

STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 4 and Chapter 4 (IA) of the Rules under the Colorado Securities Act
Colorado Division of Securities
October 3, 2008

Pursuant to the authority found in the Colorado Securities Act ("Act"), sections 11-51-101, et seq., C.R.S. (2008), including parts 4 and 7 of the Act, the Securities Commissioner adopts the amendments to Rules 51-4.7 and 51-4.8(IA) on October 3, 2008.

The general purpose of amending Rule 51-4.7, Unfair and Dishonest Dealings as to broker-dealers and securities sales representatives, and Rule 51-4.8(IA), Dishonest and Unethical Conduct as to investment advisers and investments adviser representatives, is to adopt the North American Securities Administrators Association's model rule on the use of senior certifications and professional designations. The amendments to these rules prohibits the misleading use of senior and retiree designations while also providing the Securities Commissioner a means by which to recognize the use of certain designations conferred by an accredited organization.

The amendments address the growing use of financial designations or certifications that ostensibly convey expertise in advising seniors and retirees. Investors often have insufficient information when trying to determine whether senior designations represent meaningful educational achievement by the salesperson, or are merely marketing tools. The use of senior designations confers an impression that the salesperson has special qualifications or specialized education in addressing the needs of senior citizens or retirees, particular areas of finance, financial planning, estate planning, or investing. The requirements to obtain designations and certifications vary greatly, as can the processes for monitoring compliance with a code of conduct or ethics, if any, adopted by the organization that awards the designation or certification. The use of senior designations that misleadingly imply expertise in the financial needs of senior often results in unsuitable investments being sold to unsuspecting seniors by apparent "experts" who are little more than salesperson with little or no expertise in the individual, specific needs of the senior client or understanding of the product being sold.

The Securities Commissioner finds that the adoption of this permanent amendment to Rules 51-4.7 and 51-4.8(IA), is necessary and appropriate, in the public interest, and is consistent with the purposes and provisions of the Act. The Securities Commissioner further finds that the record demonstrates the need for the amendment of these Rules; that based upon information provided at the hearing, **licensed broker-dealers and sales representatives who will be required to comply with the rule generally agree that the conduct prohibited does not meet the prevailing standards of fair and honest dealings within the securities industry and that it is reasonable to expect the rule will prevent or deter such conduct, proper statutory authority exists for amendment of these Rules;** and amendment of these Rules does not conflict with any other rules or

statutes governing the Division of Securities; and, upon amendment, the remaining Division rules are coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rule adopted by the Securities Commissioner on October 3, 2008. The rule will become effective on December 1, 2008.

Dated this _____ October, 2008.

Fred J. Joseph
Securities Commissioner