

**FISCAL NOTE  
PRIVATE COST**

**I. TITLE 15—ELECTED OFFICIALS  
Division 30—Secretary of State  
Chapter 51—Broker-Dealers, Agents, Investment Advisers, and Investment Adviser  
Representatives**

<b>Rule number/name:</b>	<b>15 CSR 30-51.070 Minimum Net Worth Requirements for Investment Advisers</b>
<b>Type of rulemaking:</b>	Proposed Amendment

**II. SUMMARY OF FISCAL IMPACT**

Estimate of the number of entities by class that would likely be affected by adoption of the rule:	Classification by type(s) of the business entities that would likely be affected by adoption of the rule:	Estimate in the aggregate as to the cost of compliance with the rule by the affected entities:
<b>217</b>	<b>Investment Adviser</b>	<b>\$0 - \$3,255,000.00 over the course of the ten-year phase-in of the minimum net worth requirement</b>

**III. WORKSHEET**

This rule applies to approximately 217 investment adviser registered organizations (IAs) in the state, as reflected in year 2025 data provided by industry regulators. Raising the requirement for in-state IAs to have a net worth of at least \$20,000 by the year 2036 results in an incremental increase of \$15,000 over the current \$5,000 requirement. When applied to all IAs over the ten-year phase-in, the total cost could be as follows:

- Increasing an IAs net worth requirement from \$5,000 to \$20,000 over ten years = \$15,000 potential increased net worth required per IA over the ten-year phase-in period
- Approx. 217 IAs multiplied by an additional \$15,000 over ten years = \$3,255,000

As discussed in the assumptions below, it is likely that only a small percentage of IAs will be affected, but because of the potential for all IAs to be affected, the cost estimate reflects the possibility of all IAs being affected by the rule change.

#### IV. ASSUMPTIONS

The net worth requirement for IAs in this rule exists to protect Missouri investors from fraud and to assist investment professionals in maintaining financial viability while providing financial advice and investing client funds. Since 1968, Missouri has adopted some form of net worth or net capital requirement for investment professionals in order to register in this state and provide financial investment services for compensation. The first such net capital requirement imposed for certain investment professionals was \$5,000; if adjusted for inflation, that amount would equal approximately \$48,000 today.

However, the net worth requirement minimum has remained at \$5,000 since its inception. The combination of a static net worth minimum and inflation in the value of assets has created conditions that could make it easier for insolvent or nearly insolvent IAs to have access to hundreds of millions in client assets. The state of Missouri has an interest in protecting investors from investment professionals who may lack the level of financial resources necessary to adequately fulfill financial adviser duties because of the IA's own financial distress. Increasing the net worth requirement in this rule is one possible method for removing this opportunity for potential fraudulent behavior.

With its \$5,000 minimum net worth requirement that has never been adjusted or updated, Missouri lags behind almost all other states in increasing higher net worth requirements as a method of combatting the potential for fraud. Approximately half of the fifty states require a minimum net worth/net capital level of at least \$35,000 for an IA that has custody of client funds and at least \$10,000 for an IA that has discretionary authority over client funds (no custody but the authority to make decisions about the investment of the client's funds without first asking for the client's permission). Nine others require at least \$10,000 as the minimum net worth/net capital level.

The Securities Division conducted a survey in 2025 to, among other purposes, gauge the effect an increase of the net worth minimum would have on the industry. A total of 50 IAs responded, 38 of which were domiciled in Missouri. Several survey questions related to a potential net worth minimum increase to \$27,000. Some responses were as follows:

- 23 (approx. 11% of the 217 IAs in Missouri) indicated the proposed increase would result in no change to the firm;
- 21 (approx. 10%) indicated they would seek new capital or increase earnings to cover the increase;
- 25 (approx. 12%) indicated the increase would result in no economic burden; and
- 11 (approx. 5%) indicated the increase would be an economic burden.

Although only a small percentage of the total number of IAs responded to the survey, the answers indicate that the impact of increasing the net worth minimum from \$5,000 to \$27,000 would be nonexistent or minimal on the vast majority of IAs. The proposed rule potentially further decreases the impact to IAs since the increase is to only \$20,000 and will be implemented over ten years. This proposed update gradually increasing Missouri's minimum net worth requirements from \$5,000 to \$20,000 will:

- Move Missouri closer to most other states;
- Implement the increase incrementally over ten years rather than all at once;
- Still be less than what most other states require; and
- Still be less than half of what the requirement would have been if adjusted for inflation in the years since the \$5,000 minimum was imposed.