BOUSTEAD SECURITIES, LLC WSP SECTIONS 1-4

Personnel, Licensing and Registration 1.0

Introduction

Rule 3310 governs the Firm's minimum responsibilities regarding the supervision of their associated persons. This rule addresses several topics regarding the oversight and supervision of the business activities and inspections of associated persons. With the construction of these procedures, the Firm shall establish and implement a proactive supervisory system that is reasonably designed to comply with all relevant and applicable federal, state, and self-regulatory (SRO) rules and regulations.

1.01 Assignment of Designated Principals and Registered Personnel

Designation of Supervisory Personnel

In accordance with *Rule 3310(a)(5)*, the Firm will assign each registered person to a supervisor in order to monitor his or her activities with respect to a securities business. When designating such supervisory personnel, the Firm will consider the relevant background and experience of the designee.

The requirement that each registered person shall be assigned at least one supervisor provides each registered person with a clear line of authority and specifically identifies all persons for which the supervisor maintains supervisory responsibility. Additionally, the Firm also recognizes the fact that a supervisory system that is reasonably designed to achieve compliance with applicable federal, state and self-regulatory rules and regulations *does* not permit persons to supervise themselves unless a valid exception is warranted according to Rule 3110(b)(6). Under this exception and pursuant to FINRA Rule 3110.10, the Firm will grant an exception in instances where a supervisor holds a very senior executive position with the Firm. Any such exception will be noted on the Firm's records.

Appropriate Registrations for Supervisory Personnel

In accordance with *Rule 3310(a)(4)*, the Firm will assign responsibility for supervising an OSJ or a branch office to at least one person who is appropriately registered to fulfill the supervisory obligations assigned to the office. Therefore, those individuals with ultimate responsibility for supervising each type of business conducted at the office or supervised from the office must be registered as a principal for that type of business.

Designation of OSJ Supervisor(s)

In accordance with *Rule 3310(a) (4)*, the Firm will assign to each OSJ at least one principal with the authority to carry out the supervisory responsibilities conducted at the OSJ.

Designation of Branch Supervisor(s)

In accordance with *Rule 3310(a)(4)*, the Firm will assign to each Branch Office (that is not designated as an OSJ) at least one supervisor. In this situation, certain supervisory tasks may be delegated to a qualified registered representative. However, ultimate supervisory responsibility for every registered and unregistered branch office must be assigned to one or more appropriately registered principals.

List of Designated Principals/Supervisors

The Designated Principals consist of the Chief Executive Officer ("CEO") and the Senior Managing Director-Head of Investment Banking (see separate attachment for individual names associated with titles).

Safe Harbor for Business Expansions

Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) requires that a firm submit an application to FINRA for approval prior to, among other things, making a "material change in business operations," which is defined in Rule 1011. IM-1011-1 creates a safe harbor for certain types of expansions that are presumed not to be a "material change in business operations" and therefore do not require FINRA approval.

In circumstances where the safe harbor is available, the following types of expansions are presumed not to be a material change in business operations and therefore do not require a Rule 1017 application.
Expansions in each area are measured on a rolling 12-month basis; firms are required to keep records of increases in personnel, offices, and markets to determine whether they are within the safe harbor.

Number of Associated Persons Involved in Sales Period Without Rule 1017	***Safe Harbor – Increase Permitted Within One Year***
1-10	10 Persons
11 or more	10 persons or a 30% increase, whichever is
Number of Offices (registered or unregistered)	
1-5	3 offices
6 or more	3 offices or a 30% increase, whichever is greater
Number of Markets Made	
1-10	10 markets
11 or more	10 markets or a 30% increase, whichever is greater

Note: "Associated Persons involved in sales" includes all Associated Persons, whether or not registered, who are involved in sales activities with public customers, including sales assistants and cold callers, but excludes clerical, back office, and trading personnel who are not involved in sales activities.

On August 7, 2006, the SEC approved amendments to Interpretative Material 1011-1 (Safe Harbor for Business Expansions) (IM-1011-1) to limit the types of violations of FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) that would result in a firm being ineligible to use the safe harbor for business expansions.

Therefore, the safe harbor in IM-1011-1 is not available to any firm that, among other things, has a "disciplinary history" as defined in IM-1011-1. For purposes of IM-1011-1, disciplinary history means a finding of a violation by a firm or a designated principal of the firm in the past five years by the SEC, a self- regulatory organization or a foreign financial regulatory authority of one or more specified provisions (or comparable foreign provisions) or rules or regulations thereunder, FINRA Rule 2010. Ref. NTM 06-56; Effective Date November 3, 2006).

1.02 General Registration Requirements

All personnel who are to engage in the purchasing, selling and/or trading of securities products (to include general securities, fixed income securities, options, commodities, investment company shares, insurance products, etc.) must meet the securities licensing and registration requirements of the federal, state, self- regulatory organization (SRO), and/or other regulatory authority. The Firm strictly prohibits any person who is not properly licensed or registered to purchase, sell, and/or trade a particular securities product from engaging in such activity until the required and registrations are obtained.

Note: Designated Principals of the Firm shall be properly registered and licensed for the area of supervision designated in the Firm's supervisory procedures and shall be responsible for oversight of persons reporting to them for purposes of this policy. Such registrations must be kept current by periodic renewal and, where necessary, by amendment.

1.03 State Registration Requirements

All registered representatives must be registered or licensed as a representative of the Firm with the Financial Industry Regulatory Authority ("FINRA"). They must also be properly registered in each state for which they plan to conduct a securities business and each state where clients and/or customer are located. Such registrations must be kept current by periodic renewal and, where necessary, by amendment. In order for a registered representative to be licensed in a state, the Firm must first be a registered broker in that state.

Additionally, most states require the successful completion of a Series 63 Uniform State Agent Securities Law registration. The Firm will monitor that each registered representative has met the state specific registration requirements as specified by each of the State Regulatory Agencies and Designated Principals will be responsible for identifying and monitoring certain transactions in states where registrations are required.

1.04 Employment Procedures

The Firm has established certain policies and procedures regarding the employment and termination process of its registered representatives. The following information provides a brief description of the Firm's policies and procedures as they relate to the employment process:

Uniform Application and Amendments to Securities Industry Registration or Transfer (Form U-4)

Each new applicant is responsible for completing an initial Form U4 and/or providing a copy of an existing Form U4 will all relevant information for due diligence purposes. The person signing the Form U4 on behalf of the Firm must certify that he or she has taken appropriate steps to verify the accuracy and completeness of the information contained in and with the Form U4. This requires thorough review of the Form U4 and appropriate steps to verify all of the information contained in and with the Form U4, such as the applicant's 10-year employment history. In addition, the Form U4 provides that the person signing the Form U4 on behalf of the Firm must certify that the Firm has communicated with all of the applicant's previous employers for the past three years and has documentation on file with the names of the persons contacted and the date of contact. (Ref. Regulatory Notice 05-05; Dec 1, 2015)

The Firm requires each registered person to provide accurate and prompt information on his/her Form U-4. Any new information such as required updates, amendments or revisions concerning a registered representative's Form U-4 will be made in compliance within 30 calendar days. The Compliance Officer and/or Designated Principal is/are responsible for determining if certain complaint or disciplinary incidents will require an amendment of the form.

Application Registration

Any individual seeking employment working in the securities industry with the Firm shall do so according to *Article V of FINRA By-Laws*. The compliance department of the Firm will monitor that all records of its registered persons are kept current at all times. The compliance department of the Firm will amend records for its registered representatives no later than thirty (30) days after discovery of an event or circumstance that requires such amendments. If such an event or circumstance is egregious enough to warrant a statutory disqualification as defined in *Section 3(a)(39)* and *15(b)(4)* of the act, the compliance department of the Firm will file such amendments within ten (10) days.

Interview Process

As a potential employer, The Firm and/or Designated Principals will interview all potential candidates for employment to obtain a comprehensive overview of each potential employee. The interview process should be able to reasonably address such issues as prior work history and relevant experience, disclosure of any customer complaints and/or regulatory action in connection with a securities business, as well as any pending contractual or other obligations that may be material in consideration for employment.

Background and Due Diligence Review

The Designated Principals shall conduct an appropriate background review of each potential employee prior to making an application for registration on behalf of that individual with the Firm. It is the Firm's policy that any potential candidate will be subject to an initial background review using the Central Registration Depository (CRD) system and a private service to perform a search of public records for criminal, lien or other potential disclosures. The Firm will obtain the permission of each registered person by requesting written authorization prior to conducting such a review.

Within 30 days after the individual's Form U-4 is filed, the Firm must verify the accuracy and completeness of the information in the U-4. At a minimum, the verification process shall provide for a search of reasonably available public records, Consistent with the requirement under NASD Rule 3010(e), if an applicant previously has been registered, FINRA Rule 3110(e) requires that the Firm review a copy of the applicant's most recent Form U5, including any amendments, within 60 days of the filing date of the applicant's Form U4. If the Firm is unable to review the Form U5, it has to demonstrate that it has made reasonable efforts to do so.

The Firm does not generally accept applicants presenting a high-risk or recidivist profile however it may on a case-by-case basis, determine to accept such application.

Due Diligence for New Registered Representatives Changing Firms (Replacing Mutual Fund/Variable Products)

Registered representatives with an established customer base may, from time to time, change their association from one firm to another and may wish to bring with them customer assets, including mutual funds and variable products. When a representative who has sold such a product chooses to associate with a new firm, however, there may be impediments to the representative's ability to continue selling or servicing these investments, as well as receiving trail commissions from the sponsor for products the representative previously sold or serviced.

In these situations, the transferring representative may be tempted to recommend to customers that they replace their existing mutual funds or variable products with other investments, without adequately considering the customer's best interests and the suitability for the customer of those recommendations. Such inappropriate recommendations might be premised upon the fact that the new firm or the representative will no longer receive trail commissions for the customer's current investments or that the representative will generate more income by replacing an investment than recommending that the customer continue to hold the investment through the representative's prior firm.

A recommendation to liquidate, replace or surrender an existing investment must be suitable and based upon the customer's investment needs and not the financial needs of the firm or its associated persons. The firm may consider the fact that the firm lacks a dealer or servicing agreement with the product sponsor and, therefore, the registered representative cannot provide the customer with the service that the customer desires with respect to the product. The suitability analysis must also include other considerations, however, including whether the customer's mutual fund is subject to a contingent deferred sales charge or a required holding (surrender) period, or has other features that materially affect its value or liquidity, and the fees and expenses associated with the new product being recommended. (NTM 07- 06; February 2007); (Ref. Regulatory Notice 07-36; Issued Aug. 13, 2007)

Fingerprints

The compliance department shall record and maintain fingerprints of all registered persons, on authorized fingerprint cards or electronically through FINRA's Electronic Fingerprint Submission (EFS) Program, as set forth in *SEC Rule 17f-2. Fingerprinting of Securities Industry Personnel*.

Fingerprint cards
If the Firm obtains hard fingerprint cards the compliance department shall retain all associated fingerprint cards for the Firm's files and submit the fingerprint card to the Attorney General of the United States or its designee for identification and appropriate processing. Certain exemptions to this requirement apply under *SEC Rule 17f-2(1).*

FINRA's Electronic Fingerprint Submission (EFS) Program

If the Firm utilizes fingerprint cards through FINRA's Electronic Fingerprint Submission (EFS) Program the Firm shall obtain a Unique FINRA Barcode (Every fingerprint submission requires a FINRA barcode in order to transmit to FINRA) to be used for processing.

The Firm's registered representatives shall go to a certified EFS vendor's office for fingerprinting. The certified EFS vendor will transmit the fingerprints electronically on behalf of the Firm to FINRA.

The compliance department shall be responsible for determining if a permissive exemption applies to individual registered representatives on a circumstantial basis.

The Firm's internal procedures addressing the fingerprinting of registered representatives as required under Exchange Act Section 17(f)(2) and Exchange Act Rule 17f-2 should make a reasonable attempt to monitor that the person being fingerprinted is the same person who is seeking to be registered with the Firm.

Issuance of Internal Policies/Procedures

The Chief Compliance Officer ("CCO") shall issue each registered person a current copy of the Firm's Written Supervisory Procedures during the initial stages of employment. Upon receipt of the Firm's Written Supervisory Procedures, each registered person will be responsible for signing a written letter of acknowledgement stating that such procedures were received, read and understood.

Registered Representative Personnel Files

The CCO or the Designated Principals will maintain an updated file on each Registered and Associated Person which includes, at a minimum, the following documents, and information:

- a copy of each Form U-4 (unless maintained electronically on CRD);
- a copy of each prior Form U-5 (if applicable; or unless maintained electronically on CRD);
- a copy of their fingerprint card or evidence of the FINRA's receipt thereof;
- a list of any personal or related investment accounts maintained by the registered or associated person at other firms;
- a list of any outside business activities engaged in by the registered or associated person;
- copies of all CRD status reports (unless maintained electronically on CRD);;
- copies of all agreements and acknowledgements signed by the registered or associated person;
- a record of any customer complaints involving the registered or associated person, including supporting documentation (unless maintained electronically on CRD or in the Firm's complaint file);
- a record of any regulatory sanctions or actions brought against the registered or associated person (unless maintained electronically on CRD);
- a copy of the person's attendance at the annual compliance meeting; and
- all other documents and information required to be maintained pursuant to applicable federal, and state laws, rules and regulations.

1.05 Termination Procedures

The Firm has established certain policies and procedures regarding the employment and termination process of its registered representatives. The following information provides a brief description of the Firm's policies and procedures as they relate to the termination process:

Uniform Termination Notice for Securities Industry Registration (Form U-5)

The compliance department will be responsible for filing each registered representative's Form U-5 with the Central Registration Depository (CRD) within thirty (30) days of the date of termination. It is the responsibility of the Firm to also monitor that all forwarding U-5 Forms are properly completed with all of the necessary and accurate information prior to sending such documents to CRD. In addition to submitting the Form to CRD, the Firm is also responsible for forwarding a copy of the Form U-5 to the former employee. The Designated Principals and the CCO are also responsible for determining if certain complaint or disciplinary incidents are to be reported on Form U4.

Termination of Registration

Upon terminating a registered person from the Firm, the compliance department will be responsible for giving notice within thirty (30) days of termination to FINRA. Such notification shall be made in such method as FINRA may prescribe. It is acknowledged that such termination shall not take effect if any complaint or action is pending against the Firm to which the registered person subject to the termination is the respondent.

Questions regarding registration requirements of the Firm should be directed to the Firm's compliance department or Designated Principals. Written approval covering the specific facts and circumstances must be obtained from the CCO or other Designated Principals before offering, buying, selling, or otherwise dealing or trading in securities in a state where a registered representative is not licensed.

Notification of Termination by Registered Representative

In the event that a registered representative terminates employment from the Firm, a Designated Principals is responsible for immediately notifying the compliance department or other designated department for prompt processing of such notification. All relevant termination information, such as employee name, date of termination, status, type (voluntary or otherwise) and explanation of the termination will be recorded and maintained at the Firm.

Account Reassignments/Notifications

For all registered representative initiated terminations, all accounts of the terminated representative may be reassigned to other registered representatives at the Firm. The Designated Principals shall instruct all registered persons in receipt of new accounts resulting from a termination *not* to discuss the termination other than to indicate that the employee is no longer employed by the Firm. Any additional requests will be forwarded to the compliance department or other designated department for further consideration and review.

Filing of Form U-5

The compliance department shall be responsible for filing a Form U-5 for each registered person who is terminated from the Firm. A Form U-5 will also be submitted to the former employee within thirty (30) days of the date of termination. Effective September 27, 2004, the SEC amended IM-9216 (FINRA's Minor Violation Rule Procedures) to include the failure to timely submit amendments to Forms U-5. (See Form U5 General Instructions, Rev. 05/2009)

1.06 Parking Licenses/Registrations

The "parking" of a license or registration occurs when a registered person maintains a license or registration at a broker-dealer firm while not actively engaging in a securities business. It is the responsibility of the Firm to monitor that all registered personnel are actively engaged in a securities business while employed by the Firm.

1.07 Statutorily Disqualified (SD) Persons

The Firm acknowledges that as a result of a possible suspension or revocation of a license or registration, some registered persons may be subject to statutory disqualifications pursuant to *Section 3(a)(39)* and *19(b)(4)* of the *Securities Exchange Act of 1934*. It is the Firm's discretion to employ and/or continue the employment of any registered person who is subject to the aforementioned rules unless otherwise specified by the Firm.

Any firm wishing to sponsor a disqualified person must file an MC-400 Application with FINRA, and the Application must be approved (or denied) by the NAC after consideration by the Statutory Disqualification Committee (SD Committee). If FINRA's Member Regulation Department determines that an Application should be approved, but with specific supervisory requirements, the parties have the option of proceeding under Rule 9523. Rule 9523 provides that the Chairman of the SD Committee (Chairman), acting on behalf of the NAC, may accept or reject Member Regulation's recommendation and supervisory plan or refer them to the NAC for acceptance or rejection. If the parties cannot agree on a supervisory plan, the sponsoring firm may request NAC consideration of the matter under Rule 9524. Rule 9522(e)(1) permits Member Regulation to approve, but not deny, certain requests made by a firm on behalf of a disqualified person for relief from the eligibility requirements. Rule 9523 required the Chairman and Rule 9524 required the NAC to determine whether a statutorily disqualified person could associate with a firm in a purely clerical and/or ministerial capacity.

Starting on March 7, 2005, Member Regulation will have the authority to consider and approve the Applications of statutorily disqualified persons who would associate with a firm in a purely clerical and/or ministerial capacity. The sponsoring firms will still be required to file MC-400 Applications for statutorily disqualified persons who intend to associate with a firm solely in a clerical and/or ministerial capacity. In the event Member Regulation does not approve an Application, the sponsoring will have the right to proceed under Rule 9524 (*i.e.*, to have the matter decided by the NAC after a hearing and consideration by the SD Committee) (Ref. NTM 05-12; Effective March 7, 2005).

1.08 Heightened Supervision Procedures

Some broker-dealers may decide to hire one or more registered representatives whose records reflect: (1) disciplinary actions involving sales practice abuse; (2) a history of customer complaints; and/or (3) arbitrations that were not resolved in favor of the registered representative. In the event that a firm decides to hire such persons, the firm shall be responsible for implementing a level of heightened supervision that is commensurate with the disciplinary history of such persons, where appropriate.

In accordance with *Regulatory Notices 18-15 and 18-16*, a broker-dealer that hires one or more registered representatives with a history of customer complaints, disciplinary actions, or arbitrations, or that employs a registered representative who develops such a record during his or her employment, should recognize that it has heightened supervisory responsibilities that will require it, at a minimum, to examine the circumstances of each such case and make a reasonable determination whether its standard supervisory and educational programs are adequate to address the issues raised by the record of any such registered representative. The plan of heightened supervision that results, if any, shall be agreed by the compliance department and the Designated Principals. The Designated Principals shall be responsible for monitoring the person's compliance with the plan.

1.09 Firm Registration Forms (Form BD/BDW)

The Firm has established certain policies and procedures regarding the completion and filing of FINRA firm registration forms. The following information provides a brief description of the proper filing and processing of Firm registration forms:

Uniform Application and Amendments to Broker-Dealer Registration (Form BD)

The compliance department shall be responsible for updating, revising and filing any required changes to the Form BD through the Web CRD System.

Uniform Request for Broker-Dealer Withdrawal (Form BDW)

In the event that the Firm must file a broker-dealer withdrawal (BDW), the compliance department will be responsible for promptly completing the Form BDW and electronically submitting all documents through the Web CRD System.

1.10 Renewal Statements and Reports

In late November of each year, the Firm's Preliminary Renewal Statement shall be available to the Firm through CRD. The Designed Principals shall review the statement, make updates as necessary, and maintain that adequate funding is posted to the Firm's Flex or Renewal accounts as necessary on or before the deadline established by FINRA for the current year.

In January of each year, Final Renewal Statements and reports become available for viewing and printing. Each year's Final Renewal Statement reflects the final status of agent, investment adviser representative, branch and firm registrations as of December 31st of the previous year. Any adjustments in fees owed as a result of registration terminations, approvals, firm registrations subsequent to the Preliminary Renewal Statement have been made in this final reconciled statement.

If a firm had more agents, investment adviser representatives, branch offices, or additional registrations on Web CRD at year's end than it did when its Preliminary Renewal Statement was generated, additional fees were assessed. If a firm had fewer agents, investment adviser representatives or branch offices, registrations filings at year's end than it did when its Preliminary Renewal Statement was generated, a credit was applied to the firm's CRD daily (registration) account. (Ref. NTM 06-02)

Introduction

In accordance with FINRA Rule 2010, the Firm will make all reasonable efforts to monitor that all employees and associated persons of the Firm as conducting all business activities with "high standards of commercial honor and just and equitable principles of trade."

2.01 Outside Business Activities

In accordance with FINRA Rule 3270 all registered representatives are required to provide written notification to the Firm prior to conducting any outside business activities to include any employment outside that of the employing broker-dealer firm. Upon receipt of a written notification for outside business activities, the Firm will review all available information and determine the feasibility and/or position on conducting such activities to include any rationale for rendering a final decision. The CCO is ultimately authorized to approve a proposed outside activity.

Some of the general outside business activities conducted by registered representatives may include insurance sales, tax preparation, and mortgage brokerage, acting as a finder which may include the acceptance and receipt of a "finder's fee," or serving as an active or passive partner, officer or board member of another organization.

In considering whether or not to approve the activity, or whether to apply conditions to its approval, the Firm shall consider, at minimum, the minimum information required by Form U4, the information provided on the notification detailed below, whether or not the Firm can reasonably supervise the activity and whether or not clients of the Firm might be confused as to the entity/person providing services under the proposed business or activity.

Representatives are prohibited from engaging in a proposed activity until written response is received by the CCO.

Notification Requirements

Representatives are required to complete a *Request for Approval to Engage in Outside Business Activities Form* prior to engaging in any outside activity. At a minimum, all written notifications provided to the Firm by a registered representative or associated person that involve outside business activities shall include the following information:

- Name of potential outside employer;
- Type of business to be performed, and the name under which the business is performed;
- Method of compensation;
- Amount of time involved in such outside activity during market hours
- Whether of not the activity is investment related
- Whether or not clients of the Firm are involved in or solicited to be involved in the activity
- Other such information as the Firm requests.

Notification of Response

Upon receipt of a written notification by a registered representative or associated person that involves outside business activities, the Firm will issue a written response clearly stating its position by issuing an approval or disapproval of the requested activities. All records of correspondence shall be placed in the respective employee file and/or separate outside business activity file for the purpose of documenting and tracking such activities.

Methods of Compensation

There are various ways for providing direct or indirect compensation for conducting outside business activities. Examples of compensation may include, but are not limited to, a paid salary, commissions, issuance of a finder's fee, referral fee, stock options and/or warrants. Indirect compensation may involve reputational benefits or other indirect means.

2.02 Private Securities Transactions

All registered representatives and associated persons of the Firm are strictly prohibited from conducting private securities transactions except in accordance with *Rule 3280 Private Securities Transaction of an Associate Person*.

The compliance department will distribute, collect and review Private Securities Transactions Questionnaires from each registered person. The compliance department will also review all other requests for approval of private securities transactions. Additionally, on an ongoing basis the compliance department will review all associated person investment account statements, trade confirmations, and subscription documentation associated with private securities transactions.

Key Definitions

The definition of a "private securities transaction" shall mean any securities transaction outside the regular course or scope of an associated person's employment with the Firm, including, though not limited to, new offerings of securities which are not registered with SEC, provided however that transactions subject to the notification requirements of Rule 3210, transactions among immediate family members, for which no associated person receives any selling compensation, and personal transactions in investment company and variable annuity securities, shall be excluded.

The definition of a "selling compensation" shall mean any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security which may include the following:

- Commissions;
- Finder's fees;
- Securities or rights to acquire securities;
- Expense reimbursements;
- Rights of participation in profits, tax benefits, or dissolution proceeds, as a general partner or otherwise

Written Notification Requirements

Prior to participating in any private securities transaction, an associated person shall provide written notice to the Firm describing in detail the proposed transaction and the person's proposed role therein and stating whether he or she may receive selling compensation in connection with the transaction.

Written Notification of Response

Upon receipt of a written notification by an associated person that involves private securities transactions, the Firm will issue a written response clearly stating its position on the proposed transaction. All records of correspondence shall be placed in the respective employee file and/or private securities transaction file for the purpose of documenting and tracking such transactions.

Non-compensated Transactions

Upon receipt of a notification involving private securities transactions in which an associated person has not and will not receive any selling compensation, the Firm will issue a prompt written response acknowledging such notification and may also place certain requirements and restrictions on such persons in connection with the participation in the transaction.

Any/all associated persons are prohibited from conducting private securities transactions except in accordance with the requirements of Rule 3040.

Notification Requirements

The notification requirements for private securities transactions should include a written notification of the proposed transaction, type of business performed, and the type and method of compensation (if any).

Pursuant to FINRA Notice 18-20, all registered representatives shall be required to notify the CCO of applicable investments in the digital assets as defined within Notice 18-20. The CCO shall periodically make an inquiry of all registered representatives requesting such information.

Notification of Response

Upon receipt of a notification of a private securities transaction from an associated person, the Firm will issue a written letter of approval or disapproval of the requested activity and place all books and records of correspondence in an employee/associated person file and/or separate file for the purpose of tracking outside business activities of the Firm.

Non-compensated Transactions

Upon receipt of a notification of a private securities transaction from an associated person, where the associated person has not and will not receive any "selling compensation," the Firm will issue a written response of acknowledgement to the associated person. As a result, the Firm may also place certain requirements and restrictions on the associated person in connection with the participation in the transaction.

2.03 Outside Investment Accounts

An outside account may be defined as any account involving the possession and/or control of general securities or commodities maintained at another firm or other financial institution to include foreign or domestic broker-dealers. Outside accounts may include accounts directly relating to associated persons and immediate relatives of associated persons.

General Requirements

The Firm requires that registered personnel (and related persons including spouse/partner, dependent residing in the same household, any individual under the person's control) provide duplicate statements/confirmations for their personal outside brokerage account statements to the Firm. Upon employment with the Firm, each associated person is required to notify the Firm of any existing outside accounts. Exceptions may include, but are not limited to, pre-existing outside accounts where notification was previously issued to both the employer firm and the Firm in maintenance of the Associated Person's account, however these accounts must still be approved and subject to the Firm's ongoing requirements.

Accounts of Associated Persons

Accounts of associated persons may include any account that an associated person maintains a personal or financial interest (see also General Requirements above). The associated person will typically have possession and/or control over the account to include the ability to effect transactions within the account.

Accounts of Non-Associated Persons (Relatives)

Accounts of non-associated persons may include any account relating to a relative or other immediate family member residing with an associated person, or such person who may be directly or indirectly supported by an associate person (see also General Requirements above).

Review of Outside Account Activity (Transactions)

Upon receipt of notification and subsequent approval of outside account activity, the compliance department will be responsible for monitoring activity within the account. The monitoring of such accounts will be conducted by receiving and reviewing account statements of each associated person that are sent to the Firm as required and

requested. However, some firms may not issue monthly account statements for those periods for which there was no activity.

Review of Outside Account Activity (Transactions)

Upon receipt of notification and subsequent approval of outside account activity, the compliance department will be responsible for monitoring and closely reviewing any/all activity within the account. The monitoring of such accounts will be conducted by receiving and reviewing account statements of each associated person that are sent to the Firm as required and requested. However, some firms may not issue monthly account statements for those periods for which there was no activity.

Sharing in Accounts

All associated persons are prohibited from sharing in the profits and/or losses of a transaction relating to a customer's account Exceptions to this policy may occur if an associated person is an owner of the account and the associated person shares in the profits and/or losses commensurate with the monetary contribution; or if an associated person acts as an investment adviser to receive compensation based on a share in the profits or gains in a customer's account and the conditions specified in Rule 205-3 under the Investment Advisers Act of 1940 are satisfied. When sharing in a customer's account under the provisions of FINRA Rule 2150 associated persons must obtain the prior written authorization of the Firm, and the Firm and their associated persons must obtain the prior written authorization of the customer.

2.04 Prohibited Sales Activities

Introduction

The Firm has established policies and procedures for sales practices that are considered prohibited when conducting a securities business. The following information details some of the Firm's listed prohibited sales activities including, but not limited to, misrepresentation, conversion, unauthorized trading, churning, switching, adjusted trading, and parking. The Designated Principals are responsible for monitoring associated person activity for compliance with the following prohibitions and sales practices policies.

Misrepresentations/Material Omissions

Misrepresentations/Material Omissions take place when a firm or registered representative provides a customer with misleading, incomplete, inaccurate, baseless, and/or false statements or information. All registered representatives employed with the Firm are strictly prohibited from distributing any inaccurate and/or misleading information that may be used in the solicitation of a securities transaction.

The following is a summary of some of the main elements of misrepresentation/material omissions:

- False, misleading or inaccurate representations were made to the customer;
- The Firm had knowledge or should have had knowledge that false, misleading, or inaccurate representations were made to a customer;
- Oral or written material misrepresentations and/or omissions were made in recommending securities transactions; and
- High-pressure sales techniques using material misrepresentations or omissions.

Conversion, Misappropriation and Misuse

Conversion and misappropriation is the intent by a firm or an associated person to deprive the proper owner of the use of their funds and/or securities. The following information details some of the differences among the three violations of conversion and misappropriation and misuse:

- The term “conversion” refers to actual theft of the funds or securities where a firm or associated person of a firm converts the property for his/her own use or retains possession of the property. Conversion is often used synonymously with embezzlement in a business context;

- The term “misappropriation” is the intentional, illegal or fraudulent treatment of the property or funds of customer for a firm’s own use or other unauthorized purpose; and

- The term “misuse” is the misapplication or improper use of customer funds, or borrowing of customer funds or securities.

Excessive Trading

Excessive Trading occurs when any registered representative actively trades securities in an account in order to increase the receipt of trading commissions rather than customer profits. The following is a summary of some of the main elements of Excessive Trading:

- The broker exercised control over the trading account;

- Excessive trading took place in the customer’s account in regards to their objectives; and

- The broker acted with the intent to defraud or with willful and reckless disregard for the interests of their clients. This is commonly known as scienter.

The determination of excessive trading is based on the level of trading activity in the account. All trades must be consistent with the financial circumstances and investment objectives of the customer. A registered representative must be aware of the customer’s financial situation and trading objectives and have reason to believe that all purchases, solicited and unsolicited, are suitable to the customer’s needs.

Unauthorized Trading

Unauthorized trading occurs when a firm’s registered representative effects transaction(s) for a customer’s account without the prior consent of the customer. With the exception of certain types of discretionary accounts, an associated person does not have the authority to enter trades in a customer account without specific written authorization. Some of the signs of unauthorized trading activity may include a high frequency of transactions, high commission payouts to registered representatives, excessive cancels and rebills, or other similar activity which may appear unusual or suspicious in nature.

Switching

Mutual Fund switching can be defined as the transfer of assets from one mutual fund to another within the same or different fund families. The Firm is responsible for ensuring that Designated Principals are properly monitoring for switching. All mutual fund switches must be reviewed by a Designated Principals and approved in writing by the customer in the form of an approved *Letter of Authorization (LOA) or other authorization form* to be maintained at the Firm’s location.

Insider Trading

According to the *Insider Trading and Securities Fraud Enforcement Act of 1988*, every firm is required to establish, maintain, and enforce supervisory procedures that are reasonably designed to prevent the misuse of non-public information. All registered representatives are strictly prohibited from trading on any information that could be construed as material, non-public (insider) information as well as disclosing such information to others. Such trading activity may not occur in any account that is controlled directly or indirectly by the registered person.

Confidential Information and “Chinese Wall” Procedures

All customers of the Firm have a reasonable expectation and belief that all information provided by them or related to the business they conduct with the Firm will be maintained in absolute confidence.

The Firm's Designated Principals or CCO will monitor that all associated persons understand the Firm's policies and procedures regarding the following areas:

- Insider trading policies and procedures;
- Training records for such training, including attendance roster and training materials;
- "Need to Know" policies to monitor information is shared only with authorized personnel;
- "Chinese Wall" policies and procedures; and
- Security and restricted access of sensitive files.

It is the Firm's policy that if any associated person believes that he/she or someone else may have obtained or disclosed inside or proprietary information in a manner not permitted by the Firm, the associated person should immediately contact the Designated Principals and refrain from using or further disclosing such information.

Parking Securities

The "parking" of securities is the manipulative practice used by firms in an attempt to conceal ownership of securities. Some of the main purposes of parking is to avoid certain requirement of the net capital rule (*SEC Rule 15c3-1*) or to conceal market manipulation practices. The Firm will maintain adequate procedures to monitor the opening of new customer accounts and the supervision and compliance review of large dollar transactions and high volume accounts in order to detect such potential activity. Additionally, special attention should be given to trading activity at or near the end of an accounting period for possible signs of parking securities.

Adjusted Trading

Adjusted trading is the manipulative practice of executing transactions between parties with the intent to hide losses on securities positions. Adjusted trading transactions are normally between a broker-dealer firm and a customer, financial institution, publicly traded company or another broker-dealer firm. The transaction is usually initiated by the party who owns a security that has suffered a loss. Broker-dealers will then purchase the security for a price that is higher than the current market value in order to hide the loss. In return, the entity that sold the security will simultaneously purchase another security at a price that is higher than the current market value.

Therefore, the Firm does not incur any loss and the selling party can hide the losses on its security position.

During a review of the Firm's trading blotters, order tickets and exception reports, the Firm's Designated Principals or designee should investigate large transactions or any series of smaller transactions in the same security whose sum would equal a large transaction at or near a calendar of fiscal period end. If there is a subsequent purchase of another security with a like dollar amount, then the Designated Principals should monitor that both transactions were executed at the market price. The Firm's Designated Principals should also review the same type of activity for transactions with publicly traded companies and other broker-dealer firms.

Sharing Commissions/Fees with Non-Registered Persons

All associated persons employed with the Firm are strictly prohibited from sharing any commissions or fees with non-registered persons.

Sharing Joint Accounts with Clients

All associated persons employed with the Firm are strictly prohibited from maintaining a joint account in securities with any client or sharing any benefit with any client resulting from a securities transaction, without written permission from the Firm.

Front Running Policy

The term “front running” refers to any situation that occurs when a securities or commodities broker-dealer who has private information about the direction of movement of an asset takes a private position in a security in order to take advantage of a large upcoming transaction of which the Firm or associated person is aware.

In accordance with *IM -2110-3*, it shall be considered a violation of just and equitable principles of trade for the Firm or any of its associated persons to conduct the following actions for any customer account, account in which it maintains an interest, or exercises investment discretion:

- to effect an order to buy or sell an option when the Firm or any of its associated persons causing such order to be executed has material, non-public market information concerning an imminent block transaction in the underlying security, or when a customer has been provided such material non-public market information by the Firm or any person associated with Firm; or

- to effect an order to buy or sell an underlying security when the Firm or any of its associated persons causing such order to be executed has material, non-public market information concerning an imminent block transaction in an option overlying that security, or when a customer has been provided such material, non-public market information by the Firm or any of its associated persons; prior to the time information concerning the block transaction has been made publicly available

The violative practice noted above may include transactions which are executed based upon knowledge of less than all of the terms of the block transaction, so long as there is knowledge that all of the material terms of the transaction have been or will be agreed upon imminently.

Exemptions

These general prohibitions shall not apply to transactions executed by broker-dealers participating in automatic execution systems in those instances where participants must accept automatic executions. These prohibitions also do not include situations in which a broker-dealer or associated person receives a customer's order of block size relating to both an option and the underlying security. In such cases, the Firm and associated persons may position the other side of one or both components of the order. However, in these instances, the Firm and associated persons would not be able to cover any resulting proprietary position(s) by entering an offsetting order until information concerning the block transaction involved has been made publicly available.

Limitations

The application of this front running policy is limited to transactions that are required to be reported on the last sale reporting systems administered by NASDAQ, Consolidated Tape Association (CTA), or Option Price Reporting Authority (OPRA).

Block Transactions

Information as to a block transaction shall be considered to be publicly available when it has been disseminated via the tape or high speed communications line of one of those systems or of a third-party news wire service. A transaction involving 10,000 shares or more of an underlying security or options covering such number of shares is generally deemed to be a block transaction, although a transaction of less than 10,000 shares could be considered a block transaction in appropriate cases. A block transaction that has been agreed upon does not lose its identity as such by arranging for partial executions of the full transaction in portions which themselves are not of block size if the execution of the full transaction may have a material impact on the market. In this situation, the requirement that information concerning the block transaction be made publicly available will not be satisfied until the entire block transaction has been completed and publicly reported.

Restrictions on the Purchase and Sale of Initial Equity Public Offerings FINRA Rule 5130

A firm or a person associated with a firm may not sell, or cause to be sold, a new issue to any account in which a restricted person has a beneficial interest, except as otherwise permitted herein.

A firm or a person associated with a firm may not purchase a new issue in any account in which such firm or person associated with a firm has a beneficial interest, except as otherwise permitted herein.

A firm may not continue to hold new issues acquired by the firm as an underwriter, selling group member or otherwise, except as otherwise permitted herein.

Nothing in this paragraph (a) shall prohibit: (i) sales or purchases from one member of the selling group to another member of the selling group that are incidental to the distribution of a new issue to a non-restricted person at the public offering price; (ii) sales or purchases by a broker-dealer of a new issue at the public offering price as part of an accommodation to a non-restricted person customer of the Firm; or (iii) purchases by a broker-dealer (or owner of a broker-dealer), organized as an investment partnership, of a new issue at the public offering price, provided such purchases are credited to the capital accounts of its partners in accordance with Rule 5130(c)(4).

Preconditions for Sale

Before selling a new issue to any account, a firm must in good faith have obtained within the twelve months prior to such sale, a representation from: (1) Beneficial Owners- The account holder(s), or a person authorized to represent the beneficial owners of the account, that the account is eligible to purchase new issues in compliance with this Rule; or (2) Conduits- a bank, foreign bank, broker-dealer, or investment adviser or other conduit that all purchases of new issues are in compliance with this Rule.

A firm may not rely upon any representation that it believes, or has reason to believe, is inaccurate. A firm shall maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in its files for at least three years following the firm's last sale of a new issue to that account.

Repurchasing Securities

All associated persons of the Firm are prohibited from agreeing to repurchase at some future time, any security from a client for Representative’s own account, for the account of the Firm, or for any other account.

Guarantees against Loss of Investment

All associated persons of the Firm are prohibited from making any guarantees against the monetary loss of an investment product.

High Pressure Sales Tactics

All associated persons of the Firm are strictly prohibited from using high-pressure sales tactics in the solicitation of a securities transaction. High-pressure sales tactics include, but are not limited to, excessive phone calls and falsely implying sense of urgency or demand for a security.

Personal Loans with Customers

In accordance with FINRA Rule 3240 no person associated with the Firm in any registered capacity may borrow money from or lend money to a customer unless the Firm has written procedures allowing such lending arrangements; the loan falls within one of five prescribed permissible types of lending arrangements as described below; and the Firm pre-approves the loan in writing:

- The customer is a member of the registered person's immediate family;
- The customer is in the business of lending money;
- The customer and registered person are both registered persons of the same firm;

- The lending arrangement is based on a personal relationship outside of the broker-customer relationship; or;

- The lending arrangement is based on a business relationship outside of the broker-customer relationship.

With respect to lending arrangements with financial institutions regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business, FINRA Rule 3240 has been amended to provide that a firm's written procedures may indicate that registered persons are permitted to enter into such lending arrangements and are not required to notify the firm or receive firm approval either prior to or subsequent to entering into such lending arrangements, provided that the lending arrangement has been made on commercial terms that the customer generally makes available to firms of the general public similarly situated as to need, purpose, and creditworthiness. Such transactions include, but are not limited to, mortgages, personal loans, home equity lines of credit, and credit card accounts, and also include lending arrangements with an affiliate of the customer. (NTM 04-14; Effective Feb. 18, 2004).

Gift and Gratuities

In accordance with FINRA Rule 3220 no firm or person associated with a firm shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of one hundred dollars ($100) per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

This Rule shall not apply to contracts of employment with or to compensation for services rendered by persons enumerated in paragraph (a) provided that there is in existence prior to the time of employment or before the services are rendered, a written agreement between the firm and the person who is to be employed to perform such services. Such agreement shall include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

A separate record of all payments or gratuities in any amount known to the Firm, the employment agreement and any employment compensation paid as a result thereof shall be retained by the Firm for the period specified by SEA Rule 17a-4.

Gifts and Business Entertainment (NTM 06-06)

In accordance with NTM 06-06, a “customer” is a “person that maintains or whose employee receives business entertainment for the purpose of having such person prospectively maintain, an account with a firm or is otherwise a customer of the Firm for the purpose of investment banking or securities business, and has an employee, agent or representative act on behalf of the account in some capacity in respect of such account or customer relationship with the Firm.” This definition recognizes the proposed distinction between business entertainment provided directly to natural person customers (which is not covered by FINRA Rule 3220) and business entertainment provided to employees, agents or representatives of a customer (which is covered by FINRA Rule 3220).

The NTM also defines the term “business entertainment” as entertainment “in the form of any social event, hospitality event, charitable event, sporting event, entertainment event, meal, leisure activity or event of like nature or purpose, as well as any transportation and/or lodging accompanying or related to such activity or event, including such business entertainment offered in connection with an educational event or business conference, in which a person associated with a firm accompanies and participates with such employee irrespective of whether any business is conducted during, or is considered attendant to, such event.”

Note: This definition codifies FINRA’s longstanding position that a firm must accompany or participate in an event for it to be deemed business entertainment. Thus, for example, if a firm gives tickets to a sporting event but does not accompany the recipient to the event, the tickets are deemed to be a gift rather than business entertainment.

In addition, the definition of "business entertainment" expressly includes transportation and lodging expenses provided by a firm

The overriding principle of NTM 06-06 is that a firm or its associated persons should not do or give anything of value to an employee of a customer that is intended or designed to cause, or otherwise would be reasonably judged to have the likely effect of causing, such employee to act in a manner that is inconsistent with the best interests of the customer.

NTM 06-06 requires each firm to establish written policies and procedures that:

- determine and define forms of business entertainment that are appropriate and inappropriate, including the appropriate venues, nature, frequency, types and class of accommodation and transportation in connection with business entertainment, and either the dollar amounts of business entertainment or specified dollar thresholds requiring advance written supervisory approval;

- are designed to promote conduct of the Firm and its associated persons that is consistent with their obligations under FINRA Rule 2010 and does not undermine the performance of an employee's duty to a customer;

- are designed to effectively supervise compliance with a firm's written compliance policies and procedures concerning business entertainment;

- maintain detailed records of the nature and expense of business entertainment and make such information available upon written request to a customer in respect of its employees;

- establish standards to monitor that persons designated to supervise, approve and document business entertainment expenses are sufficiently qualified and that periodic monitoring for compliance with the written policies and procedures is conducted (by an independent reviewer, when practicable); and

- require appropriate training and education to all applicable personnel concerning the firm's business entertainment policies and procedures. (Ref. NTM 06-06; Comment Period Expires February 23, 2006)

Specific Considerations

- **Personal Gifts/Exclusions-** The prohibitions in FINRA Rule 3220 generally do not apply to personal gifts such as a wedding gift or a congratulatory gift for the birth of a child, provided that these gifts are not "in relation to the business of the employer of the recipient." In determining whether a gift is "in relation to the business of the employer of the recipient," firms should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient, and whether the registered representative paid for the gift. When a firm bears the cost of a gift, either directly or by reimbursing an employee, FINRA presumes that such gift is in relation to the business of the employer of the recipient. The analysis of whether a gift is "in relation to the business of the employer" is required in connection with all gifts; firms should not treat gifts given during the holiday season or for other life events as personal in nature.

- ***De minimis* and Promotional Items-** FINRA Rule 3220 also does not apply to gifts of *de minimis* value (*e.g.*, pens, notepads or modest desk ornaments) or to promotional items of nominal value that display the firm's logo (*e.g.*, umbrellas, tote bags or shirts). In order for a promotional item to fall within this exclusion, its value must be substantially below the $100 limit. FINRA also generally does not apply the prohibition in FINRA Rule 3220 to customary Lucite tombstones, plaques or other similar solely decorative items commemorating a business transaction, even when such items have a cost of more than $100. FINRA does not believe such gifts are items of value within the scope of FINRA Rule 3220. The restrictions of FINRA Rule 3220 would apply, however, where the item is not solely decorative, irrespective of whether the item was intended to commemorate a business transaction.

- **Aggregation of Gifts-** FINRA Rule 3220 imposes a gift limit of $100 per individual recipient per year. To monitor compliance with this $100 limit, firms must aggregate all gifts given by the firm and each associated person of the firm to a particular recipient over the course of a year. In addition, each firm must state in its procedures whether it is aggregating all gifts given by the firm and its associated persons on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient.

- **Valuation of Gifts-** In general, gifts should be valued at the higher of cost or market value, exclusive of tax and delivery charges. If gifts are given to multiple recipients, firms should record the names of each recipient and calculate and record the value of the gift on a pro rata per recipient basis, for purposes of ensuring compliance with the $100 limit. A gift basket worth $250 delivered to an office of three individuals for the benefit of each individual would be permissible under the Rule.

- **Gifts Incidental to Business Entertainment-** There is no express exclusion from FINRA Rule 3220 for gifts given during the course of business entertainment and conferences. Thus, for example, purchasing an umbrella during a round of golf would be considered a gift. Firms must record these gifts, and include the value of such gifts, as part of their FINRA Rule 3220 compliance procedures.

POLITICAL CONTRIBUTIONS

Engaging in Distribution and Solicitation Activities with Government Entities (FINRA Rule 2030)

Limitation on Distribution and Solicitation Activities
No Firm shall engage in distribution or solicitation activities for compensation with a government entity on behalf of an investment adviser that provides or is seeking to provide investment advisory services to such government entity within two years after a contribution to an official of the government entity is made by the Firm or a covered associate (including a person who becomes a covered associate within two years after the contribution is made).

Prohibition on Soliciting and Coordinating Contributions
No Firm or covered associate may solicit or coordinate any person or political action committee to make any:

1. Contribution to an official of a government entity in respect of which the Firm is engaging in, or seeking to engage in, distribution or solicitation activities on behalf of an investment adviser; or
2. Payment to a political party of a state or locality of a government entity with which the Firm is engaging in, or seeking to engage in, distribution or solicitation activities on behalf of an investment adviser.

Exceptions

1. **De minimis Exception**

Paragraph (a) shall not apply to contributions made by a covered associate that is a natural person, to officials for whom the covered associate was entitled to vote at the time of the contributions and which in the aggregate do not exceed $350 to any one official, per election, or to officials for whom the covered associate was not entitled to vote at the time of the contributions and which in the aggregate do not exceed $150 to any one official, per election.

2. **Exception for Certain New Covered Associates**

The prohibitions of paragraph (a) shall not apply to a Firm as a result of a contribution made by a natural person more than six months prior to becoming a covered associate of the Firm unless such person, after becoming a covered associate, engages in, or seeks to engage in, distribution or solicitation activities with a government entity on behalf of the Firm.

3. **Exception for Certain Returned Contributions**

a. A Firm that is prohibited from engaging in distribution or solicitation activities with a government entity pursuant to paragraph (a) as a result of a contribution made by a covered associate is excepted from such prohibition, subject to subparagraphs (B) and (C) below, upon satisfaction of the following requirements:

i. The Firm must have discovered the contribution that resulted in the prohibition within four months of the date of such contribution;
ii. Such contribution must not have exceeded $350; and
iii. The contributor must obtain a return of the contribution within 60 calendar days of the date of discovery of such contribution by the Firm.

b. In any calendar year, a Firm that has reported on its annual Schedule I to Form X-17A-5 that it has more than 150 registered persons is entitled to no more than three exceptions pursuant to subparagraph (A), and a Firm that has reported on its annual Schedule I to Form X-17A-5 that it has 150 or fewer registered persons is entitled to no more than two exceptions pursuant to subparagraph (A).

c. A Firm may not rely on the exception provided in subparagraph (A) more than once with respect to contributions by the same covered associate of the Firm regardless of time period.

Prohibitions as Applied to Covered Investment Pools
For purposes of this Rule:

a. A Firm that engages in distribution or solicitation activities with a government entity on behalf of a covered investment pool in which a government entity invests or is solicited to invest shall be treated as though that Firm was engaging in or seeking to engage in distribution or solicitation activities with the government entity on behalf of the investment adviser to the covered investment pool directly; and
b. An investment adviser to a covered investment pool in which a government entity invests or is solicited to invest shall be treated as though that investment adviser were providing or seeking to provide investment advisory services directly to the government entity.

Further Prohibitions
It shall be a violation of this Rule for any Firm or any of its covered associates to do anything indirectly that, if done directly, would result in a violation of this Rule.

Exemptions
FINRA, upon application, may conditionally or unconditionally exempt a Firm from the prohibition described in paragraph (a). In determining whether to grant an exemption, FINRA shall consider, among other factors:

1. Whether the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this Rule;
2. Whether the Firm:
   a. Before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of this Rule;
   b. Prior to or at the time the contribution that resulted in such prohibition was made, had no actual knowledge of the contribution; and
   c. After learning of the contribution:
      (i) Has taken all available steps to cause the contributor involved in making the contribution that resulted in such prohibition to obtain a return of the contribution; and
      (ii) Has taken such other remedial or preventive measures as may be appropriate under the circumstances;
3. Whether, at the time of the contribution, the contributor was a covered associate or otherwise an associated person of the Firm, or was seeking to become an associated person, or covered associate of the Firm;
4. The timing and amount of the contribution that resulted in the prohibition;
5. The nature of the election (e.g., federal, state or local); and
6. The contributor's apparent intent or motive in making the contribution that resulted in the prohibition, as evidenced by the facts and circumstances surrounding such contribution.

Definitions

For purposes of this Rule:

1. "Contribution" means any gift, subscription, loan, advance, or deposit of money or anything of value made for:
   a. The purpose of influencing any election for federal, state or local office;
   b. Payment of debt incurred in connection with any such election; or
   c. Transition or inaugural expenses of the successful candidate for state or local office.
2. "Covered associate" means:
   a. Any general partner, managing member or executive officer of a Firm, or other individual with a similar status or function;
   b. Any associated person of a Firm who engages in distribution or solicitation activities with a government entity for such Firm;
   c. Any associated person of a Firm who supervises, directly or indirectly, the government entity distribution or solicitation activities of a person in subparagraph (B) above; and
   d. Any political action committee controlled by a Firm or a covered associate.
3. "Covered investment pool" means:
   a. Any investment company registered under the Investment Company Act that is an investment option of a plan or program of a government entity; or
   b. Any company that would be an investment company under Section 3(a) of the Investment Company Act but for the exclusion provided from that definition by either Section 3(c)(1), 3(c)(7) or 3(c)(11) of that Act.
4. "Firm" means any member except when that member is engaging in activities that would cause the Firm to be a municipal advisor as defined in Exchange Act Section 15B(e)(4), SEA Rule 15Ba1-1(d)(1) through (4) and other rules and regulations thereunder;
5. "Executive officer of a Firm" means:
   a. The president;
   b. Any vice president in charge of a principal business unit, division or function (such as sales, administration or finance);
   c. Any other officer of the Firm who performs a policy-making function; or
   d. Any other person who performs similar policy-making functions for the Firm.
6. "Government entity" means any state or political subdivision of a state, including:
   a. Any agency, authority or instrumentality of the state or political subdivision;
   b. A pool of assets sponsored or established by the state or political subdivision or any agency, authority or instrumentality thereof, including but not limited to a defined benefit plan as defined in Section 414(j) of the Internal Revenue Code, or a state general fund;
   c. A plan or program of a government entity; and
   d. Officers, agents or employees of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.
7. "Investment adviser" means any investment adviser registered (or required to be registered) with the Commission, or unregistered in reliance on the exemption available under Section 203(b)(3) of the Investment Advisers Act, or that is an exempt reporting adviser, as defined in Rule 204-4(a) of that Act.
8. "Official" means any person (including any election committee for the person) who was, at the time of the contribution, an incumbent, candidate or successful candidate for elective office of a government entity, if the office:
   a. Is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity; or
   b. Has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity.
9. "Payment" means any gift, subscription, loan, advance or deposit of money or anything of value.
10. "Plan or program of a government entity" means any participant-directed investment program or plan sponsored or established by a state or political subdivision or any agency, authority or instrumentality thereof, including but not limited to a qualified tuition plan authorized by Section 529 of the Internal Revenue Code, a retirement plan authorized by Section 403(b) or 457 of the Internal Revenue Code, or any similar program or plan.
11. "Solicit" means:

a. With respect to investment advisory services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, an investment adviser; and
b. With respect to a contribution or payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a contribution or payment.

Records relating to the contributions and payments referred to in paragraph (a)(4) must be listed in chronological order and indicate:

(1) The name and title of each contributor;
(2) The name and title (including any city/county/state or other political subdivision) of each recipient of a contribution or payment;
(3) The amount and date of each contribution or payment; and
(4) Whether any such contribution was the subject of the exception for certain returned contributions pursuant to Rule 2030.

NYSE ARCA

The Firm shall designate the CCO and its headquarters as the individual and location authorized to receive and accept legal or other notices on its behalf.

All associated persons of the Firm and the Firm itself shall be prohibit from, without limitation, making payments of dividends and loans to officers, directors, stockholders, partners or members of NYSE Arca Equities, Inc.

Restricted Lists

The Firm maintains a restricted list. The compliance department will be responsible for monitoring the list on a periodic basis to monitor compliance with all applicable rules and regulations.

2.05 Material, Nonpublic Information Protocols (MNPI)

MNPI

Per *TSC Industries, Inc. v. Northway, Inc.* 426 U.S. 438 (*1976),* information is considered material when there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision with respect to the security, commodity interest or other financial instrument, or if the information is reasonably certain to have an effect on the price of the security, commodity interest or other financial instrument in question. Information is nonpublic unless and until it has been disseminated broadly to investors in the marketplace.

The Firm collects MNPI when it is engaged on a transaction, through receipt from personnel of the issuer, sponsors of the issuers, and other advisors thereto such as attorneys and auditors.

Information is generally considered material when there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision with respect to the security, commodity interest or other financial instrument, or if the information is reasonably certain to have an effect on the price of the security, commodity interest or other financial instrument in question. Information is nonpublic unless and until it has been disseminated broadly to investors in the marketplace. Tangible evidence of such dissemination is the best indication that the information is public.

While it is not possible to identify all information that would be deemed to be MNPI, it may include non-public forms of any of the following:

- Financial performance, forecasts and changes in previously disclosed financial information
- Projections and strategic plans
- Mergers, acquisitions or dispositions
- Co-Investment opportunities involving a material transaction

- Take private investments
- Third party manager's plans for an activist investment
- Third party manager's plans for material investments or divestments in public companies
- An in-kind distribution by a third party manager involving substantial assets
- Purchase or sale of substantial assets
- Unannounced private investment in public equity (PIPE) transactions
- New major contracts, orders, suppliers, customer or finance sources, or the loss thereof
- Significant new products to be introduced and significant discoveries of natural resources
- Significant pricing changes
- Changes in dividend policies or amounts
- Stock splits, public or private securities or debt offerings
- Stock repurchase programs
- Significant changes in management or operations
- Significant labor disputes or negotiations
- Actual or threatened major litigation, or the resolution of such litigation
- Financial liquidity problems or extraordinary borrowings
- Significant changes in a relationship with a primary lender
- Material write-offs or restructurings
- Proposed issuance of new securities
- Changes in previously disclosed financial information
- Purchase or sale of substantial assets
- Significant increase or decrease in backlog orders or the award of a significant contract
- Results of governmental investigations, criminal actions
- Certain information (e.g., results, timing progress) about clinical medical or drug trials
- Results of governmental decision-making affecting specific parties, including regulatory approval and awards of government contracts

Safeguarding MNPI

Registered representatives and other personnel shall contact the compliance department if they believe they have either received MNPI or are unsure about whether information received is MNPI. If there is any doubt as to whether an item of information is material, personnel must deem such as MNPI until they speak to the compliance department.

Sharing MNPI Internally

The Firm allows sharing of MNPI internally on a need to know basis. One area in which personnel will share MNPI with other personnel is on deals. As due diligence on a deal progresses, a larger population of personnel may become privy to MNPI once they have been deemed to have a need to know.

MNPI on M&A and capital markets transactions is strictly limited to deal team members, who, by definition, have a need to know, both to address concerns about conflicts and to limit its dissemination. Personnel who do not have a need to know are, by definition, not deal team members unless and until they are deemed to have a need to know.

Internal Sharing Controls

Registered representatives and other personnel should seek to implement various controls or safeguards as information barriers to protect sensitive information from being shared beyond a need to know. Examples of such controls include:

- Saving documents in secure drive(s): MNPI should be saved on a secure drive (e.g., Sharefile) with access restricted to only those personnel who need to know the information for business purposes. Personnel should contact the compliance department in order to establish restricted folder access.
- Limiting participants in certain meetings: Meetings where MNPI will be discussed should be held in closed sessions as appropriate.
- Email distribution lists: Personnel should avoid using email distribution lists to disseminate information. These lists often tend to be over-inclusive of recipients.
- Moving files: Personnel may move files with MNPI to unsecured file locations only after the compliance department confirms that any MNPI is stale or has been cleansed.

The CCO will email the Restricted List to its distribution list on a when there are changes to the Restricted List.

Sharing MNPI Externally

Personnel may disclose Confidential Information or MNPI to a client or outside party consistent with the laws and policies set forth in this policy. When sharing MNPI with clients or parties outside of the Firm, personnel should consider any confidentiality obligations the Firm be required to comply with. Personnel may need to redact information prior to sharing or shared on a no-names basis. In addition, personnel may need to include the Anti-Insider Trading Legend as set forth in Appendix A for sample language and additional guidance.

Information Provided to The Compliance Department

Upon contacting **the compliance department** regarding the receipt of MNPI, personnel should provide the following information, to the extent available or applicable for a deal:

- Nature of information received
- Date information was received
- All publicly traded companies involved in the deal
- Deal team members or other personnel who know the information
- Expected deal close date or date that it is expected the information will become public
- Whether the deal has been publicly announced
- Any other potentially relevant information

Assessing MNPI

The compliance department should consider a variety of factors when assessing whether to add a company to the Restricted List, including:

- Is the information received nonpublic?

- Is the company privately held or publicly traded?
  - For companies that do not have public equity, confirm whether there are publicly traded bonds or syndicated bank loans
- If the information has been determined to be nonpublic, a materiality assessment shall be conducted considering the following points:

  - Did the company file a Form 8-K under Item 1.01 (Entry into a Material Definitive Agreement)? SEC registered companies must disclose material events in a Form 8-K.
  - Net revenue test: Will the contemplated transaction impact the company in excess of 3% of net revenue?
  - Total assets test: Are the assets involved in the potential transaction in excess of 6% of the total assets of the company?
  - What is the source of the MNPI? Was it directly from the company or from a sponsor?

These are guidelines. Ultimately, The compliance department will decide on a case-by-case basis whether to add or remove a company from the Restricted List. Every personnel must notify The compliance department if there are any changes to information previously provided.

Restricted List Maintenance

The Firm maintains a restricted list. The compliance department will be responsible for monitoring the list on a *periodic* basis to monitor compliance with all applicable rules and regulations. Any exceptions granted with respect to activity in securities on the Firm's restricted list shall be made by the CCO or CEO.

Adding Companies to the Firm's Restricted List

The Firm's Restricted List will include:

- the date and time the security was added to or deleted; and
- the name of each contact person (such as the involved investment banker or registered representative) who was responsible for the addition or deletion and can answer specific questions concerning the timing and circumstances of the addition or deletion.

The compliance department shall determine which companies/securities shall be monitored for Watch List inclusion. The compliance department may utilize controls and other information sources to identify when the Firm has come into possession of MNPI, including:

- ongoing meetings, reports or other communications with principals responsible for managing investment banking transactions or for conflict checks;
- reviews of pipeline reports or commitment committee minutes;
- reviews of confidentiality agreements;
- reviews of access reports for electronic information services; and
- other methods as deemed appropriate by the compliance department.

The compliance department is responsible for determining the materiality of nonpublic information. the compliance department shall not limit its assessment of whether the Firm had possession of MNPI to transactions on which the Firm was engaged, but also will review and monitor instances when employees had knowledge of transactions for which another Firm (including affiliates) had been engaged.

The compliance department shall maintain records of items placed and not placed on a monitoring list. Items removed from the monitoring list once the compliance department determines that such information was no longer MNPI. The compliance department shall also maintain records as evidence of its decision making and monitoring processes.

The Commitment Committee shall consist of the CEO and the Managing Director Head of Equity Capital Markets (see separate attachment for individual names associated with titles). The Commitment Committee shall meet as necessary to discuss and determine which offerings the Firm may represent, among other things as related to the offering process as applicable. Each member of the Commitment Committee has an equal vote and the majority decision shall stand.

Removing Companies from the Firm's Restricted List

If a deal team member notifies the compliance department that and the deal is dead, no longer being pursued, or closed, the compliance department will:

- Evaluate materials to determine the nature of the MNPI the Firm received;
- Determine if there is an NDA standstill in effect; and
- Attempt to obtain independent verification that a deal has been completed and publicly announced.

Examples are:

- Evidence of securities no longer being traded;
- Form 8-K; and
- Press Releases.

Once the compliance department has completed its analysis, it will make a recommendation as to whether to keep a company or a security on the Firm's Restricted List to the CCO, which will be a principal, with applicable supporting materials. The compliance department shall be responsible for periodic review of the Restricted List. If the materials contain MNPI, typically, the company will remain on Restricted List until at least two subsequent quarterly earnings report have been published with broad dissemination to the public.

Exception Reports

The Firm will inquire into or investigate any possible misuse of MNPI by any employee, particularly those transactions in Restricted List securities. Such investigation will be documented and include the following, among other things: (i) name of the security and whether it was on a Restricted or Watch List; (ii) the date the investigation commenced; (iii) an identification of the accounts involved; (iv) a summary of the investigation disposition; (v) any underlying investigative records, including any analyses, inter-office memoranda and employee statements; (vi) consideration of the timing or unusual nature of the transaction, such as whether the employee traded on a short-term basis or in a size or dollar amount larger than his normal trading pattern; and (vii) any public information that may have already been disclosed prior or at the time of the transaction.

The compliance department will maintain the Exception Reports on Sharefile.

Escalation

All Firm personnel are required to promptly notify the CCO or the CEO in the event they know or have reason to believe that:

- MNPI has been shared or used inappropriately;
- Any applicable law, rule or regulation was violated;
- Any of the compliance policies or procedures was violated; and
- Other relevant policies and procedures.

Key Relevant Rules and Regulations
Rule 10b-5 – Securities Exchange Act of 1934 (Exchange Act)
Section 15(g) – Exchange Act
FINRA Rule 3110(d) – Transaction Review and Investigation

Appendix A – Sample Anti-Insider Trading Legends

The Anti-Insider Trading Legend should be included both within the body of the communication and the document containing the MNPI when providing MNPI in written form.

The sample Anti-Insider Trading Legend provided below is as of January 1, 2019 and is subject to change.

When providing MNPI in **writing**, include the below Anti-Insider Trading legend when sending the information:

> In accepting the Confidential Information, the Receiving Party (i) acknowledges that it may receive material nonpublic information ("MNPI") relating to particular securities or other financial instruments and/or the issuers thereof (ii) acknowledges that it is aware that applicable securities laws prohibit any person who has received material, nonpublic information with respect to an issuer or security from (a) purchasing or selling such securities or other securities of the issuer or (b) communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities or other securities of such issuer and (iii) agrees to comply in all material respects with such securities laws. The Receiving Party also agrees that certain Confidential Information also may have specific restrictions attached to it (e.g., standstill, non-circumvent or non-solicitation restrictions) and agrees to abide by any such restrictions of which it is informed.

When providing MNPI **orally**:

I. inform the recipient of the substance of the Anti-Insider Trading Legend;
II. inform the recipient that accepting the substance of the Anti-Insider Trading Legend is a condition of being provided such MNPI; and
III. obtain affirmative oral agreement to the substance of the Anti-Insider Trading Legend.

"Over the Wall" Procedures

Adequate Chinese Walls must include policies and procedures reasonably designed to limit or contain the necessary flow of material, non-public information to employees who have a "need to know." They include: (1) policy statements in this regard; (2) the physical separation of the trading and sales departments from departments which regularly receive confidential information; (3) other restrictions to access, such as separate record-keeping and support systems for sensitive departments; and (4) supervision of inter-departmental communications involving MNPI.

Restrictions on inter-departmental communications of material, non-public information may be designed primarily to isolate a firm's investment banking department from other departments. Occasions arise when the investment banking department requires information from other departments. Such occasions necessitate procedures that allow an investment banking employee to obtain the needed information without disclosing the purpose of the request and tipping the research or sales department. The scope and form of an information request itself may, in certain circumstances, tip the employee. In these instances, it may be necessary to bring a research or sales employee "over the wall" before making a request. Prompt notification shall be made to the CCO of any "wall crossing."

An employee who is brought over the wall will be treated as a temporary member of the investment banking department possessing material, non-public information for Chinese Wall surveillance purposes.

In instances where employees are brought over the wall, the CCO will document and maintain written records of: (1) the name of the employee brought over the wall; (2) the employee's department; (3) the date; (4) the name

of the issuer(s) involved; and (5) the name of the person requesting that the wall be crossed. It is not necessary for the firm to record the reasons for bringing a particular employee over the wall if it is apparent from the employee's department affiliation.

Market Abuse Regulation

With respect to the EU Regulation on Market Abuse (MAR) that was introduced on July 3, 2016 in order to safeguard the market from behavior that can manipulate securities prices and impact the integrity of the market, the following policies apply:

- MAR expands the market abuse administration from just regulated markets to encompassing financial instruments traded on Multilateral Trading Facilities (MTFs), Organized Trading Facilities (OTFS), and certain over-the-counter activities both within and outside the EU.
- MAR adds to the current defined market abuse offences ((i) engage or attempt to engage in insider dealing; (ii) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; (iii) unlawfully disclose inside information) that it is an offence to engage in or attempt to engage in "market manipulation" including the manipulation of benchmarking.
- Coinciding with the existing market abuse offence of unlawfully disclosing inside information, MAR suggests the implementation of a new market sound safe harbor to protect those involved in pre-marketing communication of information intended to determine initial interest. Under this new safe harbor, the firm must implement a procedure that:

    - Gets consent from the person receiving the inside information;
    - Lets them know they fall under the restrictions of MAR from acting on the information; and
    - Informs them once the content is no longer considered insider information.
- MAR introduces additional safe harbors for the exchange of information based on "legitimate behavior" and "accepted market practices" or a person entering into a transaction whose behavior has been carried out for legitimate reasons and conform with the accepted practices explicit to the MAR document.

  Note: Please see MAR Document to confirm the accepted practices

- Issuers must disclose all inside information relating to them to the public as soon as possible. MAR will allow the delay of disclosures if it;
    - Creates bias despite legitimate interest from the firm;
    - Likely to not mislead the public; and
    - Confidentiality is monitord.

  Firms must keep a record of the delay and be prepared to provide a written explanation of the above if the Financial Conduct Authority (FCA) requests it.
- Firms must keep on going insider lists database including;
    - The identity of the individual
    - The reason for sharing information
    - The date and time of the communication
    - The date the person who obtain the insider information was added to the list.
- Persons discharging managerial responsibilities must disclose to the issuer and authorities:
    - All personal transaction (pledging or lending) relating to the issuer's shares/debt involvement within three days of the transaction after a 5,000 EUR threshold is met in a calendar year.

  PDMRs cannot conduct such transactions during the "closed period" or the 30 calendar days before interim financial or year-end reports are released.

3.01 Supervisory Systems

All FINRA the Firm is required to establish and maintain a system to supervise the activities of its registered representatives and associated persons. At a minimum the Firm's internal supervisory system shall include the following:

- Establish and maintain written procedures;
- Designate an appropriate registered principal, with supervisory responsibility, for each type of business conducted by the Firm;
- Designate an Office of Supervisory Jurisdiction (OSJ) for each location which conducts order execution or market making activities; public offering or private placements; maintains custody of customer's funds and or securities; and makes final approval/acceptance of new accounts on behalf of customers;
- Designate an OSJ as necessary to properly supervise all registered persons in accordance with the standards set forth in *Rules 3110, 3120, 3150 and 3170*;
- Designate one or more properly registered principals in the main office and each OSJ with authority to conduct supervisory responsibilities assigned to the office by the firm;
- Designate one or more properly registered representatives or principals in each non-OSJ branch office with authority to conduct supervisory responsibilities assigned to the office by the firm;
- Assign each associated person to an appropriately registered representative(s) or principal(s) who is responsible for supervising such person's activities;
- Make reasonable efforts to monitor that each person with supervisory responsibility is qualified via experience or training to carry out such supervisory duties;
- Monitor participation of each registered representative in annual compliance meetings;
- Designate and specifically identify to the Association the principal(s) who shall review the firm's supervisory systems, procedures and inspections that are implemented by the firm pursuant to this rule;
- Designate and specifically identify to FINRA the principal(s) who shall take and or recommend appropriate action to senior management that is designed to achieve compliance with all applicable securities rules and regulations.

Supervisory Control System

In accordance with Rule 3120, the firm is required to designate and specifically identify to FINRA one or more principals who shall establish, maintain, and enforce a system of supervisory control policies and procedures that:

- test and verify that the firm's supervisory procedures are reasonably designed with respect to the activities of the firm and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules and

- create additional or amend supervisory procedures where the need is identified by such testing and verification

  identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

The establishment, maintenance, and enforcement of written supervisory control policies and procedures pursuant to 3120(a) shall include: (A) procedures that are reasonably designed to review and supervise the customer account activity conducted by the firm's branch office managers, sales managers, regional or district sales managers, or any person performing a similar supervisory function. (i) A person who is either senior to, or otherwise independent of, the producing manager must perform such supervisory reviews.

Reliance on the Limited Exception

If the Firm determines that it cannot comply with FINRA Rule 3110(c)(3)'s general prohibitions, the Firm must document in the inspection report both the factors the Firm used to make its determination and how the inspection otherwise complies with FINRA Rule 3110(c)(1). The Firm will generally rely on the exception in instances where it has only one office or has a business model where small or single person offices report directly to an OSJ manager who is also considered the offices' branch office manager (e.g., independent contractor business model). The Firm may also rely on the exception in other instances, provided the Firm documents the factors used in making its determination that it needs to rely on the exception. (b)FINRA Rule 3110(c)(1) that a Firm's review of its businesses be reasonably designed to assist the Firm in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations and FINRA rules.

3.02 Written Supervisory Procedures

Rule 3110(b) requires that each firm establish, maintain and enforce written supervisory procedures which are reasonably designed to:

- Supervise the types of business activities a firm conducts;
- Supervise the activities of the associated persons and registered representatives;
- Achieve compliance with all applicable securities laws and regulations.

The Firm's written supervisory procedures shall incorporate a supervisory system pursuant to *Rule 3110(a)* and include:

- Titles;
- Registration status;
- Location of supervisory personnel;
- Responsibility of supervisory personnel related to business activities conducted;
- Responsibility of supervisory personnel related to all applicable securities laws and regulations.

The Firm will also monitor to maintain an internal record of all supervisory personnel that includes the name(s) and date designation became effective. This record is to be preserved by the Firm for a period of three years, of which the first two are in an easily accessible place pursuant to *SEC Rule 17a-4*.

Firms are responsible for providing and maintaining a current copy of their WSP to each OSJ and at each location where supervisory activities are conducted for the benefit of the firm. The Firm is also responsible for updating and or amending their procedures within a reasonable period, as necessary. It is the responsibility of the Firm to monitor that all changes, amendments, and updates of their WSP are communicated throughout the organization.

3.03 Supervisory Structure

The Firm has created an internal supervisory structure that details the direct reporting requirements and overall supervisory authority of registered representatives, OSJ Branch Managers, Designated Principals and the CCO. Therefore, the following information briefly describes the Firm's internal supervisory structure as set forth herein:

Registered Representatives Assigned to an OSJ

Every individual affiliated with the Firm who is authorized to sell securities to the general public must be registered with FINRA as a registered representative of the Firm. All registered representatives are assigned to an OSJ and a designated OSJ Branch Manager, who must be additionally registered with FINRA as a General Securities Principal.

An OSJ is registered at a specific location (the OSJ Branch Office), but also encompasses all securities business of each registered representative assigned to the OSJ location. The registered representatives may be located in the OSJ Branch Office or located in any Non-OSJ Branch Office assigned to the OSJ.

The designated OSJ Branch Manager is the direct supervisor for all registered representatives at each specified OSJ location. The OSJ Branch Manager may also be the direct supervisor for all the registered representatives, if any, who are assigned to the OSJ but operating from one or more separate locations in FINRA registered Non-OSJ Branch Offices or non-registered locations.

The OSJ Branch Manager may also be a registered representative with respect to the sale of securities to clients of the OSJ Branch location. FINRA will not accept self-supervision, so the direct supervisor for each OSJ Branch Manager is the CEO of the Firm's main office.

Throughout this Written Supervisory Procedure Manual and any other supplemental policies or procedures as issued by Firm, any practices or procedures defined between a registered representative and OSJ Branch Manager shall also apply between an OSJ Branch Manager and the Firm's CEO. Therefore, the OSJ Branch Manager shall be supervised by and report directly to the Firm's CEO.

OSJ Branch Managers may have other registered representatives within the OSJ with General Securities Principal, Registered Options Principal and other specialty licenses. While an OSJ Branch Manager may delegate some day-to-day supervisory tasks to such qualified individuals, the OSJ Branch Manager shall remain fully responsible for the supervision of the entire OSJ Branch.

Role of the OSJ Manager

The OSJ Branch Manager has several critical roles in the Firm as described below:

- The OSJ Manager sets the tone for compliance culture at the OSJ. The OSJ Manager shall inspire by example both registered and non-registered personnel to adhere to the Firm's internal standards to achieve the Firm's overall goals;
- The OSJ Manager monitors for compliance with the Firm's standards for the sales practices of the registered representatives in accordance with FINRA rules and regulations;
- The OSJ Manager performs a teaching role concerning appropriate sales practices as well as general administration and operational functions;
- As a registered principal, the OSJ Manager has supervisory responsibilities concerning sales practices of all personnel under his/her OSJ.

3.04 Left Intentionally Blank

3.05 General Responsibilities of Supervisory Personnel

The Firm regards supervision as a critical focus area for ensuring compliance in broker-dealer business activities and operations. The CCO, as well as, any other person(s) responsible for the supervision of others, should take added steps to carefully supervise the activities and individuals under their immediate supervision in accordance with federal, state, self-regulatory organization (SRO) rules and regulations. The Firm acknowledges that supervisors as well as the employer firm may be held liable for failing to supervise any/all employees under their supervision.

Delegation of Responsibilities

If a Designated Principals are unable to perform certain supervisory or approval obligations, they may delegate such supervisory responsibilities to another person if person is a registered principal and upon notice to the CCO for prior consent. Upon approval by the CCO, the Designated Principals should monitor that each registered principal understands the recently assigned delegated responsibilities and must review the performance of each person assigned with such a responsibility. All delegation of responsibilities, to include the names, tasks, and dates of delegation will be documented and maintained in the compliance department.

Specific Responsibilities of the CCO

It is the responsibility of the CCO to conduct a periodic review reasonably designed to detect and prevent prohibited activities and violations of the securities rules and regulations.

3.06 Internal Inspections

Every firm is required to conduct an internal review of its business activities on an annual basis. The review is to be reasonably designed and conducted for the purposes of assisting designated personnel on maintaining compliance and detecting and preventing potential violations of applicable securities rules. Each firm is responsible for conducting an inspection of each office, to include a periodic review of customer accounts for the purposes of exposing and preventing irregular activity and abuse. Each firm shall preserve records the evidence the date(s) upon which each review and inspections was conducted.

The Firm is also responsible for reviewing all Offices of Supervisory Jurisdiction (OSJ) at least once a year and all branch/satellite offices on a scheduled cycle. The Firm shall also be responsible for establishing inspection policies and procedures for conducting such reviews at remote locations. The Firm's review cycle shall be set forth in the Firm's Written Supervisory Procedure Manual. The Firm, when establishing their review cycle, must take into consideration the following factors:

- Nature and complexity of the activities being conducted at the location;
- Amount of volume being conducted at such location;
- Number of Associated persons conducting business from such location.

In accordance with Rule 3110, each broker-dealer shall inspect at least annually every office of supervisory jurisdiction (OSJ) and any branch office that supervises one or more non-branch locations. Additionally, each broker-dealer shall inspect at least every three years every branch office that does not supervise one or more non-branch locations, as well as inspect on a regular periodic schedule every non-branch location. (NTM 04-71; Effective January 31, 2005)

The following information includes a list of the Firm's Designated Principals branch offices, non-supervisory branch offices, and unregistered locations. It is the responsibility of the Firm to determine a frequency of review that is reasonably designed to achieve compliance with federal, state and SRO rules and regulations.

In accordance with FINRA Rule 3310(c)(1), firms shall conduct a review, at least annually, of the businesses in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable FINRA rules. Each firm shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses. The following is a list of branch office classifications:

OSJ/Supervisory Branch Office(s). Each firm shall inspect at least annually every office of supervisory jurisdiction and any branch office that supervises one or more non-branch locations.

Non-Supervisory Branch Office(s). The Firm shall inspect at least every three (3) years every branch office that does not supervise one or more non-branch locations. In establishing how often to inspect each non-supervisory branch office, the Firm shall consider whether the nature and complexity of the securities activities for which the location is responsible, the volume of business done, and the number of associated persons assigned to the location require the non-supervisory branch office to be inspected more frequently than every three years.

Non-Branch Location(s). The Firm shall inspect at least every three (3) years every non-branch location (including "locations of convenience"). In establishing such schedule, the Firm shall consider the nature and complexity of the securities activities for which the location is responsible and the nature and extent of contact with customers.

*The term "locations of convenience" are, by definition, excluded from being a branch office and, consequently, fall under the category of a non-branch location. A location of convenience is any location where a person conducts business on behalf of a firm occasionally and exclusively by appointment for the customer's convenience.

The following checklist details the number of designated offices of the Firm, the address and location of such offices and the frequency in which the Firm is scheduled to conduct an internal review and/or inspection of each designated office location:

OSJ/Supervisory Branch Office(s)	Address/ Location	Frequency of Review
OSJ/ Main Office Designated Principals	6 Venture Suite 395, Irvine, CA 92618	Annually

Non- Supervisory Branch Office(s)	Address/ Location	Frequency of Review
See Schedule		Every three years

3.07 Supervision of Transactions

Review of Transactions

Each FINRA firm is responsible for establishing procedures for the review and approval of all transactions effected by the Firm's registered representatives in compliance with FINRA Rule 3110(d). The procedures shall be designed to monitor that a review and approval is done by a Designated Principal and is evidenced in writing on an internal record. The Firm shall also establish procedures to monitor that a similar review by a registered principal is conducted for all the incoming and outgoing correspondences. The Firm shall monitor that appropriate samples of written and electronic correspondences between the public and an associated person relating to investment banking and the securities business are reviewed.

The Firm's review procedures shall include:

(A) accounts of the Firm;

(B) accounts introduced or carried by the Firm in which a person associated with the Firm has a beneficial interest or the authority to make investment decisions;
(C) accounts of a person associated with the Firm that are disclosed to the Firm pursuant to Rule 3210; and
(D) covered accounts.

The Firm's procedures shall be in writing and developed to provide reasonable supervision. As necessary with all reviews conducted by a firm, it must be evidenced that such procedures were implemented and carried out. These records must be maintained and preserved by the Firm pursuant to *SEC Rule 17a-4*.

Suitability Review

Before a new account is established, the Firm will make a reasonable effort to monitor that any recommended product is suitable for the individual customer. In determining customer suitability, the Firm will evaluate the following customer information before executing a transaction:

- Financial status;
- Tax status;
- Investment objectives;
- Previous investment experience;
- Age and occupation.

General Transaction Approval

The following are the supervisory procedures and approval requirements for the Firm. Registered personnel will seek approval for customer transactions from the Firm's CCO or the Designated Principals.

Investment Banking Transaction Review

In the event the Firm performs an investigation regarding a trade for potential violations of securities laws, rules or requirements including insider trading or manipulative and deceptive device affect for accounts noted above, the Firm must file with FINRA, written reports, signed by a senior officer of the Firm, at such times and, without limitation, including such content, as follows:

(A) within ten business days of the end of each calendar quarter, a written report describing each internal investigation initiated in the previous calendar quarter pursuant to paragraph (d)(2), including the identity of the Firm, the date each internal investigation commenced, the status of each open internal investigation, the resolution of any internal investigation reached during the previous calendar quarter, and, with respect to each internal investigation, the identity of the security, trades, accounts, associated persons of the Firm, or associated person of the Firm's family members holding a covered account, under review, and that includes a copy of the Firm's policies and procedures required by paragraph 3110(d)(1).
(B) within five business days of completion of an internal investigation pursuant to paragraph 3110(d)(2) in which it was determined that a violation of the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices had occurred, a written report detailing the completion of the investigation, including the results of the investigation, any internal disciplinary action taken, and any referral of the matter to FINRA, another self-regulatory organization, the SEC, or any other federal, state, or international regulatory authority.

Low Price Securities Transactions

If applicable, the Designated Principals will be responsible for reviewing any transactions involving low price securities on a regular basis. For the purposes of this section, the Firm has classified a low price security as any security with a per share price point of less than five U.S. dollars. In addition to share price classification, each transaction should be reviewed for customer suitability and overall compliance with all applicable Penny Stock rules as set forth in *SEC Rule 15g-1* through *SEC Rule 15g-9*, and corresponding rules such as *SEC Rule 17a-3*, and *Rule 3110.*

As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it shall be unlawful for a broker-dealer firm to sell a penny stock to, or to effect the purchase of a penny stock by, any person unless: (i) the transaction is exempt under paragraph (c) of this section; or (ii) prior to the transaction the firm has approved the person's account for transactions in penny stocks in accordance with the procedures set forth in paragraph (b) of this section; and the firm has received from the person a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the firm must:

- obtain from the person information concerning the person's financial situation, investment experience, and investment objectives;

- reasonably determine, based on the information required by paragraph (b)(1) of this section and any other information known by the Firm, that transactions in penny stocks are suitable for the person, and that the person (or the person's independent adviser in these transactions) has sufficient knowledge and experience in financial matters that the person (or the person's independent adviser in these transactions) reasonably may be expected to be capable of evaluating the risks of transactions in penny stocks;

- deliver to the person a written statement:

  (i) setting forth the basis on which the broker or dealer made the determination required by paragraph (b)(2) of this section;

  (ii) stating in a highlighted format that it is unlawful for the broker or dealer to effect a transaction in a penny stock subject to the provisions of paragraph (a)(2) of this section unless the broker or dealer has received, prior to the transaction, a written agreement to the transaction from the person; and

  (iii) stating in a highlighted format immediately preceding the customer signature line that the Firm is required by this section to provide the person with the written statement; and the person should not sign and return the written statement to the broker or dealer if it does not accurately reflect the person's financial situation, investment experience, and investment objectives; and

- obtain from the person a manually signed and dated copy of the written statement required by paragraph (b)(3) of this section.

For purposes of this section, the following transactions shall be exempt:

(1) Transactions that are exempt under 17 CFR 240.15g-1(a), (b), (d), (e), and (f).

(2) Transactions that meet the requirements of 17 CFR 230.505 or 230.506 (including, where applicable, the requirements of 17 CFR 230.501 through 230.503, and 230.507 through

230.508), or transactions with an issuer not involving any public offering pursuant to Section 4(2) of the Securities Act of 1933.

(3) Transactions in which the purchaser is an established customer of the broker or dealer.

Suitability for Senior Investors

FINRA Rule 2111 requires that in recommending "the purchase, sale or exchange of any security, a firm shall have reasonable grounds for believing that the recommendation is suitable" for that customer, based on "the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs." The rule also requires that, before executing a recommended transaction, a firm must make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives and "such other information used or considered to be reasonable by such firm or registered representative in making recommendations to the customer."

Although the rule does not explicitly refer to a customer's age or life stage, both are important factors to consider in performing a suitability analysis. As investors age, their investment time horizons, goals, risk tolerance and tax status may change. Liquidity often takes on added importance. And, depending on their particular circumstances, seniors and retirees may have less tolerance for certain types of risk than other investors. Likewise, investors whose investment time horizons afford less time or opportunity to recover investment losses may be disproportionately affected by market fluctuations.

Therefore, firms cannot adequately assess the suitability of a product or transaction for a particular customer without making reasonable efforts to obtain information about the customer's age, life stage and liquidity needs. Firms should carefully consider the risk of a product with the age and retirement status of the customer in mind, including its market, inflation and issuer credit risk. Additional questions to consider when dealing with senior investors are as follows:

- Is the customer currently employed? If so, how much longer does he or she plan to work?
- What are the customer's primary expenses? For example, does the customer still have a mortgage?
- What are the customer's sources of income? Is the customer living on a fixed income or anticipate doing so in the future?
- How much income does the customer need to meet fixed or anticipated expenses?
- How much has the customer saved for retirement? How are those assets invested?
- How important is the liquidity of income-generating assets to the customer?
- What are the customer's financial and investment goals? For example, how important is generating income, preserving capital or accumulating assets for heirs?
- What health care insurance does the customer have? Will the customer be relying on investment assets for anticipated and unanticipated health costs? (Ref. Regulatory Notice 07-43; Issued Sept. 10, 2007)

In meeting its compliance obligations to senior investors, the Firm shall implement procedures in compliance with:

- FINRA Rule 4512 (Customer Account Information) requires the Firm to make reasonable efforts to obtain the name of and contact information for a trusted contact person upon the opening of a non-institutional customer's account or when updating account information for a non-institutional account. The trusted

contact person is intended to be a resource for the Firm in administering the customer's account, protecting assets and responding to possible financial exploitation.

- FINRA Rule 2165 (Financial Exploitation of Specified Adults) permits, under FINRA rules, if the Firm reasonably believes that financial exploitation has occurred, is occurring, has been attempted or will be attempted to place a temporary hold on the disbursement of funds or securities from the account of a "specified adult" customer. Specified adults include a natural person age 65 and older or a natural person age 18 and older who the Firm reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.

3.08 Reviews of Accounts and Transactions

New Customer Accounts

It is the responsibility of the Designated Principals to review new accounts that are opened. The Designated Principals should make a reasonable effort to obtain additional information from the registered representative or client if necessary. The following is a list of the items that the Designated Principals should verify are included in the new account documentation.

General Account Review (if Applicable)

- Name of the customer or the account number;
- Information as to if the customer is of legal age;
- Signature of registered rep introducing the account;
- Signature of principal approving the account;
- Name of person(s) authorized to transact activity in the account;
- Customer SSN or Tax ID;
- Customer occupation, employer's name & address;
- Customer's financial status, net income, liquid net worth etc.;
- Customer's tax status;
- Customer's investment objectives;
- FINRA BrokerCheck and SEC review for the Customer;
- Payment for order flow disclosure;
- Other information that is reasonable for recommendations to the customer.

3.09 Review of Registered Representative Transactions

Employee Brokerage Account Statements

A Designated Principals will be responsible for reviewing employee brokerage account statements of registered personnel located at the Firm and any family and/or controlled accounts. All Designated Principals reviews regarding supervised employee accounts should be reasonable enough be able to identify potential areas of concern such as any unusual trading patterns. Evidence of the review shall be retained in a manner deemed appropriate by the CCO.

The CCO, or the designee, who may or may not be a principal, will review each reportable brokerage account statements to monitor to monitor for trading in securities placed on the Restricted List and a trading pattern that may indicate any misuse of MNPI. Such review will check the date upon which the security was placed on the Restricted List versus when the trade of such security was executed, whether any exception approval was granted by the CCO and supervisor, among other things. The personnel reviewing such statements will initial his/her review.

Customer Account Statements

A Designated Principals will be responsible for a monthly review of monthly customer account statements held at the Firm. There should be an additional review of monthly customer account statements of each broker at branch offices. All Designated Principals reviews should be thorough enough be able to identify potential areas of concern such as possible churning, excessive trading, suitability issues, or other unusual trading patterns.

Discretionary Account Statements

The Designated Principals will be responsible for a monthly review of discretionary monthly account statements held at the Firm. All Designated Principals reviews should be thorough enough to be able to identify potential areas of concern such as possible churning, excessive trading, suitability issues, or other unusual trading patterns.

3.10 Customer Trade Confirmations and Disclosures

In accordance with *SEC Rule 10b-10 & 11Ac1-3*, the Firm is required to disclose specific information in writing to customers at or before completion of a transaction. The requirements that particular information be disclosed is not determinative of a broker-dealer's obligation under the general antifraud provisions of the federal securities laws to disclose additional information to a customer at the time of the customer's investment decision.

Therefore, it shall be unlawful for any broker-dealer to effect for or with the account of a customer, or to induce the purchase or sales of any transaction in any security unless such broker-dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing the following:

- Date and Time of Transaction;
- Identity of Security (name, symbol, CUSIP#);
- Share Prices;
- Number of shares/units;
- Capacity (Agency or Principal status);
- Commission/Mark-up/Mark-down;
- Source and amount of other remuneration(s);
- Payment for Order Flow Disclosure;
- Market Maker disclosure;
- Broker/Issuer relationship;
- Non-SIPC Membership;

- Odd-lot;
- Debt Securities Yield and Redemption Disclosures;
- Asset Backed Securities.

Capacity (Agency or Principal Status)

The Firm may act in one of four separate capacities when effecting a transaction.

- The Firm may act as an agent by transacting business on behalf of a customer through another broker-dealer;
- The Firm may act as a dual agent in which the Firm effects a transaction between two customers;
- The Firm may choose to act as a principal by effecting a transaction for a customer through the Firm's proprietary account;
- The Firm may act in a "riskless principal" capacity if it receives a buy or sell order and makes a subsequent purchase or sale as principal from or to another broker-dealer that is used to fill the customer's order;
- The Firm can meet the disclosure requirements set forth in *SEC Rule 10b-10* by printing a code on the front of the confirm or by printing the capacity on the front of the confirmation. The code listed on the front of the confirmation may be either alpha or numeric, but must have a corresponding legend that adequately informs the customer of the Firm's capacity.

Agency Transactions

If the Firm is acting as agent for such customer, for some other person or for both such customer and some other person:

- The name of the person from whom the security was purchased, or to whom it was sold;
- The amount of any remuneration received or to be received by the broker from such customer in connection with the transaction;
- a statement whether *payment for order flow* is received by the broker or dealer for transactions in such securities and the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer;
- The source and amount of any other remuneration received or to be received by the broker in connection with the transaction: Provided, however, that if, in the case of a purchase, the broker was not participating in a distribution, or in the case of a sale, was not participating in a tender offer, the written notification may state whether any other remuneration has been or will be received and the fact that the source and amount of such other remuneration will be furnished upon written request of such customer; or

Principal Transactions

If the Firm is acting as principal for its own account:

- In the case where such broker-dealer is not a market maker in an equity security and, if, after having received an order to buy from a customer, the broker or dealer purchased the equity security from another person to offset a contemporaneous sale to such customer or, after having received an order to sell from a customer, the broker or dealer sold the security to another person to offset a contemporaneous purchase from such customer, the difference between the price to the customer and the dealer's contemporaneous purchase (for customer purchases) or sale price (for customer sales); or

- In the case of any other transaction in a reported security, or an equity security that is quoted on NASDAQ or traded on a national securities exchange and that is subject to last sale reporting, the reported trade price, the price to the customer in the transaction, and the difference, if any, between the reported trade price and the price to the customer.

Commissions and Mark-ups

The Firm is responsible for disclosing the amount of fees charged by the Firm to the customer for each transaction. These fees are represented to the customer in the form of a commission for agency trades, a mark-up for a principal purchase and a markdown for a principal sale.

Source and Amount of Other Remuneration(s)

The Firm must also disclose any other sources and amount of remuneration, whether they are monetary or non-monetary remunerations, and or credits, rebates, clearing services, payment for order flow etc.

Market Maker Disclosure

The Firm must disclose on customer confirmations if the Firm was acting as a market maker in the securities transaction. Failure to include this disclosure is a common violation sited during FINRA examinations of market making firms. FINRA examiners will commonly review a sample of trade confirmations in securities that a firm makes a market into monitor that the Firm properly disclosed this information to the customer.

Bid and Ask Price (Penny Stocks)

The Firm is required to disclose the inside bid and ask price at the time of execution to the customer for penny stock transactions. *See SEC Rule 15g-1* through *15g-9*.

Broker/Issuer Relationship

The Firm is responsible for disclosing any relationship(s) it may have with a securities issuer. This disclosure must be made to the customer before effecting a transaction in the securities of the issuer (FINRA Rule 2262 and SEC Rule 15c1-5).

Non-SIPC Membership

The Firm is required to disclose whether it is *not* a member of the Securities Investor Protection Corporation (SIPC), or that the Firm clearing or carrying the customer account is *not* a member of SIPC, if such is the case.

Odd-lot

The Firm must disclose to the customer whether any odd-lot differential or equivalent fee has been paid by such customer in connection with the execution of an order for an odd-lot number of shares or units of a security and the fact that the amount of any such differential or fee will be furnished upon oral or written request.

Debt Securities Yield and Redemption Disclosures

The Firm must make certain disclosures concerning debt securities transactions. In the case of any transaction in a debt security subject to redemption before maturity, a statement to the effect that such debt security may be redeemed in whole or in part before maturity, that such a redemption could affect the yield represented and the fact that additional information is available upon request.

Dollar Price and Yield to Maturity

All transactions in debt securities effected exclusively on the basis of a dollar price, the Firm is required to disclose the dollar price at which the transaction was affected and the yield to maturity calculated from the dollar price.

In the case of a transaction in a debt security effected on the basis of yield, the yield at which the transaction was effected, including the percentage amount and its characterization, the dollar price calculated from the yield at which the transaction was effected, and if effected on a basis other than yield to maturity and the yield to maturity is lower than the represented yield, the yield to maturity as well as the represented yield.

It is important to note pursuant to *SEC Rule 10b-10(a)(5)(A) and (B)* the yield to maturity disclosures do not need to be made known if the securities meet certain circumstances. Such circumstances may be securities that have an extendable maturity date, which would result in a variable interest rate paid, or any asset-backed security that is continuously subject to prepayment.

Asset-Backed Securities

In the case of a transaction in a debt security that is an asset-backed security, which represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment, a statement indicating that the actual yield of such asset- backed security may vary according to the rate at which the underlying receivables or other financial assets are prepaid and a statement of the fact that information concerning the factors that affect yield (including at a minimum estimated yield, weighted average life, and the prepayment assumptions underlying yield) will be furnished upon written request of such customer.

Customer Request for Additional Information

The Firm shall give or send to customer information requested pursuant to *SEC Rule 10b-10* within 5 business days of receipt of the request. However, in the event that the information pertaining to a transaction was effected more than 30 days prior to receipt of the request, the information shall be given or sent to the customer within 15 business days.

3.11 Payment for Order Flow Disclosure Requirements

In accordance with *SEC Rule 10b-10 & 11Ac1-3*, the Firm is required to disclose specific information in writing to customers at or before completion of a transaction. The requirements that particular information be disclosed is not determinative of a broker-dealer's obligation under the general antifraud provisions of the federal securities laws to disclose additional information to a customer at the time of the customer's investment decision.

The term “payment for order flow” shall refer to any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer to any broker or dealer, national securities exchange, registered securities association, or exchange member for execution, including but not limited to:

- research, clearance, custody, products or services;
- reciprocal agreements for the provision of order flow;
- adjustment of a broker or dealer's unfavorable trading errors;
- offers to participate as underwriter in public offerings;
- stock loans or shared interest accrued thereon;
- discounts, rebates, or any other reductions of or credits against any fee to, or expense or other financial obligation of, the broker or dealer routing a customer order that exceeds that fee, expense or financial obligation.

Therefore, it is prohibited for the Firm to effect for or with the account of a customer, or to induce the purchase or sales of any transaction in any security unless such broker-dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing the following:

- For a transaction in any subject security as defined in *SEC Rule 11Ac1-2* or a security authorized for quotation on an automated interdealer quotation system that has the characteristics set forth in *Section 17B of this Act (15 U.S.C. 78q-2),* a statement whether payment for order flow is received by the broker or dealer for transactions in such securities and the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer.

The Firm is required to provide the following information involving NNM securities, Nasdaq SmallCap securities, and/or OTC Bulletin Board securities:

- The Firm is to inform customers in writing, when a new account is opened, about its policies regarding the receipt of payment for order flow, including whether payment for order flow is received and a detailed description of the nature of the compensation received;
- The Firm is to provide information in account opening documents about order-routing decisions, including an explanation of the extent to which unpriced orders can be executed at prices superior to the national best bid or best offer (NBBO) at the time the order is received;
- The Firm is to update and provide this information on an annual basis;
- The Firm is to indicate on confirmations whether the Firm receives payment for order flow, and the availability of further information on request.

3.12 Clearing Agreements

All clearing or carrying agreements entered into by the Firm shall specify the respective functions and responsibilities of each party to the agreement and shall, at a minimum, specify the responsibility of each party with respect to each of the following matters:

- opening, approving and monitoring customer accounts;
- extension of credit;
- maintenance of books and records;
- receipt and delivery of funds and securities;
- safeguarding of funds and securities;
- confirmations and statements;
- acceptance of orders and execution of transactions;
- whether, for purposes of the SEC's financial responsibility rules adopted under the Act, and the Securities Investor Protection Act, as amended, customers are customers of the clearing firm; and;
- the requirement to provide customer notification under paragraph (g) of this Rule (Each customer whose account is introduced on a fully disclosed basis shall be notified in writing upon the opening of his account of the existence of the clearing or carrying agreement).

3.13 Review of Internal Reports

Commission Report Review

The Designated Principals will review the Firm's commission reports for indication of excessive trading, unauthorized trading, and any other sales practice violations.

Trade Blotters

The Designated Principals will also conduct a daily review of the daily trade blotter to monitor compliance with current regulatory requirements and any additional requirements as specified by the Firm. The following is list of some of the target areas for reviewing daily trade blotters:

Target Review of Trade Blotters

- Excessive Trading (review any unusually high trading activity);
- Mark-Ups (review for excessive mark-ups);
- Front-Running (identifying situations of trading ahead of customer orders in proprietary or other accounts);
- Unusual Trading Patterns (review for inconsistent or unusual trading activity);
- Parking/Adjusted Trading (review sales and repurchases between two or more accounts or trades that are away from the market);
- Other Target Reviews (review for activity in employee accounts that is similar to that of customer accounts).

Restricted Trades Report

If applicable, the Designated Principals should also conduct a daily review of the Firm's Restricted Trades Report to monitor compliance with current regulatory requirements and any additional requirements as specified by the Firm. The Designated Principals should match daily securities transactions with any securities transactions specified on the Firm's Restricted List.

Rule 144 Transactions

It is the responsibility of the Designated Principals to monitor and supervise the Firm's policies and procedures regarding all Rule 144 transactions. The Designated Principals should be notified before the sale of securities where the customer is a shareholder, director, and/or officer of the company. It is the policy of the Firm that all Rule 144 transactions should be reviewed and approved by a Designated Principals before execution.

3.14 Reserve Formula Exemptions

Checks/Securities Received and Forwarded

The Firm's Designated Principals will be responsible for reviewing all checks received as a result of transactions conducted at the branch office location.

3.15 Review of Sales Literature and Correspondence

Each firm is responsible for developing written procedures for reviewing incoming and outgoing correspondence, both written and electronic, with the public that relate to investment banking or securities business. These procedures should include the business activities, size, structure, and customer base of the Firm.

A firm should structure their procedures to monitor that correspondence directed to a particular associated person or the firm's security business are reviewed. The review process should properly identify and handle customer complaints and monitor that customer funds and or securities are processed pursuant to the Firms procedures.

All communications with the public should meet the minimum criteria of both *general* and *specific* standards as set forth in *Rule 2210(d).* The following is an overview of some of the general standards as they apply to *Rule 2210:*

General Standards *Rule 2210(d)(1)*

- All communications should be based on "principles of fair dealing and good faith;"
- Any dissemination of false, misleading, exaggerated, and/or unwarranted statements to the public is prohibited;
- Consideration should be given to certain risks, volatility, and uncertainty associated with the securities industry and general market conditions;
- Firms and Associated Persons should comply with both general and specific standards of *Rule 2210(d)* when sponsoring and/or participating in any event which may or may not be considered as an advertisement;
- Any omission of material facts which could *mislead* the public is prohibited;
- All communication should be tailored to the size, scope, and level of investment experience of the audience for a clear understanding of the content of the message.

Record keeping Requirements

For the purposes of maintaining record-keeping requirements as they relate to *Rule 2210 Communications with the Public*, all branch offices will maintain a separate file for all correspondence, advertisements, and sales literature, for a period of three years from the date of use, with the first two years maintained in an easily accessible location.

Approval/ Evidencing Procedures

All maintained records of advertisements; sales literature and correspondence should include the names of the person(s) who prepared the documentation, as well as the signature or initials of the Designated Principals or registered principal(s) who *approved* such documentation.

Email Supervision
The compliance department will conduct periodic reviews of registered personnel's email on Global Relay. Such review is documented within the Global Relay system.

Preservation of Correspondence

The Firm shall monitor proper preservation of all correspondence of registered representatives that relate to investment banking and securities business, pursuant to FINRA *Rule 4511*. The Firm will also monitor that the names of the persons who prepared the outgoing correspondence and those who reviewed the correspondence are ascertainable from all retained records and documentation.

3.16 Fees Charged to Customers

In accordance with *Rule 2430,* any charges for services performed by the Firm, including miscellaneous services such as collection of moneys due for principal, dividends, or interest; exchange or transfer of securities;

appraisals, safe-keeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers.

3.17 Customer Complaints

The Firm acknowledges that in the course of business, some firms may receive periodic complaints on various issues related to the business practices of the Firm and/or securities industry. As such, the Firm has established a policy on the receipt and processing of complaints received by any registered and/or associated person employed by the Firm. In order to prevent and/or reduce future complaints from occurring, it is the Firm's policy to conduct all business with the observance of "high standards of commercial honor and just and equitable principles of trade."

Definition

The definition of a complaint can be any written statement by a customer, or any person acting on behalf of a customer, who alleges wrongdoing by a person acting under a broker-dealer's control in connection with a securities transaction of that customer.

Receipt and Processing of Complaints

It is the Firm's policy that any recipient of a *written* complaint, who is employed by the Firm, should forward all such documentation to the compliance department and/or Designated Principals for immediate review. Any *oral* complaints made by customers will be immediately forwarded to the appropriate compliance department and/or Designated Principals for research and review. It shall be the responsibility of the CCO and the Designated Principals to determine whether each complaint can be considered an operational issue (such as a late check or dividend, or other minor issue) or a sales practices issue (such as unauthorized trading, misrepresentation, etc.) for the proper handling of all complaints. All complaints will be maintained in a separate complaint file for further research and review purposes.

Internal Investigation of Customer Complaints

Once a customer complaint is received by the Firm, the CCO and a Designated Principal must immediately review any and all relevant supporting documentation involving such allegations to determine the accuracy and facts surrounding of each complaint received by a client. As previously stated, each complaint must be reviewed to determine if such complaint can be considered an *operational* issue (such as a late check or dividend, or other minor issue, etc.), or a *sales practice* issue (such as unauthorized trading, misrepresentation, etc.). Once the customer complaint is reviewed and a proper conclusion as to the status and merits of each complaint are determined, it shall be the responsibility of the Designated Principals to contact the complainant (either verbally and/or in writing, but at least in writing). It will be the Firm's goal and objective to attempt to immediately correct any operational issue and resolve any sales practice issue in compliance with federal, state and SRO securities rules and regulations, and within a manner that shall be considered reasonable under normal circumstances by the Firm and the complainant. If such issues cannot be resolved by the Firm, the Designated Principals with the CCO will periodically monitor the status of the complaint as to the status and outcome. Any/all existing and follow-up correspondence with the complainant and/or appropriate regulatory agency will be documented and maintained in chronological order in a customer complaint file. Additional notifications will be made pursuant to *FINRA Rule 4530* and the required standards for filing quarterly customer complaint data and reportable events.

Reportable Events

FINRA Rule 4530 requires a firm to report to FINRA within 30 calendar days after the firm knows or should have known of the existence of certain other events relating to the firm or an associated person of the firm. These events are based on existing requirements in NASD Rule 3070 or NYSE Rule 351, with a few modifications as described below.

External Findings (Event Code 11)

FINRA Rule 4530(a)(1)(A) requires the reporting of certain external findings similar to the NASD rule but limits the scope of the requirement to where the firm or an associated person has been found by an external body to have violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body, SRO or business or professional organization.

Complaints Involving Certain Allegations (Event Code 12)

FINRA Rule 4530(a)(1)(B) requires that a firm report any written customer complaint against the firm or an associated person alleging theft or misappropriation of funds or securities or forgery. The new rule clarifies that, for purposes of this requirement, a "customer" includes any person (other than a broker or dealer) with whom the firm has engaged, or *has sought to engage*, in securities activities. Further, it codifies existing staff guidance reminding firms to report quarterly statistical and summary information regarding such complaints.

Named in a Regulatory Proceeding; Subject to Other Regulatory Actions; or Associated with a Financial Entity Subject to Certain Actions (Event Code 13, 14, and 16)

FINRA Rules 4530(a)(1)(C), (D) and (F) generally require firms to report whenever they or their associated persons are:

(1) named as a defendant or respondent in a regulatory proceeding alleging the violation of securities, insurance or commodities laws, rules or regulations;

(2) denied registration or membership or disciplined by a securities, insurance or commodities regulator; or

(3) associated with certain financial entities that were denied registration, suspended, expelled or had their registration revoked by a regulator or associated with a financial institution that was convicted of, or pleaded no contest to, any felony or misdemeanor.

These provisions apply to domestic and foreign matters, including actions by a foreign regulatory body or, in the case of criminal actions, actions brought in a foreign court. The term "regulatory body," which is used in these provisions and the provisions relating to internal conclusions and external findings, is defined as a governmental regulatory body or an authorized non-governmental regulatory body, such as the Financial Services Authority.

Criminal Actions Involving Felonies and Certain Misdemeanors (Event Code 15)
FINRA Rule 4530(a)(1)(E) generally requires that a firm report any indictment, conviction, or guilty or no contest plea of the firm or an associated person involving:

(1) any felony or certain misdemeanors, such as a misdemeanor involving the purchase or sale of a security or involving forgery;

(2) a conspiracy to commit any of these offenses; or

(3) substantially equivalent actions.

Civil Litigation; Arbitration Matters; or Certain Claims for Damages (Event Code 17)
FINRA Rule 4530(a)(1)(G) generally requires that a firm submit a report if it or an associated person is a defendant or respondent in any securities- or commodities-related civil litigation or arbitration, or is subject to a claim for damages by a customer, broker or dealer, that is disposed of for certain dollar thresholds (above $15,000 for associated persons; above $25,000 for firms).

The new rule extends this requirement to any financial-related insurance civil litigation or arbitration. "Financial-related" means related to the provision of financial services. By its terms, the rule excludes certain insurance products, such as traditional auto and health insurance. However, the scope of the rule is not limited to insurance products that are securities. Civil litigation or arbitration involving a non-securities insurance product that is related to the provision of financial services is subject to the rule.

Additionally, the new rule limits the scope of the requirement to report certain claims for damages by requiring the reporting of claims that relate to the provision of financial services or relate to a financial transaction, such as a loan by a customer to an associated person.

When calculating the dollar thresholds for reporting civil litigations, arbitrations or claims for damages subject to reporting, the new rule requires firms to include attorney's fees and interest. Further, it codifies existing staff guidance regarding "joint and several" liability. If parties are subject to "joint and several" liability, firms must use the aggregate dollar amount for reporting purposes since each party is separately liable for the aggregate amount. For instance, if two parties have "joint and several" liability for $40,000, the amount reported would be $40,000 for *each* party.

Statutory Disqualifications (Event Code 18)

FINRA Rule 4530(a)(1)(H) requires that firms report certain "statutory disqualification" matters. The rule provides that a firm is required to report whenever the firm or an associated person is subject to a "statutory disqualification." In addition, it provides that firms are required to report whenever they or their associated persons are "involved in the sale of any financial instrument, the provision of any investment advice or the financing of any such activities" with any person who is subject to a "statutory disqualification."

Disciplinary Actions Taken by a Firm Against an Associated Person (Event Code 19)

FINRA Rule 4530(a)(2) requires that a firm report any disciplinary action taken by the firm against an associated person involving a suspension or termination, the imposition of fines above $2,500, or any other disciplinary action that would have a significant limitation on the associated person's activities. The rule clarifies that any disciplinary action involving the withholding of compensation or of any other remuneration above $2,500 is also reportable.

Internal Conclusions (Event Code 20)

FINRA Rule 4530(b) requires a firm to report to FINRA within 30 calendar days after the firm has concluded, or reasonably should have concluded, on its own that the firm or an associated person of the firm has violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization (SRO). This requirement is generally modeled after a requirement in the NYSE rule.

The new rule does not require firms to report every instance of noncompliant conduct. With respect to violative conduct by a firm, this provision requires the firm to report only conduct that has widespread or potential widespread impact to the firm, its customers or the markets, or conduct that arises from a material failure of the firm's systems, policies or practices involving numerous customers, multiple errors or significant dollar amounts. Regarding violative conduct by an associated person, the provision requires a firm to report only conduct that has widespread or potential widespread impact to the firm, its customers or the markets; conduct that has a significant monetary result on a firm(s), customer(s) or market(s); or multiple instances of any violative conduct.

For purposes of compliance with the "reasonably should have concluded" standard, FINRA will rely on a firm's good faith reasonable determination. If a reasonable person would have concluded that a violation occurred, then the matter is reportable; if a reasonable person would not have concluded that a violation occurred, then the matter is not reportable.

Additionally, a firm determines the person(s) within the firm responsible for reaching such conclusions, including the person's required level of seniority. However, stating that a violation was of a nature that did not merit consideration by a person of such seniority is not a defense to a failure to report such conduct. Further, it may be possible that a department within a firm reaches a conclusion of violation, but on review senior management reaches a different conclusion. Nothing in the rule prohibits a firm from relying on senior management's determination, provided such determination is reasonable as described above.

Moreover, the reporting obligation under FINRA Rule 4530 and the internal review processes set forth under other rules (*e.g.*, FINRA Rule 3130) are mutually exclusive. While internal review processes may inform a firm's determination that a specific violation occurred, they do not by themselves lead to the conclusion that the matter is reportable.

For example, FINRA would not view a discussion in an internal audit report regarding the need for enhanced controls in a particular area, standing alone, as determinative of a reportable violation. It should also be noted that an internal audit finding would serve only as one factor, among others, that a firm should consider in determining whether a reportable violation occurred.

Lastly, the new rule provides that certain disciplinary actions taken by a firm against an associated person must be reported under a separate provision (discussed below) rather than under the internal conclusion provision.

Obligation of Associated Persons

Under FINRA Rule 4530(c), associated persons continue to have an obligation to promptly report to their firms the existence of the events described above. The new rule clarifies that this obligation does not extend to internal conclusions and disciplinary actions taken by a firm against an associated person.

Exception for Information Disclosed on the Form U5

FINRA Rule 4530(e) provides, similar to the NASD rule, that firms and associated persons have a separate obligation to disclose required information on the Uniform Forms, as applicable, to make any other required filings and to respond to FINRA with respect to any customer complaint, examination or inquiry. Further, the new rule clarifies that the reporting obligations under the rule apply regardless of whether the information is reported or disclosed pursuant to any other rule or requirement.

However, the rule creates an exception for information disclosed on the Form U5. More specifically, a firm is not required to report an event otherwise required to be reported under the provisions discussed above if the firm discloses the event on the Form U5, consistent with the requirements of that form. This exception does not extend to the reporting of quarterly statistical and summary complaint information, which is addressed below.

Reporting an Event Under the Most Appropriate Provision

Firms have an obligation to report an event under the most appropriate provision of FINRA Rule 4530 and not to report the same event under more than one provision. The rule recognizes that related events may have to be reported under more than one provision, such as being named as a respondent in an SRO proceeding alleging violation of the SRO's rules and subsequently found to have violated those rules.

Quarterly Statistical and Summary Complaint Information

FINRA Rule 4530(d) retains the requirement of the NASD and NYSE rules that firms report quarterly statistical and summary written customer complaint information, with the following modification. If a firm *has engaged in securities activities* with a person (other than a broker or dealer), the firm is required to report *any written grievance* by such person involving the firm or an associated person. If a firm *has sought to engage in securities activities* with a person (other than a broker or dealer), the firm is only required to report *any securities-related written grievance* by such prospective customer involving the firm or an associated person or any written complaints alleging theft or misappropriation of funds or securities or forgery.

Obligation to Report Matters Relating to Former Associated Persons

Under the new rule, a firm is required to report a matter relating to a former associated person if it occurred while the person was associated with the firm.29 If a firm, however, becomes aware of a matter, but based on its records or information available through Web CRD® the firm cannot determine that the person was an associated person of the firm, the firm is not obligated to report it.

Filing Requirements

FINRA Rule 4530(f) keeps the requirement of the NASD rule that firms promptly file with FINRA copies of certain: (1) criminal complaints and plea agreements; (2) civil complaints; and (3) arbitration claims. FINRA Rule 4530

extends this filing requirement to any financial-related insurance civil complaint filed against the firm or any financial-related insurance arbitration claim against the firm. FINRA Rule 4530(g) retains the exception for any arbitration claim that is originally filed in the FINRA Dispute Resolution forum and for those documents that have already been requested by FINRA's Registration and Disclosure (RAD) staff, provided that the firm produces those requested documents to RAD staff within 30 days after receipt of such request. (NTM 11-06, Effective July 1, 2011).

Tracking and Classification

Rule 4530 was developed to assist firms track and properly report their customer complaints. The data is processed into two types of regulatory information that are:

- Quarterly customer complaint data;
- Reportable events.

Quarterly Customer Complaint/4530 Filing Requirements

Refer to FINRA Calendar for customer complaint filing dates.

Quarterly Customer Complaint Data

The quarterly customer complaint data should contain all written customer complaints received by the Firm or associated persons during the previous quarter. No report is required by the Firm if no customer complaints are received during such period.

FINRA Rule 4530 was developed to assist firms and CCOs track and properly report their customer complaints. The data is processed into two distinct types of regulatory sections called quarterly customer complaint data and (10) Specific disclosure event.

The quarterly customer complaint data should contain all written customer complaints received by the Firm or associated persons during the previous quarter. No report is required by the Firm if no customer complaints are received during such period.

It should be noted that complaints received via email fall under the category of "written customer complaints" and are fully subject to FINRA *Rule 4530.* Additionally, the Firm is required to document all verbal customer complaints received.

Regulatory Inquiries

In the event of a formal or informal inquiry made by any federal, state, self-regulatory organization (SRO) or other regulatory authority, the Designated Principals will be responsible for forwarding all calls or other requests to the Compliance Department or other appropriate department or responsible personnel for further review.

Inappropriate Activity

The CCO will notify the appropriate member of senior management at any time there is an indication that any associated person at the OSJ or branch office is involved in any activity that is not consistent with fair and equitable practices of trade. This includes, but is not limited to, any evidence of securities manipulation, fraud, inappropriate conduct, harassment, or any other activity that violates any federal, state, statutory, or regulatory law, rule, or regulation.

Internal Investigations

It is the responsibility of the CCO to promptly report any unusual or suspicious branch office activity to the appropriate department or executive management responsible for further review.

3.18 Quarterly Review and Update of Executive Representative Contact Information

Firms must appoint and certify to FINRA one executive representative to represent, vote, and act on behalf of the Firm in all affairs of FINRA. The executive representative must be a member of senior management and a registered principal of the firm. In addition, the executive representative is required to maintain an Internet electronic e-mail account for communication with FINRA and must update firm contact information.

Given the important role of the executive representative in representing, voting, and acting for the firm, as well as receiving communications from FINRA, FINRA believes that firms should review and update the executive representative designation and contact information periodically to monitor its accuracy. Accordingly, FINRA has amended its rules to require that each firm conduct a review and, if necessary, update its executive representative information on a quarterly basis, specifically within 17 business days after the end of each calendar quarter. Firms will be required to conduct the first quarterly review and update of the executive representative designation and contact information within 17 business days after June 30, 2004. (NTM 04-32; Effective May 14, 2004)

3.19 Business Continuity Planning and Emergency Contact Information

In accordance with FINRA Rule 4370 each FINRA firm must create and maintain a written business continuity plan identifying procedures relating to an emergency or significant business disruption. Such procedures must be reasonably designed to enable the firm to meet its existing obligations to customers. In addition, such procedures must address the firm's existing relationships with other broker-dealers and counter-parties. The business continuity plan must be made available promptly upon request to FINRA staff.

Each firm must update its plan in the event of any material change to the firm's operations, structure, business or location. Each firm must also conduct an annual review of its business continuity plan to determine whether any modifications are necessary in light of changes to the firm's operations, structure, business, or location.

The elements that comprise a business continuity plan are flexible and may be tailored to the size and needs of a firm. Each plan, however, must at a minimum, address:

- Data back-up and recovery (hard copy and electronic);
- All mission critical systems;
- Financial and operational assessments;
- Alternate communications between customers and the Firm;
- Alternate communications between the Firm and its employees;
- Alternate physical location of employees;
- Critical business constituent, bank, and counter-party impact;
- Regulatory reporting;
- Communications with regulators; and
- How the Firm will assure customers' prompt access to their funds and securities in the event that the firm determines that it is unable to continue its business.

If a firm relies on another entity for any one of the above-listed categories or any mission critical system, the firm's business continuity plan must address this relationship

Disclosure Requirement. Each firm must disclose to its customers how its business continuity plan addresses the possibility of a future significant business disruption and how the firm plans to respond to events of varying scope. At a minimum, such disclosure must be made in writing to customers at account opening, posted on the firm's Web site (if the firm maintains a Web site), and mailed to customers upon request.

Emergency Contact Information. Each firm shall report to FINRA, via such electronic or other means as FINRA may specify, prescribed emergency contact information for the firm. The emergency contact information for the firm includes designation of two associated persons as emergency contact persons. At least one emergency contact person shall be a member of senior management and a registered principal of the firm. If a firm designates a second emergency contact person who is not a registered principal, such person shall be a member of senior management who has knowledge of the firm's business operations. A firm with only one associated person shall designate as a second emergency contact person an individual, either registered with another firm or nonregistered, who has knowledge of the firm's business operations (e.g., the firm's attorney, accountant, or clearing firm contact).

Annual Review. Firms must designate a member of senior management to approve the plan and he or she shall be responsible for conducting the required annual review. The Firm of senior management must also be a registered principal. An annual review of its business continuity plan shall determine whether any modifications are necessary in light of changes to the firm's operations, structure, business and/or location.

Electronic Reporting Requirement. Each firm must promptly update its emergency contact information, via such electronic or other means as FINRA may specify, in the event of any material change. With respect to the designated emergency contact persons, each firm must identify, review, and, if necessary, update such designations in the manner prescribed by Rule 1160.

3.20 Securing Records and Information

Our internal security procedures include physical, electronic and procedural safeguards to protect nonpublic personal information. Considering the size and scope of the firm's activities, appropriate safeguards relating to administrative, technical, and physical safeguards are implemented. They are designed to insure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records, and protect against unauthorized access to or use of such records or information which could result in substantial harm or inconvenience to any customer. The firm will evaluate and adjust the program in light of changes in the firm's business arrangements or operations.

It is the Firm's responsibility and legal obligation to keep client information secure and confidential. Therefore, the Firm will also limit access to client information to employees who have a business reason for seeing it and impose disciplinary measures for any breaches.

Effective security management includes the implementation of effective preventative measure, prompt detection and resolution to various matters concerning security issues within the firm.

3.21 Annual Certification of Written Supervisory Processes

Designation of Chief Compliance Officer

Each Firm shall designate and specifically identify to FINRA on Schedule A of Form BD a principal to serve as CCO.

Annual Certification

Each Firm shall have its CEO (or equivalent officer) certify annually, as set forth in FINRA Rule 3130 , that the Firm has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules

and federal securities laws and regulations, and that the CEO has conducted one or more meetings with the CCO in the preceding 12 months to discuss such processes. (NTM 04-79; Effective December 1, 2004)

3.22 Outsourcing Activities to Third-Party Service Providers

Accountability and Supervisory Responsibility for Functions

In accordance with Rule 3110, firms are required to design a supervisory system and corresponding written supervisory procedures that are appropriately tailored to its business structure. If a firm, as part of its business structure, outsources covered activities, the firm's supervisory system and written supervisory procedures must include procedures regarding its outsourcing practices to monitor compliance with applicable securities laws and regulations and FINRA rules. The procedures should include, without limitation, a due diligence analysis of all of its current or prospective third-party service providers to determine whether they are capable of performing the outsourced activities.

Continuing Education and Training 4.0

Introduction

One of the main methods in maintaining the standards and proficiency of registered persons in the securities industry is the Securities Industry Continuing Education Program. Under rules and guidelines of the Continuing Education Requirements, there are two main elements of the program. The first element consists of the Regulatory Element, while the second consists of the Firm Element.

4.01 Regulatory Element

Upon initial qualification and registration in the securities industry, it is important that each registered person maintain their knowledge and proficiency in the securities industry. In order to continue to perform the assigned tasks and functions of a registered person, all such persons must meet the requirements of the Regulatory Element which consists of a computer based training program covering a wide variety of areas within the securities industry, to include industry rules and regulations, ethics, and sales practices.

Completion Requirements

Each registered person is required to complete the Regulatory Element initially within 120 days after the person's second registration anniversary date and, thereafter, within 120 days after every third registration anniversary date.

Incurring a significant disciplinary action will result in an immediate requirement to complete the Regulatory Element within 120 days of the effective date of the significant disciplinary action. The cycle for participation in the Regulatory Element will then be reset based on the effective date of the significant disciplinary action rather than on the initial securities registration date. Formerly, the Rule required registered persons to complete the Regulatory Element computer-based training on just three occasions, i.e., within 120 days of their second, fifth, and 10th anniversaries of initial registration (and also when they were the subject of significant disciplinary action), with graduation once persons were registered for more than 10 years.

CRD Notifications/Continuing Education Firm Queues

Broker-dealers must use CRD to obtain information about the Regulatory Element requirements of their registered persons. Specifically, firms must periodically review the continuing education information in their Firm Queues on CRD. The Firm Queues are listed in the Individual Processing column of the CRD Site Map, the first page after the log-in screen. CRD also makes available supplemental CE reports and e-mail notifications to assist firms in identifying and tracking their registered representatives for Regulatory Element purposes.

- Approaching CE Requirement- lists individuals with CE Windows starting within 28 days;
- Currently CE Required- lists all individuals currently in their 120-day CE Window;
- Recently CE Satisfied- lists individuals who have completed the Regulatory Element within a time period specified by the user;
- CE Inactive- lists approved individuals at the firm who are currently CE Inactive;
- Current Individual Deficiencies (CE Inactive)- lists new hires of the Firm who are CE Inactive and whose registrations are therefore not approved;
- Currently 2-Year CE Termed- lists all individuals who have had their registrations administratively terminated because they had been CE Inactive for two years. Supplemental CRD Reports

CRD will also provide firms with various reports to complement the Continuing Education Queues. Reports marked with an asterisk (*) may be imported into a spreadsheet or database where the user may then sort the data. To

request any of these reports, please send an e-mail request to crdreports@finra.org or call the Gateway Call Center at (301) 869-6699.

- Approaching CE Queue- allows a firm to download the list of individuals in the Firm's Approaching CE Requirement;
- Approaching CE Queue Report- provides a firm with a "printable" list of individuals in the Firm's Approaching CE Requirement;
- Current Inactive CE Individuals Within A Firm- lists all individuals currently employed with the requesting firm who have a status of CE Inactive at the time the report is requested;
- Previously Inactive CE Individuals Within A Firm- lists all individuals who were employed by the requesting firm and who had a status of CE Inactive during the timeframe specified;
- Approaching CE 2 Year Termed Report- lists individuals who will be administratively terminated within the next 10 days (if they remain CE Inactive) for failure to satisfy the Regulatory Element requirement. These individuals have had a status of CE Inactive for two years from their most recent requirement window end date;
- CE 2 Year Termed Report- lists individuals who were employed by the requesting firm and were administratively terminated during the timeframe specified. Individuals on this report will need to re-qualify for registration by a qualification examination and must submit an Initial Form U-4 to re-activate their registrations.

E-Mail Notifications

There are two types of e-mail notifications that the Firm can request from CRD. The first is an e-mail sent to the Firm whenever a registered person has not satisfied his or her Regulatory Element requirement within the first 30 days of his/her 120- day requirement window. The second is an e-mail sent to the Firm whenever a registered person at the Firm becomes inactive for failing to satisfy the Regulatory Element requirement.

Failure to Meet the Requirements

A registered person who becomes inactive for failing to complete the required Regulatory Element program (CE inactive) is prohibited from performing, or being compensated for, any activities requiring registration, including supervision. Firms are required under FINRA Rule 1250 to restrict CE inactive persons from performing the prohibited activities. Any registration considered inactive for more than two years will be administratively terminated, therefore requiring a reactivation of registration under the rules and guidelines of *Rule 1020* Registration of Principals, and *Rule 1030* Registration of Representatives.

CRD Regulatory Element Contact Person

To monitor that firms are positioned to prevent any registered persons from becoming inactive or from conducting business if they become CE inactive, FINRA Rule 1250 requires each firm to designate a contact person or persons to receive the CRD Regulatory Element e-mail notifications. The amendments require the firm to provide to FINRA the name and e-mail address of the designated contact person(s) and to promptly notify FINRA of any changes to the information. FINRA will collect the contact information through the FINRA Contact System on FINRA's Web Site. To monitor the accuracy of the CE contact information, the amendments require that each firm review and, if necessary, update its CE contact person information within 17 business days after the end of each calendar quarter. Firms will be required to conduct the first quarterly review and update of the contact person information within 17 business days after June 30, 2004. (NTM 04-22; Effective April 16, 2004)

Exemptions to the Regulatory Element

Effective, September 27, 2004 the SEC repealed the Regulatory Element exemption to a qualified registered person and now require all registered persons to participate in the Regulatory Element. (NTM 04-78; effective September 27, 2004).

4.02 Firm Element

The Firm Element requirements shall apply to any registered person, to include their immediate supervisors, who has direct contact with customers in the process of a securities, trading, or investment transaction. Those registered persons who have direct contact with the public are also commonly referred to as "covered" persons.

The Firm will conduct a training needs analysis to determine areas of improvement, develop a written training plan to address those needs, implement training in accordance with the written training plan, document all training and progress, evaluate results, and focus on areas of improvement. The following is a list of those steps as they apply to the Firm Element:

- The Firm will create a *needs analysis* to determine areas of focus and improvement;
- The Firm will develop a written *training plan* to address its current and future CE needs;
- The Firm will properly *implement* training methods in accordance with written training plan;
- The Firm will properly *document* all training/implementation methods and record all results;
- The Firm will properly *evaluate* results and track progress of training methods;
- The Firm will properly *focus* on continuing areas of improvement future enhancements.

The Minimum Standards of Firm Element

Within the set standards of the Firm Element, the Firm will annually assess its individual training needs and develop a written training plan that best meets those needs. The training plan will include the size type, and product mix of the Firm, as well as any/all regulatory developments. Additionally, the written training plan will include an evaluation of each covered person's performance in the Regulatory Element to determine whether any supplemental training is necessary.

The following is a list of some of the minimum standards the Firm must maintain when establishing a training plan in accordance with the Firm Element:

- Review of general investment features and associated risk factors;
- All suitability and sales practice considerations based on product mix; and
- Any/all applicable regulatory requirements.
- Because the Firm's procedures do not require review of all institutional communications prior to first use or distribution, the Firm's Firm Element training shall provide for education and training of associated persons as to the firm's procedures governing institutional communications, documentation of such education and training, and surveillance and follow-up to monitor that such procedures are implemented and adhered to.

Needs Analysis

At a minimum, the Needs Analysis should contain some of the following information in accordance with *FINRA Rule 1250*:

- Description of the Firm to include size, scope, and function of business activities and investment products and services;
- Review of current economic and market conditions which could impact the products and services offered by the Firm;
- Review of recent legal/regulatory developments in the industry;

- Review of any disciplinary trends involving the Firm's employees;
- The use of performance evaluations or other methods for identifying the development needs of the Firm and employees; and
- The use of feedback from the Regulatory Element.

Training Plan

At a minimum, the Needs Analysis should contain some of the following information in accordance with *FINRA Rule 1250*:

- Review of the Firm's needs analysis and areas of focus;
- Description of overall training program and objectives;
- Methods, resources, and frequency for conducting training;
- List and classification of all employees to receive training;
- Description and methods for documentation of training; and
- Evaluation of feedback for proper assessment of program.

Methods of Training Delivery

Another important factor in the Firm Element is the method for delivering training. The following is a list of some of the most frequently used methods for delivering training for the Firm Element:

- Computer based training;
- The use of audio/video tapes or other internal communications;
- Seminars and/or lectures;
- Meetings, telephone calls, or video conferencing;
- Mentor relationships; and
- Outsourced training programs.

Maintenance/Evaluation of the Firm Element

In order to properly maintain and evaluate a training plan in accordance with the Firm Element, the Firm will maintain all applicable records at its primary place of business for reference and research purposes. The Firm will have a copy of the needs analysis and written training plan at its main office. In accordance with the written training plan, the implementation of a training program includes the methods and frequency of training, copies of all training dates, times, attendees (to include signatures of attendance), and the documentation of some form of evaluation to track performance and results.

4.03 Annual Firm Element Advisory

In addition to conducting general continuing education training, the Firm may require covered persons to complete additional training based on the most recent Firm Element Advisory. In the second quarter of every year, the Securities Industry/Regulatory Council on Continuing Education (Council) publishes the annual Firm Element Advisory (FEA) (Ref. NTM 07-26). The most recent Firm Element Advisory is FINRA Regulatory Notice 10-20 (Industry/Regulatory Council on Continuing Education Issues Firm Element Advisory) available at www.cecouncil.com/publications/council_publications/FEA_Semi_Annual_Update.pdf

The Firm Element Advisory lists topics that the Council considers to be particularly relevant to the industry at this time. The list is based on a review of recent regulatory events, as well as advisories issued by self- regulatory organizations (SROs) since the last Firm Element Advisory. Firms should review the training topics listed in the

Firm Element Advisory in conjunction with their annual Firm Element Needs Analysis in which firms identify training issues to be addressed by their written Firm Element training plan(s).

4.04 Annual Compliance Meeting

It is the responsibility of all registered persons to attend an annual compliance meeting, either in person or by other acceptable means, as designated by the Firm. It is the Firm's responsibility to document the attendance of all registered personnel, the date of the meeting, and any topical areas of discussion that were covered during the meeting.

4.05 Relief from CE Requirements for Military Active Duty Personnel

IM-1000-2 addresses the registration status of sole proprietors and registered representatives serving in the armed forces. The Interpretive Memo states that securities industry professionals who volunteer or are called into active military duty (Active Duty Professionals) will be placed in a specially designated "inactive" status once FINRA is notified of their military service, but will remain registered for FINRA purposes. While IM-1000-2 previously did not address continuing education obligations with respect to Active Duty Professionals, FINRA Regulation staff has interpreted FINRA Rule 1250 to relieve Active Duty Professionals from continuing education obligations for the period of time that they are on active duty. FINRA Regulation has amended IM-1000-2 as follows:

Regulatory Element Relief

A recent amendment to *FINRA Rule 1250(a)(2)* shall relieve Active Duty Professionals from continuing education requirements. *FINRA Rule 1250(a)(2)* provides that "Unless otherwise determined by the Association, any registered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as the requirements of the program have been satisfied." A registered person may satisfy his or her Regulatory Element requirement at a Prometric Center in the United States and Canada, or at a VUE Center in Europe and the Pacific Rim. Because it is generally not practical for Active Duty Professionals to be at a facility that delivers the Regulatory Element, Active Duty Professionals should be relieved from fulfilling the Regulatory Element requirements that arise during the period of time that they are on active duty.

Firm Element Relief

With respect to the Firm Element requirements of continuing education, *FINRA Rule 1250(b)(1)* currently provides that only persons who have "direct contact with customers" in the conduct of securities activities are subject to the Firm Element requirements. Active Duty Professionals are excluded from the Firm Element requirements because they do not have contact with customers. Accordingly, the amendment to IM-1000-2 expressly states that Active Duty Professionals are not required to complete either of the Regulatory or Firm Elements of the continuing education requirements set forth in FINRA Rule 1250 during the pending inactive status.