

- (c) The Direct Participation Programs Principal Examination.
- (d) The Municipal Securities Principal Examination.

(6) Any application for license which is not completed or withdrawn within 6 months from the date it is initially received may be deemed materially incomplete, and the commissioner may issue an order denying the license.

(7) 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 commissioner 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 commissioner 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 commissioner makes a written request for additional information relevant to the application prior to January 1.

(8) 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).

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.

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 commissioner may by order exempt any broker-dealer from the provisions of this section, 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 protec-

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tion 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.

SEC 4.03 Broker-dealers' records. (1) Every licensed broker-dealer shall prepare and keep current 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.

(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 all complaints made or submitted by customers to the broker-dealer or its agents relating to securities transactions. 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.

(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 (1), Stats., published or circulated, as defined in s. 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)

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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, 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.

(2) Every licensed broker-dealer shall preserve at its principal office or under the direct supervision and control of the principal office for at least 6 years, the first 2 years in an easily accessible place, all records required under sub. (1) and under s. SEC 4.035 (2), 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; and 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 is deemed compliance with this subsection.

(3) Except as provided in par. (e), every branch office of a licensed broker-dealer, as defined in s. SEC 1.02 (7), 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.

(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) Branch offices of broker-dealers 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).

(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 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) The commissioner 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 commissioner 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.

SEC 4.035 Securities agent records. (1) Every licensed agent, except an agent who accepts only unsolicited orders for a discount brokerage firm, or an agent for 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 interests in direct participation programs, shall have and keep current the records in sub. (2) relating to customer securities transaction, unless the commissioner by order exempts an agent from all or part of the requirements of this section. The record requirements may not be satisfied by maintaining a file of confirmations unless permitted by order of the commissioner. The originals of the records are considered records of the broker-dealer. Every broker-dealer shall within 15 days following receipt of a written request provide photocopies of the agent's customer records as may be requested by an agent within 30 days from the date of termination of his or her employment with the broker-dealer.

(2) A securities holding record for each customer including the customer's name and account number, and a chronological listing of the names and amount of all securities purchased or sold for the account of the customer, including the date of each transaction, and the unit purchase or sale price;

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; renum. from SEC 4.05 (6) and am., 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.

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SEC 4.04 Reporting requirements. (1) (a) Except as provided in pars. (b) and (c), each broker-dealer shall file annually with the commissioner 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 commissioner 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 commissioner a copy of any complaint 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 is served on the broker-dealer; a copy of any answer or reply thereto filed by the broker-dealer within 10 days of the date such is filed; and a copy of any decision, order or sanction made with respect to any such proceeding within 20 days of the date the decision, order or sanction is rendered.

(3) Each broker-dealer shall file with the commissioner within 30 days after the end of each month, a written report on Form RS-BD prescribed by the commissioner, listing with respect to that month all securities transactions involving the broker-dealer relating to initial distributions, secondary distributions and private placements. No reports are required to be filed for months during which the broker-dealer did not engage in transactions subject to this requirement.

(4) Each broker-dealer shall file with the commissioner a notice of transfer of control or change of name not less than 30 days prior to the date on which the transfer of control or change of name is to become effective, or such shorter period as the commissioner may permit.

(5) Except as provided in subs. (2), (4) and (9), all material changes in the information included in a broker-dealer's most recent application for license shall be set forth in an amendment to Form BD filed with the commissioner within 30 days after the change occurs.

(6) Every broker-dealer shall file with the commissioner the following reports concerning its net capital and aggregate indebtedness:

(a) Immediate telegraphic or written notice whenever the net capital of the broker-dealer is less than is required under s. 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.

(7) Each broker-dealer shall give immediate written notice to the commissioner 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, stating all material facts known to it concerning the theft or disappearance.

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(8) Each broker-dealer shall file with the commissioner 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.

(9) Each broker-dealer shall notify the commissioner in writing at least 14 days prior to either opening or closing in this state any "branch office" as defined in s. SEC 1.02 (7). The notification shall include such information as the commissioner may request.

(10) Each broker-dealer shall file annually with the commissioner not later than November 30, a report identifying each of its branch offices located in this state on Form BDBrO(WI) designated by the commissioner in s. 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.

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.

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(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. SEC 4.02 (1) or (2), without prior written approval of the commissioner.

(5) Each broker-dealer shall provide each customer with a conformed copy of all contracts or agreements between the broker-dealer and the customer, and a copy of the customer information form prescribed under s. SEC 4.03 (1) (k), not later than 15 days after the initial securities transaction effected in the customer's account.

(6) Every licensed broker-dealer must employ at its principal office at least one person designated to act in a supervisory capacity who is licensed 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, 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.

(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.

(9) Each broker-dealer which by contract, agreement or other means provides securities services on the premises of a financial institution that is not licensed as a broker-dealer shall:

(a) Perform the securities services within a specific area on the premises of the financial institution designated by agreement between the broker-dealer and the financial institution. 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 within the designated area other than those relating to the securities services;

(b) Prominently display the identity of the licensed broker-dealer in the area on the premises of the financial institution designated under par. (a);

(c) Prominently disclose the identity of the licensed broker-dealer in all advertising, correspondence and securities records relating to the broker-dealer's securities services provided on the premises of the financial institution; and

(d) Establish and file with the commissioner written supervisory procedures and a system for applying the procedures. The procedures and system 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.

(e) Disclose to persons having securities services performed for their account on the premises of a financial institution that the securities transactions are not covered by applicable deposit insurance of the financial institution but may be covered by securities transaction insurance of the broker-dealer performing the securities services. The disclosure may be provided to those persons by means of, without limitation, letters to those persons, securities transaction order confirmations or monthly securities account statements.

(10) (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;

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.

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.

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, 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) 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;

(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;