

Fax Number: (602) 594-7476

E-mail: cfarson@azcc.gov

6. An explanation of the rule, including the agency's reasons for initiating the rulemaking:

A.A.C. R14-4-116 incorporates by reference certain North American Securities Administrators Association ("NASAA") statements of policy and guidelines used by the Arizona Corporation Commission's Securities Division as its standards of review for specified securities registration applications. Pursuant to A.R.S. § 41-1028 and A.A.C. R1-1-414, A.A.C. R14-4-116 does not include any later amendments or editions of the incorporated matter. Effective May 7, 2007, NASAA amended its policy statements relating to Asset-Backed Securities, Commodity Pool Programs, Equipment Programs, Mortgage Programs, Oil and Gas Programs, Real Estate Investment Trusts, and Real Estate Programs and its Omnibus Guidelines to revise suitability standards to reflect inflation. The Corporation Commission amends A.A.C. R14-4-116 to incorporate the NASAA amendments.

The suitability standards amended by NASAA are financial standards designed to ensure that issuers do not sell complex and risky securities to investors for whom such investments are not suitable. Copies of the subject statements and guidelines can be accessed at http://www.nasaa.org/issues___answers/regulatory_activity/559.cfm.

In drafting the amendments, the NASAA project group solicited comments from all of the state securities regulators and from the public. The project group held a public hearing regarding its proposed amendments on October 20, 2006. After receiving, reviewing, and considering 92 responses, the project group recommended the amendments and NASAA adopted them effective May 7, 2007.

The Corporation Commission amends A.A.C. R14-4-116 to incorporate the NASAA amended statements of policy and guidelines to enhance investor protection and uniformity among the states with respect to the standard of review applied to applications for registration of the specified securities transactions.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for A.A.C. R14-4-116 analyzes the costs, savings, and benefits that accrue to the Corporation Commission, regulated persons, and the general public. The amendment to A.A.C. R14-4-116 should have no economic impact on the Corporation Commission. The Corporation Commission does not anticipate that the rule will have a direct financial impact on regulated persons. An indirect financial impact may result if the universe of potential investors is reduced for registered securities transactions subject to the revised suitability standards. The Corporation Commission does not anticipate that the rule will impose costs upon the general public.

The benefits provided by the amendment to A.A.C. R14-4-116 are nonquantifiable. The Corporation Commission anticipates that the general public may benefit from increased investor protection. State securities regulators participate in the drafting of NASAA statements of policy and adopt them in order to facilitate uniformity among the states regarding the standards imposed on applicants for registration of securities. The Corporation Commission anticipates that regulated persons may benefit from such uniformity.

10. A description of the changes between the proposed rule, including supplemental notices, and the final rule:

Subsection (B) of the amendment to A.A.C. R14-4-116 has been revised since the publication of the notice of proposed rulemaking to reflect a change of address for NASAA.

11. A summary of the comments made regarding the rule and the agency response to them:

The Commission did not receive written comments to the rule following publication of the Notice of Proposed Rulemaking.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

13. Any material incorporated by reference and its location in the text:

The following NASAA materials are incorporated by reference in A.A.C. R14-4-116(A):

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995; amended May 7, 2007.

3. NASAA mortgage program guidelines, adopted September 10, 1996; amended May 7, 2007.
4. Registration of commodity pool programs, adopted September 21, 1983, effective January 1, 1984; amended and adopted May 7, 2007.
5. Equipment programs, adopted November 20, 1986; amended April 22, 1988, and May 7, 2007.
6. Registration of oil and gas programs, adopted September 22, 1976; amended October 12, 1977, October 31, 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, October 24, 1991, and May 7, 2007.
7. Statement of policy regarding real estate investment trusts, revised and adopted May 7, 2007.
8. Real estate programs, last revised May 7, 2007.
9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
10. Omnibus Guidelines, adopted March 29, 1992; amended May 7, 2007.
11. Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations; amended April 18, 2004.
12. Statement of policy regarding church bonds, adopted April 14, 2002.
14. Whether the rule was previously made as an emergency rule and, if so, whether the text was changed between the making as an emergency and the making of the final rule:

Not applicable.
15. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION--SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Sections

R14-4-116. NASAA Statements of Policy

R14-4-116. NASAA Statements of Policy

A. Unless otherwise provided in A.R.S. Title 44, Chapter 12, Article 7, transactions that fall within one or more of the following North American Securities Administrators Association (NASAA) statements of policy shall comply with the requirements of those statements of policy to qualify for registration or renewal under A.R.S. Title 44, Chapter 12, Article 7.

This Section shall not apply to the registration of securities under A.R.S. § 44-1901.

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995; amended May 7, 2007.
3. NASAA mortgage program guidelines, adopted September 10, 1996; amended May 7, 2007.
4. Registration of commodity pool programs, adopted September 21, 1983, effective January 1, 1984; amended and adopted ~~August 30, 1990;~~ May 7, 2007.
5. Equipment programs, adopted November 20, 1986, ~~effective January 1, 1987;~~ amended April 22, 1988, and ~~October 24, 1991~~ May 7, 2007.
6. Registration of oil and gas programs, adopted September 22, 1976; amended October 12, 1977, October 31, 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, ~~and~~ October 24, 1991, and May 7, 2007.
7. Statement of policy regarding real estate investment trusts, revised and adopted ~~September 29, 1993~~ May 7, 2007.
8. Real estate programs, last revised ~~September 29, 1993~~ May 7, 2007.
9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.

10. Omnibus Guidelines, adopted March 29, 1992; amended May 7, 2007.
 11. Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations; amended April 18, 2004.
 12. Statement of policy regarding church bonds, adopted April 14, 2002.
- B. The material listed in subsection (A) is incorporated by reference and on file with the Commission. The incorporated material does not contain later editions or amendments. The material is published in *NASAA Reports* by Commerce Clearing House, Inc., 4025 ~~West~~ W. Peterson Avenue Ave., Chicago, Illinois ~~IL~~ 60646. Copies are available from NASAA, 750 First St., N.E., Suite 1140, ~~10 G Street St., N.E., Suite 710,~~ Washington D.C. 20002, and the Commission.