12 (5) indicate the name of the agent that executed the transaction.

12.13 A broker-dealer that complies with Securities and Exchange Commission Rule 10b-10,
 12.14 Code of Federal Regulations, title 17, part 240.10b-10, or article III, section 12, of the
 12.15 Financial Institutions Regulatory Authority Rules of Fair Practice, complies with this
 12.16 paragraph.

12.17 (m) **Conditions; stipulations; provisions.** A broker-dealer is prohibited from entering
 12.18 into a contract with a customer if the contract contains a condition, stipulation, or provision
 12.19 that binds the customer to waive rights under chapter 80A; Minnesota Rules, chapter 2876;
 12.20 or an order issued by the commissioner. A condition, stipulation, or provision included in
 12.21 a contract subject to this paragraph is void.

12.22 (n) **Principal office; employment.** A broker-dealer whose principal office is located in
 12.23 Minnesota must have at least one registered person employed on a full-time basis at the
 12.24 principal office located in Minnesota. This paragraph does not apply to a broker-dealer
 12.25 engaged solely in offering and selling;

12.26 (1) interests in a direct participation program; or

12.27 (2) securities issued by open-end investment companies, face amount certificate
 12.28 companies, or unit investment trusts registered under the Investment Company Act of 1940,
 12.29 United State Code, title 15, sections 80a-1 to 80a-64.

13.1 Sec. 3. Minnesota Statutes 2024, section 80A.69, is amended to read:

13.2 **80A.69 SECTION 502; PROHIBITED CONDUCT IN PROVIDING INVESTMENT**
13.3 **ADVICE.**

13.4 (a) **Fraud in providing investment advice.** It is unlawful for a person that advises
13.5 others for compensation, either directly or indirectly or through publications or writings, as
13.6 to the value of securities or the advisability of investing in, purchasing, or selling securities
13.7 or that, for compensation and as part of a regular business, issues or promulgates analyses
13.8 or reports relating to securities:

13.9 (1) to employ a device, scheme, or artifice to defraud another person; or

13.10 (2) to engage in an act, practice, or course of business that operates or would operate as
13.11 a fraud or deceit upon another person.

13.12 (b) **Rules defining fraud.** A rule adopted under this chapter may define an act, practice,
13.13 or course of business of an investment adviser or an investment adviser representative, other
13.14 than a supervised person of a federal covered investment adviser, as fraudulent, deceptive,
13.15 or manipulative, and prescribe means reasonably designed to prevent investment advisers
13.16 and investment adviser representatives, other than supervised persons of a federal covered
13.17 investment adviser, from engaging in acts, practices, and courses of business defined as
13.18 fraudulent, deceptive, or manipulative.

13.19 (c) **Rules specifying contents of advisory contract.** A rule adopted under this chapter
13.20 may specify the contents of an investment advisory contract entered into, extended, or
13.21 renewed by an investment adviser.

13.22 (d) **Use of client login information.** An investment adviser is prohibited from accessing
13.23 a client's account by using the client's unique identifying information, including but not
13.24 limited to the client's username and password.

13.25 Sec. 4. **[80A.691] BROKER-DEALERS; AGENTS; DISHONEST OR UNETHICAL**
13.26 **BUSINESS PRACTICES.**

13.27 Subdivision 1. **Broker-dealers; standards and principles.** A broker-dealer must observe
13.28 high standards of commercial honor and just and equitable principles of trade when
13.29 conducting the broker-dealer's business. An act or practice that is contrary to the standards
13.30 constitutes grounds for the administrator to deny, suspend, or revoke the broker-dealer's
13.31 registration or to take other action authorized by statute. For purposes of this subdivision,
13.32 an act or practice that is contrary to the standards includes:

- 14.1 (1) engaging in a pattern of unreasonable and unjustifiable delays with respect to: (i)
14.2 delivering securities purchased by a customer; or (ii) upon request, paying free credit balances
14.3 reflecting a customer's completed transactions;
- 14.4 (2) inducing trading in a customer's account that is excessive in size or frequency
14.5 considering the account's financial resources and character;
- 14.6 (3) recommending that a customer purchase, sell, or exchange a security without
14.7 reasonable grounds to believe the transaction or recommendation is suitable for the customer,
14.8 based on: (i) a reasonable inquiry regarding the customer's investment objectives, financial
14.9 situation, and needs; and (ii) other relevant information known by the broker-dealer;
- 14.10 (4) executing a transaction on behalf of a customer without the customer's authorization;
- 14.11 (5) exercising discretionary power to effect a transaction for a customer's account without
14.12 first obtaining written discretionary authority from the customer, unless the discretionary
14.13 power relates solely to the time the order is executed or the order's price;
- 14.14 (6) executing a transaction in a margin account without securing from the customer a
14.15 properly executed written margin agreement promptly after the account's initial transaction;
- 14.16 (7) failing to segregate customers' free securities or securities held in safekeeping;
- 14.17 (8) hypothecating a customer's securities without having a lien on the customer's
14.18 securities, unless the broker-dealer secures the customer's properly executed written consent
14.19 promptly after the initial transaction, except as permitted by Securities and Exchange
14.20 Commission regulations;
- 14.21 (9) entering into a transaction with or for a customer at a price that is not reasonably
14.22 related to the security's current market price, or receiving an unreasonable commission or
14.23 profit;
- 14.24 (10) failing to furnish to a customer purchasing securities in an offering, no later than
14.25 the due date for the transaction's confirmation: (i) a final prospectus; or (ii) a preliminary
14.26 prospectus and an additional document that, when combined with the preliminary prospectus,
14.27 includes all of the information included in the final prospectus;
- 14.28 (11) charging an unreasonable or inequitable fee for services performed, including: (i)
14.29 miscellaneous services that include but are not limited to collecting money due for principal,
14.30 dividends or interest, exchanging or transferring securities, appraisals, safekeeping, or
14.31 maintaining custody of securities; and (ii) other services related to the broker-dealer's
14.32 securities business;

15.1 (12) offering to buy or sell a security at a stated price if the broker-dealer is not prepared
15.2 to purchase or sell at the stated price and under the stated conditions at the time the offer
15.3 to buy or sell is made;

15.4 (13) representing that a security is being offered to a customer "at the market" or at a
15.5 price relevant to the market price, unless the broker-dealer knows or has reasonable grounds
15.6 to believe a market for the security exists other than the market made, created, or controlled
15.7 by: (i) the broker-dealer; (ii) a person for whom the broker-dealer is acting or with whom
15.8 the broker-dealer is associated with respect to the security's distribution; or (iii) a person
15.9 controlled by, controlling, or under common control with the broker-dealer;

15.10 (14) effecting a transaction in, or inducing the purchase or sale of, a security using a
15.11 manipulative, deceptive, or fraudulent device, practice, plan, program, design, or contrivance,
15.12 which includes but is not limited to:

15.13 (i) effecting a transaction in a security that involves no change in the security's beneficial
15.14 ownership;

15.15 (ii) entering an order to purchase or sell a security with the knowledge that at least one
15.16 other order for the same security that is substantially the same size, entered at substantially
15.17 the same time, and for substantially the same price as the order has been or will be entered
15.18 by or for the same or a different party to create (A) a false or misleading appearance of
15.19 active trading in the security, or (B) a false or misleading appearance with respect to the
15.20 market for the security. This item does not prohibit a broker-dealer from entering bona fide
15.21 agency cross transactions for the broker-dealer's customers; or

15.22 (iii) effecting, alone or with another person, a series of transactions in a security that
15.23 creates actual or apparent active trading in the security, or raises or reduces the price of the
15.24 security, to induce others to purchase or sell the security;

15.25 (15) guaranteeing a customer against loss in: (i) a securities account the broker-dealer
15.26 carries for the customer; (ii) a securities transaction effected by the broker-dealer; or (iii) a
15.27 securities transaction effected by the broker-dealer with or for the customer;

15.28 (16) publishing or circulating, or causing to be published or circulated, a notice, circular,
15.29 advertisement, newspaper article, investment service, or communication of any kind that
15.30 purports to: (i) report a transaction as a purchase or sale of a security, unless the broker-dealer
15.31 believes that the transaction was a bona fide purchase or sale of the security; or (ii) quote
15.32 the bid price or asked price for a security, unless the broker-dealer believes the quote
15.33 represents a bona fide bid for or offer of the security;

16.1 (17) using an advertising or sales presentation in a manner that is deceptive or misleading,
16.2 including but not limited to distributing: (i) nonfactual data, material, or a presentation based
16.3 on conjecture, unfounded or unrealistic claims; or (ii) assertions in a brochure, flyer, or
16.4 display using words, pictures, graphs, or other representations that are designed to
16.5 supplement, detract from, supersede, or defeat a prospectus' or disclosure's purpose or effect;

16.6 (18) failing to disclose to a customer, before entering into a contract with or for a customer
16.7 to purchase or sell a security, that the broker-dealer is controlled by, controlling, affiliated
16.8 with, or under common control with the security's issuer. If a disclosure under this clause
16.9 is not made in writing, the disclosure must be supplemented by giving or sending written
16.10 disclosure before or at the time the transaction is completed;

16.11 (19) failing to make a bona fide public offering of all of the securities allotted to a
16.12 broker-dealer for distribution, whether the securities are acquired as an underwriter, a selling
16.13 group member, or from a member participating in the distribution as an underwriter or
16.14 selling group member;

16.15 (20) failing or refusing to: (i) furnish a customer, upon reasonable request, information
16.16 the customer is entitled to; or (ii) respond to a formal written request or complaint;

16.17 (21) failing to pay and fully satisfy a final judgment or arbitration award resulting from
16.18 an arbitration or court proceeding relating to an investment and initiated by the customer,
16.19 unless: (i) the customer and broker-dealer, or broker-dealer's agent, agree in writing to an
16.20 alternative payment arrangement; and (ii) the broker-dealer or broker-dealer's agent complies
16.21 with the terms of the alternative payment arrangement;

16.22 (22) attempting to avoid paying a final judgment or arbitration award resulting from an
16.23 arbitration or court proceeding relating to an investment and initiated by the customer,
16.24 unless: (i) the customer and broker-dealer, or broker-dealer's agent, agree in writing to an
16.25 alternative payment arrangement; and (ii) the broker-dealer or broker-dealer's agent complies
16.26 with the terms of the alternative payment arrangement;

16.27 (23) failing to pay and fully satisfy a fine, civil penalty, order of restitution, order of
16.28 disgorgement, or similar monetary payment obligation imposed upon the broker-dealer or
16.29 broker-dealer's agent by the Securities and Exchange Commission, a state or provincial
16.30 securities or other financial services regulator, or a self-regulatory organization;

16.31 (24) accessing a client's account by using the client's unique identifying information,
16.32 including but not limited to the client's username and password;

17.1 (25) in connection with soliciting a sale or purchase of an over-the-counter non-NASDAQ
17.2 security, failing to promptly provide the most current prospectus or the most recently filed
17.3 periodic report filed under Section 13 of the Securities Exchange Act of 1934, United States
17.4 Code, title 15, section 78m, as amended, if the broker-dealer receives a request from a
17.5 customer;

17.6 (26) marking an order ticket or confirmation as unsolicited if the transaction is solicited;

17.7 (27) for each month in which activity has occurred in a customer's account and no less
17.8 frequently than once every three months regardless of whether customer account activity
17.9 has occurred, failing to provide the customer with an account statement that, with respect
17.10 to all over-the-counter non-NASDAQ equity securities in the account, contains a value for
17.11 each security based on the closing market bid on a date certain. This clause applies only if
17.12 the broker-dealer has been a market maker in the security at any time during the month in
17.13 which the monthly or quarterly statement is issued; or

17.14 (28) failing to comply with an applicable provision of the Financial Institutions
17.15 Regulatory Authority conduct rules or an applicable fair practice or ethical standard
17.16 promulgated by the Securities Exchange Commission or a self-regulatory organization
17.17 approved by the Securities Exchange Commission.

17.18 Subd. 2. **Broker-dealer's agents; standards and principles.** A broker-dealer's agent
17.19 must observe high standards of commercial honor and just and equitable principles of trade
17.20 when conducting the broker-dealer's agent's business. An act or practice that is contrary to
17.21 the standards constitutes grounds for the administrator to deny, suspend, or revoke the
17.22 broker-dealer's agent's registration or to take other action authorized by statute. For purposes
17.23 of this subdivision, an act or practice that is contrary to the standards includes:

17.24 (1) lending to or borrowing from a customer money or securities, or acting as a custodian
17.25 for a customer's money, securities, or executed stock power;

17.26 (2) effecting securities transactions that are not recorded on the regular books or records
17.27 maintained by the broker-dealer the broker-dealer's agent represents, unless the transactions
17.28 are authorized in writing by the broker-dealer before executing the transaction;

17.29 (3) establishing or maintaining an account that contains fictitious information in order
17.30 to execute transactions that are otherwise prohibited;

17.31 (4) sharing directly or indirectly in profits or losses in a customer account without the
17.32 written authorization from the customer and the broker-dealer the broker-dealer's agent
17.33 represents;

18.1 (5) dividing or otherwise splitting the broker-dealer's agent's commissions, profits, or
 18.2 other compensation from purchasing or selling securities with a person who is not also
 18.3 registered as a broker-dealer's agent for the same broker-dealer or for a broker-dealer under
 18.4 direct or indirect common control; or

18.5 (6) engaging in the conduct specified under subdivision 1, clauses (2), (3), (4), (5), (6),
 18.6 (9), (10), (14), (15), (16), (17), (21), (22), (23), (24), (25), (26), (27), or (28).

18.7 Subd. 3. **Conduct specified not exclusive.** The conduct identified as a violation under
 18.8 subdivisions 1 and 2 is not exclusive. A broker-dealer or broker-dealer's agent that engages
 18.9 in other conduct, including but not limited to forgery, embezzlement, nondisclosure,
 18.10 incomplete disclosure or misstatement of material facts, or manipulative or deceptive
 18.11 practices, is also subject to denial, suspension, or revocation of registration.

18.12 Sec. 5. Minnesota Statutes 2024, section 80C.12, subdivision 1, is amended to read:

18.13 Subdivision 1. **Grounds.** The commissioner, with or without prior notice or hearing,
 18.14 may issue a cease and desist order and may issue an order denying, suspending or revoking
 18.15 any registration, amendment or exemption on finding any of the following:

18.16 ~~(a)~~ (1) that the applicant, registrant or franchisor or any officer, director, agent or
 18.17 employee thereof or any other person has violated or failed to comply with any provision
 18.18 of sections 80C.01 to 80C.22 or any rule or order of the commissioner;

18.19 ~~(b)~~ (2) that the offer, sale, or purchase of the franchise would constitute misrepresentation
 18.20 to or deceit or fraud upon purchasers thereof, or has worked or tended to work a fraud upon
 18.21 purchasers or would so operate;

18.22 ~~(c)~~ (3) that the applicant, registrant or franchisor or any officer, director, agent or
 18.23 employee thereof or any other person is engaging or about to engage in false, fraudulent or
 18.24 deceptive practices in connection with the offer and sale of a franchise;

18.25 ~~(d)~~ (4) that any person identified in a public offering statement has been: (i) convicted
 18.26 of an offense or held liable in a civil action by final judgment described in section 80C.04,
 18.27 subdivision 1, paragraph (e), clause ~~(5)~~ (1), has a civil or criminal action pending as described
 18.28 in section 80C.04, subdivision 1, paragraph (e), clause (5), or is subject to an order, ~~or has~~
 18.29 had a civil judgment entered against the person as described in section 80C.04, clause (5),
 18.30 described in section 80C.04, subdivision 1, paragraph (e), clauses (2) to (4); and (ii) the
 18.31 involvement of the person in the business of the applicant or franchisor creates a substantial
 18.32 risk to prospective franchisees;

19.1 ~~(e)~~ (5) that the financial condition of the franchisor adversely affects or would adversely
19.2 affect the ability of the franchisor to fulfill its obligations under the franchise agreement;

19.3 ~~(f)~~ (6) that the franchisor's enterprise or method of business includes or would include
19.4 activities which are illegal where performed; or

19.5 ~~(g)~~ (7) that the method of sale or proposed method of sale of franchises or the operation
19.6 of the business of the franchisor or any term or condition of the franchise agreement or any
19.7 practice of the franchisor is or would be unfair or inequitable to franchisees.

19.8 Sec. 6. **OTHER REAL ESTATE; EXPEDITED RULEMAKING.**

19.9 The commissioner of commerce must adopt rules amending Minnesota Rules, part
19.10 2675.2170, item A, to conform with generally accepted accounting principles. The
19.11 commissioner of commerce may use the expedited rulemaking process under Minnesota
19.12 Statutes, section 14.389, to amend Minnesota Rules, part 2675.2170, item A, under this
19.13 section.