80A.66 SECTION 411; POSTREGISTRATION REQUIREMENTS.

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

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

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

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

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

(3) a broker-dealer must establish and maintain: (i) a set of written supervisory procedures that reasonably prevent and detect violations of chapter 80A; Minnesota Rules, chapter 2876; or related orders issued by the commissioner; and (ii) a system to apply the procedures established under this clause. The procedures must designate by name or title a number of supervisory employees that is reasonable relative to the number of the broker-dealer's registered agents, offices, and transactions in Minnesota. A copy of the written procedures and the system to apply the procedures must be kept and maintained at each branch office affiliated with the broker-dealer. A broker-dealer may use electronic media in accordance with FINRA Rule 3110.11, or any successor federal law, to satisfy its obligation under this paragraph; and

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

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

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

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

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

(A) the amount of assets under management;

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

(C) counterparty credit risk exposure;

(D) trading and investment positions;

(E) valuation policies and practices of the fund;

(F) types of assets held;

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

(H) trading practices; and

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

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

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

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

(g) **Requirements for custody.** Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-22), an agent may not have custody of funds or securities of a customer except under the supervision of a broker-dealer and an investment adviser representative may not have custody of funds or securities of a

client except under the supervision of an investment adviser or a federal covered investment adviser. A rule adopted or order issued under this chapter may prohibit, limit, or impose conditions on a broker-dealer regarding custody of funds or securities of a customer and on an investment adviser regarding custody of securities or funds of a client.

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

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

(j) **Business continuity and succession plan.** An investment adviser registered or required to be registered under this chapter must establish, maintain, and enforce written policies and procedures relating to business continuity and succession planning. At a minimum, the policies and procedures under this paragraph must provide:

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

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

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

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

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

(k) **Physical security and cybersecurity policies and procedures.** An investment adviser registered or required to be registered under this chapter must establish, implement, update, and enforce written physical security and cybersecurity policies and procedures that are designed to ensure the confidentiality, integrity, and availability of physical and electronic records and information. The policies and procedures must be tailored to the investment adviser's business model and must take into account the investment adviser's business size, type of service provided, and number of locations.

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

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

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

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

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

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

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

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

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

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

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

(l) **Written confirmation.** A broker-dealer must promptly provide to the customer a written confirmation at or before completing a transaction in accordance with FINRA Rule 2232 or any successor federal law. The confirmation must:

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

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

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

(4) indicate whether the transaction was unsolicited; and

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

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

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

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

(1) interests in a direct participation program; or

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

History: *2006 c 196 art 1 s 26,52; 2008 c 256 s 14; 2013 c 106 s 5; 2024 c 114 art 2 s 41; 1Sp2025 c 4 art 7 s 10; 2026 c 124 art 2 s 2*