

NASAA REQUEST FOR PUBLIC COMMENT [UPDATED]

PROPOSED AMENDMENTS TO THE *NASAA STATEMENT OF POLICY ON DISHONEST OR UNETHICAL BUSINESS PRACTICES BY BROKER-DEALERS AND AGENTS IN CONNECTION WITH INVESTMENT COMPANY SHARES* AND TECHNICAL REVISIONS TO THE NASAA MODEL RULE ON *DISHONEST OR UNETHICAL BUSINESS PRACTICES OF BROKER-DEALERS AND AGENTS* AND THE NASAA MODEL RULES *FOR SALES OF SECURITIES AT FINANCIAL INSTITUTIONS*

October 14, 2026

Comment Deadline: November 16, 2026

The Market and Regulatory Policy and Review Project Group (“Project Group”) of the Broker-Dealer Section (“Section”) of the North American Securities Administrators Association, Inc. (“NASAA”) is seeking public comment on proposed amendments to the *NASAA Statement of Policy Dishonest or Unethical Business Practices by Broker-Dealers and Agents in Connection with Investment Company Shares* (the “Investment Company Shares SOP”), as well as technical revisions to the NASAA model rule on *Dishonest or Unethical Business Practices of Broker-Dealers And Agents* (the “Business Practices Rule”) and the *Model Rules for Sales of Securities at Financial Institutions* (the “Financial Institutions Rule”).¹ This is an updated request for comment that supersedes and replaces a previous request for comment issued by NASAA on October 12, 2026 (which included a clean version of the proposed revisions to the Financial Institutions Rule instead of a redline and which is hereby withdrawn).

The proposed amendments would update the Investment Company Shares SOP, which was adopted by the NASAA Membership in April 1997, by including language mirroring the heightened conduct standard provided for in the Business Practices Rule as revised on April 7, 2025. The Project Group also proposes technical revisions to the Business Practices Rule and the Financial Institutions Rule. Those revisions encompass fixing minor spelling and punctuation

¹ The current text of the *NASAA Statement of Policy Dishonest or Unethical Business Practices by Broker-Dealers and Agents in Connection with Investment Company Shares* is available at <https://www.nasaa.org/wp-content/uploads/2022/11/sop-broker-dealer-dishonest-unethical-practices-investment-company-shares.pdf>. The current text of the NASAA model rule on *Dishonest or Unethical Business Practices of Broker-Dealers And Agents* is available at https://www.nasaa.org/wp-content/uploads/2025/04/BD-Dishonest-Unethical-BusPrac_FINAL_4-7-25.pdf. The current text of the *Model Rules for Sales of Securities at Financial Institutions* is available at https://www.nasaa.org/wp-content/uploads/2011/08/2-Sales_of_Securities_at_Financial_Institutions.pdf.

errors. The text of these proposed amendments is reflected in the attachments.

Comments are due on or before the deadline stated above. We are only accepting comments by email. Please email your comments to the NASAA Comments inbox (nasaacomment@nasaa.org). All comments received in response to this request will be posted to NASAA's website (www.nasaa.org) without edit or redaction after the close of the comment period, though inappropriate comments will not be posted. Accordingly, please do not include any information in your comment that you do not wish to become publicly available. After the close of the comment period, the Project Group and the Section will review all comments and consider whether to present the proposal, in its current or revised form, to the NASAA Board of Directors for potential adoption by the NASAA membership.

I. Background

The original Investment Company Shares SOP was adopted by NASAA in April 1997. It was intended to provide clear standards for broker-dealers and agents for acceptable conduct while recommending or selling investment company shares. The Investment Company Shares SOP also aids state regulators in assessing whether a firm or agent's actions warrant disciplinary action and promotes uniformity across jurisdictions by articulating consistent expectations for disclosure, suitability, fee transparency, and marketing practices.

On April 7, 2025, NASAA membership approved a revision to the Business Practices Rule to include a heightened conduct standard for broker-dealers and agents in alignment with Regulation Best Interest, as adopted by the U.S. Securities and Exchange Commission in 2019. Accordingly, the Project Group proposes an amendment to the Investment Company Shares SOP that incorporates the same language that was utilized in the revised Business Practices Rule in order to create uniformity between the Business Practices Rule and the Investment Company Shares SOP.

II. Discussion of Proposed Amendments to the Investment Company Shares SOP

A. Summary of the Existing Statement of Policy

The Investment Company SOP identifies specific conduct by broker-dealers and their agents that constitutes "dishonest or unethical practices" under Section 204 of the Uniform Securities Act. Such conduct may provide grounds for administrative sanctions, including denial, suspension, or revocation of registration.

Section A. Sales Load Communications

The Investment Company Shares SOP prohibits misleading or incomplete representations about sales charges in the sale of investment company shares. Unethical practices include failing to disclose all applicable sales charges; characterizing shares as "no-load" when any front-end

load, deferred sales charge, or certain Rule 12b-1 or service fees apply; failing to disclose available breakpoints or letters of intent; and recommending a specific share class without a reasonable basis to believe the fee structure is suitable for the customer.

Section B. Recommendations

The Investment Company Shares SOP bars unsuitable recommendations, including recommending purchases that cause a customer to hold multiple portfolios with similar objectives without justification, or recommending liquidation or redemption of shares to purchase similar investments when such transactions are not suitable based on the customer's financial situation and associated costs.

Section C. Disclosure Requirements

The Investment Company Shares SOP identifies several disclosure-related violations, including quoting current yield without providing average annual returns or explaining the distinction between yield and total return; comparing fund performance to bank products without disclosing the lack of FDIC insurance and differences in risk; implying insurance or guarantees without disclosing other material risks; suggesting improper advantages to purchasing before an ex-dividend date; and making performance projections, unwarranted statements, or statements based on nonpublic information.

Section D. Prospectus Delivery

The Investment Company Shares SOP states that providing a prospectus alone does not satisfy the obligation to provide full and fair disclosure.

Section E. Definitions

The Investment Company Shares SOP broadly defines "recommend" to include any affirmative act encouraging a securities transaction, and defines "solicitation" to encompass most communications offering or selling investment company shares, excluding certain SEC-filed disclosure documents.

B. Proposed Amendments to the Investment Company Shares SOP

The proposed amendments to the Investment Company Shares SOP will not alter any existing requirements but adds the language that was added to the Model Rule as revised on April 7, 2025. Sections A.4, B.1, and B.2 of the Investment Company Shares SOP have been updated to include the language from section D.1 of the Model Rule, each of which is set forth below with added language indicated in redline.

a. Amended Provisions

Section A.4

In connection with the solicitation of investment company shares; (i) recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and the associated transaction or other fees; or (ii) when recommending to a retail customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.15l-1, including, but not limited to 17 C.F.R. § 240.17a-14.

Section B.1

In connection with the solicitation of investment company shares; (i) recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and the associated transaction or other fees; or (ii) when recommending to a retail customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.15l-1, including, but not limited to 17 C.F.R. § 240.17a-14.

Section B.2

In connection with the solicitation of investment company shares; (i) recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and

appropriate based on the customer's investment objectives, financial situation and other securities holdings, and the associated transaction or other fees; or (ii) when recommending to a retail customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.15l-1, including, but not limited to 17 C.F.R. § 240.17a-14.

b. Effect of Proposed Amendments

The proposed amendments are supplemental in nature and do not modify, rescind, or otherwise alter any pre-existing obligations imposed upon broker-dealers and agents under the Investment Company Shares SOP. The amendments serve solely to incorporate the conduct standard as articulated in the Model Rule as adopted on April 7, 2025.

III. Proposed Technical Corrections to the Business Practices Rule and the Financial Institutions Rule

The Project Group requests comment on spelling and punctuation fixes made to the Business Practices Rule and the Financial Institutions Rule. The changes are technical in nature and are intended to correct minor errors in the original text of both documents.

IV. Conclusion and Request for Comment

The Project Group requests public comment on all aspects of the proposed amendments. In particular, the Project Group submits the following questions for consideration:

- 1) Do you agree that the proposed amendments should be adopted? Please explain why, or why not?
- 2) Are there concerns related to any of the technical revisions made to Dishonest or Unethical Business Practices of Broker-Dealers and Agents Model Rule and the Model Rule For Sales Of Securities As Financial Institutions?

Attachments

- **Proposed Amendments to the NASAA Statement of Policy *Dishonest or Unethical Business Practices by Broker-Dealers and Agents in Connection with Investment Company Shares* (Draft – Clean)**
- **Proposed Amendments to the NASAA Statement of Policy on *Dishonest or Unethical Business Practices by Broker-Dealers and Agents in Connection with Investment Company Shares* (Draft – Redline)**
- **Proposed Revisions to the NASAA Model Rule on *Dishonest or Unethical Business Practices of Broker-Dealers and Agents* (Draft – Redline)**
- **Proposed Revisions to the NASAA Model Rules for Sales of Securities at *Financial Institutions* (Draft – Redline)**

NASAA STATEMENT OF POLICY: DISHONEST OR UNETHICAL BUSINESS PRACTICES BY BROKER-DEALERS AND AGENTS IN CONNECTION WITH INVESTMENT COMPANY SHARES

(Adopted April 27, 1997; Amended ____)

(Prefatory Note: This Statement of Policy is intended to supplement, not supplant, the NASAA Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents.)

Any broker dealer or agent who engages in one or more of the following practices shall be deemed to have engaged in “dishonest or unethical practices in the securities business” as used in Section 204 of the Uniform Securities Act and such conduct may constitute grounds for denial, suspension or revocation of registration or such other action authorized by statute.

A. Sales Load Communications:

1. In connection with the solicitation of investment company shares, failing to adequately disclose to a customer all sales charges, including asset based and contingent deferred sales charges, which may be imposed with respect to the purchase, retention or redemption of such shares.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the shares are sold without a commission, are “no load” or have “no sales charge” if there is associated with the purchase of the shares: (i) a front-end load; (ii) a contingent deferred sales load; (iii) a SEC Rule 12b-1 fee or a service fee if such fees in total exceeds .25% of average net fund assets per year; or (iv) in the case of closed-end investment company shares, underwriting fees, commissions or other offering expenses.
3. In connection with the solicitation of investment company shares, failing to disclose to any customer any relevant: (i) sales charge discount on the purchase of shares in dollar amounts at or above a breakpoint; or (ii) letter of intent feature, if available, which will reduce the sales charges.
4. In connection with the solicitation of investment company shares: (i) recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and appropriate based on the customer’s investment objectives, financial situation and other securities holdings, and the associated transaction or other fees; or (ii) when

recommending to a retail customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.

B. Recommendations:

1. In connection with the solicitation of investment company shares: (i) recommending to a customer the purchase of investment company shares which results in the customer simultaneously holding shares in different investment company portfolios having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and any associated transaction charges or other fees; or (ii) when recommending to a retail customer the purchase of investment company shares which results in the customer simultaneously holding shares in different investment company portfolios having similar investment objectives and policies, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.
2. In connection with the solicitation of investment company shares: (i) recommending to a customer the liquidation or redemption of investment company shares for the purpose of purchasing shares in a different investment company portfolio having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings and any associated transaction charges or other fees; or (ii) when recommending to a customer the liquidation or redemption of investment company shares for the purpose of purchasing shares in a different investment company portfolio having similar investment objectives and policies, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the liquidation or redemption without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the

customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.

C. Disclosure:

1. In connection with the solicitation of investment company shares, stating or implying to a customer the fund's current yield or income without disclosing the fund's most recent average annual return, calculated in a manner prescribed in SEC Form N-1A, for one, five and ten year periods and fully explaining the difference between current yield and total return; provided, however, that if the fund's registration statement under the Securities Act of 1933 has been in effect for less than one, five, or ten years, the time during which the registration statement was in effect shall be substituted for the periods otherwise prescribed.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the investment performance of an investment company portfolio is comparable to that of a savings account, certificate of deposit or other bank deposit account without disclosing to the customer that the shares are not insured or otherwise guaranteed by the FDIC or any other government agency and the relevant differences regarding risk, guarantees, fluctuation of principal and/or return, and any other factors which are necessary to ensure that such comparisons are fair, complete and not misleading.
3. In connection with the solicitation of investment company shares, stating or implying to a customer the existence of insurance, credit quality, guarantees or similar features regarding securities held, or proposed to be held, in the investment company's portfolio without disclosing to the customer other kinds of relevant investment risks, including but not limited to, interest rate, market, political, liquidity, or currency exchange risks, which may adversely affect investment performance and result in loss and/or fluctuation of principal notwithstanding the creditworthiness of such portfolio securities.
4. In connection with the solicitation of investment company shares, stating or implying to a customer: (i) that the purchase of such shares shortly before an ex-dividend date is advantageous to such customer unless there are specific, clearly described tax or other advantages to the customer; or (ii) that a distribution of long-term capital gains by an investment company is part of the income yield from an investment in such shares.
5. In connection with the solicitation of investment company shares, making: (i) projections of future performance; (ii) statements not warranted under existing circumstances; or (iii) statements based upon non-public information.

D. Prospectus:

In connection with the solicitation of investment company shares, the delivery of a prospectus, in and of itself, shall not be dispositive that the broker dealer or agent provided the customer full and fair disclosure.

E. Definitions:

For the purpose of this rule the following terms shall mean:

1. “Recommend”: any affirmative act or statement that endorses, solicits, requests, or commends a securities transaction to a customer or any affirmative act or statement that solicits, requests, commands, importunes or intentionally aids such person to engage in such conduct.
2. “Solicitation”: any oral, written or other communication used to offer or sell investment company shares excluding any proxy statement, report to shareholders, or other disclosure document relating to a security covered under Section 18(b)(2) of the Securities Act of 1933 that is required to be and is filed with the Commission or any national securities organization registered under Section 15A of the Securities Exchange Act of 1934.

NASAA STATEMENT OF POLICY: DISHONEST OR UNETHICAL BUSINESS PRACTICES BY BROKER-DEALERS AND AGENTS IN CONNECTION WITH INVESTMENT COMPANY SHARES

(Adopted April 27, 1997; Amended _____)

(Prefatory Note: This Statement of Policy is intended to supplement, not supplant, the NASAA Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents.)

Any broker dealer or agent who engages in one or more of the following practices shall be deemed to have engaged in “dishonest or unethical practices in the securities business” as used in Section 204 of the Uniform Securities Act and such conduct may constitute grounds for denial, suspension or revocation of registration or such other action authorized by statute.

A. Sales Load Communications:

1. In connection with the solicitation of investment company shares, failing to adequately disclose to a customer all sales charges, including asset based and contingent deferred sales charges, which may be imposed with respect to the purchase, retention or redemption of such shares.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the shares are sold without a commission, are “no load” or have “no sales charge” if there is associated with the purchase of the shares: (i) a front-end load; (ii) a contingent deferred sales load; (iii) a SEC Rule 12b-1 fee or a service fee if such fees in total exceeds .25% of average net fund assets per year; or (iv) in the case of closed-end investment company shares, underwriting fees, commissions or other offering expenses.
3. In connection with the solicitation of investment company shares, failing to disclose to any customer any relevant: (i) sales charge discount on the purchase of shares in dollar amounts at or above a breakpoint; or (ii) letter of intent feature, if available, which will reduce the sales charges.
4. In connection with the solicitation of investment company shares: (i) recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and appropriate based on the customer’s investment objectives, financial situation and other securities holdings, and the associated transaction or other fees; or (ii) when

recommending to a retail customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.

B. Recommendations:

1. In connection with the solicitation of investment company shares; ~~;~~ (i) recommending to a customer the purchase of investment company shares which results in the customer simultaneously holding shares in different investment company portfolios having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and any associated transaction charges or other fees; or (ii) when recommending to a retail customer the purchase of investment company shares which results in the customer simultaneously holding shares in different investment company portfolios having similar investment objectives and policies, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the purchase without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.
2. In connection with the solicitation of investment company shares; ~~;~~ (i) recommending to a customer the liquidation or redemption of investment company shares for the purpose of purchasing shares in a different investment company portfolio having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings and any associated transaction charges or other fees; or (ii) when recommending to a customer the liquidation or redemption of investment company shares for the purpose of purchasing shares in a different investment company portfolio having similar investment objectives and policies, placing the financial or other interest of the broker-dealer or agent ahead of the interest of the retail customer, recommending the liquidation or redemption without a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on the

customer's investment profile and the potential risks, rewards, and costs associated with the recommendation, or otherwise failing to comply with the obligations set forth in Regulation Best Interest, as set forth in rule 17 C.F.R. § 240.151-1, including, but not limited to 17 C.F.R. § 240.17a-14.

C. Disclosure:

1. In connection with the solicitation of investment company shares, stating or implying to a customer the fund's current yield or income without disclosing the fund's most recent average annual return, calculated in a manner prescribed in SEC Form N-1A, for one, five and ten year periods and fully explaining the difference between current yield and total return; provided, however, that if the fund's registration statement under the Securities Act of 1933 has been in effect for less than one, five, or ten years, the time during which the registration statement was in effect shall be substituted for the periods otherwise prescribed.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the investment performance of an investment company portfolio is comparable to that of a savings account, certificate of deposit or other bank deposit account without disclosing to the customer that the shares are not insured or otherwise guaranteed by the FDIC or any other government agency and the relevant differences regarding risk, guarantees, fluctuation of principal and/or return, and any other factors which are necessary to ensure that such comparisons are fair, complete and not misleading.
3. In connection with the solicitation of investment company shares, stating or implying to a customer the existence of insurance, credit quality, guarantees or similar features regarding securities held, or proposed to be held, in the investment company's portfolio without disclosing to the customer other kinds of relevant investment risks, including but not limited to, interest rate, market, political, liquidity, or currency exchange risks, which may adversely affect investment performance and result in loss and/or fluctuation of principal notwithstanding the creditworthiness of such portfolio securities.
4. In connection with the solicitation of investment company shares, stating or implying to a customer: (i) that the purchase of such shares shortly before an ex-dividend date is advantageous to such customer unless there are specific, clearly described tax or other advantages to the customer; or (ii) that a distribution of long-term capital gains by an investment company is part of the income yield from an investment in such shares.
5. In connection with the solicitation of investment company shares, making: (i) projections of future performance; (ii) statements not warranted under existing circumstances; or (iii) statements based upon non-public information.

E. Prospectus:

In connection with the solicitation of investment company shares, the delivery of a prospectus, in and of itself, shall not be dispositive that the broker dealer or agent provided the customer full and fair disclosure.

F. Definitions:

For the purpose of this rule the following terms shall mean:

1. “Recommend”: any affirmative act or statement that endorses, solicits, requests, or commends a securities transaction to a customer or any affirmative act or statement that solicits, requests, commands, importunes or intentionally aids such person to engage in such conduct.
2. “Solicitation”: any oral, written or other communication used to offer or sell investment company shares excluding any proxy statement, report to shareholders, or other disclosure document relating to a security covered under Section 18(b)(2) of the Securities Act of 1933 that is required to be and is filed with the Commission or any national securities organization registered under Section 15A of the Securities Exchange Act of 1934.

~~*(Note: This Statement of Policy is intended to supplement, not supplant, the NASAA Statement of Policy Regarding the Dishonest or Unethical Business Practices.)*~~

DISHONEST OR UNETHICAL BUSINESS PRACTICES OF BROKER-DEALERS AND AGENTS

(Adopted May 23, 1983; Amended May 16, 2022, April 7, 2025, _____)

[HIGH STANDARDS AND JUST PRINCIPLES.] Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including but not limited to the following, are considered contrary to such standards and may constitute grounds for denial, suspension or revocation of registration or such other action authorized by statute.

1. BROKER-DEALERS

[. . .]

- s. Using any advertising or sales presentation in such a fashion as to be deceptive or misleading. An example of such practice would be a distribution of any nonfactual data, material or presentation based on conjecture, unfounded or unrealistic claims or assertions in any brochure, flyer, or display by words, pictures, graphs or otherwise designed to supplement, detract from, supersede or defeat the purpose or effect of any prospectus or disclosure; ~~or~~
- t. Failing to disclose that the broker-dealer is controlled by, controlling, affiliated with or under common control with the issuer of any security before entering into any contract with or for a customer for the purchase or sale of such security, the existence of such control to such customer, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction;
- u. Failing to make a bona fide public offering of all of the securities allotted to a broker-dealer for distribution, whether acquired as an underwriter, a selling group member, or from a member participating in the distribution as an underwriter or selling group member; ~~or~~
- v. Failure or refusal to furnish a customer, upon reasonable request, information to which he is entitled, or to respond to a formal written request or complaint; ~~;~~
- w. Failing to pay and fully satisfy any final judgment or arbitration award, resulting from an investment-related, customer-initiated arbitration or court proceeding, unless alternative payment arrangements are agreed to between the customer and the broker-dealer or broker-dealer agent, in writing, and the broker-dealer or

broker-dealer agent complies with the terms of the alternative payment arrangement~~;~~

- x. Attempting to avoid payment of any final judgment or arbitration award resulting from an investment-related, customer-initiated arbitration or court proceeding, unless alternative payment arrangements are agreed to between the customer and the broker-dealer or broker-dealer agent, in writing, and the broker-dealer or broker-dealer agent complies with the terms of the alternative payment arrangements~~;~~ or
- y. Failing to pay and fully satisfy any fine, civil penalty, order of restitution, order of disgorgement, or similar monetary payment obligation imposed upon the broker-dealer or agent by the Securities and Exchange Commission, the securities or other financial services regulator of any state or province, or any self-regulatory organization.

[. . .]

MODEL RULES
FOR SALES OF SECURITIES
AT FINANCIAL INSTITUTIONS

~~Adopted 10/6/98~~(Adopted October 6, 1998; Amended _____)

[(A) and (B): No change.]

(C) Standards For Broker-Dealer Conduct

No broker-dealer shall conduct broker-dealer services on the premises of a financial institution where retail deposits are taken unless the broker-dealer complies initially and continuously with the following requirements:

[(1) through (3): No change.]

(4) Communications With The Public

(a) [No change.]

(b)(i) [No change.]

(ii) As long as the omission of the disclosures required by paragraph (C)(4)(a)(ii) would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

(a) [No change.]

(b) electronic signs, including billboard-type signs that are electronic, time- and temperature signs and ticker tape signs, but excluding messages contained in such media as television, on-line computer services, or ATMs; and

(c) [No change.]

(5) Notification of Termination [No change.]

ANNOTATION MODEL RULES FOR SALES OF
SECURITIES AT FINANCIAL INSTITUTIONS

(A) Applicability.

NASD Rule 2350(a). Matching the language of Rule 2350(a) reflects Committee's intent that these rules have the same applicability as Rule 2350. Committee added language to emphasize supervisory obligation. Committee also added exception for "non-retail" or "institutional" investors.

(B) Definitions.

NASD Rule 2350(b). Cross reference to NASD definition of "broker-dealer services" reflects Committee's intent that these rules apply to the same services to which Rule 2350 applies.

(C) Standards For Broker-Dealer Conduct. [*No change.*]