



Ohio Administrative Code

Rule 1301:6-3-14 Exceptions to dealer license and securities and exchange commission registration requirements.

Effective: May 23, 2003

(A) A dealer's license shall be required of a person who acts as a dealer, as defined in division (E) of section 1707.01 of the Revised Code subject, to the provisions of division (A)(1) of section 1707.14 of the Revised Code, and to the following exceptions:

- (1) Without a license, a person may sell the promissory notes or commercial paper of its subsidiary, provided such securities are not offered for sale, directly or indirectly, to the public, as that term is defined in paragraph (D) of rule 1301:6-3-02 of the Administrative Code.
- (2) Without a license, a person which is organized not for profit and whose net earnings do not inure to the benefit of any person, may sell its subsidiaries' securities which do not constitute evidence of indebtedness or a promise to pay money, provided the total cost of sale does not exceed two per cent of their aggregate sale price, plus five hundred dollars.
- (3) Without a license, a person may sell any securities of its subsidiary, which have been issued under an approved plan of reorganization, recapitalization or refinancing pursuant to section 1707.04 of the Revised Code.
- (4) Without a license, a person may sell the securities of its subsidiary in the transactions specified in section 1707.06 of the Revised Code.
- (5) Without a license, a person may distribute information on available products and services on or through the internet or similar electronic medium provided that:
 - (a) The distribution of information is not specifically directed to any person in this state;
 - (b) The distribution of information consists solely of the dissemination of general information regarding products and services;



(c) The distribution of information contains a legend which clearly states that:

(i) The person may only act as a dealer or salesperson in this state if the person is first licensed by the division or properly excepted from licensure; and

(ii) Follow-up individualized responses by the person in this state that involve acting as a dealer or salesperson will not be made unless the person is first licensed by the division or properly excepted from licensure;

(d) The distribution of information contains a mechanism, including but not limited to, a technical "firewall" or other implemented policies and procedures, designed to reasonably ensure that prior to any direct communication resulting from the distribution of information, the person is first licensed by the division or properly excepted from licensure;

(e) In the case of distribution of information by a person who would qualify as a "salesman" as defined in division (F) of section 1707.01 of the Revised Code, in addition to the foregoing:

(i) The dealer with whom the person is associated is prominently disclosed in the distribution of information;

(ii) The dealer with whom the person is associated retains responsibility for reviewing and approving the content of the distribution of information;

(iii) The dealer with whom the person is associated first authorizes the distribution of information; and

(iv) The distribution of information is within the scope of authority granted to the person by the dealer with whom the person is associated.

(6) Without a license, a bank may sell securities to an institutional investor.



(B) In accordance with division (D) of section 1707.14 of the Revised Code, the division may, by division order, exempt a dealer from the requirement of being registered with the securities and exchange commission set out in division (B) of section 1707.14 of the Revised Code where the division determines that all of the following have been met:

(1) The dealer has been continuously licensed by the Ohio division of securities since October 11, 1994;

(2) The dealer, alone or with any other dealer with which it is affiliated, does not employ more than five securities salespersons at any time;

(3) No less than eighty per cent of the securities bought and sold by the dealer, as determined by the aggregate price of all securities bought and sold by the dealer, are securities of banks, as the term "bank" is defined in division (O) of section 1707.01 of the Revised Code, which have their principal place of business in Ohio;

(4) The dealer enters into an undertaking with the division whereby the dealer agrees that it will immediately surrender any exemption from the requirement of being registered with the securities and exchange commission in the event that it fails to disclose in writing to any person to whom it sells securities its compensation, however that compensation is characterized, for the sale of the securities; and

(5) The dealer enters into an undertaking with the division whereby the dealer agrees that it will immediately surrender any exemption from the requirement of being registered with the securities and exchange commission in the event that it no longer meets the standards set forth in paragraphs (B)(1), (B)(2) and (B)(3) of this rule.