



## Ohio Administrative Code

### Rule 1301:6-3-15 Application for securities dealer license; responsibilities of licensed securities dealer.

Effective: September 26, 2015

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(A) License application. The license application specified in section 1707.15 of the Revised Code shall consist of:

(1) A completed form BD of the securities and exchange commission submitted to the division through the central registration depository, or CRD, maintained by the "Financial Industry Regulatory Authority." Dealers not affiliated with the "Financial Industry Regulatory Authority" must submit a paper form BD to the division;

(2) The license fee required by division (B)(1) of section 1707.17 of the Revised Code; and

(3) In the event that an application for a securities dealer license has been pending for more than one hundred and eighty days and the applicant has failed to correct outstanding deficiencies, the division may terminate the application through the CRD.

(B) License exam requirements for securities dealer license. As a continuing condition of licensing, every dealer and every applicant for licensing as a dealer shall furnish evidence satisfactory to the division that a natural person who is identified on Schedule A of form BD has passed an examination listed in this paragraph establishing knowledge of securities laws and practices. Every dealer which is not a natural person shall notify the division of the name and relationship to the dealer of the natural person identified on Schedule A of form BD who has passed an approved examination on behalf of the dealer and who will serve as the designated principal on behalf of the dealer. The division shall consider a dealer or an applicant for licensing as a dealer to have met this requirement, if the dealer, applicant or a designated principal of the dealer or applicant has:

(1) Been continuously licensed as a dealer of securities by the division since May 1, 1991, or

(2) Achieved a passing score on one of the following examinations administered by the Financial Industry Regulatory Authority":



- (a) Registered options principal, series 4,
- (b) General securities principal, series 24,
- (c) Investment company and variable contracts products principal, series 26,
- (d) Direct participation programs principal, series 39,
- (e) Municipal securities principal, series 53, or
- (f) "Uniform Combined State Law Exam," series 66.

(C) Records of dealer

Every dealer licensed in this state that files any report or document required under rules adopted pursuant to section 15 of the Securities Exchange Act of 1934, 48 Stat. 881, 15 U.S.C. 78o, as amended, and section 17 of the Securities Exchange Act of 1934, 48 Stat. 881, 15 U.S.C. 78q, as amended, shall promptly furnish to the division, upon request by the division, legible, true and complete copies of those reports and documents. The division, in its discretion, may examine the books and records of any licensed dealer or any applicant for a dealers license.

(D) Branch offices

- (1) Dealers shall file a uniform form BR for each new and existing branch office through the CRD. A form BR is considered filed with the division upon acceptance by the CRD.
- (2) Dealers shall amend applicable forms U4 through the CRD to assign any securities salespersons working in existing branch offices, to the offices from which they work, and to record the termination of securities salespersons.
- (3) Dealers shall use the CRD to promptly file with the division updates and amendments to forms BR, U4, and U5.



(4) Dealers not affiliated with the "Financial Industry Regulatory Authority" shall file paper forms BR, U4 and U5 with the division.

(E) Notice of change of dealer information

Whenever there is any change in the principals, partners, officers or directors of a dealer, or any other material change from the information appearing on the original application or most recent license renewal of a dealer, the dealer shall, within thirty calendar days, notify the division in writing of the change, or changes, and shall keep a record of the change or changes. Dealers affiliated with the Financial Industry Regulatory Authority" shall submit changes to the division on the form BD through the central registration depository and dealers not affiliated with the "Financial Industry Regulatory Authority" shall submit changes to the division on a paper form BD.

(F) Notice required upon discontinuance of a salesperson's employment.

(1) Upon the resignation or discharge of a salesperson, the dealer employing such salesperson shall, within thirty calendar days, deliver to the division a request to cancel the license of the salesperson. The request shall be made on form U-5, "Uniform Termination Notice for Securities Industry Registration." Dealers affiliated with the "Financial Industry Regulatory Authority" shall submit the form U-5 to the division through the central registration depository. Dealers not affiliated with the "Financial Industry Regulatory Authority" shall submit changes to the division on a paper form U-5.

(2) Except as hereinafter provided, a request to cancel the license or withdraw the license application of a salesperson shall become effective on the sixtieth day after the filing thereof with the division, or within such shorter period of time as the division may determine. If, prior to the effective date of a request to cancel the license or withdraw the license application of a salesperson, the division has instituted a proceeding to suspend or revoke the license, or deny or refuse the license application of the salesperson, the request to cancel the license or withdraw the license application of a salesperson shall not become effective except at such time and upon such terms and conditions as the division deems necessary or appropriate in the public interest or for the protection of investors.

(G) Withdrawal. Except as hereinafter provided, a notice to withdraw from licensure as a dealer shall



become effective on the sixtieth day after the filing thereof with the division, or within such shorter period of time as the division may determine. If, prior to the effective date of a notice of withdrawal from licensure as a dealer, the division has instituted a proceeding to suspend, revoke, deny or refuse the license of the dealer, the notice of withdrawal shall not become effective except at such time and upon such terms and conditions as the division deems necessary or appropriate in the public interest or for the protection of investors.

(H) Sale of securities on bank premises.

(1) Applicability. Paragraphs (H)(1) to (H)(4) of this rule shall apply exclusively to broker-dealer services conducted by dealers on the premises of a bank where retail deposits are taken. Paragraph (H) of this rule does not alter or abrogate a dealer's obligations to comply with other applicable laws, rules, or regulations that may govern the operations of dealers and their salespersons, including but not limited to, supervisory obligations. These rules do not apply to broker-dealer services provided to non-retail customers.

(2) Definitions. For purposes of paragraphs (H)(1) to (H)(4) of this rule, the following terms have the meanings indicated:

(a) "Bank" means any bank, trust company, savings and loan association, savings bank, or credit union that is incorporated or organized under the laws of the United states, any state of the United States, Canada, or any province of Canada and that is subject to regulation or supervision by that country, state, or province, that is located in this state, and the service corporations located in this state of such bank, trust company, savings and loan association, savings bank, or credit union.

(b) "Networking arrangement" means a contractual or other arrangement between a dealer and a bank pursuant to which the dealer conducts broker-dealer services on the premises of the bank where retail deposits are taken.

(c) "Broker-dealer services" means the investment banking or securities business carried on by a broker, dealer or municipal securities dealer, other than a bank or department or division of a bank, or government securities broker or dealer, of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling



securities upon the order and for the account of others.

(3) Standards for dealer conduct. No dealer shall conduct broker-dealer services on the premises of a bank where retail deposits are taken unless the dealer complies initially and continuously with the following requirements:

(a) Setting. Wherever practical, broker-dealer services shall be conducted in a physical location distinct from the area in which the bank's retail deposits are taken. In all situations, the dealer shall identify its services in a manner that clearly distinguishes those services from the bank's retail deposit-taking activities. The dealer's name shall be clearly displayed in the area in which the dealer conducts its broker-dealer services.

(b) Networking arrangements shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements. Networking arrangements must provide that supervisory personnel of the dealer and representatives of state securities authorities, where authorized by state law, will be permitted access to the bank's premises where the dealer conducts broker-dealer services in order to inspect the books and records and other relevant information maintained by the dealer with respect to its broker-dealer services. The dealer shall be responsible for ensuring that the networking arrangement clearly outlines the duties and responsibilities of all parties.

(c) Customer disclosure and written acknowledgment.

(i) Subject to paragraph (H)(4) of this rule, at or prior to the time that a customer's securities brokerage account is opened by a dealer on the premises of a bank where retail deposits are taken, the dealer shall:

(a) Disclose, orally and in writing, that the securities products purchased or sold in a transaction with the dealer:

(i) Are not insured by the federal deposit insurance corporation;

(ii) Are not deposits or other obligations of the bank and are not guaranteed by the bank; and



(iii) Are subject to investment risks, including possible loss of the principal invested.

(b) Make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of the disclosures required by paragraph (H)(3)(c)(i)(a) of this rule.

(ii) If broker-dealer services include any written or oral representations concerning insurance coverage, other than federal deposit insurance corporation insurance coverage, then clear and accurate written or oral explanations of the coverage must also be provided to the customers when such representations are first made.

(d) Communications with the public.

(i) Confirmations, advertisements and recommendations:

(a) All of the dealer's confirmations and account statements must indicate clearly that the broker-dealer services are provided by the dealer.

(b) Subject to paragraph (H)(4) of this rule, advertisements and sales literature that announce the location of a bank where broker-dealer services are provided by the dealer, or that are distributed by the dealer on the premises of a bank, must disclose that securities products:

(i) Are not insured by the federal deposit insurance corporation;

(ii) Are not deposits or other obligations of the bank and are not guaranteed by the bank; and

(iii) Are subject to investment risks, including possible loss of the principal invested. The shorter, logo format described in paragraph (H)(3)(d)(ii)(a) of this rule may be used to provide these disclosures.

(c) Recommendations by a dealer concerning non-deposit investment products with a name similar to that of the bank must only occur pursuant to a sales program designed to minimize the risk of customer confusion.



(ii) Logo format disclosures:

(a) Subject to paragraph (H)(4) of this rule, the following shorter, logo format disclosures may be used by a 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 paragraph (H)(3)(d)(i)(b) of this rule, provided that such disclosures are displayed in a conspicuous manner:

(i) Not FDIC insured;

(ii) No bank guarantee; and

(iii) May lose value.

(b) As long as the omission of the disclosures required by paragraph (H)(3)(d)(i)(b) of this rule would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

(i) Radio broadcasts of thirty seconds or less;

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

(iii) Signs, such as banners and posters, when used only as location indicators.

(e) Notification of termination. The dealer must promptly notify the bank if any salesperson of the dealer who is employed by the bank is terminated for cause by the dealer.

(4) If paragraph (H) of this rule requires a dealer to disclose that securities products are not insured by the federal deposit insurance corporation, and the dealer is providing broker-dealer services on the premises of a bank with deposits insured by a program other than the federal deposit insurance



corporation, the dealer shall instead disclose that the securities products purchased or sold in a transaction with the dealer are not insured by the other deposit insurance program.

(I) Financial statements.

A dealer not affiliated with the "Financial Industry Regulatory Authority" shall submit to the division, within ninety days of the end of its fiscal year, a manually signed and duly verified duplicate of the current fiscal year end report required by 17 C.F.R. 240.17a-5, as amended.

(J) Prior to the use or operation of any principal office or branch office in this state, each dealer not affiliated with the Financial Industry Regulatory Authority" shall designate a natural person licensed as a dealer or salesperson in Ohio as the supervisor of that office and report in writing to the division on the form BR the location of all branch offices as defined in paragraph (F) of rule 1301:6-3-01 of the Administrative Code.

(1) Every salesperson shall be assigned by the dealer to the dealer's principal office location in Ohio or to a branch office of the dealer in Ohio.

(2) Each person designated by a dealer as a supervisor or a principal or branch office in Ohio after December 31, 1991 shall, unless waived in advance in writing by the division for good cause shown, have been licensed as a securities dealer or salesperson by Ohio or any other state for at least two years and shall have good business repute as that term is defined in paragraph (D) of rule 1301:6-3-19 of the Administrative Code.