

censed as a securities agent in this state and has satisfied the supervisory examination requirement in s. SEC 4.01 (5), provided that if a licensed broker-dealer is not in compliance with the requirements of this paragraph, it has 90 days from the first date of noncompliance to meet the requirements of this paragraph.

(7) Every broker-dealer whose principal office is located in this state shall have at least one licensed person employed on a full-time basis at its principal office.

(8) No broker-dealer may associate with a bank, savings institution, trust company, savings and loan association or credit union by contract, agreement or other means for the purpose of that entity publishing or circulating advertising promoting the services offered by the broker-dealer or assisting or providing information to persons to establish an account with the broker-dealer unless:

(a) The promotional or account-establishing functions are performed by persons licensed as securities agents representing the broker-dealer; or

(b) The promotional or account-establishing functions are performed by persons who are supervised by one of at least 2 persons at the bank, savings institution, trust company, savings and loan association or credit union who are officers, branch or assistant branch managers or other employees occupying a similar office or performing similar functions at each location where promotional or account-opening functions are performed, and are licensed as securities agents representing the broker-dealer.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (8), (intro.), Register, September, 1978, No. 273, eff. 10-1-78; r. (5), renum. (6) to (8) to be (4) to (6) and am. (5), (6) (intro.), (a) and (b), cr. (7), Register, December, 1980, No. 300, eff. 1-1-81; am. (6) (intro.) and r. (9), Register, December, 1981, No. 312, eff. 1-1-82; renum. (6) to be SEC 4.035, renum. (7) and (8) to be (6) and (7) and am. (6), Register, December, 1982, No. 324, eff. 1-1-83; emerg. cr. (8), eff. 4-15-83; cr. (8), Register, August, 1983, No. 332, eff. 9-1-83.

**SEC 4.06 Prohibited business practices.** (1) The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by a broker-dealer under s. 551.34(1)(g), Stats., without limiting those terms to the practices specified herein:

(a) Causing any unreasonable delay in the delivery of securities purchased by any of its customers, or in the payment upon request of free credit balances reflecting completed transactions of any of its customers;

(b) Inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account;

(c) Recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by the broker-dealer;

(d) Executing a transaction on behalf of a customer without authority to do so;

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(e) Executing a transaction for the account of a customer upon instructions from a 3rd party without first having obtained written 3rd party authorization from the customer;

(f) Exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer, unless the discretionary power relates solely to the time or price for the execution of orders, or both;

(g) Extending, arranging for, or participating in arranging for credit to a customer in violation of the securities exchange act of 1934 or the regulations of the federal reserve board;

(h) Executing any transaction in a margin account without obtaining from its customer a written margin agreement not later than 15 calendar days after the initial transaction in the account;

(i) Failing to segregate customers' free securities or securities in safekeeping;

(j) Hypothecating a customer's securities without having a lien thereon unless written consent of the customer is first obtained, except as permitted by rules of the U.S. securities and exchange commission;

(k) Charging its customer an unreasonable commission or service charge in any transaction executed as agent for the customer;

(l) Entering into a transaction for its own account with a customer with an unreasonable mark-up or mark-down;

(m) Entering into a transaction for its own account with a customer in which a commission is charged;

(n) Entering into a transaction with or for a customer at a price not reasonably related to the current market price;

(o) Executing orders for the purchase by a customer of securities not registered under s. 551.25 or 551.26, Stats., unless the securities are exempted under s. 551.22, Stats., or the transaction is exempted under s. 551.23, Stats.;

(p) Representing itself as a financial or investment planner, consultant, or adviser, when the representation does not accurately describe the nature of the services offered, the qualifications of the person offering the services, and the method of compensation for the services;

(q) Violating any rule of any securities exchange or national securities association of which it is a member with respect to any customer, transaction or business in this state;

(r) Failing to furnish to a customer purchasing securities in an offering, not later than the date of confirmation of the transaction, either a final prospectus or a preliminary prospectus and an additional document, which together include all information set forth in the final prospectus;

(s) Introducing customer transactions on a "fully disclosed" basis to another broker-dealer that is not licensed under ch. 551, Stats., unless the customer is a person described in s. 551.23(8), Stats.;

(t) Recommending to a customer that the customer engage the services of an investment adviser that is not licensed under ch. 551, Stats., unless the customer is a person described in s. 551.23(8), Stats.;

(2) The following are deemed "dishonest or unethical business practices" or "taking unfair advantage of a customer" by an agent under s. 551.34 (1) (g), Stats., without limiting those terms to the practices specified in this subsection:

(a) Borrowing money or securities from, or lending money or securities to, a customer;

(b) Acting as a custodian for money, securities or an executed stock power of a customer;

(c) Effecting securities transactions with a customer not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transactions are disclosed to, and authorized in writing by, the broker-dealer prior to execution of the transactions;

(d) Effecting transactions in securities for an account operating under a fictitious name, unless disclosed to, and permitted in writing by, the broker-dealer or issuer which the agent represents;

(e) Sharing directly or indirectly in profits or losses in the account of any customer without the written authorization of the customer and the broker-dealer which the agent represents;

(f) Dividing or otherwise splitting commissions, profits or other compensation receivable in connection with the purchase or sale of securities in this state with any person not also licensed as an agent for the same broker-dealer, or for a broker-dealer under direct or indirect common control; and

(g) Using advertising describing or relating to the agent's securities business unless the advertising clearly identifies the name of the agent's employing broker-dealer or issuer.

(h) Misrepresenting the services of a licensed investment adviser on whose behalf the agent is soliciting business or accounts.

(i) Engaging in any of the practices specified in sub. (1) (b), (c), (d), (e), (f), (g), (h), (o), (p), (q), (r) and (t).

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; r. (1) (u), Register, September, 1978, No. 273, eff. 10-1-78; am. (2) (g), Register, December, 1979, No. 288, eff. 1-1-80; renum. (1) (e) to (u) to be (1) (f) to (v) and am. (1) (f), (p) and (q), cr. (1) (e) and (2) (g), am. (2) (intro.), (a), (d) and (h), Register, December, 1980, No. 300, eff. 1-1-81; r. (1) (u) and am. (2) (h), Register, December, 1981, No. 312, eff. 1-1-82; am. (1) (h), renum. (2) (h) to be (2) (i) and cr. (2) (h), Register, December, 1982, No. 324, eff. 1-1-83.

**SEC 4.07 License period.** (1) The license of any broker-dealer whose name commences with any of the letters A through D expires March 31 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters E through I expires June 30 following the date of issuance of the license; the license of any broker-dealer whose name commences with any of the letters J through O expires September 30 following the date of issuance of the license; and the license of any broker-dealer whose name commences with any of the letters P through Z expires December 31 following the date of issuance of the license. The license of an agent expires on the same day as

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that of the broker-dealer which the agent represents, except that the expiration date of any agent's license that is issued within 30 days of the expiration date of the license for the agent's employer is automatically extended to the next expiration date of the employer's license. The license of an agent representing an issuer expires on July 31 following the date of the issuance of the license, or upon the termination of the offering for which the agent was licensed, whichever first occurs. The commissioner may by order limit the period of, or specify an earlier expiration date for, any license.

(2) The license of an agent is not effective during any period when the broker-dealer which the agent represents is not licensed or when the securities of the issuer which the agent represents are not subject to an effective order of registration or exemption, or upon termination of the offering.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. Register, December, 1980, No. 300, eff. 1-1-81; am. (1), Register, December, 1982, No. 324, eff. 1-1-83.

**SEC 4.08 Withdrawal of licenses.** (1) An application for withdrawal from the status of a licensed broker-dealer under s. 551.34(6), Stats., shall be filed by the licensee on Form BDW(WI) prescribed by the commissioner, and shall include a report on the status of all customer accounts of the licensee in this state and any additional information the commissioner may require. If the licensee has any open customer accounts in this state, the settlement of those accounts is a condition of its withdrawal, and its withdrawal is not effective until permitted in writing by the commissioner.

(2) An application for withdrawal from the status of a licensed agent shall be filed by the broker-dealer or issuer which the agent represents within 15 days of the termination of the agent's employment on Form U-5 prescribed by the commissioner.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1) and (2), Register, December, 1979, No. 288, eff. 1-1-80; am. (2), Register, December, 1982, No. 324, eff. 1-1-83.

**SEC 4.09 Denial, suspension, revocation and censure.** Any order denying, suspending or revoking the license of a broker-dealer or agent or censuring a licensee may include such other sanctions as the commissioner finds appropriate.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; renum. (1) and am., r. (2), Register, December, 1981, No. 312, eff. 1-1-82.

**SEC 4.10 Bank agency transactions.** (1) A bank, savings institution or trust company not licensed as a broker-dealer may execute orders for the purchase or sale of securities as agent for the purchaser or seller thereof, in transactions not in violation of ch. 551, Stats., if the bank, savings institution or trust company:

(a) Does not hold itself out generally to the public, as that phrase is defined in sub. (4), as a securities broker;

(b) Has no association, agreement or contract with any broker-dealer requiring or permitting the bank, savings institution or trust company to promote the services of the broker-dealer or assist or provide information to persons to establish an account with the broker-dealer in exchange for any commission, profit or other remuneration directly or indirectly from the broker-dealer or from the customer unless:

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1. The promotional or account-establishing functions are performed by persons licensed as securities agents representing the broker-dealer; or

2. The promotional or account-establishing functions are performed by persons who are supervised by one of at least 2 persons at the bank, savings institution or trust company who are officers, branch or assistant branch managers or other employes occupying a similar office or performing similar functions at each location where promotional or account-opening functions are performed, and are licensed as securities agents representing the broker-dealer;

(c) Has no direct interest in the sale or distribution of the securities purchased or sold, receives no commission, profit or other compensation from any source other than the purchaser or seller, and delivers to the customer its own written confirmation of the order which clearly itemizes its commission, profit or other compensation; and

(d) In connection with purchases of securities from or through broker-dealers, discloses to the broker-dealer whether the purchase is for its own account, or for the account of a customer for whom it is acting as trustee, or for the account of a customer for whom it is acting as agent and whether the customer is a person specified under s. 551.23(8), Stats.

(2) The bank, savings institution, or trust company shall make, keep current and preserve for a period of not less than 3 years, adequate records of purchases and sales of securities by it as agent for its customers, including copies of its own confirmations delivered to its customers and copies of confirmations received from broker-dealers in connection with the transactions and records confirming any customer is a person specified under s. 551.23(8), Stats.

(3) Nothing in this section prevents a bank, savings institution or trust company from acting as depository, custodian, exchange agent, escrow agent, transfer agent, registrar, agent administering dividend reinvestment plans or in any similar capacity in the ordinary course of business.

(4) In this section, the phrase "hold itself out generally to the public" includes, but is not limited to:

(a) Publication or circulation of advertising that offers or describes securities brokerage services available at or through the bank, savings institution or trust company; or

(b) Executing securities transactions as agent for the account of others except on an isolated basis incidental to the performance of banking functions for those accounts, or except in transactions involving securities exempted under s. 551.22 (9), Stats., or involving securities exempted under s. 551.22 (1), Stats., (other than revenue obligations payable from payments to be made in respect of property or money used under a lease, sale or loan arrangement by or for a nongovernmental industrial or commercial enterprise).

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1) (b), (2) and (3), Register, December, 1980, No. 300, eff. 1-1-81; emerg. am. (1) (intro.), renum. (1) (a) and (b) to be (1) (c) and (d), cr. (1) (a) and (b) and (4), eff. 4-15-83; renum. (1) (a) and (b) to be (1) (c) and (d), cr. (1) (a) and (b) and (4), Register, August, 1983, No. 332, eff. 9-1-83.