TITLE 710 SECURITIES DIVISION

Readoption Review
LSA Document #25-829

I. Statement Whether the Subject Matter Covered by the Rule Remains Carried out by the Agency

The Indiana Securities Division continues to have regulatory authority over the Indiana Uniform Securities Act ("IUSA") pursuant to Ind. Code § 23-19 *et seq*. Specifically, IC 23-19-6-5 states that the Commissioner may adopt, amend, and repeal rules necessary or appropriate to carry out this article.

II. Rationale for the Continued Need for the Rule

There is a continued need for the rules contained in 710 IAC 4. These rules supplement the provisions of the IUSA and add clarity for regulated individuals and entities in obtaining and maintaining proper registrations of securities offerings and professional licenses. The Division's primary purpose is investor protection and to ensure the integrity of the state's financial markets. Accordingly, the Division regulates the sale of securities, licensing of broker dealers and investment advisors, and enforces regulatory actions through administrative, civil and criminal mechanisms.

Many of the rules provide definitions for terms of art, explain the processes for industry participants, or provide guidance to the Commissioner in decision-making.[1] Securities markets are dynamic and ever-changing environments. There are numerous ways for an issuer to comply with the statutory requirements imposed by the legislature and avoid the anti-fraud disclosures requirements in IC 23-19-5-1. However, the same fluidity of the market can also lead to inadvertent violations of the statutory scheme the legislature has passed. Many of the rules provide guidance to the industry on how to most easily comply with statutory requirements and give them a process to follow to avoid statutory violation. In 2025, it was reported that securities and investment fraud has increased by approximately 43% since 2021.[2] Consequently, the need for investor protection still exists, and it is best accomplished by the Division through the IUSA and its administrative rules under 710 IAC 4. Registration and compliance are the front line for investor protection. The proposed rules for readoption provide clarity for registrants pursuant to the IUSA, including examinations and other requirements for registrations. The rules also provide clarity to registrants on record-keeping and proper disclosures for investments to meet the Division's objective of investor protection. Additionally, the Division investigates complaints received from investors. The rules provide clarity on investigation procedures as well as transparency for respondents. Further, the rules cover the administrative proceedings heard by the Commissioner and provide due

[1] 710 IAC 4-1 provides definitions for various terms of art, 710 IAC 4-2 provides guidance for how industry can take advantage of certain exemptions which avoid costly registration, 710 IAC 4-4 provides the minimum disclosure requirements and guidance on how a prospectus should be drafted, 710 IAC 4-12 dictates Division proceedings to ensure the proceedings mirror Indiana civil courts and afford due process to participants.

[2] United States Sentencing Commission, *https://www.ussc.gov/research/quick-facts/securities-and-investment-fraud* (last visited June 29, 2026).

process through discovery, pleadings to challenge the Division's action, use of rules of evidence, public hearing, and others that result in a fair hearing for the parties.

The rules overall provide industry with clarity on how the Division conducts its regulatory authority from registrations, examinations, investigations, enforcement actions, and proceedings.

(1)(A) All filing fees are statutory and none of the Division's rules alter those amounts or set other fees.[3]

(1)(B) - Expenses/Fees live in Indiana's statutory legislation. As such, the rules within Article 4 have nominal impact on Indiana's taxpayers.

(1)(C) - Entities regulated by the rules generally realize materially lower expenses when compared to similar states. Indiana constituents and firms enjoy this benefit in that many regulated entities pass expenses on to consumers in the form of higher fees or add-on administrative fees. As such, this makes Indiana a business and consumer friendly state.

(3) - The industry is a continuously evolving landscape which requires a fluid environment. NASAA model and federal rules are regularly amended to address and clarify regulations. When appropriate federal and NASAA rules have been incorporated by reference to minimize any confusion. Some proposed changes streamline multiple rules to remove redundancy.

(4) – 710 IAC 4 provides practicable enforcement by thoroughly defining terms of art, enforcement practices, and statutory requirements set forth in IC 23-19. The Division's regulatory goal is achieved through the IUSA and supplemental administrative code. These goals are achieved in the least restrictive manner through the readoption of 710 IAC 4 by providing registrants clear and detailed requirements for registration and defining conduct that may result in enforcement action taken against by the Division, and providing guidance on investigations, enforcement actions, and legal proceedings.

III. Analysis of fees, fines, and civil penalties under IC 4-22-2-19.6

The rules of 710 IAC 4 do not contain any fees, fines, or civil penalties, as those are all prescribed by statute.

IV. Cost-Benefit, Economic Impact, Fiscal Impact, or Regulatory Burden Statements

There does not appear to be a qualifying prior cost-benefit, economic impact, fiscal impact, or regulatory burden statement that was published in the Indiana Register. Consequently, the Division has prepared a regulatory analysis to submit simultaneously with this Readoption Review.

V. Alternative Methods of Achieving the Purpose of the Rule

Any economic impact on the regulated entities and/or individuals is nominal. As previously stated, the statutory expenses associated with the regulatory authority of the Division cover the cost of the staff to review and approve the registration of securities and/or individuals and firms.

[3] The only place in the rules where a fee is mentioned is 710 IAC 4-14-12(d)(c). 710 IAC 4-4-12 allows the Division to charge a reasonable fee for making paper copies of records of a broker-dealer, agent, investment adviser, or investment adviser representative. However, the Division always requests electronic records to minimize costs to registered persons. This section would only be relevant to a small minority of industry participants who: (1) do not keep electronic copies, and (2) cannot convert paper copies to electronic records.

710 IAC 4 is intended to provide regulated entities and Indiana constituents investor protections in line with NASAA model rules and federal regulations while allowing Indiana to incorporate modifications situated to customize the rules to support Indiana's balanced approach to protecting investors while minimizing burdensome regulations. Alternatively, similar states, specifically, Wyoming (Wyoming Administrative Rules, Secretary of State, Securities Division, Chapter 10 (Investment Advisers), Sections 4 and 8) and Ohio (O.A.C. 1301:6-3-09) incorporate NASAA model rules directly into their administrative code. Indiana could use this methodology; however, the Division believes having the text of model rules inside Indiana administrative code to be preferable for efficiency to industry.

Many of the rules provide definitions for terms of art, explain the processes for industry participants, or provide guidance to the Commissioner in decision-making.[4] Securities markets are dynamic and often changing environments. There are numerous ways for an issuer to comply with the statutory requirements imposed by the legislature and avoid the anti-fraud disclosures requirements in IC 23-18-5-1. However, the same fluidity of the market can also lead to inadvertent violations of the statutory scheme the legislature has passed. Many of the rules provide guidance to the industry on how to most easily comply with statutory requirements and give them a process to follow to avoid statutory violation.

VI. Complaints and Comments

Investors are best served when industry and regulators collaborate on investor protections. The Division meets with industry associations throughout the year, which allows registrants to provide feedback to the Division. In 2026, the Division received a comment regarding the annual report requirement contained in 710 IAC 4-6-7. The Division will be incorporating this feedback in their readoption review and regulatory analysis in 2027.

VII. Difficulties Encountered

The Division has not encountered any difficulties in administering the rules. Throughout the year, the Division has opportunities to engage with industry organizations and regulated individuals and receive feedback on its rules. The Division is not aware of any difficulties that registered individuals or small businesses incur as a result of 710 IAC 4.

VIII. Changes in Technology, Economic Conditions, or Other Factors

The rules were updated to remove the requirement of filing applications and other documents on paper forms. Business processes have been put in place to allow for electronic filing, which allows for quicker processing of applications and other documents. It also benefits the Division for record-keeping and efficiency in processing applications. For those registrants that still prefer to submit filings through the U.S. Mail, paper forms are still accepted by the Division.

IX. Other State or Federal Requirements

The Division's rules are consistent with the federal framework of registration. For example, federally-covered securities are primarily registered with the U.S. Securities & Exchange

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[4] 710 IAC 4-1 provides definitions for various terms of art; 710 IAC 4-2 provides guidance for how industry can take advantage of certain exemptions which avoid costly registration; 710 IAC 4-4 provides the minimum disclosure requirements and guidance on how a prospectus should be drafted, 710 IAC 4-12 dictates Division proceedings to ensure the proceedings mirror Indiana civil courts and afford due process to participants.

Commission with a notice filing to the state which eliminates redundant merit review for registration. The adoption of uniform code such as the IUSA eliminates some confusion in the registration process for those that are registered in multiple jurisdictions. The rules regarding the IUSA provide efficiency by having similar regulatory framework and therefore are less burdensome on the registrants.

Indiana and numerous jurisdictions follow a uniform act of laws that are all generally comparable in their registration, examination, and regulatory requirements.[5] The Uniform Securities Act imposes a large majority of requirements via statute and not regulatory rules. Due to this, Indiana's regulatory framework achieves its regulatory goals in a consistent manner with most other states which provides simplicity and cost efficiency to the industry by avoiding differing standards. In addition to the uniform acts, NASAA has also promulgated uniform model regulations that it makes available to its members. These model rules have largely been adopted without substantive changes by Indiana and many of the states. The Division also reviewed the administrative rules of Ohio (OAC Chapter 1301:6), Illinois (Title 14, Part 130), Kentucky (808 KAR Chapter 10), Michigan (Mich. Admin. Code R. 451), South Dakota (ARSD 20:08), and Idaho (IDAPA 12.01.08.000). The review of the regulatory provisions of other states generally indicates that Indiana is generally comparable to the neighboring jurisdictions.

	Definitions, Applications, and Registration Guidance	**Deceptive Practices**	**Enforcement Provisions and Hearing Procedures**	**Records Provisions**	**More Restrictive, generally the same, or less restrictive than Indiana**
IN (710 IAC 4)	710 IAC 4-1; 710 IAC 4-2; 710 IAC 4-3; 710 IAC 4-5; 710 IAC 4-6; 710 IAC 4-7; 710 IAC 4-8; 710 IAC 4-9; 710 IAC 4-11; 710 IAC 4-15	710 IAC 4-10; 710 IAC 4-9-15; 710 IAC 4-9-18	710 IAC 4-12; 710 IAC 4-13; 710 IAC 4-14	710 IAC 4-7-3; 710 IAC 4-7-4; 710 IAC 4-8-7	
KY (808 KAR 10)	808 KAR 10:010-10:09; 10:120 - 10:210; 10:240 - 10:400	808 KAR 10:030, 10:440-10:450	808 KAR 10:225	808 KAR 10: 110, 10:480	Generally, the same
OH (Rule 1301)	Rule 1301:6-3-01 through 1301:6-3-14	Rule 1301:6-3-19 and Rule 1301: 6-3-44	Rule 1301:6-3-23	Rule 1301:6-3-48	Generally, the same
MI (R 451)	R 451.4.16 - R 451.4.21; R451.4.28 - R 451.4.30	R 451.4.25- R 451.4.27	R 451.6	R 451.4.22 - R 451.4.24	Generally, the same

[5] https://www.uniformlaws.org/committees/community-home?communitykey=8c3c2581-0fea-4e91-8a50-27eee58da1cf

IL (14 Ill Admin. Code 130)	Section 130.200 - Section 130.800	Section 130.285	Section 130.1001 - 130.1520	Section 130.825; Section 130.845	More numerous and more restrictive regulations
SD (ARSD 20)	ARSD 20:08; ARSD 20:08:01; ARSD 20:08:04; ARSD 20:08:03:01 - 20:08:03:05; ARSD 20:08:03:08 - 20:08:03:18; ARSD 20:08:04, 20:08:05; ARSD 20:08:07	ARSD 20:08:03:06; ARSD 20:08:03:07; ARSD 20:08:05:28		ARSD 20:08:05:23; ARSD 20:08:03:02	More numerous and more restrictive regulations
ID (IDAPA 12.01.08.000)	IDAPA 12.01.08.000 – IDAPA 12.01.08.043, IDAPA 12.01.08.045 - IDAPA 12.01.08.087 IDAPA 12.01.08.089- IDAPA 12.01.08.0092, IDAPA 12.01.08.095 - IDAPA 12.01.08.103, IDAPA 12.01.105	IDAPA 12.01.08.104		IDAPA 12.01.08.044, IDAPA 12.01.08.088, IDAPA 12.01.08.093, IDAPA 12.01.08.094	Generally, the same

X. Previous Amendments

The rules in 710 IAC 4 were adopted in 2010. The rules were readopted with no changes in May 2016 and again in November 2022.

XI. Integration into Indiana Code

Although the rules have not been amended since they were promulgated, they are still relevant. The rules supplement the IUSA (IC 23-19) and provide clarity to the regulated entities and individuals on the procedures of applications, disclosures, enforcements, and legal proceedings. For example, Ind. Code § 23-19-5-1 is Indiana's anti-fraud provision in the IUSA, which states it is unlawful to employ manipulative, deceptive, or misleading acts in connection with the offer, sale, or purchase of a security. The administrative rules proposed for readoption provide more detail as to unlawful, dishonest, and unethical practices. Likewise, Ind. Code § 23-19-6 provides respondents the opportunity to a fair hearing before the Commissioner. However, 710 IAC 12 interprets how the proceedings before Commissioner may be conducted. It specifically provides clarity to parties to the proceedings regarding evidence, discovery, pleadings and settlement offers that may be helpful to parties, particularly when a party of *pro se*. The Division asserts that the rules of 710 IAC 4 are appropriate as rules rather than statutes because they are more procedural, add clarity, and expand on the statutory requirements of the IUSA.

The rules provide flexibility for the Division to respond to changes in industry standards, self-regulatory organizations, and federal agencies. The Division has recently moved the examination standards from rule to statute. The Division is currently proposing to repeal multiple rules and/or sections that are no longer relevant. The Divisions ability to respond to changes from other agencies, repeal irrelevant portions, and re-organize certain rules all speak to benefit of not integrating the current rule into the statute.

XII. Contact Information of Staff to Answer Substantive Questions

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TITLE 710 SECURITIES DIVISION

Regulatory Analysis
LSA Document #25-829

III. Description of Rule

The Indiana Securities Division ("Division") proposes the readoption of 710 IAC 4. The proposed rule regulates the Indiana Uniform Securities Act ("IUSA"), IC 23-19 *et seq*.

a. History and Background of the Rule – The rules of 710 IAC 4 were promulgated in June 2010. They were readopted with no changes in May, 2016 and again in November, 2022. The rules are currently set to expire on January 1, 2027. The current readoption proposes that the majority of the rules are readopted with no changes. However, upon a thorough review of the rules, there are seven rules that are proposed to be repealed.

b. Scope of the Rule – The proposed rules for readoption correspond to the IUSA and federal law, as the IUSA follows the federal securities laws very closely. Thus, the revisions reflect current law, federal requirements, and best practices in the regulation of securities.

In determining whether a rule should be readopted or repealed, the Division was able to eliminate some provisions that were obsolete or no longer necessary.

c. Statement of Need – The readoption is necessary as it details how the Division conducts it regulatory authority and as the current rules are set to expire January 1, 2027. The rules provide clarity to an enforceable regulatory structure designed for investor protection. The rules establish the regulatory requirements governing securities offerings, broker-dealers, agents, and investment advisers, including registration, exemptions, disclosure and reporting obligations, standards of practice, investigations, enforcement procedures, and recordkeeping to protect investors and ensure compliance with Indiana securities laws.. While the Investment Act of 1933 requires registration, the states are left to determine how best to accomplish registration. With Indiana being a state that has adopted the uniform code on securities, its laws are similar to other states. Likewise, Indiana's administrative rules are similar to other uniform code states with minor differences. The administrative rules of 710 IAC 4 allow the Division to regulate the industry in a manner similar to the U.S. Securities Exchange Commission, as well as other states, providing consistency to industry who practice across state lines.

d. Statutory Authority for the Proposed Rule – Pursuant to Ind. Code § 23-19-6-1, the legislature gave authority to the Division, through the Indiana Secretary of State, to administer the IUSA. Further, Ind. Code § 23-19-6-5 provides that the securities commissioner may adopt and amend rules necessary or appropriate to carry out Ind. Code § 23-19.

e. Fees, Fines, and Civil Penalties – The proposed rule for readoption does not add or increase any fees, fines, or civil penalties to regulated entities as those are all statutory.

II. Fiscal Impact Analysis

a. **Anticipated Effective Date of the Rule –** The effective date of the adopted rules will be January 1, 2027.

b. **Estimated Fiscal Impact on State and Local Government –** The only expense incurred by the Division to administer the rules is 710 IAC 4-12-10 which provides attendance and mileage fees for subpoenaed witnesses to attend Division proceedings. These fees are paid by the enforcement fund which is primarily funded by statutory civil penalties a result of violations of the IC 23-19. Additionally, under 710 IAC 4-14-12(d)(c) the division may impose a reasonable fee for the expense of making any copies under subsection (b). During the last 5 years the Division has not paid attendance or mileage fees or charged fees for the expense of making copies.

   The rules do not impose any additional expense on the State or local government to administer. The Division is directed by statute to appoint a commissioner and to employ "a chief deputy, attorneys, a senior investigator, a senior accountant, and other deputies, investigators, accountants, clerks, stenographers, and other employees necessary for the administration of this article." I.C. 23-19-6-1(b). Any fiscal impact by the rules is minimal as the fiscal impacts are created by statutory directives to appoint and employ staff to administer the statutory article which is augmented by these rules.

c. **Sources of Expenditures or Revenues Affected by the Rule –** The rules proposed for readoption do not affect any sources of revenues or expenditures.

III. Impacted Parties

Overall, investors are broadly impacted through the administrative rules due to the registration requirements. Regulated parties, including 10,484 broker dealers, 218,434 broker dealer agents, 367 investment advisers, and 10,839 investment adviser representatives are impacted positively by the rules providing clarity on their requirements to be registered in Indiana.

Similarly, individuals who are seeking to register securities offerings are impacted positively by the rules. The fact that the Division's rules are similar to other states' requirements provides consistency to industry in the registration process. The uniformity makes it more streamlined when registrants have to register in multiple jurisdictions.

The average number of proceedings that require a hearing are two proceedings per year. Parties to the proceedings before the Division also are impacted by the rules. Parties may include those that are not regulated by the Division, including: investors, witnesses, targets/respondents, and external counsel. As a result of an enforcement action taken by the Division, the responding party is entitled to a fair hearing before the commissioner. The rules outline procedures designed to guarantee a fair hearing. They include chances for discovery, options to request summary or default judgment, steps for holding an evidentiary hearing, and the right to appeal decisions at the Marion Superior Court. Certainly, that is a positive impact on parties of the proceedings before the Division.

IV. Changes in Proposed Rule

The majority of 710 IAC 4 is proposed for readoption with no changes. However, the following rules have been repealed.

RULES REPEALED THROUGH READOPTION

RULE	TITLE	REASON FOR CHANGE
710 IAC 4-1 General Provisions		
710 IAC 4-1-3	Forms	Obsolete and unnecessary rule.
710 IAC 4-3 Securities Registration		
710 IAC 4-3-2	Paper, Printing, and Language	Obsolete and unnecessary rule.
710 IAC 4-3-3	Contents of All Applications for Registration	Obsolete and unnecessary rule.
710 IAC 4-13 Records and Investigations		
710 IAC 4-13-1	Inspection of Records	Unnecessary rule.
710 IAC 4-13-2	Complaints Where Division Not Moving Party	Unnecessary rule.

RULES BEING READOPTED WITHOUT CHANGE

RULE	TITLE
710 IAC 4-1 General Provisions	
710 IAC 4-1-1	Definitions
710 IAC 4-1-2	Filing Date
710 IAC 4-2 Exemptions	
710 IAC 4-2-1	Nonpublic Offering Exemption
710 IAC 4-2-2	Disqualifications From Use of Nonpublic Offering Exemption
710 IAC 4-2-3	Limitations on Scope of Exemption
710 IAC 4-2-4	Indiana Uniform Limited Offering Exemption
710 IAC 4-2-5	Section 18(b)(4)(D), Federal Covered Security Notice Filing Requirement
710 IAC 4-2-6	Solicitations of Interest Prior to the Filing of a Registration Statement or Notice of Claim of Exemption from Registration Under Section 4 of this Rule
710 IAC 4-3 Securities Registration	
710 IAC 4-3-1	Filing of Original Application; Power of Attorney
710 IAC 4-4 Disclosure Requirements	
710 IAC 4-4-1	Prospectus
710 IAC 4-4-2	Contents of Prospectus
710 IAC 4-4-3	Changes in Circumstances
710 IAC 4-4-4	Petition for Ruling as to Materiality
710 IAC 4-5 Reporting Requirements	
710 IAC 4-5-1	Annual Report
710 IAC 4-5-2	Quarterly Financial Statements
710 IAC 4-5-3	Final Affidavit
710 IAC 4-5-4	Reports of Advertising and Sales Literature
710 IAC 4-5-5	Filing of Advertising and Sales Literature
710 IAC 4-5-6	Contents of Advertisement, Article, or Communication Relating to Registered Securities
710 IAC 4-6 Merit Standards	
710 IAC 4-6-1	Maximum Commissions
710 IAC 4-6-2	Options and Warrants; Unfair Practices
710 IAC 4-6-3	Promotional Shares
710 IAC 4-6-4	Nonvoting Common Stock; Unfair Practices
710 IAC 4-6-5	Preferred Stock and Debentures; Unfair Practices
710 IAC 4-6-6	Contents of Advertisement, Article, or Communication Relating to Registered Securities
710 IAC 4-6-7	Commissions on Installment Sales
710 IAC 4-6-8	Statements of Policy
710 IAC 4-7 Broker-Dealers	
710 IAC 4-7-1	Safe Harbor Rule
710 IAC 4-7-2	Examination for Registration

710 IAC 4-7-3	Books and Records
710 IAC 4-7-4	Reports Made by Brokers
710 IAC 4-7-5	Principal Office
710 IAC 4-7-6	Branch Offices
710 IAC 4-7-7	Notice of Changes in Circumstances
710 IAC 4-7-8	Expiration and Renewal of Registration
710 IAC 4-8 Agents	
710 IAC 4-8-1	Licensure; Dual Registration
710 IAC 4-8-2	Examination for Licensure
710 IAC 4-8-3	Notice of Changes in Circumstances
710 IAC 4-8-4	Expiration, Renewal, and Termination or Suspension of Registration
710 IAC 4-9 Investment Advisers	
710 IAC 4-9-1	Investment Adviser Registration Application
710 IAC 4-9-2	Investment Adviser Representative Application
710 IAC 4-9-3	Termination or Withdrawal from Registration
710 IAC 4-9-4	Incomplete and Abandoned Applications
710 IAC 4-9-5	Exemption for Certain Broker-Dealers
710 IAC 4-9-6	Examinations
710 IAC 4-9-7	Books and Records; Maintenance
710 IAC 4-9-8	Supervision of Investment Adviser Representatives and Employees
710 IAC 4-9-9	Written Disclosure Statements
710 IAC 4-9-10	Performance Based Compensation Exemption
710 IAC 4-9-11	Certain Transactions Not Deemed Assignments
710 IAC 4-9-12	Financial Statements and Reporting Requirements for Investment Advisers
710 IAC 4-9-13	Custody and Possession of Client Funds or Securities
710 IAC 4-9-14	Agency Cross Transactions for Advisory Clients
710 IAC 4-9-15	Dishonest or Unethical Practices
710 IAC 4-9-16	Amendment of Registration Documents Filed by Investment Advisers and Investment Adviser Representatives
710 IAC 4-9-17	Refunds
710 IAC 4-9-18	Unlawful Practices; Investment Advisers and Investment Adviser Representatives
710 IAC 4-10 Standards of Practice	
710 IAC 4-10-1	Dishonest and Unethical Practices
710 IAC 4-10-2	Senior-Specific Certifications and Designations
710 IAC 4-11 Financial Statements	
710 IAC 4-11-1	Financial Statements
710 IAC 4-11-2	Certified Financial Statements
710 IAC 4-11-3	Qualification of Accountants
710 IAC 4-11-4	Change of Accountants
710 IAC 4-12 Division Proceedings	

710 IAC 4-12-1	Scope of Rule
710 IAC 4-12-2	Appearance and Practice Before Division
710 IAC 4-12-3	Notice of Proceedings and Hearings
710 IAC 4-12-4	Default Entry
710 IAC 4-12-5	Answers
710 IAC 4-12-6	Settlement Offers
710 IAC 4-12-7	Prehearing Conferences
710 IAC 4-12-8	Parties to Proceedings; Limited Participation; Intervention
710 IAC 4-12-9	Consolidation
710 IAC 4-12-10	Evidence
710 IAC 4-12-11	Discovery
710 IAC 4-12-12	Proposed Findings and Conclusions; Briefs
710 IAC 4-12-13	Summary Judgment
710 IAC 4-14 Investigation; Rules of Practice	
710 IAC 4-14-1	Scope
710 IAC 4-14-2	Information Obtained During the Course of Investigations
710 IAC 4-14-3	Applicability
710 IAC 4-14-4	Official Transcripts
710 IAC 4-14-5	Access to Transcripts
710 IAC 4-14-6	Access to Documentary Evidence
710 IAC 4-14-7	Witnesses; Representation by Counsel
710 IAC 4-14-8	Witnesses; Advice from Counsel
710 IAC 4-14-9	Sequestration of Witnesses
710 IAC 4-14-10	Access to Premises by Division; Generally
710 IAC 4-14-11	Observation of Conduct of Business by Division
710 IAC 4-14-12	Access to Documents by Division
710 IAC 4-14-13	Access to Persons by Division
710 IAC 4-14-14	Failure to Cooperate
710 IAC 4-15 Broker-Dealer Compliance Reports	
710 IAC 4-15-1	Qualifications of Approved Auditors
710 IAC 4-15-2	Process for Submitting Completed Compliance Reports
710 IAC 4-15-3	Time Limitations for Auditors

V. Benefit Analysis

Primarily, the adoption provides clarity on requirements imposed by IC 23-19 for licensing and registration of individuals, businesses, and products. Additionally, the rules provide definitions and clarity on the antifraud provisions, dishonest or unethical business practices, and hearing procedures. The proposed rule has many non-monetized benefits, most importantly investor protection. Investor protection is the foundation of the IUSA, and the rules further that objective through their procedural requirements for registration.

a. **Estimate of Primary and Direct Benefits of the Rule –** Registered individuals directly benefit from the rules. The rules give guidance to registrants, so they understand the procedures the Division follows when registering individuals, entities, or offerings

Moreover, the rules ensure due process for respondents seeking to have a hearing before the commissioner. Parties to an enforcement action benefit from the proposed readoption by knowing that they can seek discovery and file specific pleadings and that their hearing will be conducted fairly through these mechanisms.

b. **Estimate of Secondary or Indirect Benefits of the Rule –** Indirectly, investors and the general public benefit from the administrative rules of 710 IAC 4. The registration requirements allow the Division to regulate the industry in a manner that promotes investor protection but also allows for capital formation with as few restrictions as possible.

c. **Estimate of Any Cost Savings to Regulated Industries –** It is hard to quantify any cost savings to regulated industries based upon the readoption of 710 IAC 4. As previously stated, 710 IAC 4 was originally promulgated in 2010 and there have been no changes to the rules since that time. Further, any fees related to registrations are all statutory and not contained in the rules.

Notwithstanding this, the proposed readoption does eliminate unnecessary rules relating to applications and to notices and reports being filed (1) on forms designated by the commissioner, (2) on standard letter size of 8 ½ by 11, and (3) in the English language. The Division receives most filings electronically and found these rules unnecessary. Ultimately, there could be some cost savings due to the efficiency of using electronic filing options, which would eliminate the costs relating to paper and/or manual filings.

Although as noted above these benefits cannot be quantified, the Division believes they are significant.

VI. Cost Analysis

The proposed readoption and repeal of certain provisions do not impose any new costs nor are there any new requirements. Fees for registration are statutory and not in the administrative rules.

While the general public as a whole is not directly impacted with costs related to 710 IAC 4, the registration procedures do meet the Division's objective of investor protection. A thorough review of applications, notices, or other filings by registrants ensures that bad actors do not become registered and further bad behavior that could be very costly to the general public if they violate their duty to their investors.

Respondents may be impacted through the administrative rules regarding proceedings before the commissioner. However, the majority of enforcement actions are resolved by consent agreements. There have been five matters before the Commissioner during the last five years.

The hearings held by the Division are the result of Respondent's requesting to bring matters before the Division. Thus, costs to respondents are specific to those that would like a hearing, but very few actually request a hearing. Notwithstanding this, the rules regarding proceedings are designed to ensure due process, and therefore the benefits outweigh any costs.

a. **Estimate of Compliance Costs for Regulated Entities –** The costs associated with the adoption of 710 IAC 4 are nominal. The rules implemented will lower compliance costs for industry participants by providing clarity on business processes to be compliant with statutory requirements under IC 23-19. Currently the majority of registered entities are regulated at the federal level by FINRA and the SEC. Indiana's rules either mirror or provide less restrictive obligations on the industry participants. Without the rules in place to provide minimum standards, regulated entities may spend additional funds on attorneys, analysts, and compliance partners to evaluate their compliance requirements under IC 23-19. In Indiana, many state registered investment advisers act as their own chief compliance officers relying on the rules under 710 IAC 4 for clarity on what IC 23-19 requires to operate their Indiana registered business.

b. **Estimate of Administrative Expenses Imposed by the Rules –** There are no new legal, reporting, accounting, or other administrative expenses imposed by the readoption of 710 IAC 4. These rules do not impose administrative expenses but rather define the process by which to comply the statutory requirements as set forth in the Indiana Uniform Securities Act.

c. **The fees, fines, and civil penalties analysis required by IC 4-22-2-19.6 –** 710 IAC 4 does not increase or change any fees, fines, or civil penalties as those are all contained in the IUSA.

d. **If the implementation costs of the proposed rule are expected to exceed the threshold set in IC 4-22-2-22.7(c)(6) –** The implementation and compliance costs of the readopted rule do not exceed five hundred thousand dollars ($500,000) for businesses, units, and individuals over any two (2) year period

VII. Sources of Information

a. **Independent Verifications or Studies –** The Division was provided a report from the Indiana Office of Management and Budget that was prepared by Gartner. The report revealed that Indiana's fees are often equal to or lower than peers; however, the fees are contained in the IUSA and not in the administrative rules proposed for readoption. The report also found that Indiana aligns closely with the examination models in most professions.

   The Division also reviewed the administrative rules of Ohio (OAC Chapter 1301:6), Illinois (Title 14, Part 130), Kentucky (808 KAR Chapter 10), Michigan (Mich. Admin. Code R. 451), South Dakota (ARSD 20:08), and Idaho (IDAPA 12.01.08.000).

b. **Sources Relied Upon in Determining and Calculating Costs and Benefits –** The Division did not use any other sources to calculate the costs and benefits of 710 IAC 4.

VIII. Regulatory Analysis

The Division does not foresee any costs incurred due to the adoption of 710 IAC 4, other than the normal routine business costs related to the profession. The adoption of 710 IAC 4 provides clarity for the compliance requirements imposed by IC 23-19 on industry registered participants and products. 710 IAC 4 furthers the Division's objective of investor protection by providing definitional clarity, minimum disclosures, best practices, unethical practices, and hearing procedures. The Division believes that the benefits of the rule likely outweigh its costs.

IX. Contact Information of Staff to Answer Substantive Questions

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