

will be only a minority of the members and will have only a minority interest in the business.

[(c)] (F) It is unlawful for any investment adviser to take or have custody of any securities or funds of any client if:

(1) The Commissioner by rule prohibits custody; or

(2) In the absence of A rule, the investment adviser fails to notify the Commissioner that he has or may have custody.

(G) THE COMMISSIONER BY RULE OR ORDER MAY ADOPT EXEMPTIONS FROM SUBSECTIONS (A)(4), AND (E)(1)(I), (II), AND (III) OF THIS SECTION, WHERE SUCH EXEMPTIONS ARE CONSISTENT WITH THE PUBLIC INTEREST AND WITHIN THE PURPOSES FAIRLY INTENDED BY THE POLICY AND PROVISIONS OF THIS TITLE.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Corporations and Associations

Subtitle 4. Registration of [Broker-Dealers and Agents] BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS, AND INVESTMENT ADVISER REPRESENTATIVES

11-401.

(A) It is unlawful for any person to transact business in this State as a broker-dealer or agent unless he is registered under this [title] SUBTITLE.

(B) IT IS UNLAWFUL FOR ANY PERSON TO TRANSACT BUSINESS IN THIS STATE AS AN INVESTMENT ADVISER OR AS AN INVESTMENT ADVISER REPRESENTATIVE UNLESS:

(1) HE IS REGISTERED AS AN INVESTMENT ADVISER OR AN INVESTMENT ADVISER REPRESENTATIVE UNDER THIS SUBTITLE; OR

(2) HIS ONLY CLIENTS IN THIS STATE ARE INVESTMENT COMPANIES AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, OR INSURANCE COMPANIES; OR

(3) HE HAS NO PLACE OF BUSINESS IN THIS STATE; AND

(I) HIS ONLY CLIENTS IN THIS STATE ARE INVESTMENT COMPANIES AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, OTHER INVESTMENT ADVISERS, BROKER-DEALERS, BANKS, TRUST COMPANIES, SAVINGS AND LOAN ASSOCIATIONS, INSURANCE COMPANIES, EMPLOYEE BENEFIT PLANS WITH ASSETS OF NOT LESS THAN \$1,000,000, AND GOVERNMENTAL AGENCIES OR INSTRUMENTALITIES, WHETHER ACTING FOR THEMSELVES OR AS TRUSTEES OR FIDUCIARIES WITH INVESTMENT