
How to Become Registered as an Investment Adviser

The application for investment adviser registration is a two-part process. It involves the electronic filing of Form ADV Part I and the manual submittal of Form ADV Part II and other documents. The examination process takes an average of 60 to 90 days, sometimes longer depending on the complexity of the Applicant's business model.

Step 1: IARD Entitlement Process

Electronically file Form ADV Part I using the Investment Adviser Registration Depository (IARD) System. Download and complete the IARD entitlement forms for state registration by clicking [here](#). The IARD entitlement process is managed by the Financial Industry Regulatory Authority (FINRA). Questions regarding the entitlement forms or process should be directed to the IARD Call Center at 240-386-4848.

Payment of the \$200.00 application fee must be made through the IARD at the time of the electronic filing of Part I Form ADV. **DO NOT SEND APPLICATION FEES TO THE OFFICE OF FINANCIAL AND INSURANCE REGULATION.**

Step 2: OFIR Examinations Process

Upon completion of the entitlement process and Form ADV Part I, the IARD will electronically notify the State of Michigan and a letter from OFIR will be sent to you, the Applicant. You will be asked to submit the following documents:

- a. [Form ADV Part II](#) and [Instructions](#): The electronic version of Part II Form ADV is not yet available.
 - For Investment Adviser Applicants: Manually submit a completed Form ADV Part II with the appropriate schedules.

NOTE: Item 7 of the Transition Order Administering the Michigan Uniform Securities Act, Order No. 09-049-M ([Transition Order #1](#)) provides **that all new applicants for investment adviser registration without custody orders are prohibited from taking custody of funds or securities** until standards for maintaining custody of customer securities and funds are established by further order or promulgation of administrative rules.

Additionally, see [Release 93-3-BD](#) should you wish to withdraw fees directly from client accounts.

b. Investment Advisory Contract:

Provide a copy of the investment advisory contract the Applicant will use for Michigan clients.

Note that item 12 of [Transition Order #1](#) provides that an investment adviser, investment adviser representative, or federal covered investment adviser shall not enter into, extend, or renew any investment advisory contract unless it provides in writing all of the following:

- (a) The services to be provided, the term of the contract, the investment advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of termination or non-performance of the contract, and any grant of discretionary power to the investment adviser, investment adviser representative, or federal covered investment adviser.
- (b) That the investment adviser, investment adviser representative, or federal covered investment adviser shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client.
- (c) That no assignment of the investment advisory contract may be made by any investment adviser, investment adviser representative or federal covered investment adviser without the consent of the other party to the contract.
- (d) That the investment adviser, investment adviser representative, or federal covered investment adviser, if a partnership, shall notify the other party to the investment advisory contract of any change in the membership of the partnership within fifteen (15) days after the change.

Additionally, see [Release 93-3-BD](#) should you wish to withdraw fees directly from client accounts.

c. Balance Sheet:

Provide an accrual basis balance sheet in conformity to Generally Accepted Accounting Principles (GAAP) no older than 45 days and must

be signed as to its accuracy by an officer, partner, member, or sole proprietor.

The accrual basis accounting method recognizes assets when they are earned (but not necessarily collected) and records liabilities when they are incurred (but not necessarily paid). This is different than the cash basis accounting method, which recognizes revenues when they are collected and expenses when they are paid.

Section 412(4)(g) of the Michigan Uniform Securities Act, PA 551 of 2008 (the [Act](#)) requires that the Applicant be solvent in the sense that its assets exceed its liabilities and in the sense that it can meet its obligations as they mature.

d. [Supplemental Application Form \(FIS 0569\)](#):

In completing the [Supplemental Application Form](#), note the following items:

Item 4: List anyone who will be providing investment advice to Michigan clients.

Item 5: List anyone associated with the investment adviser who is also registered as a securities agent for Michigan with a broker-dealer. IF NO ONE IS REGISTERED AS A SECURITIES AGENT WITH MICHIGAN, PLEASE ANSWER "NONE".

e. [Consent and Guaranty Form \(FIS 0570\)](#)

Complete a [Consent and Guaranty Form](#) for each individual associated with the Applicant who is also registered as a securities agent in Michigan.

Upon compilation and completion of the captioned items, mail them with a cover letter to:

Department of Energy, Labor, and Economic Growth
Office of Financial and Insurance Regulation
Attention: Securities Section
P.O. Box 30701
Lansing, Michigan 48909-8201

For overnight packages or certified mail:

10/09

Department of Energy, Labor, and Economic Growth
Office of Financial and Insurance Regulation
Attention: Securities Section
Ottawa Building
611 West Ottawa Street
3rd Floor
Lansing, Michigan 48909-8201

Investment Adviser Seminars:

For a better understanding of the registration process as well as what to expect when an OFIR examiner visits your firm, attend one of our [Investment Adviser Seminars](#).