

Sixty-second
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1091

Introduced by

Judiciary Committee

(At the request of the Securities Commissioner)

1 A BILL for an Act to amend and reenact subsection 5 of section 10-04-10.1 of the North Dakota
2 Century Code, relating to investment advisory contracts.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Subsection 5 of section 10-04-10.1 of the North Dakota
5 Century Code is amended and reenacted as follows:

- 6 5. It is unlawful for any investment adviser to enter into, extend, or renew any investment
7 advisory contract unless it provides in writing that:
- 8 a. The investment adviser shall not be compensated on the basis of a share of
9 capital gains, earnings, or capital appreciation of the funds or any portion of the
10 funds of the client. This does not prohibit an investment advisory contract that
11 provides for compensation based on the total value of a fund determined as of a
12 definite date or averaged as of definite dates or over a definite period.
 - 13 b. An assignment of the investment advisory contract may not be made by the
14 investment adviser unless the investment adviser notifies the client of the
15 intended assignment and obtains the prior written consent of the client.
 - 16 c. The investment adviser shall provide written notice to the client within fifteen days
17 of any change of ownership in excess of five percent.
 - 18 d. The investment adviser shall provide written notice to the client within fifteen days
19 of a change of controlling interest of the investment adviser. The client may
20 terminate the investment advisory contract without penalty by providing a written
21 notice to the investment adviser within thirty days after the client's receipt of the
22 notice of change of controlling interest.

- 1 e. The commissioner may specify by rule the contents of an investment advisory
- 2 contract that will comply with the requirements of this subsection.