

**Materials for the
May 19, 2020 Meeting of
the State Securities Board**

STATE SECURITIES BOARD
Telephone meeting
10:00 a.m., May 19, 2020

On March 16, 2020, the Governor temporarily suspended certain provisions of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. Pursuant to that suspension, the public will not be able to attend the Board meeting in person but may attend telephonically at no cost. To listen to the meeting, members of the public may call toll-free 1-877-226-9790 and enter access code 2050688.

The May 19th meeting of the State Securities Board will be held remotely by telephonic conference call, as authorized under Texas Government Code, Section 551.125. An electronic copy of the agenda will be available at <https://www.ssb.texas.gov/about-us/agency-reports/state-securities-board-meetings>, along with a copy of the meeting materials. A recording of the meeting will be available after May 19, 2020. To obtain a recording, please contact qc@ssb.texas.gov or call 512-305-8304.

Members of the public who would like to address the Board on an agenda item must register by calling 512-305-8304 or emailing proposal@ssb.texas.gov by 9:00 a.m. on the day of the meeting and provide their full name, phone number, and identify the agenda item they wish to speak on. You will be placed on a list and advised when it is your time to speak. All public comments at the telephonic meeting will be limited to three minutes. Members of the public may also submit written public comments to the Board via email at proposal@ssb.texas.gov.

AGENDA

1. Minutes of February 6, 2020, Board Meeting; consider excused absences, if any.
2. Rulemaking - Consideration of published rule proposal for adoption.
 - A. Amending §109.7(e), concerning secondary trading exemption under the Texas Securities Act, Section 5.0, to remove the S&P Capital IQ Standard Corporation Descriptions from the list of recognized manuals.
3. Rule review:
 - A. Pursuant to the notice published March 6, 2020:
 1. Chapter 115. Securities Dealers and Agents.

2. Chapter 116. Investment Advisers and Investment Adviser Representatives.
 - B. Review and vote on adoption of a revised Rule Review Plan.
4. Review and vote to approve the internal audit plan for FY 2020.
5. Report on budget and performance.
6. Update on Agency operations.

Persons with disabilities who plan to attend this meeting and require auxiliary aids or services should contact Sonia Fergerson at (512) 305-8306 at least five business days prior to the meeting so that appropriate arrangements can be made.

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PART 7. STATE SECURITIES BOARD
CHAPTER 109. TRANSACTIONS EXEMPT
FROM REGISTRATION

7 TAC §109.7

The Texas State Securities Board proposes an amendment to §109.7, concerning Secondary Trading Exemption under the Texas Securities Act, §5.O. The proposal would update the "manual exemption" contained in §5.O of the Act. Included in §5.O is the requirement that certain information about the issuer appear in either a recognized securities manual or on a form (133.5 or 133.6) filed with the Securities Commissioner. The definition of "recognized securities manual" in subsection (e) would be amended to remove S&P Capital IQ Standard Corporations Descriptions. S&P ceased publication of its manual as of May 2, 2016. At this time, all the time-sensitive information appearing in this publication has become outdated and would no longer serve to meet the requirements of §5.O.

Clint Edgar, Deputy Securities Commissioner, and Emily Diaz and Shaun Yarroll, Assistant Directors, Registration Division, have determined that for the first five-year period the proposed amendment is in effect there will be no foreseeable fiscal implications for state or local government as a result of enforcing or administering the proposed amendment.

Mr. Edgar, Ms. Diaz, and Mr. Yarroll have also determined that for each year of the first five years the proposed amendment is in effect the public benefit expected as a result of adoption of the proposed amendment will be that registered dealers relying upon the securities exemption contained in §5.O for secondary market sales will have been apprised of the manuals recognized by the Board for purposes of the exemption. There will be no adverse economic effect on micro- or small businesses or rural communities. Since the proposed amendment will have no adverse economic effect on micro- or small businesses or rural communities, preparation of an economic impact statement and a regulatory flexibility analysis is not required. There is no anticipated economic cost to persons who are required to comply with the amendment as proposed. There is no anticipated impact on local employment.

Mr. Edgar, Ms. Diaz, and Mr. Yarroll have also determined that for the first five-year period the proposed amendment is in effect: it does not create or eliminate a government program; it does not require the creation or elimination of existing employee positions; it does not require an increase or decrease in future legislative appropriations to this agency; it does not require an increase or decrease in fees paid to this agency; it does not increase or decrease the number of individuals subject to the rule's applicability; and it does not positively or negatively affect the state's economy. Additionally, the proposed amendment does not create a new regulation, or expand, limit, or repeal an existing regulation.

Comments on the proposal must be in writing and will be accepted for 30 days following publication of the proposed section in the *Texas Register*. Written comments should be submitted to Marlene K. Sparkman, General Counsel, State Securities Board, P.O. Box 13167, Austin, Texas 78711-3167 or faxed to (512) 305-8336. Comments may also be submitted electronically to proposal@ssb.texas.gov. In order to be considered by the Board at adoption, comments must be received no later than 30 days following publication.

The amendment is proposed under Texas Civil Statutes, Article 581-28-1. Section 28-1 provides the Board with the authority to adopt rules and regulations necessary to carry out and implement the provisions of the Texas Securities Act, including rules and regulations governing registration statements and applica-

tions; defining terms; classifying securities, persons, and matters within its jurisdiction; and prescribing different requirements for different classes.

The proposal affects Texas Civil Statutes, Article 581-5.O.

§109.7. *Secondary Trading Exemption under the Texas Securities Act, §5.O.*

(a) - (d) (No change.)

(e) The term "recognized securities manual" as used in the Texas Securities Act, §5.O(9)(c), is limited to [~~the S&P Capital IQ Standard Corporation Descriptions,~~] Best Insurance Reports Life-Health, any Mergent's Manual, and the OTC Markets Group Inc. website (www.otcmarkets.com) for a company that is currently or has recently been quoted on the OTCQX or OTCQB markets. This designation encompasses both print and electronic data and includes periodic supplements to these publications. The information provided in the recognized securities manual must contain the information specified in subsection (d) of this section. All information provided must be current. The time for determining whether the entries are current is at the date of the particular sale, not the date the manual listings are published. If a listing is not continually updated, the exemption would not be available once the published balance sheet becomes more than 18 months old.

(f) (No change.)

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on February 14, 2020.

TRD-202000608

Travis J. Iles

Securities Commissioner

State Securities Board

Earliest possible date of adoption: March 29, 2020

For further information, please call: (512) 305-8303



**State Securities Board
Revised Rule Review Plan**

In accordance with Section 2001.039 of the Government Code, the State Securities Board submits the following plan for the ongoing review of its rules. This plan replaces the plan filed on November 18, 2009, and published in the November 27, 2009, issue of the *Texas Register* (34 TexReg 8545).

Beginning in September 2022, the Agency will review 7 TAC, Chapters 101 - General Administration, 103 - Rulemaking Procedure, and 104 - Procedure for Review of Applications.

Beginning in December 2022, the Agency will review 7 TAC, Chapters 113 - Registration of Securities, 114 - Federal Covered Securities, 123 - Administrative Guidelines for Registration of Open-End Investment Companies, 125 - Minimum Disclosures in Church and Nonprofit Institution Bond Issues, 135 - Industrial Development Corporations and Authorities, and 137 - Administrative Guidelines for Regulation of Offers.

Beginning in March 2023, the Agency will review 7 TAC, Chapters 105 - Rules of Practice in Contested Cases, and 106 - Guidelines for the Assessment of Administrative Fines.

Beginning in June 2023, the Agency will review 7 TAC, Chapters 102 - Complaint Process, 107 - Terminology, 127 - Miscellaneous, and 131 - Guidelines for Confidentiality of Information.

Beginning in September 2023, the Agency will review 7 TAC, Chapters 109 - Transactions Exempt from Registration, 111 - Securities Exempt from Registration, and 139 - Exemptions by Rule or Order.

Beginning in December 2023, the Agency will review 7 TAC, Chapter 133 - Forms.

Beginning in March 2024, the Agency will review 7 TAC, Chapters 115 - Securities Dealers and Agents, and 116 - Investment Advisers and Investment Adviser Representatives.

Thereafter, each chapter will be reviewed no later than the fourth anniversary of the date the chapter took effect or was readopted pursuant to the preceding rule review cycle, whichever is later. As a result of its review, the Agency will readopt, readopt with amendments, or repeal rules, based upon an assessment of whether the reasons for initially adopting the rules continue to exist.