
**Rules of
Elected Officials
Division 30—Secretary of State
Chapter 59—Registration and Operations of
Commodity Broker-Dealers and Sales Representatives**

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Title 15—ELECTED OFFICIALS

**Division 30—Secretary of State
Chapter 59—Registration
and Operations of Commodity
Broker-Dealers and Sales
Representatives**

15 CSR 30-59.010 Definitions

PURPOSE: The commissioner of securities under the direction of the secretary of state administers the Missouri Model Commodities Code, sections 409.800–409.836, RSMo. The commissioner may make rules, forms, and orders as are necessary to carry out the provisions of the Code and may define terms, whether or not used in the Code, insofar as the definitions are not inconsistent with the Code. This rule defines certain terms used in the administration of the Code and in the rules, forms, and orders.

(1) When the terms listed in subsections (1)(A)–(Q) are used in sections 409.800–409.863, RSMo, this chapter of rules, the forms, and the orders of the commissioner issued under sections 409.800–409.863, RSMo 1986, and this chapter of rules, the following meanings shall apply (unless the context requires otherwise), to the extent that they are not inconsistent with definitions provided in sections 409.800–409.863, RSMo:

(A) Affiliate means a person who, directly or indirectly, through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, another person;

(B) Applicant means the person executing an application or an entity on whose behalf an application is submitted;

(C) Application means the form prescribed or approved by the commissioner for filing in connection with registration as a broker-dealer or sales representative and any information, document, report, or memorandum filed as a part of that form or is incorporated by reference and any other documentation, information, report, or memorandum required to be filed in connection with registration;

(D) Broker-dealer means commodity broker-dealer as defined in subsection (1)(H) for the purposes of this chapter only;

(E) Certified means, when used in connection with financial statements, certified by an independent certified public accountant in accordance with generally accepted accounting practices;

(F) CFTC means the Commodity Futures Trading Commission;

(G) Code means sections 409.800–409.863, RSMo, (Senate Committee Substitute for House Bill Nos. 409 and 532 enacted into law by the 83rd General Assembly), otherwise known as the *Missouri Model Commodities Code*;

(H) Commodity broker-dealer means any one (1) person engaged in the business of effecting transactions in commodities under any commodity contract or under any commodity option for the account of other or for his/her own account. Commodity broker-dealer does not include a sales representative (but an individual who is a commodity broker-dealer may also be a sales representative);

(I) Commodity sales representative means any individual (including an individual who is a broker-dealer, a partner, officer, or director of a broker-dealer, or a person occupying a similar status or performing similar functions) who represents a broker-dealer in effecting or attempting to effect purchases or sales of commodities;

(J) Division means the Division of Securities, Office of Secretary of State for Missouri or the Office of the Commissioner of Securities of Missouri;

(K) FINRA means the Financial Industry Regulatory Authority;

(L) NFA means the National Futures Association;

(M) For offer or offer to sell, see *Kreis v. Mates Investment Fund, Inc.*, 473 F.2d 1208 (1973);

(N) Parent means an affiliate controlling another person;

(O) Predecessor means a person, a major portion of whose business, assets, or control has been acquired by another;

(P) Registrant means an applicant for whom a registration has become effective; and

(Q) Sales representative means commodity sales representative as defined in subsection (1)(I) for the purposes of this chapter only.

AUTHORITY: section 409.836, RSMo 2000.
Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987. Amended: Filed May 21, 2009, effective Nov. 30, 2009.*

**Original authority: 409.836, RSMo 1985.*

15 CSR 30-59.020 General Instructions

PURPOSE: This rule covers general instruc-

tions applicable to persons applying for registration as broker-dealers or sales representatives.

(1) A broker-dealer or agent may be registered or renewed as such under the Missouri Model Commodities Code (the Code), if the commissioner finds that the applicant is qualified, has sufficient training, knowledge and experience in the commodities business, is of good repute and has otherwise fully satisfied the requirements of the Code and this chapter. In determining which activities require registration under the Code, see sections 409.803 and 409.840, RSMo.

(2) The applicant, if an individual, shall have attained the age of eighteen (18) years.

(3) A foreign corporation shall furnish a copy of the certificate of authority to transact business in Missouri or an opinion of counsel stating no such authority is required (section 351.570, RSMo).

(4) Any applicant who will engage in or transact business in Missouri under a name shall furnish evidence of registration of fictitious name (section 417.200, RSMo).

(5) A broker-dealer shall have and maintain at least one (1) sales representative.

(6) Any application for registration as a sales representative shall not be registered as representing more than one (1) broker-dealer at any one (1) time, except as follows:

(A) Where control and management of the broker-dealers or issuers are essentially identical; or

(B) Where there is no conflict of interests and where prior to the dual registration, both broker-dealers have filed, written statements acknowledging the proposed dual agency and affirming that there will be no conflict. The statements must display an original signature of the appropriate signatory of the principal.

AUTHORITY: section 409.836, RSMo 2000.
This rule was previously filed as 15 CSR 30-60.010. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987. Amended: Filed Feb. 13, 2003, effective Aug. 30, 2003.*

**Original authority: 409.836, RSMo 1985.*

15 CSR 30-59.030 Fees

PURPOSE: This rule prescribes policies and procedures for charging registration and other fees.



(1) All fees shall accompany the application or other filing to which they pertain.

(2) Fees shall be remitted by check, draft or money order (cash is not acceptable) payable to the Director of Revenue, State of Missouri, in accordance with the following:

(A) Registration of broker-dealers (section 409.850, RSMo)

1. Initial Registration \$100;
and

2. Renewal Registration \$ 75;

(B) Registration of each branch office of a broker-dealer

1. Initial Registration \$ 50;
and

2. Renewal Registration \$ 30;

(C) Registration of Sales Representatives
Both Initial and Renewal \$15;

(D) Copies of documents and records in the division, or reports relating to the documents or records, certified upon request, may be provided for a charge of:

First Five (5) Pages 50¢

Additional Pages 15¢

Plus For Certification \$1.50;

(sections 28.160 and 409.836, RSMo);

(E) Interpretative opinions may be provided to interested persons for a charge of fifty dollars (\$50) (section 409.836, RSMo); and

(F) No refund of filing fees shall be permitted in the instances of applications for registration of broker-dealers and sales representatives even though the applications are denied or withdrawn (section 409.850(5), RSMo).

AUTHORITY: sections 409.836 and 409.850(5), RSMo 1986. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.836, RSMo 1985 and 409.850, RSMo 1985.*

15 CSR 30-59.040 Forms

PURPOSE: This rule prescribes the forms adopted and approved for filing with the commissioner.

(1) The following forms have been adopted and approved for filing with the division:

(A) C-4 Broker-Dealer, Sales Representative Statutory Bond (Broker-Dealer Fidelity Bond (Use commercial bond form)); and

(B) C-16 Application for Renewal Registration As Sales Representative.

AUTHORITY: section 409.836, RSMo 1986. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.836, RSMo 1985.*

15 CSR 30-59.050 Broker-Dealer, Sales Representative Statutory Bond
(Rescinded August 30, 2003)

AUTHORITY: section 409.836, RSMo 1986. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987. Rescinded: Filed March 12, 2003, effective Aug. 30, 2003.

15 CSR 30-59.060 Application for Renewal Registration as Sales Representative
(Rescinded August 30, 2003)

AUTHORITY: section 409.836, RSMo 1986. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987. Rescinded: Filed March 12, 2003, effective Aug. 30, 2003.

15 CSR 30-59.070 Application for Registration

PURPOSE: This rule prescribes the information to be contained in and the documents to accompany, applications for registration as broker-dealer or sales representative.

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. Therefore, the material which is so incorporated is on file with the agency who filed this rule, and with the Office of the Secretary of State. Any interested person may view this material at either agency's headquarters or the same will be made available at the Office of the Secretary of State at a cost not to exceed actual cost of copy reproduction. The entire text of the rule is printed here. This note refers only to the incorporated by reference material.

(1) The application for registration as broker-dealer shall contain the information as follows:

(A) As to initial registration, the information specified in the application (Form BD), accompanied by the filing fee (section 409.850, RSMo), consent to service of process (Form BD) (section 409.838, RSMo), copies of articles of incorporation and any corporate resolutions, audited financial statement (15 CSR 30-59.090), unaudited financial statement accompanied by a computation of net capital (FOCUS Report, Form X-17A-5)(15 CSR 30-59.100(5)), general plan of business or appropriate schedule of Form BD, a surety bond if required (15 CSR 30-59.120), fidelity bond (15 CSR 30-59.120), bank reference letter or letter of credit, offering circular sample forms and stationery and an appropriate personal information schedule of Form BD for each officer, director, partner and proprietor; or

(B) As to renewal registration, the information specified in the execution page of the Form BD, attached to any amendments to the Form BD not filed previously, accompanied by the filing fee (section 409.830, RSMo and 15 CSR 30-59.030(2)), a disclosure statement (15 CSR 30-59.190) and applicable financial statement accompanied by a net capital computation (FOCUS Report Form X-17A-5) (15 CSR 30-59.100(5)) (see also 15 CSR 30-59.170(3)-(6)).

(2) The application for initial and renewal registration as sales representative shall contain the information as follows:

(A) Initial registration of sales representatives, the information specified in the Form U-4 (see 15 CSR 30-59.020, accompanied by the filing fee (section 409.850, RSMo), a photograph taken within one (1) year, a surety bond if required (15 CSR 30-59.120) and proof of passing any required examinations (15 CSR 30-59.080); and

(B) As to renewal registration of sales representatives of broker-dealers, the information specified in the application (Form C-16, see 15 CSR 30-59.040) and accompanied by the filing fee (section 409.850, RSMo and 15 CSR30-59.030(2)).

(3) Any amendment of an application shall be filed, by the appropriate form marked "AMENDED" (section 409.858(7), RSMo), with the commissioner.

(4) Any application which has been on file for a period of six (6) months or more without any affirmative action by the applicant to



complete the application shall be considered to have been withdrawn.

AUTHORITY: sections 409.850, 409.858(7) and 409.836, RSMo 1986. This rule was previously filed as 15 CSR 30-60.020. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.836, RSMo 1985; 409.850, RSMo 1985; and 409.858, RSMo 1985.*

15 CSR 30-59.080 Examination

PURPOSE: This rule prescribes the policies and procedures for administering examinations of applicants for registration as broker-dealers and as sales representatives.

(1) Unless specifically exempted as provided in this rule, a written examination in the form and content prescribed or approved by the commissioner shall be taken and passed by every applicant for registration as a broker-dealer or sales representative, before the applicant shall be considered qualified for registration (section 409.853, RSMo). An applicant, other than an individual, shall qualify by examination taken and passed by an executive officer of the applicant or other person approved by the commissioner. The following examinations are required for the following applicants:

(A) Sales representatives of broker-dealers are required to take and pass the USASLE (Series 63) examinations and the NCFE (Series 3); and

(B) Qualifying officers of broker-dealers are required to take and score eighty percent (80%) or better on the NCFE (Series 3) and to take and pass the USASLE (Series 63) examinations.

(2) If an applicant has previously taken an examination which does not fall within the requirements set out in section (1), the applicant may submit a written request for substitution; if the commissioner deems it appropriate, a passing grade on another examination will be accepted in lieu of a passing grade on a required examination.

(3) Applicants fully qualified, with respect to the general securities or commodities business and with respect to the Code and this chapter, by virtue of special education or full-time active experience for five (5) years or more, will be granted a waiver from the examination requirements upon submission of

a written request for the waiver. No waiver will be granted for the examination requirements of the qualifying officer unless the commissioner determines that extraordinary circumstances warrant the waiver.

AUTHORITY: section 409.853, RSMo 1986. This rule was previously filed as 15 CSR 30-60.030. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority 409.853, RSMo 1985.*

15 CSR 30-59.090 Financial Statements

PURPOSE: This rule prescribes the content of financial statements filed by persons applying for registration, and by persons registered, as broker-dealers.

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. Therefore, the material which is so incorporated is on file with the agency who filed this rule, and with the Office of the Secretary of State. Any interested person may view this material at either agency's headquarters or the same will be made available at the Office of the Secretary of State at a cost not to exceed actual cost of copy reproduction. The entire text of the rule is printed here. This note refers only to the incorporated by reference material.

(1) A financial statement shall consist of a balance sheet, a profit and loss statement, statement of change in financial condition, certified unless otherwise prescribed in this rule or permitted by the commissioner (section 409.858, RSMo).

(2) Every applicant for initial registration as broker-dealer shall file a financial statement as follows:

(A) As to initial registration as a broker-dealer, the applicant shall file a certified financial statement as of a date within thirty (30) days prior to the filing; provided if the applicant has been engaged in business one (1) year or more, s/he may file a certified financial statement as of the end of his/her last fiscal period together with a balance sheet, which need not be certified, as of a

date within thirty (30) days prior to the filing; and

(B) If the annual financial statement is more than six (6) months old, s/he shall also file a semi-annual financial statement, which need not be certified. The semi-annual financial statement may consist wholly of a completed FOCUS report for that period.

(3) Every registered broker-dealer shall file a certified financial statement within ninety (90) days after the end of its fiscal period, unless an extension of time is granted upon written request.

(4) A net capital computation (FOCUS Report, Form X-17A-5), as of the date of the balance sheet, shall accompany the financial statements.

(5) Registered broker-dealers shall file a semi-annual financial statement, which need not be certified, within sixty (60) days after the end of the six (6)-month period following the end of the fiscal year. A completed FOCUS report may be substituted for semi-annual net capital computations and financial statements.

(6) Every applicant for renewal registration as broker-dealer shall file a financial report consisting of a balance sheet and net capital computation, or a completed FOCUS report, as of a date within sixty (60) days of the date of filing.

AUTHORITY: section 409.858, RSMo 1986. This rule was previously filed as 15 CSR 30-60.040. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.100 Net Capital Requirements for Broker-Dealers

PURPOSE: This rule prescribes the minimum net capital and ratio between net capital and aggregate indebtedness required of registered broker-dealers.

(1) A broker-dealer shall have the net capital necessary to comply with all of the following conditions:

(A) The aggregate indebtedness to all other persons of a broker-dealer who has been registered under section 409.850, RSMo shall



not exceed one thousandth percent (.001%) of his/her net capital; and

(B) S/he shall have and maintain net capital of not less than twenty thousand dollars (\$20,000).

(2) The commissioner, by order, which may apply individually or to a class, may establish a lower net capital requirement, a lower cash reserve requirement or a higher maximum ratio of aggregate indebtedness to net capital either unconditionally or upon special terms or conditions, for a broker-dealer who satisfied the commissioner that because of the special nature of his/her business and his/her financial condition and the safeguards that have been established for the protection of customers' funds, investors would not be adversely affected.

(3) A broker-dealer not in compliance with the aggregate indebtedness, net capital or cash reserve requirements shall cease soliciting new business and immediately shall notify the commissioner in writing.

(4) For the purposes of this rule and to insure uniform interpretation, the terms, aggregate indebtedness and net capital shall have the respective meanings as defined in rule 15c3-1 under the Securities Exchange Act of 1934. A copy of any pertinent subordination agreement shall be filed with the commissioner within ten (10) days after agreement has been entered into and shall meet the requirements of a satisfactory subordination agreement as that term is defined in rule 15c3-1.

AUTHORITY: section 409.858, RSMo 1986. This rule was previously filed as 15 CSR 30-60.050. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.110 Broker-Dealer Notice of Net Capital Deficiency

PURPOSE: This rule requires broker-dealers to furnish the commissioner notice of impending net capital deficiency and announces that the commissioner, once a year and without prior notice, may require all registered broker-dealers to furnish a net capital report.

(1) Every registered broker-dealer shall make a computation of its net capital and ratio of its

aggregate indebtedness to its net capital not less than monthly and shall comply with the following requirements:

(A) No withdrawal or any part of its net worth, including subordinated indebtedness, whether by redemption, retirement, repurchase, repayment or otherwise, shall be permitted or effected that will cause its net capital to be less than one hundred twenty percent (120%) of the amount prescribed in 15 CSR 30-59.100 or its aggregate indebtedness to exceed one thousand five hundred percent (1,500%) of its net capital, without notice to the commissioner as follow in subsections (1)(B) and (C) (section 409.858, RSMo);

(B) Every broker-dealer to which this rule is applicable, whose net capital is less than one hundred twenty percent (120%) of the amount prescribed in 15 CSR 30-59.100 or whose aggregate indebtedness exceeds one thousand five hundred percent (1,500%) of its net capital, promptly shall notify the commissioner by telegraph or in writing of the deficiency and its extent; and

(C) Every broker-dealer to which this rule is applicable shall file with the commissioner a report in writing on its net capital and ratio of its aggregate indebtedness to its net capital as of the end of each month in which its net capital is less than one hundred twenty percent (120%) of the amount prescribed in 15 CSR 30-59.100 or its aggregate indebtedness exceeds one thousand two hundred percent (1,200%) of its net capital, promptly after it has knowledge of that fact and in no event later than fifteen (15) days after the end of each such month.

(2) The commissioner, in coordination with the securities administrators of other states and in addition to any other reports s/he may require, may require all registered broker-dealers to which section (1) is applicable to file reports on their net capital and aggregate indebtedness as of the end of any month, without prior notice, once during each year (section 409.858(2), RSMo).

AUTHORITY: section 409.858, RSMo 1986. This rule was previously filed as 15 CSR 30-60.060. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.120 Bonds

PURPOSE: This rule prescribes surety bonding requirements for registered broker-dealers and sales representatives and fidelity bonding requirements for registered broker-dealers.

(1) Every registered broker-dealer shall post surety bond on Form C-4 (see 15 CSR 30-59.040) in the amount of twenty thousand dollars (\$20,000), except that no such bond is required of any broker-dealer whose net capital exceeds two hundred thousand dollars (\$200,000).

(2) Every registered sales representative of a broker-dealer shall post security (surety) bond on Form C-4 in the amount of five thousand dollars (\$5,000), except that no such bond is required of any sales representative of a registered broker-dealer whose net capital exceeds two hundred thousand dollars (\$200,000).

(3) Employees and officers of every registered broker-dealer shall be covered by a fidelity bond in the following minimum amounts: Less than six (6) individuals covered fifty thousand dollars (\$50,000); more than five (5) and less than eleven (11) individuals covered seventy-five thousand dollars (\$75,000); more than ten (10) persons one hundred twenty-five thousand dollars (\$125,000). The coverage provided shall be under a Brokers Blanket Bond Standard Form 14 or its equivalent. Individual broad coverage commercial bonds may be carried when the total number of individuals covered is less than six (6). Any fidelity bond coverage meeting the requirements of the American Stock Exchange, the Boston Stock Exchange, the Midwest Stock Exchange, Inc., the New York Stock Exchange, Inc., the Pacific Stock Exchange, Inc., the PBW Stock Exchange, Inc. or the Chicago Board Options Exchange, Inc. shall be deemed in compliance. Authenticated copies of fidelity bonds shall be filed with the commissioner.

(4) Every insurer shall agree to notify the commissioner, in writing, at least thirty (30) days prior to any cancellation.

(5) All bonds, other than those secured by cash or securities, shall be executed by a corporate surety approved and authorized to do business in Missouri by the director of insurance. If any bond is executed by an attorney-in-fact, a true and authenticated copy of his/her authority shall be attached to the bond.



AUTHORITY: section 409.858(4), RSMo 1986. This rule was previously filed as 15 CSR 30-6.070. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.130 Segregation of Accounts by Broker-Dealers

PURPOSE: This rule prescribes the commingling by broker-dealers of their personal funds and commodities with those of their customers and provides for the maintenance of separate records.

(1) Every broker-dealer shall at all times keep its customers' funds and commodities in trust and segregated from its own funds and commodities provided, however, that compliance with Securities and Exchange Commission or Commodity Futures Trading Commission regulations governing the use, commingling and hypothecation of customers' commodities and free credit balances shall be deemed in compliance with this rule.

(2) Every broker-dealer which engages in more than one (1) enterprise or activity shall maintain separate books of accounts and records relating to its commodities business and its other businesses and the assets relating to its commodities business shall not be commingled with those of such other businesses. Every broker-dealer shall maintain a clearly defined division among such businesses with respect to income and expenses.

AUTHORITY: sections 409.858(6) and 409.863, RSMo 1986. This rule was previously filed as 15 CSR 30-60.080. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985 and 409.863, RSMo 1985.*

15 CSR 30-59.140 Confirmations

PURPOSE: This rule requires broker-dealers to confirm transactions in customers' commodities.

(1) Confirmations by broker-dealers of all purchases and sales of commodities and notices of all other debits and credits for securities, cash and other items for the account of customers, officers, agents, partners and employees shall be given or sent to

such persons at or before completion of each transaction and shall disclose at least the following:

(A) The account for which entered;
(B) Instructions, terms and conditions, including price, quantity and description of the transaction whether executed or unexecuted;

(C) Date of execution of transaction (Time of trade shall be furnished upon request.);

(D) Whether the broker-dealer is acting for its own account, as agent for some other person or as an agent for both the customer and some other person;

(E) If a broker-dealer is acting as agent for the customer, the following additional information or a statement that the information will be furnished upon request:

1. The name of the person from whom the security was purchased or to whom it was sold, the date and time the transaction occurred; and

2. Source and amount of commission or remuneration received or to be received in connection with the transaction;

(F) Name or identification number of sales representative handling transaction;

(G) Whether the transaction was solicited or unsolicited; and

(H) Whether the broker-dealer is a market maker or has holdings in the commodity in excess of one (1) million dollars.

AUTHORITY: sections 409.858(6) and 409.863, RSMo 1986. This rule was previously filed as 15 CSR 30-60.090. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985 and 409.863, RSMo 1985.*

15 CSR 30-59.150 Records Required of Broker-Dealers and Sales Representatives

PURPOSE: This rule prescribes the books and records to be kept by broker-dealers and sales representatives.

(1) Every broker-dealer shall make and keep current the following books and records relating to his/her business (provided, however, that compliance with the requirements of the Commodity Futures Trading Commission or Securities and Exchange Commission with respect to maintenance of books and records shall be deemed to be compliance with this rule):

(A) Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of commodities, all receipts and deliveries of commodities, all

receipts and disbursements of cash and all other debits and credits. This record shall show the account for which each such transaction was effected, the type and amount of commodities, 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 (or other records) reflecting all assets and liabilities, income and expense and capital accounts;

(C) Ledger accounts itemized separately as to cash and margin account of every customer and of that broker-dealer, its partners, agents and employees, all purchases, sales receipts and deliveries of commodities for that account and all other debits and credits to that account;

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

1. Commodities in transfer;
2. Appreciation or depreciation on investment;

3. Commodities borrowed and commodities loaned; and

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

(E) A memorandum of each brokerage order and of any other instruction, given or received for the purchases or sale of commodities, whether executed or unexecuted. This memorandum shall show the terms and conditions of the order and of any other instruction, given or cancellation of, the account for which entered, 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 shall be so designated. The term instruction shall include instructions between partners and employees of a broker-dealer. 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;

(F) A memorandum of each purchase and sale of commodities for the account of the broker-dealer showing the price and, to the extent feasible, the time of execution;

(G) Copies of confirmations of all purchases and sales of commodities, copies of all memoranda forwarded to purchasers executing unsolicited orders and copies of all other debits and credits for securities, commodities, cash and other items for the account of



customers and partners of the broker-dealer; and

(H) A record in respect of each cash and margin account with the broker-dealer containing the name and address of the beneficial owner of the account and, in the case of a margin account, the signature of the owner; provided that, in the case of a joint account or an account of a corporation, these records are required only in respect of the person(s) authorized to transact business for the account.

(2) Every sales representative shall make and keep current the following records relating to his/her business:

(A) Cross reference sheets for each type and grade of commodity reflecting the customer's name, the amount of commodity purchased or sold (if any), the unit and aggregate purchase or sale price (if any), the trade dates and the aggregate net gain or loss; and

(B) Holding pages for each customer reflecting for each type and grade of commodity, the amount of commodity purchased or sold (if any), the unit and aggregate purchase or sale price (if any), the trade dates and the aggregate net gain or loss.

AUTHORITY: section 409.858(6), RSMo 1986. This rule was previously filed as 15 CSR 30-60.100. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.160 Records to be Preserved by Broker-Dealers

PURPOSE: This rule prescribes periods of time books and records of broker-dealers must be preserved.

(1) Every broker-dealer shall preserve for a period of not less than six (6) years, the first two (2) years in an easily accessible place, all records required to be made pursuant to these rules.

(2) Every broker-dealer shall preserve for a period of not less than three (3) years and, for the first two (2) years, in an easily accessible place, the following:

(A) All check books, bank statements, cancelled checks, voided checks and cash reconciliations;

(B) All bills, receivable or payable (or

copies) paid or unpaid relating to the business of the broker-dealer;

(C) Originals of all communications received and copies of all communications sent by the broker-dealer (including inter-office memoranda and communications) relating to his/her broker-dealer business;

(D) All net capital computations, trial balances, financial statements, branch office reconciliations and internal audit working papers, relating to the business of the broker-dealer;

(E) All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect to any account and copies of resolutions empowering an agent to act on behalf of a corporation; and

(F) All written agreements (or copies) entered into by that broker-dealer relating to his/her business, including agreements with respect to any account.

(3) For a period of not less than six (6) years after the closing of any customer's account, every such broker-dealer shall preserve any account cards or records which relate to the terms and conditions with respect to the opening and maintenance of such account.

(4) During the life of the enterprise, and of any successor enterprise, every broker-dealer shall preserve all partnership articles or, in the case of a corporation, all articles of incorporation or charter, minute books and stock certificate books.

(5) After a record or other document has been preserved for two (2) years, its photograph on film may be substituted for the balance of the required time.

(6) Compliance with the requirements of the Commodity Futures Trading Commission or Securities and Exchange Commission with respect to preservation of records shall be deemed to be compliance with this rule.

AUTHORITY: section 409.858(6), RSMo 1986. This rule was previously filed as 15 CSR 30-60.110. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.858, RSMo 1985.*

15 CSR 30-59.170 Effectiveness and Post-Effective Requirements

PURPOSE: This rule specifies when the registration of broker-dealers and sales representatives becomes effective, reports required during effectiveness and procedures for terminating the effectiveness and effecting withdrawal of registrations.

(1) If no suspension or denial orders are in effect or proceedings for these orders are pending, registration shall become effective no later than noon of the thirtieth day after the filing of an application is complete, but an earlier effective date may be specified by the commissioner (section 409.856, RSMo). Filing shall be considered complete when the application and all attachments and exhibits, as required by the commissioner, have been filed in the division and are satisfactory to the commissioner and the examination of the applicant has been accepted by the commissioner. Any application, the filing of which is not considered complete within a period of one (1) year following the original filing, shall be presumed subject to the entry of an order of cancellation pursuant to section 409.863(1), RSMo.

(2) During the pendency of any application, or effectiveness of any registration, every broker-dealer or sales representative immediately and in no event later than thirty (30) days following the specified event or occurrence, shall report to the commissioner, in writing, any material change in any information, exhibits or schedules submitted or circumstances disclosed in its last prior application and a correcting amendment shall be filed in the division at the time of occurrence or discovery of these changes, which include, but are not limited to, the following:

(A) Change in firm name, ownership, management or control or change in any partners, officers or persons in similar positions, or business address, or the creation or termination of a branch office in Missouri;

(B) Change in type of entity, general plan or character of business, method of operation or type of commodities in which dealing or trading is being effected;

(C) Insolvency, dissolution or liquidation or a material adverse change or impairment of working capital or noncompliance with the minimum capital or bond requirements specified previously;

(D) Termination of business or discontinuance of activities as a broker-dealer or sales representative;

(E) The filing of a criminal charge or civil or administrative action, in which a fraudulent, dishonest or unethical act is alleged or a



violation of a securities or commodities law is involved; or

(F) Entry of an order or proceeding by any court or administrative agency denying, suspending or revoking a registration or expelling the firm or individual from membership in any stock exchange, National Association of Securities Dealers, Inc. or National Futures Association or threatening to do so, or enjoining it from engaging in or continuing any conduct or practice in the securities or commodities business.

(3) Every registration of a broker-dealer or sales representative expires on the first December 31 following registration, unless renewed or unless sooner revoked, cancelled or withdrawn (section 409.856(2), RSMo).

(4) Applications for renewal of registration filed directly with the commissioner shall be filed on the appropriate form marked renewal (see 15 CSR 30-59.040) with required information and exhibits no earlier than sixty (60) days and no later than thirty (30) days before the expiration date of the registration concerned.

(5) An applicant for renewal registration may incorporate by reference in the application documents previously filed to the extent the documents are currently accurate.

(6) Upon expiration of a registration, any subsequent application for registration shall be considered and treated as an application for initial registration.

(7) When a sales representative's association with the broker-dealer or issuer who appoints him/her as sales representative is discontinued or terminated by either party, the broker-dealer must file within ten (10) days of that discontinuance or termination, a notice of that fact, stating the date of and reasons for the discontinuance or termination (Form U-5 or by letter). If the termination is for cause, the broker-dealer shall furnish the commissioner a detailed statement of the reasons. Failure to file the notice of termination by the broker-dealer principal required by this rule within the specified ten (10)-day period will afford grounds for the suspension of the license of the broker-dealer to transact business in Missouri (sections 409.856(3) and (5), RSMo).

(8) Every broker-dealer who desires to withdraw his/her registration shall file an application (Form BDW). The request of a broker-dealer shall include a statement of financial

condition as of a date within ten (10) days of that statement in detail as will disclose the nature and amount of assets and liabilities, net worth, unsatisfied judgments and liens and a statement of where and in whose custody the books and records will be kept, and, in the case of the broker-dealer, a schedule of commodities in which it has an interest and the market value of the commodities.

(9) In the event of a merger, consolidation or reorganization of an existing registered broker-dealer—

(A) The following documents must be filed:

1. The broker-dealer who will dissolve upon consummation of the merger or who will become a part of an existing broker-dealer upon reorganization or consolidation must file at least ten (10) days prior to a merger, consolidation or reorganization—

A. A termination of its broker-dealer registration on Form BDW;

B. A termination of all sales representative registrations; and

C. A complete explanation of the proposed merger, consolidation or reorganization accompanied by the agreement effecting the merger, consolidation or reorganization; and

2. The broker-dealer who will be the surviving corporation upon consummation of the merger or who will be the named broker-dealer after the reorganization or consolidation must file the following documents at least ten (10) days prior to the merger, consolidation or reorganization:

A. A complete explanation of the proposed merger;

B. Form U-4 applications plus supporting documents of all registered sales representatives of the dissolving broker-dealer to be transferred to the surviving, consolidated or reorganized broker-dealer in accordance with 15 CSR 30-59.070 and section (7) of this rule; and

C. If the name of the surviving, consolidated or reorganized broker-dealer will change, an amended Form BD, as appropriate and all other properly amended documents required by 15 CSR 30-59.020 and this rule.

AUTHORITY: sections 409.836 and 409.850-409.856 RSMo 2000. This rule was previously filed as 15 CSR 30-60.120. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987. Amended: Filed Feb. 13, 2003, effective Aug. 30, 2003.*

**Original authority: 409.836, RSMo 1985, 409.850-409.856 see Missouri Revised Statutes 2000.*

15 CSR 30-59.180 Denial, Revocation and Suspension of Registration

PURPOSE: This rule prescribes grounds for the denial, revocation or suspension of the registration of broker-dealers and sales representatives.

(1) Grounds for the denial, revocation and suspension of registration shall include, in addition to other grounds specified in section 409.863(1), RSMo, the following “unethical or dishonest conduct or practice in the investment commodities or securities business”:

(A) Delaying unreasonably and unjustifiably or failing to execute orders, liquidate customers' accounts or in making delivery of securities or commodities purchased or in the payment upon request of free credit balances reflecting completed transactions of any of its customers;

(B) Entering into a transaction with or for a customer at a price not reasonably related to the current market price of the commodity or security or receiving an unreasonable commission or profit;

(C) Effecting transactions in the account of a customer without authority to do so; or 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, price, or both, for the execution of orders;

(D) Willful switching, churning, overtrading or reloading of commodities or securities in a customer's account for the purpose of accumulating or compounding commission or 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;

(E) Recommending to a customer the purchase, sale or exchange of any commodity or security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs and any other relevant information known by the applicant or registrant;

(F) Engaging in or aiding in boiler room operations or high pressure tactics in connection with the promotion of speculative offerings or hot issues by means of an intensive telephone campaign or unsolicited calls to persons not known by, nor having an account



with, the sales representative or broker-dealer represented by the sales representative, where the prospective purchaser is encouraged to make a hasty decision to buy, irrespective of his/her investment needs and objectives;

(G) Failing to furnish to a customer purchasing securities in an offering, no 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, or making oral or written statements contrary to or inconsistent with the disclosures contained in the prospectus;

(H) Failing to furnish to a customer purchasing commodities, no later than the date of confirmation of the transaction, a disclosure statement as required in 15 CSR 30-59.190, or making oral or written statements contrary to or inconsistent with the disclosures contained in the statement;

(I) Making false, misleading, deceptive, exaggerated or flamboyant representations or predictions in the solicitation or sale of commodity or security, as, for example

1. That the commodity or security will be resold or repurchased;

2. That it will be listed or traded on an exchange or established market;

3. That it will result in an assured, immediate or extensive increase in value, future market price or return on investment;

4. With respect to the issuer's financial condition, anticipated earnings, potential growth or success;

5. That there is a guarantee against risk or loss; or

6. Representing that a commodity or security is being offered to a customer at the market or a price related to the market price unless the applicant or registrant knows or has reasonable grounds to believe that

A. A market for that commodity or security exists other than that made, created or controlled by the applicant or registrant, or by any person for whom s/he is acting or with whom s/he is associated in such distribution, or any person controlled by, controlling or under common control with the applicant or registrant; and

B. The commodity or security is traded in an established commodities or securities market, and the fact that the applicant or registrant is in a control position with respect to the market for that commodity or security is fully disclosed to the investor;

(J) Failing to disclose a dual agency capacity or effecting transactions upon terms and

conditions other than those stated per confirmations, or failing to disclose that the applicant or registrant is controlled by, controlling, affiliated with or under common control with the issuer of any security before entering into any contract with or for a customer for the purchase or sale of security, or if the disclosure is not made in writing, failing to give or send a written disclosure at or before the completion of the transaction;

(K) Failing to make a bona fide public offering of all of the securities allotted to a broker-dealer for distribution, whether acquired as an underwriter, a selling group member or from a member participating in the distribution as an underwriter or selling group member; or entering into an underwriting or selling group agreement which establishes unfair or unreasonable terms and conditions or compensation;

(L) Establishing fictitious accounts in order to execute transactions which would otherwise be prohibited;

(M) Entering into agreements for selling concessions, discounts, commissions or allowances as consideration for services in connection with the distribution or sale of a commodity or security in Missouri to any unregistered broker-dealer or sales representative, or dividing or otherwise splitting the sales representative's commissions, profits or other compensation from the purchase or sale of commodities or securities with any person not also registered as a sales representative for the same broker-dealer, or for a broker-dealer under direct or common control unless such person is not required to be registered in order to engage in the commodities or securities business in Missouri;

(N) Operating a commodities or securities business while being unable to meet current liabilities, or violating any rule or order relating to minimum capital, bond, record-keeping and reporting requirements, or provisions concerning use, commingling or hypothecation of commodities or securities;

(O) Failing or refusing to furnish a customer, upon reasonable request, information to which s/he is entitled, or to respond to a formal written demand or complaint;

(P) Extending, arranging for or participating in arranging for credit to a customer in violation of the regulations of the Commodity Futures Trading Commission (CFTC), Securities and Exchange Commission (SEC) or the regulations of the Federal Reserve Board;

(Q) Executing any transaction in a margin account without securing from the customer a properly executed written margin agreement,

including, but not limited to, written authorization for the existence of such an account, within ten (10) days after the initial transaction in the account;

(R) Hypothecating a customer's commodities or securities without having a lien on the commodities or securities unless the broker-dealer secures from the customer a properly executed written consent except as permitted by rules of the CFTC or SEC;

(S) Charging unreasonable and inequitable fees for services performed, including miscellaneous services such as collection of moneys due for principal, dividends or interest, exchange or transfer of commodities or securities, appraisals, safekeeping or custody of commodities or securities and other services related to its commodities or securities business;

(T) Offering to buy from or sell to any person any commodity or security at a stated price unless the applicant or registrant is prepared to purchase or sell, as the case may be, at a price and under conditions as are stated at the time of the offer to buy or sell;

(U) Effecting any transaction in or inducing the purchase or sale of any commodity or security by means of a manipulative, deceptive or fraudulent device, practice, plan, program, design or contrivance including, but not limited to:

1. Effecting any transaction in a commodity or security which involves no change in the beneficial ownership; and

2. Effecting, alone or with one (1) or more other persons, a transaction or series of transactions in any commodity or security creating actual or apparent active trading in the commodity or security or raising or depressing the price of the commodity or security for the purpose of inducing the purchase or sale of the commodity or security by others;

(V) Publishing or circulating or causing to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report any transaction as a purchase or sale of any commodity or security unless the applicant or registrant believes that the transaction was a bona fide purchase or sale of the commodity or security; or which purports to quote the bid or asked price for any commodity or security, unless the applicant or registrant believes that the quotation represents a bona fide bid for, or offer of, the commodity or security; or using any advertising or sales material in such a fashion as to be deceptive or misleading, such as the distribution of any nonfactual datum,



material or presentation based on conjecture, unfounded or unrealistic claims or assertions in any brochure, flyer, or display by words, pictures, graphs or otherwise, designed to supplement, detract from, supersede or defeat the purpose or effect of any prospectus or disclosure;

(W) Borrowing of money, commodities or securities from a customer by a sales representative, or for a sales representative to act as a custodian for money, commodities or securities or an executed stock power of a customer;

(X) Sharing, by a sales representative, directly or indirectly in profits or losses in the account of any customer without the written authorization of the customer and the broker-dealer a sales representative represents; and

(Y) Effecting commodities or securities transactions not recorded on the regular books or records of the broker-dealer the sales representative represents, unless the transactions are authorized in writing by the broker-dealer prior to the execution of the transaction.

AUTHORITY: sections 409.836 and 409.863, RSMo 1986. This rule was previously filed as 15 CSR 30-60.130. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.836, RSMo 1985 and 409.863, RSMo 1985.*

15 CSR 30-59.190 Disclosure Statements

PURPOSE: This rule requires broker-dealers or sales representatives to furnish the customer disclosure regarding the commodity and the broker-dealer company.

(1) Broker-dealers or sales representatives must furnish to each customer purchasing commodities, no later than the date of confirmation of the transaction, a disclosure statement, which must set forth all of the information as follows:

(A) Risk factors including a statement regarding the stability of the specific commodity market and competition in this type of business;

(B) Explanation of the specific commodity market including place where trades are made and whether market was created or controlled by the broker-dealer company;

(C) Explanation of the broker-dealer company organizational structure including the

names of officers, directors and affiliates of the broker-dealer company;

(D) Explanation of the broker-dealer's longevity of operation in the commodities business and the name of the state under the laws of which it was organized;

(E) Statement setting forth the capitalization of the broker-dealer company; and

(F) Description of any pending material litigation or administrative proceedings that involve the broker-dealer company or its officers, directors or affiliates. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

(2) A copy of a disclosure statement (schedules of Form BD, see 15 CSR 30-51.020) must accompany each renewal application (Form BD, see 15 CSR 30-51.020) of broker-dealers filed under 15 CSR30-59.070(1)(B) and 15 CSR 30-59.170(4).

AUTHORITY: sections 409.810, 409.818 and 409.836, RSMo 1986. This rule was previously filed as 15 CSR 30-60.140. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.810, RSMo 1985; 409.818, RSMo 1985; and 409.836, RSMo 1985.*

15 CSR 30-59.200 Promotional Materials to be Filed, Permitted Without Filing and Prohibited

PURPOSE: This rule prescribes the requirements for filing sales and advertising literature of the public offering of commodities and the types of advertising that are permitted and those that are prohibited.

(1) Any advertisement, display, pamphlet, brochure, letter, article or communication published in any newspaper, magazine or periodical, or script of any recording, radio or television announcement, broadcast or commercial to be used or circulated in connection with the sale and promotion of a public offering of commodities will be subject to the following requirements and restrictions:

(A) All sales and advertising literature and promotional material, other than that exempted by this rule, shall be governed by the following:

1. The applicant shall file with the commissioner, at least five (5) days before its intended dissemination, one (1) copy of each item of literature or material;

2. If not disallowed by the commissioner by written notice or otherwise within three (3) business days from the date filed, the literature or material may be disseminated;

3. No formal approval of the literature or material shall be issued by the commissioner; and

4. The disseminator of the literature or material shall be responsible for the accuracy and reliability of the literature and material and its conformance with the Missouri Uniform Securities Act and this rule; and

(B) The following devices or sales presentation, and their use, will be deemed deceptive practices that cheat or defraud investors:

1. Comparison charts or graphs showing a distorted, unfair or unrealistic relationship between the commodity's past performance and that of another commodity or investment media;

2. Layout, format, size, kind and color of type used so as to attract attention to favorable or incomplete portions of the advertising matter, or to minimize less favorable, modified or modifying portions necessary to make the entire advertisement a fair and truthful representation;

3. Statements or representations which predict future profit, success, appreciation, performance or otherwise relate to the merit or potential of the commodities unless the statements or representations clearly indicate that they represent solely the opinion of the publisher;

4. Generalizations, generalized conclusions, opinions, representations and general statements based upon a particular set of facts and circumstances unless those facts and circumstances are stated and modified or explained by additional facts or circumstances as are necessary to make the entire advertisement a full, fair and truthful representation;

5. Sales kits or film clips, displays or exposures, which, alone or by sequence and progressive compilation, tend to present an accumulative or composite picture or impression of certain, or exaggerated potential, profit, safety, return or assured or extraordinary investment opportunity or similar benefit to the prospective purchaser;

6. Distribution of any nonfactual or inaccurate data or material by words, pictures, charts, graphs or otherwise, based on conjectural, unfounded, extravagant or flamboyant claims, assertions, predictions or excessive optimism; and

7. Any package or bonus deal, prize, gift, gimmick or similar inducement, combined with or dependent upon the sale of



some other product, contract or service, unless that unit or combination has been fully disclosed and specifically described and identified in the application as the security being offered.

(2) The following forms and types of advertising are permitted without the necessity for filing or prior authorization by the commissioner, unless specifically prohibited:

(A) So-called tombstone advertising, containing no more than the following information:

1. Name and address of broker-dealer;
2. Identity, type or grade of commodity;
3. Per unit offering price and amount of offering; and
4. Brief, general description of commodity; and

(B) Dissemination of any data incorporated in the disclosure statement (15 CSR 30-59.190), so long as the use of that material, out of context, does not tend to detract from, distort, supersede or express a different meaning of the representations or disclosures contained in the statement.

(3) Any person who prepares, distributes or causes to be issued or published any sales literature which is knowingly inaccurate, false, misleading or tending to mislead in any material respect or otherwise in violation of the provisions of these rules may be held responsible and accountable in any administrative or civil proceeding arising under sections 409.800 409.863, RSMo or this chapter.

AUTHORITY: sections 409.810, 409.818 and 409.836, RSMo 1986. This rule was previously filed as 15 CSR 30-60.150. Emergency rule filed Oct. 2, 1985, effective Oct. 12, 1985, expired Feb. 9, 1986. Original rule filed Aug. 22, 1986, effective Jan. 30, 1987.*

**Original authority: 409.810, RSMo 1985; 409.818, RSMo 1985; 409.836, RSMo 1985.*