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Chapter DFI−Sec 4

LICENSING OF BROKER−DEALERS AND AGENTS

DFI−Sec 4.01	Licensing procedure.	DFI−Sec 4.07	License period.
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DFI−Sec 4.04	Reporting requirements.	DFI−Sec 4.09	Denial, suspension, revocation and censure.
DFI−Sec 4.05	Rules of conduct.	DFI−Sec 4.10	Bank agency transactions.
DFI−Sec 4.06	Prohibited business practices.	DFI−Sec 4.11	Brokered certificates of deposit.

Note: Chapter SEC 4 as it existed on December 31, 1977 was repealed and a new chapter SEC 4 was created effective January 1, 1978. Chapter SEC 4 was renumbered chapter DFI−Sec 4 under s. 13.93 (2m) (b) 1., Stats., and corrections made under s. 13.93 (2m) (b) 6. and 7., Stats., Register, December, 1996, No. 492.

DFI−Sec 4.01 Licensing procedure. (1) Applications for initial and renewal licenses of broker−dealers and agents shall be filed with:

(a) The division on forms prescribed by the division in s. DFI−Sec 9.01 (1); or

(b) The central registration depository of the national association of securities dealers as developed under contract with the North American securities administrators association, on forms established for the central registration depository.

(2) (a) Except as provided in par. (b), an "application" for purposes of s. 551.32 (1) (b), Stats., means all information required by the form prescribed under sub. (1) together with any additional information required by the division.

(b) An application for initial license or for renewal of a license as a broker−dealer registered with the national association of securities dealers, inc. consists of the payment of the Wisconsin broker−dealer license fee and, in the case of an initial application, the examination fee prescribed by s. DFI−Sec 7.01 (3) (a), to the central registration depository of the national association of securities dealers as developed under contract with the North American securities administrators association. An application for initial license as a broker−dealer under this paragraph shall be deemed filed under s. 551.32 (1) (a), Stats., on the date the application is transferred from "NO STATUS" to "PENDING" on the records of the central registration depository. An application for renewal of a license as a broker−dealer under this paragraph shall be deemed filed under s. 551.32 (1) (a), Stats., when the fee on deposit with the central registration depository has been allocated to the division.

(c) An "application" for initial license or for renewal of a license as securities agent for a broker−dealer registered with the national association of securities dealers, inc. consists of the payment of Wisconsin agent license renewal fees to the central registration depository of the national association of securities dealers as developed under contract with the North American securities administrators association. An application for initial license as an agent under this paragraph shall be deemed "filed" under s. 551.32 (1) (a), Stats., on the date when the application is designated ready for approval on the records of the central registration depository. An application for renewal of a license as an agent under this paragraph shall be deemed "filed" under s. 551.32 (1) (a), Stats., when the fee on deposit with the central registration depository has been allocated to the division.

(3) Unless waived under sub. (4), each applicant for an initial license as a broker−dealer or agent is required to take and pass either the Series 63 Uniform Securities Agent State Law Examination or the Series 66 Uniform Combined State Law Examination, and take and pass one of the general securities business examinations in par. (a), unless the applicant's proposed securities activities will be restricted, in which case the applicant is required to take and pass, or receive a waiver from passing, each examination in pars. (b) to (h) that relates to the applicant's proposed securities activities:

(a) The Series 7 General Securities Representative Examination or, in the case of applicants not registered with the national association of securities dealers, inc. or any organized stock exchange in the United States, the Series 2 Securities Exchange Commission Only/National Association of Securities Dealers Non−Member General Securities Examination.

(b) The Series 6 Investment Company Products/Variable Contracts Representative Examination.

(c) The Series 22 Direct Participation Programs Representative Examination.

(d) The Series 52 Municipal Securities Representative Examination.

(e) The Series 62 Corporate Securities Limited Representative Examination.

(f) The Series 42 Registered Options Representative Examination.

(g) The Series 72 Government Securities Representative Examination.

(h) The Series 82 Private Placement Representative Examination.

(4) The examination requirement in sub. (3) is waived for any applicant who meets the criteria set forth in any one of the paragraphs in this subsection:

(a) The applicant has passed with a grade of at least 70% the examinations required to be passed by the applicant under sub. (3) within 2 years prior to the date the application for license is filed in this state.

(b) The applicant has been licensed within 2 years prior to the date the application is filed in this state, as an agent or as a broker−dealer under the securities law of another state and the following applicable conditions are met:

1. The other state where the applicant has been licensed has required the uniform securities agent state law examination prior to that 2 year period.

2. In the case of examinations required by sub. (3) (a) to (e), the applicant has been registered with the national association of securities dealers, inc. to engage in the type of business for which the applicant is applying for license within 2 years prior to the date of filing of the application for license.

(c) The applicant has submitted an undertaking satisfactory to the division setting forth how the applicant's activities will be limited in this state and, in the case of an agent seeking a limited license, how the agent will be adequately supervised.

(d) The applicant has been licensed under ch. 551, Stats., within 2 years prior to the date the application is filed as an agent or broker−dealer to engage in the type of business for which the applicant is applying for license.

(e) The applicant is currently registered and in good standing with The Securities and Futures Authority of Great Britain and has passed the Series 17 Modified General Securities Representative

Qualification Examination for United Kingdom Representatives, except that the applicant's activities may not include the offer and sale of municipal Securities unless the applicant passes the examination listed in sub. (3) (d).

(f) The applicant is currently registered and in good standing as an agent with any Canadian stock exchange or with a securities regulator of any Canadian province or territory, or with the Investment Dealers Association of Canada and has passed either the Series 37 or Series 38 Canada modules of the Series 7 general securities representative qualification examination, except that the applicant's activities may not include the offer and sale of municipal securities unless the applicant passes the examination listed in sub. (3) (d).

(g) The applicant is currently registered and in good standing as an agent with any Japanese stock exchange or with any Japanese securities dealers association and has passed either the Series 47 Japan module of the Series 7 general securities representative qualification examination, except that the applicant's activities may not include the offer and sale of municipal securities unless the applicant passes the examination listed in sub. (3) (d).

(h) The applicant has received an order of the division, issued under conditions as the division may prescribe, waiving the requirement to take and pass one or more of the examinations in sub. (3).

(5) Any application for license which is not completed or withdrawn within 6 months from the date it is initially received may be deemed materially incomplete, and the division may issue an order denying the license.

(6) A license is effective under s. 551.32 (1) (c) 4., Stats., at the following times prior to the expiration of 30 days from the filing of the application:

(a) The date that the division issues a license to an agent or broker−dealer;

(b) The date that approval of licensed status as an agent or broker−dealer is transmitted by the division to the applicant through the central registration depository of the national association of securities dealers, inc.; or

(c) On January 1 for any renewal application filed during December of the preceding year with the central registration depository, unless the division makes a written request for additional information relevant to the application prior to January 1.

(7) A securities agent license is effective to authorize the licensee to effectuate transactions only in the types of categories of securities that the licensee has been qualified to sell by passing the examinations specified in sub. (3).

(8) For an agent to simultaneously represent in this state more than one broker−dealer or issuer pursuant to s. 551.31 (2) (b) 2., Stats., the following requirements shall be met, in addition to the regular agent licensing requirements:

(a) Each broker−dealer or issuer that the agent represents shall sign on a form designated by the division in s. DFI−Sec 9.01 (1) (b), a written grant of permission to the agent to represent the other employers. The written grant of permission shall include the identity of all other securities employment affiliations of the agent and contain a listing of all restrictions on the agent's securities activities imposed by the agent's employers.

(b) The agent shall sign on the form under par. (a), an acknowledgement and verification of the information required under that paragraph.

(c) The manually signed original of the form under par. (a) shall be filed with the division together with a written application, which may be in letter form, on behalf of the agent to simultaneously represent more than one broker−dealer or issuer. The division shall approve the application in writing prior to the agent's transacting securities business while simultaneously representing more than one broker−dealer or issuer.

(d) Written disclosure shall be provided regarding the agent's simultaneous representation of more than one broker−dealer or issuer, including the information in par. (a), to each securities customer of the agent not later than the date of receipt of the confirmation for the first securities transaction for the account of the customer by the agent after dual licensing is approved by the division.

(9) An agent seeking to provide investment advisory services as part of the business of the employing broker−dealer either must pass the examination prescribed in s. DFI−Sec 5.01 (3), or satisfy a basis for waiver of the examination under s. DFI−Sec 5.01 (4).

History: Cr. Register, December, 1977, No. 264, eff. 1−1−78; am. (1), Register, December, 1979, No. 288, eff. 1−1−80; am. (1) and (4) (b), r. (4) (c), renum. (4) (d) and (e) to be (4) (c) and (d), r. and recr. (5), renum. (7) to be SEC 4.05 (8), Register, December, 1980, No. 300, eff. 1−1−81; am. (1) and (3), Register, December, 1981, No. 312, eff. 1−1−82; am. (3), (5) and (6), r. (4) (a), renum. (4) (b) to (d) to be (4) (a) to (c), Register, December, 1982, No. 324, eff. 1−1−83; am. (1) (a), renum. (2) to be (2) (a) and am., cr. (2) (b) and (7), r. and recr. (3), (4) and (5), Register, December, 1983, No. 336, eff. 1−1−84; cr. (8), Register, December, 1985, No. 360, eff. 1−1−86; am. (2) (b), Register, December, 1986, No. 372, eff. 1−1−87; am. (3) (intro.) and cr. (3) (e) and (9), Register, December, 1988, No. 396, eff. 1−1−89, except (9), eff. 2−1−89; renum. (2) (b) to (2) (c), cr. (2) (b), am. (4) (b), Register, December, 1990, No. 420, eff. 1−1−91; am. (4) (b) and (5) (intro.), cr. (10), Register, December, 1992, No. 444, eff. 1−1−93; r. and recr. (4) (b), am. (5) (intro.), Register, December, No. 468, eff. 1−1−95; am. (3) (intro.) and (5) (intro.), renum. (4) (e) to be (4) (f), cr. (4) (e), Register, December, 1995, No. 480, eff. 1−1−96; r. and recr. (3) (a), am. (3) (b) to (e) and (5) (a) to (d), cr. (3) (f) and (g), (4) (f) and (g) and (5) (e), renum. (4) (f) to be (4) (h), Register, December, 1999, No. 528, eff. 1−1−00; CR 01−082: am. (3) (intro.), cr. (3) (h), r. (5), renum. (6) to (10) to be (5) to (9), Register December 2001 No. 552 eff. 1−1−02.

DFI−Sec 4.02 Net capital requirements and aggregate indebtedness limitations. (1) Every broker−dealer, whether or not subject to rule 15c3−1 of the securities exchange act of 1934, shall maintain net capital in such minimum amounts as are designated in that rule for the activities to be engaged in by the broker−dealer in this state.

(2) The aggregate indebtedness of each broker−dealer to all other persons shall not exceed the levels prescribed under rule 15c3−1 of the securities exchange act of 1934.

(3) If a broker−dealer is an individual, the person shall segregate from personal capital an amount sufficient to satisfy the net capital requirement, and the amount so segregated shall be utilized solely for the business for which the broker−dealer is licensed.

(4) The division may by order exempt any broker−dealer from the provisions of this subsection, either unconditionally or upon specified conditions, if by reason of the broker−dealer's membership on a national securities exchange or the special nature of its business and its financial position, and the safeguards that have been established for the protection of customers' funds and securities, the provisions are not necessary in the public interest or for the protection of investors.

History: Cr. Register, December, 1977, No. 264, eff. 1−1−78; am. (3) and (4), Register, December, 1980, No. 300, eff. 1−1−81; am. (1), Register, December, 1982, No. 324, eff. 1−1−83; am. (1), Register, December, 1983, No. 336, eff. 1−1−84.

DFI−Sec 4.03 Broker−dealers' records. (1) Every licensed broker−dealer shall prepare and keep current at its principal office, at a designated office located in the United States specified in writing to, and permitted by, the division, or at an office under the direct supervision and control of the principal or designated office, the following books and records relating to its business:

(a) Blotters (or other records of original entry) setting forth an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits. The record shall show the account for which each such transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered.

(b) Ledgers reflecting all asset, liability, income, expense and capital accounts.

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(c) Ledgers (or other records) itemizing separately as to each cash and margin account of every customer and of the broker−dealer and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for the account and all other debits and credits to the account.

(d) Ledgers (or other records) reflecting the following:

1. Securities in transfer;

2. Dividends and interest received;

3. Securities borrowed and securities loaned;

4. Moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in the collateral); and

5. Securities failed to receive and failed to deliver.

(e) A securities record or ledger reflecting separately for each security as of the clearance dates, all "long" or "short" positions (including securities in safekeeping) carried by the broker−dealer for its account or for the account of its customers or partners, and showing the location of all securities long and the offsetting position to all securities short, and in all cases the name or designation of the account in which each position is carried.

(f) A memorandum of each order (order ticket), and of any other instruction given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instruction, any modification or cancellation thereof, the account for which entered, whether the transaction was unsolicited, the time of entry, the price at which executed and, to the extent feasible, the time of execution or cancellation. Orders entered pursuant to the exercise of discretionary power by the broker−dealer or any employee thereof, shall be so designated. The term"time of entry" shall mean the time when the broker−dealer transmits the order or instructions for execution, or, if it is not so transmitted, the time when it is received.

(g) A memorandum (order ticket) of each purchase and sale of securities for the account of the broker−dealer showing the price and, to the extent feasible, the time of execution.

(h) Copies of confirmations of all purchases and sales of securities, whether the confirmations are issued by the broker−dealer or the issuer of the security involved, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the broker−dealer.

(i) Copies of all communications, correspondence and other records relating to securities transactions with customers.

(j) A separate file containing a copy of all complaints made or submitted by customers, and all investigative inquiries made by law enforcement and securities regulatory authorities to the broker−dealer or its agents relating to securities transactions, and containing evidence, including representative copies, of the responses made by the broker−dealer and its agents to the complaint or investigation. In this paragraph, "complaint" means any written or oral statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of persons under the control of the broker−dealer in connection with the solicitation or execution of any securities transaction or the disposition of securities or funds of that customer that would constitute a violation of ch. 551, Stats., or any rule or order thereunder, or constitute an unethical business practice under s. DFI−Sec 4.06.

(k) A customer information form (new account information worksheet) for each customer. If recommendations are to be made to the customer, the form shall include information regarding the customer's annual income, net worth and investment objective or, if the customer refuses to provide the required information upon request, a notation to that effect.

(L) For each cash and margin account established and maintained with the broker−dealer, information setting forth the name and address of the beneficial owner of each account, and copies of all guarantees of accounts and all margin, lending and option agreements. In the case of joint, partnership and corporate accounts, the records required by this paragraph must be executed by persons authorized to transact business for the account.

(m) Copies of all powers of attorney and other evidence of the granting of any discretionary authority with respect to a customer's account.

(n) A record of the proof of money balances of all ledger accounts in the form of trial balances.

(o) All partnership articles or, in the case of a corporation, all articles of incorporation, by−laws, minute books and stock certificate books of the broker−dealer.

(p) A separate file containing copies of all advertising, as defined in s. 551.02 (1r), Stats., published or circulated, as defined in s. DFI−Sec 1.02 (1) (a) and (b), by the broker−dealer in the conduct of its securities business.

(q) A computation made quarterly (on a calendar year basis) of its net capital and ratio of its aggregate indebtedness to its net capital on Form X−17A−5 of the federal securities and exchange commission (FOCUS Report).

(r) A register relating to each offering participated in by the broker−dealer under the registration exemption provisions of s. 551.23 (10), (11) and (19), Stats., or made pursuant to an order of exemption issued under s. 551.23 (18), Stats., limiting the number of offers or sales permitted in Wisconsin, containing the following information;

1. As to offers made under s. 551.23 (11), Stats., or offers made pursuant to an order of exemption issued under s. 551.23 (18), Stats., that limits offers, the name and address of each offeree of the broker−dealer, the date the offer was made, the control number on any offering circular or other advertising material given to the offeree, the names of all persons making the offer, and the date of any sale as a result of the offer; and

2. As to offerings made under s. 551.23 (10) and (19), Stats., or made pursuant to an order of exemption issued under s. 551.23 (18), Stats., that limits sales, the name and address of each purchaser, other than an"accredited investor" as defined in Rules 501 and 506 of Regulation D of the securities act of 1933, the date the sale was made, the control number on any offering circular or other advertising material given to the purchaser and the names of all persons making the sale.

(s) Copies of customer monthly or other periodic statements that are issued by the broker−dealer, or are furnished to the broker−dealer by the issuer of the security purchased by a customer of the broker−dealer.

(2) (a) Except with respect to records specified in par. (b), every licensed broker−dealer shall preserve at its principal office, at a designated office permitted by the division under s. DFI−Sec 4.03 (1), or at an office under the direct supervision and control of the principal or designated office, all records required under sub. (1). The records required in sub. (1) shall be preserved for at least 6 years, with preservation for the first 2 years in an easily accessible place, except that records required under sub. (1) (k), (L) and (m) shall be preserved by the broker−dealer for at least 6 years after the closing of the account. Records required under sub. (1) (o) shall be preserved by the broker−dealer for at least 6 years after withdrawal or expiration of its license in this state. The record may be retained by computer if a printed copy of the record can be prepared immediately upon request. In the event a record has been preserved for one year as required under this subsection, a microfilm copy may be substituted for the remainder of the required period. Compliance with the requirements of the U.S. securities and exchange commission concerning preservation and microfilming of records, or other means of retention of records, is deemed compliance with this subsection.

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(b) The customer account−related records in sub. (1) (a), (c), (f) to (m), (p), (r) and (s) may be separately maintained at a designated office permitted by the division, provided the records are immediately accessible to the designated supervisor.

(3) Except as provided in par. (e), every branch office of a licensed broker−dealer, as defined in s. DFI−Sec 1.02 (7) (a), shall prepare and keep current the following records:

(a) Copies of the records described in sub. (1) (f), (h), (i), (j), (k), and (p);

(b) Blotters (or other records of original entry) setting forth an itemized daily record of all purchases and sales of securities. This requirement may be satisfied by maintaining a unit filing system where the order ticket information (described in sub. (1) (f)) required in par. (a) is accumulated and segregated on a daily basis;

(c) Blotters (or other records of original entry) setting forth an itemized daily record of all receipts and deliveries of securities (including certificate numbers), and all receipts and disbursements of cash. The record shall show the account for which each entry is made.

(d) Copies of customer monthly or other periodic statements that are issued by the broker−dealer, or are furnished to the broker−dealer by the issuer of a security purchased by a customer of the broker−dealer.

(e) Each branch office of a broker−dealer engaged solely in the offer and sale of either securities issued by open−end investment companies, face amount certificate companies or unit investment trusts registered under the investment company act of 1940, or the securities of direct participation program issuers, or both, shall prepare and keep current copies of those records described in subs. (1) (f), (i), (j), (k), and (3) (c) and (d). Additionally, each such branch office shall prepare and keep current records described in sub. (1) (p), but only of advertising materials either generated from the branch office or mailed by or placed in media by the branch office.

(4) The records required in sub. (3) shall be preserved at the branch office for a period of not less than 3 years, the first 2 years in an easily accessible place, except that customer new account forms shall be preserved for a period of not less than 3 years after the closing of the account. The record may be retained by computer if a printed copy of the record can be prepared immediately upon request. In the event a record has been preserved for one year as required under this subsection, a microfilm copy may be substituted for the remainder of the required period.

(5) This section does not require a licensed broker−dealer to make and keep such records of transactions cleared for the licensee by another broker−dealer as are customarily made and kept by the clearing broker−dealer.

(6) A broker−dealer may utilize alternative records to satisfy the requirements in subs. (1) and (3) upon application to and approval by the division, provided that the alternative records provide equivalent information to that required by those subsections, and provided that the alternative records are preserved and accessible in conformance with subs. (2) and (4).

(7) The division may by order exempt any broker−dealer from all or part of the requirements of this section, either unconditionally or upon specified conditions, if by reason of the special nature of its business, the division finds the issuance of the order is necessary or appropriate in the public interest or for the protection of investors.

History: Cr. Register, December, 1977, No. 264, eff. 1−1−78; am. (3) (intro) and cr. (3) (d), Register, September, 1978, No. 273, eff. 10−1−78; r. and recr. (1) (p), Register, December, 1979, No. 288, eff. 1−1−80; am. (1) (c), (d) 4., (e), (j), (k), (2), (3) (intro.), (a) and (b), (4) to (6), r. and recr. (1) (l), renum. (1) (m) to (p) to be (1) (n) to (q), (3) (c) and (d) to be (3) (d) and (e) and am., cr. (1) (r) and (3) (c), (1) (s) renum. from SEC 4.05 (9), Register, December, 1980, No. 300, eff. 1−1−81; am. (1) (r) and (4), Register, December, 1981, No. 312, eff. 1−1−82; r. (1) (s), am. (2), (3) (a) and (e), Register, December, 1982, No. 324, eff. 1−1−83; am. (1) (b) and (2), Register, December, 1983, No. 336, eff. 1−1−84; am. (1) (r), (2) and (4), Register, December, 1984, No. 348, eff. 1−1−85; am. (1) (r), Register, December, 1985, No. 360, eff. 1−1−86; am. (2), Register, December, 1986, No. 372, eff. 1−1−87; am. (1) (intro.) and cr. (1) (s), Register, December, 1987, No. 384, eff. 1−1−88; am. (1) (j), Register, December, 1989, No. 408, eff. 1−1−90; am. (3) (intro.), Register, December, 1991, No. 432, eff. 1−1−92; am. (1) (intro.), (r) 2., (2) and (3) (e), Register, December, 1992, No. 444, eff. 1−1−93; renum. (2) to (2) (a) and am., cr. (2) (b), Register, December, 1994, No. 468, eff. 1−1−95; am. (3) (c), renum. (6) to be (7), cr. (6), Register, December, 1995, No. 480, eff. 1−1−96; am (1) (j), Register, December, 2000, No. 540, eff. 1−1−01; correction in (1) (p) made under s. 13.93 (2m) (b) 7., Stats., Register August 2002 No. 560.

DFI−Sec 4.04 Reporting requirements. (1) (a) Except as provided in pars. (b) and (c), each broker−dealer shall file annually with the division within 60 days from the end of its fiscal year a copy of its annual financial statement in the form specified in rule 17a−5 under the securities exchange act of 1934, accompanied by a computation of its net capital using the formula specified in rule 15c3−1 under the securities exchange act of 1934.

(b) The filing requirement in par. (a) is not applicable to any broker−dealer registered under the securities exchange act of 1934 if the broker−dealer is not delinquent in the filing of its annual financial statements with the U.S. securities and exchange commission under rule 17a−5 of the securities exchange act of 1934.

(c) The deadline established under par. (a) for a broker−dealer to file its annual financial statement shall be extended for an additional 30 days upon the broker−dealer filing with the division before the deadline date, a written request for an additional 30 days to file its annual financial statement.

(2) Each broker−dealer shall file with the division a copy of every complaint or equivalent pleading related to its business, transactions, or operations in this state, naming the broker−dealer or any of its partners, officers or agents as defendants in any civil or criminal proceeding, or in any administrative or disciplinary proceeding by any public or private regulatory agency, within 20 days of the date the complaint or equivalent pleading is served on the broker−dealer, or the broker−dealer otherwise receives notice thereof; a copy of every answer or reply thereto within 10 days of the date it is filed; and a copy of the decision, order, or sanction made with respect to the proceeding within 20 days of the date the decision, order, or sanction is rendered.

(3) (a) Except as provided in subs. (2) and (8), each broker−dealer shall file with the division any notice of change of control or change of name, as well as any material change in the information included in the broker−dealer's most recent application for license, in an amendment to Form BD filed with the central registration depository within 30 days of the date of the change.

(b) Each broker−dealer that intends to provide investment advisory services for compensation in this state shall file an amendment to its application and provide all information required by forms prescribed by s. DFI−Sec 9.01 (1) together with any information requested by the division. Investment advisory activity may commence upon the expiration of 5 days from the filing of the amendment or such earlier date as permitted by the division, unless a request for additional information relevant to the amendment is made by the division prior to the expiration of the 5 days.

(4) Every broker−dealer shall file with the division the following reports concerning its net capital and aggregate indebtedness:

(a) Immediate electronic or written notice whenever the net capital of the broker−dealer is less than is required under s. DFI−Sec 4.02 (1), specifying the respective amounts of its net capital and aggregate indebtedness on the date of the notice;

(b) A copy of every report or notice required to be filed by the broker−dealer pursuant to rule 17a−11 under the securities exchange act of 1934, contemporaneous with the date of filing with the U.S. securities and exchange commission.

(5) Each broker−dealer shall give immediate electronic or written notice to the division of the theft or disappearance of any Wisconsin customers' securities or funds that are in the custody or control of any of its offices, whether within or outside this state,

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stating all material facts known to it concerning the theft or disappearance.

(6) Each broker−dealer shall file with the division a copy of any subordination agreement relating to the broker−dealer, within 10 days after the agreement has been entered, unless prior thereto the broker−dealer has filed a copy of the agreement with a national securities exchange or association of which it is a member.

(7) (a) Each broker−dealer shall notify the division in writing within 14 days of either the opening or the change of address in this state of any "branch office" as defined in s. DFI−Sec 1.02 (7) (a).

(b) Each broker−dealer shall notify the division in writing not later than 14 days after the closing in this state of any "branch office" as defined in s. DFI−Sec 1.02 (7) (a), which notice shall specify the effective date of the closing.

(c) The notification provided to the division under pars. (a) or (b) shall include the address and telephone number of the branch office, the name of the supervisor at the branch office, the number of agents operating out of that branch office and any other information the division may request.

(8) Each broker−dealer shall file annually with the division not later than November 30, a report identifying each of its branch offices located in this state on Form BDBrO(WI) designated by the division in s. DFI−Sec 9.01 (1) (b).

History: Cr. Register, December, 1977, No. 264, eff. 1−1−78; am. (1) and (3), Register, December, 1979, No. 288, eff. 1−1−80; am. (4), (5), (8) and (9), Register, December, 1980, No. 300, eff. 1−1−81; am. (1) and (7), cr. (1) (b), Register, December, 1982, No. 324, eff. 1−1−83; am. (1) (a), Register, December, 1983, No. 336, eff. 1−1−84; r. and recr. (1) (a), renum. (1) (b) to be (1) (c), cr. (1) (b) and am. (9), Register, December, 1984, No. 348, eff. 1−1−85; cr. (10), Register, December, 1985, No. 360, eff. 1−1−86; r. and recr. (3), Register, December, 1989, No. 408, eff. 1−1−90; r. and recr. (4), r. (5), renum. (6) to (10) to be (5) to (9), Register, December, 1990, No. 420, eff. 1−1−91; renum. (8) to be (8) (a) and am., cr. (8) (b) and (c), Register, December, 1991, No. 432, eff. 1−1−92**;** renum. (4) to be (4) (a), cr. (4) (b), Register, December, 1994, No. 468, eff. 1−1−95; am. (8) (b), Register, December, 1995, No. 480, eff. 1−1−96**;** am. (2), Register, December, 1996, No. 492, eff. 1−1−97; reprinted to correct printing error in (1) (a), Register, April, 1998, No. 508; am. (5) (a) and (6), Register, December, 1999, No. 528, eff. 1−1−00; CR 01−082: am. (8) (a), Register December 2001 No. 552, eff. 1−1−02; **CR 02−102: r. (3), renum. (4) to (9) to be (3) to (8) and am. (3) (a), Register December 2002 No. 564, eff. 1−1−03.**

DFI−Sec 4.05 Rules of conduct. (1) (a) Except as provided in pars. (b) and (c), each broker−dealer shall give or send to the customer a written confirmation, promptly after execution of, and before completion of, each transaction. The confirmation shall set forth the information prescribed in rule 10b−10 of the securities and exchange act of 1934 and whether the transaction was unsolicited.

(b) A broker−dealer engaged solely in the offer and sale of securities issued by open−end investment companies, face amount certificate companies or unit investment trusts registered under the investment company act of 1940 is not required to give or send a written confirmation under par. (a), provided that the issuer gives or sends a written confirmation directly to the customer for the transaction.

(c) A broker−dealer engaged solely in the offer and sale of interests in direct participation programs is not required to give or send a written confirmation under par. (a), provided that a customer subscribing to purchase an interest in a direct participation program is provided immediately upon subscription with a copy of the subscription agreement entered into and the issuer gives or sends a written confirmation directly to the customer for the transaction.

(2) Each broker−dealer shall establish and keep current a set of written supervisory procedures and a system for applying such procedures, which may be reasonably expected to prevent and detect any violations of ch. 551, Stats., and rules and orders thereunder. The procedures shall include the designation, by name or title, of a number of supervisory employees reasonable in relation to the number of its licensed agents, offices and transactions in this state. A complete set of the procedures and system for applying them shall be kept and maintained at every branch office.

(3) A broker−dealer shall not enter any contract with a customer if the contract contains any condition, stipulation or provision binding the customer to waive any rights under ch. 551, Stats., or any rule or order thereunder. Any such condition, stipulation or provision is void.

(4) No broker−dealer shall permit or effect a withdrawal of any part of its net worth, including subordinated indebtedness, whether by redemption, retirement, repurchase, repayment or otherwise, that would cause its net capital or its aggregate indebtedness to violate s. DFI−Sec 4.02 (1) or (2), without prior written approval of the division.

(5) Each broker−dealer shall provide each customer with a conformed copy of all contracts and agreements between the broker−dealer and the customer not later than 20 days after the customer's account is first established on the books and records of the broker−dealer. Each broker−dealer shall provide each customer with a conformed copy of the customer information form prescribed under s. DFI−Sec 4.03 (1) (k) or an alternative document that contains at a minimum the customer's name, address, net worth, annual income, investment objectives and any other information affecting the agent's ability to make suitable recommendations, not later than 20 days after the customer's account is first established on the books and records of the broker−dealer. Each contract or agreement and new account form for a customer whose account involves both an introducing broker and a clearing broker who provides services to the customer, shall contain or be accompanied by a disclosure of the identity and address of each broker−dealer. A copy of any material amendment to a customer's contract, agreement or customer information form shall be provided to the customer within 20 days from the date of the material amendment. In this subsection, a material amendment is presumed to exist, without limitation, in the event the broker−dealer receives from the customer and records on the customer information form, changes to the customer's annual income, net worth, investment objectives or other changes to information affecting the agent's ability to make suitable recommendations for the customer as required under s. DFI−Sec 4.06 (1) (c).

(6) Every broker−dealer whose principal office is located in this state, other than a broker−dealer engaged solely in the offer and sale of either interests in direct participation programs or securities issued by open−end investment companies, face amount certificate companies or unit investment trusts registered under the investment company act of 1940, shall have at least one licensed person employed on a full−time basis at its principal office.

(7) 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.

(8) 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 all of the following requirements:

(a) The broker−dealer services shall be conducted, wherever practical, in a physical location distinct from the area in which the

financial institution's retail deposits are taken. In all situations, the broker−dealer shall identify its services in a manner that clearly distinguishes those services from the financial institution's retail deposit−taking activities. The broker−dealer's name shall be clearly displayed in the area in which the broker−dealer conducts its broker−dealer services. Nothing in this paragraph prohibits the financial institution from carrying out other activities within the designated area, provided that no promotional signs or materials shall be displayed in the designated area other than those relating to the securities services.

(b) Networking and brokerage affiliate arrangements shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements. Networking and brokerage affiliate arrangements shall provide that supervisory personnel of the broker−dealer and representatives of state securities authorities, where authorized by state law, will be permitted access to the financial institution's premises where the broker−dealer conducts broker−dealer services in order to inspect the books and records and other relevant information maintained by the broker−dealer with respect to its broker−dealer services. The broker−dealer shall ensure that the networking and brokerage affiliate arrangement clearly outlines the duties and responsibilities of all parties. For purposes of this paragraph, "networking arrangement" and "brokerage affiliate arrangement" mean a contractual or other arrangement between a broker−dealer and a financial institution pursuant to which the broker−dealer conducts broker−dealer services on the premises of a financial institution where retail deposits are taken.

(c) At or prior to the time that a customer's securities brokerage account is opened by a broker−dealer on the premises of a financial institution where retail deposits are taken, the broker−dealer shall comply with all of the following.

1. Disclose to the customer, orally and in writing, all of the following information about the securities products purchased or sold in a transaction with the broker−dealer:

a. The securities products are not insured by the Federal Deposit Insurance Corporation ("FDIC"), or by other deposit insurance required by the financial institution's governmental regulatory authority.

b. The securities products are not deposits or other obligations of the financial institution, and are not guaranteed by the financial institution.

c. The securities products are subject to investment risks, including possible loss of the principal invested.

2. Make reasonable efforts to obtain from each customer during the account−opening process, a written acknowledgment of the disclosures required by subd. 1.

(d) If broker−dealer services include any written or oral representations concerning insurance coverage, other than FDIC or similar insurance coverage, then clear and accurate, written or oral explanations of the coverage shall also be provided to the customers when the representations are first made.

(e) Recommendations by a broker−dealer concerning any non−deposit investment product with a name similar to that of the financial institution shall occur only pursuant to a sales program designed to minimize the risk of customer confusion.

(f) All confirmations and account statements shall indicate clearly that the broker−dealer services are provided by the broker−dealer.

(g) Advertisements and sales literature that announce the location of a financial institution where broker−dealer services are provided by the broker−dealer, or that are distributed by the broker−dealer on the premises of a financial institution, shall disclose using the following language or using the shorter, logo format language in par. (h), the information in each of the following subdivision paragraphs about the securities products purchased or sold in a transaction with the broker−dealer:

1. The securities products are not insured by the FDIC or by other deposit insurance required by the financial institution's governmental regulatory authority.

2. The securities products are not deposits or other obligations of the financial institution, and are not guaranteed by the financial institution.

3. The securities products are subject to investment risks, including possible loss of the principal invested.

(h) The following shorter, logo format disclosures may be used by a broker−dealer in advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, automated teller machine screens, billboards, signs, posters and brochures, to comply with the requirements of par. (g), provided that the disclosures are displayed in a conspicuous manner:

1. Not FDIC Insured.

2. No Bank Guarantee.

3. May Lose Value.

(i) Provided that the omission of the disclosures required by par.(g) would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, the disclosures in par. (g) shall not be not required with respect to messages contained in any of the following:

1. Radio broadcasts of 30 seconds or less.

2. Electronic signs, including billboard−type signs that are electronic, time, and temperature signs and ticker−tape signs, but excluding messages contained in media such as television, on−line computer services, or automated teller machines.

3. Signs, such as banners and posters, when used only as location indicators.

(j) The broker−dealer shall promptly notify the financial institution if any agent of the broker−dealer who is employed by the financial institution is terminated for cause by the broker−dealer.

(k) The broker−dealer shall establish written supervisory procedures and a system for applying the procedures. The procedures shall comply with sub. (2) and shall be designed to accomplish certain supervisory functions, including but not limited to the following:

1. Prevention and detection of violations of ch. 551, Stats., and any applicable rules and orders thereunder;

2. Establishment of a system under which the broker−dealer approves prior to use copies of all advertising used by the financial institution relating to the securities services conducted on the premises of the financial institution for the purpose of ensuring compliance with ss. 551.41 and 551.53, Stats.; and

3. Establishment of a system for prompt and proper execution and settlement of securities transaction orders, the safekeeping of customer funds and securities, and the maintenance of books and records.

(L) Notify the division at the time of filing the notice of opening or change of address of a branch office as required in s. DFI−Sec 4.04 (7), that the office is located on the premises of a financial institution in this state, which notification shall include the identity of the institution.

(9) (a) Except as provided in par. (b), each licensed broker−dealer engaged in a general securities business that ceases to do business at a principal or branch office located in Wisconsin shall mail to each Wisconsin customer with an account at the office at least 14 days before the cessation of business at the office a written notification that shall contain the following information:

1. The date on which the office will cease to do business;

2. A description of the procedure a customer may follow to maintain the customer's account with the broker−dealer, transfer the account to another broker−dealer, or have securities and funds held by the broker−dealer delivered to the customer;

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http://docs.legis.wisconsin.gov/code/admin_code

3. The name and telephone number of a person representing the broker−dealer who may be contacted without expense to the customer to answer questions regarding items in subd. 2.; and

4. Any additional information necessary under the circumstances to clarify the information prescribed in this paragraph.

(b) The notification requirement under par. (a) is not applicable to the cessation of business at an office where the cessation is caused by illness or death of all licensed agents at that office, if the cessation of business at the office does not occur for a period exceeding 14 days.

(10) Each broker−dealer shall disclose in writing to customers at the time of opening an account, any custody fees, service fees, or maintenance fees that may be charged to the customer and the basis upon which the charges are determined. Customers shall receive written notice at least 45 days prior to the imposition of any new custody, service, maintenance or similar fees, or any changes to existing fees of that nature.

(11) No broker−dealer or agent, in connection with a telephone or electronic solicitation, shall:

(a) Fail to provide both the caller's identity and the identity of the broker−dealer with whom the caller is affiliated, at the beginning of any telephone or electronic solicitation.

(b) Telephone any person in this state between the hours of 9:00 PM and 8:00 AM local time at the called person's location without that individual's prior consent.

(c) Telephone or electronically solicit any person in this state after that individual has requested that he or she not be telephoned.

(d) Make repeated telephone or electronic solicitations in an annoying, abusive or harassing manner, either individually or in concert with others.

(e) Use threats, intimidation or obscene language in connection with securities recommendations, transactions or other brokerage account activities.

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; am. (1) (a), r. and recr. (1) (b), cr. (1) (c), (9) and (10), Register, December, 1984, No. 348, eff. 1−1−85; am. (7), Register, December, 1985, No. 360, eff. 1−1−86; am. (5), Register, December, 1987, No. 384, eff. 1−1−88; am. (6), Register, December, 1989, No. 408, eff. 1−1−90; am. (5), cr. (11), Register, December, 1991, No. 432, eff. 1−1−92; am. (6), Register, December, 1992, No. 444, eff. 1−1−93**;** am. (6), (9) (c), (d) (intro.), r. and recr. (9) (e), Register, December, 1994, No. 468, eff. 1−1−95; am. (5) and (6), Register, December, 1995, No. 480, eff. 1−1−96; am. (5), cr. (12), Register, December, 1996, No. 492, eff. 1−1−97; r. and recr. (9), Register, December, 1999, No. 528, eff. 1−1−00; CR 01−082: r. (6), Register December 2001 No. 552, eff. 1−1−02; **CR 02−102: renum. (7) to (12) to be (6) to (11) and am. (8) (L), Register December 2002 No. 564, eff. 1−1−03.**

DFI−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 transmitting of customer orders for execution, the delivery of securities purchased by any of its customers, the payment upon request of free credit balances reflecting completed transactions of any of its customers or the transfer of a customer's account securities positions and balances to another broker−dealer;

(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) 1. 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;

2. For purposes of making purchase recommendations to a customer with respect to direct participation program securities, the following investor financial income and net worth suitability standards do not preclude the use of any other information, including without limitation the criteria in subd. 1., to establish suitability or lack of suitability in specific instances:

a. The customer has an annual gross income of at least $45,000 and a net worth of at least $45,000 exclusive of the customer's principal residence and its furnishing and personal use automobiles; or

b. The customer has a net worth of at least $150,000, exclusive of the customer's principal residence and its furnishings and personal use automobiles.

(d) Executing a transaction on behalf of a customer without authority to do so, except that use by a broker−dealer of a negative response letter in conformity with rule 2510(d)(2) of the national association of securities dealers, inc. is not a violation of this rule;

(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 safe− keeping;

(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) (a) to (f), Stats.;

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

(u) Failing to accurately describe or disclose in advertising or other materials used in connection with the promotion or transaction of securities business in this state, the identity of the broker−dealer or the issuer. For purposes of this paragraph, "other materials" includes, but is not limited to, business cards, business stationery and display signs.

(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 of the agent or the broker−dealer that employs the agent unless that customer is a financial institution or institutional investor designated in s. 551.23 (8) (a) to (f), Stats.

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

(c) Effecting any securities transaction not recorded on the regular books or records of the broker−dealer which the agent represents, unless the transaction is disclosed to, and authorized in writing by, the broker−dealer prior to execution of the transaction;

(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 first obtaining 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) Failing to accurately describe or disclose in advertising or other materials used in connection with the promotion or transaction of securities business in this state, the identity of an agent's employing broker−dealer or issuer or the nature of the agent's securities services offered. For purposes of this paragraph, "other materials" include, but are not limited to, business cards, business stationery and display signs.

(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) (a), (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; am. (2) (e), Register, December, 1983, No. 336, eff. 1−1−84; am. (1) (a), Register, December, 1984, No. 348, eff. 1−1−85; am. (1) (t), Register, December, 1986, No. 372, eff. 1−1−87; am. (1) (a), r. and recr. (2) (g), Register, December, 1988, No. 396, eff. 1−1−89; am. (2) (a), Register, December, 1992, No. 444, eff. 1−1−93; am. (1) (d) and (2) (c), cr. (1) (u), Register, December, 1994, No. 468, eff. 1−1−95; renum. (1) (c) to be (1) (c) 1., cr. (1) (c) 2., am. (1) (s) to (u), (2) (a), Register, December, 1996, No. 492, eff. 1−1−97; am. (2) (i), Register, December, 2000, No. 540, eff. 1−1−01; **CR 02−102: am. (1) (d), Register December 2002 No. 564, eff. 1−1−03.**

DFI−Sec 4.07 License period. (1) (a) The license of any broker−dealer expires at midnight December 31 following the date of issuance of the license.

(b) The license of an agent for a broker−dealer expires at midnight on December 31 following the date of issuance of the license.

(c) 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. Each renewal application for license as an agent representing an issuer shall be filed with the division not later than July 1 prior to expiration of the license.

(d) The division 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 either of the following apply:

(a) The broker−dealer that the agent represents is not licensed or when the securities of the issuer that the agent represents are not subject to an effective registration statement or an effective exemption, or upon termination of the offering.

(b) The agent's status with the national association of securities dealers or a national securities exchange is deficient for failure to meet continuing education requirements.

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; am. (1), Register, December, 1983, No. 336, eff. 1−1−84; am. (2), Register, December, 1984, No. 348, eff. 1−1−85; am. (1) (a) and (b), r. (1) (c), renum. (1) (d) and (e) to be (1) (c) and (d), Register, December, 1985, No. 360, eff. 1−1−86; am. (1) (c), Register, December, 1994, No. 468, eff. 1−1−95; **CR 02−102: r. and recr (2), Register December 2002 No. 564, eff. 1−1−03.**

DFI−Sec 4.08 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed broker−dealer under s. 551.32 (9) (a), Stats., shall be filed by the licensee on Form BDW with the central registration depository. If the licensee has any open customer accounts in this state, the settlement of those accounts is a condition of its withdrawal. Additional information may be required by the division and withdrawal is not effective until permitted in writing by the division or electronically noticed through the central registration depository.

(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 in s. DFI−Sec 9.01 (1), together with any additional information required by the division.

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; am. (2), Register, December, 1984, No. 348, eff. 1−1−85; am. (1), Register, December, 1994, No. 468, eff. 1−1−95; correction in (1) made under s. 13.93 (2m) (b) 7., Stats., Register, August, 1999, No. 524.

DFI−Sec 4.085 Temporary agent licensing. For purposes of agent license applications filed pursuant to s. 551.32 (1), Stats., and agent license withdrawal applications filed pursuant to s. 551.32 (9) (a), Stats., the division may issue temporary agent licenses and terminate agent licenses in accordance with temporary registration procedures under the central registration depository of the national association of securities dealers, as developed under contract with the North American securities administrators association. The license of an agent transferring from one licensed broker−dealer to another is not effective unless the requirements under the temporary registration procedure are met by the agent, the broker−dealers involved in the transfer, and the central registration depository.

History: Cr. Register, December, 1984, No. 348, eff. 1−1−85; correction made under s. 13.93 (2m) (b) 7., Stats., Register, August, 1999, No. 524; **CR 02−102: am. Register December 2002 No. 564, eff. 1−1−03.**

DFI−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 division 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.

DFI−Sec 4.10 Bank agency transactions. (1) (a) 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

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not in violation of ch. 551, Stats., if the bank, savings institution or trust company:

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

2. 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:

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 or trust company 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;

3. 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

4. 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) (a) to (f), Stats.

(b) 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) (a) to (f), Stats.

(c) 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.

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

1. Publication or circulation of advertising that offers or describes securities services available at or through the bank, savings institution or trust company, except for advertising relating to securities transaction execution services provided in accordance with s. DFI−Sec 4.05 (8); or

2. 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).

(2) A bank, savings institution or trust company not licensed as a broker−dealer may take applications, assist in account opening, and execute orders for the purchase or sale of federally insured certificates of deposit in principal amounts not to exceed $100,000 per purchaser, issued by and on behalf of a third party bank, savings institution or trust company whose securities are exempt under s. 551.22 (3), Stats., 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 does all of the following:

(a) Requires that the promotional, administrative or transaction execution functions are performed by its employees who are supervised by a person at the bank, savings institution or trust company who is an officer, branch or assistant branch manager or other employee occupying a similar office or performing similar functions at each location where the promotional, administrative or transaction execution functions are performed.

(b) Discloses to each customer the identity of the issuer of the certificate of deposit if different from the bank, savings institution or trust company offering it.

(c) Discloses in advertising materials published or circulated in this state relating to the certificate of deposit all of the following:

1. The name, and the city and state location, of the bank, savings institution or trust company that is the issuer of the certificate of deposit.

2. The interest rate on, as well as the duration of, the certificate of deposit.

3. The identity of the provider of the federal deposit insurance on the certificate of deposit.

4. The existence of any formal supervisory, managing or similar agreement between an issuing bank, savings institution or trust company and the federal deposit insurance corporation or other federal or state agency, as well as the existence of any conservatorship, receivership or similar proceeding involving the issuing bank, savings institution or trust company, whether under state or federal law.

(d) Makes, keeps current and preserves for a period of not less than 3 years, a record of purchases of third party certificates of deposit by it as agent for the purchaser or seller. This requirement may be satisfied by keeping copies of purchase applications and customer checks or copies of confirmations from the issuing bank, savings institution, or trust company.

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; am. (4) (a), Register, December, 1984, No. 348, eff. 1−1−85; am. (1) (d), (2), Register, December, 1996, No. 492, eff. 1−1−97; CR 02−041: renum. (1) to (4) to be (1) (a) to (d), cr. (2) Register August 2002 No. 560, eff. 9−1−02; correction in (1) (a) 1. made under s. 13.93 (2m) (b) 7., Stats., Register August 2002 No. 560; **CR 02−102: am. (1) (d) 1., Register, December 2002 No. 564, eff. 1−1−03.**

DFI−Sec 4.11 Brokered certificates of deposit. A broker−dealer offering and selling to persons in Wisconsin federally insured certificates of deposit issued by and on behalf of financial institutions whose securities are exempt under s. 551.22 (3), (4), or (5), Stats., or are exempted by order issued under s. 551.23 (18), Stats., shall comply with all of the following:

(1) The advertising materials published or circulated in this state relating to the certificate of deposit securities shall comply with all of the following:

(a) The disclosure standards contained in 12 CFR 526.2 relating to, among other things, interest or dividend rates, percentage yields, deposit duration and minimum investment amount requirements.

(b) Disclose any early withdrawal penalty.

(c) Disclose, in conjunction with any reference to either the absence of a penalty for early withdrawal or to a secondary resale market for the certificates of deposit, that the resale price in a transaction in the secondary market may be less than the face value of the certificate.

(d) Disclose in conjunction with any reference to specific rates of interest for certificates of deposit, the corresponding duration

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of the certificate, and the date as of which the advertised interest rate or rates are available.

(e) Disclose the existence of any supervisory, managing or similar agreement between an issuing financial institution and the federal savings and loan insurance corporation, the federal deposit insurance corporation or other federal or state agency, as well as the existence of any conservatorship, receivership or similar proceeding involving the issuing financial institution, whether under state or federal law.

(f) Contain the language "May be issued by out−of−state institutions" if the certificates of deposit may be issued by a financial institution whose principal office is not in Wisconsin.

(g) Disclose in any advertisement in which either the highest annual percentage rate stated for a specific duration certificate of deposit, or the only annual percentage rate stated is available for purchase through the broker−dealer from fewer than 3 institutions, each of which does not have its principal office in Wisconsin, the name and city and state location of each such financial institution.

(2) The broker−dealer shall deliver to each purchaser of a certificate of deposit not later than the date of the confirmation for the transaction, except as otherwise provided in par. (e), all of the following written information, which may be either contained on the confirmation or provided separately:

(a) The name of the financial institution that is the issuer of the certificate of deposit.

(b) The city and state location of the issuer of the certificate of deposit.

(c) The interest rate on, as well as the duration of, the certificate of deposit.

(d) The identity of the provider of the federal deposit insurance on the certificate of deposit.

(e) The disclosures required under sub. (1) (e) if any of the circumstances listed therein are applicable to the issuing financial institution. The disclosures shall be provided not later than the settlement date of the transaction, and shall be accompanied by disclosure by the broker−dealer of the address at which the purchaser may obtain the most recently published financial statements for the issuing financial institution.

(3) The broker−dealer shall furnish promptly to each purchaser of a certificate of deposit who requests a copy of the most recent annual financial statements for the issuer of the certificate of deposit, a copy of the financial statements or a written summary thereof.

History: Emerg. cr. eff. 8−15−89; cr. Register, December, 1989, No. 408, eff. 1−1−90; am. (1) (c), Register, December, 1992, No. 444, eff. 1−1−93.