*** DRAFT - NOT YET FILED ***

1301:6-3-14.2 **Dealers not required under federal law or the law of this state to be registered as a broker or dealer with the securities and exchange commission.**

(A) Pursuant to division (C) of section 1707.142 of the Revised Code, a dealer that is not required under federal law or the law of this state to register as a broker or dealer with the securities and exchange commission may elect to comply with paragraphs (B) to (M) of this rule in lieu of requirement contained in section 15 of the Securities and Exchange Act of 1934, 48 Stat. 881, 15 U.S.C. 78o, as amended, section 17 of the Securities and Exchange Act of 1934, 48 State 881, 15 U.S.C. 78q, as amended, and rules of the securities and exchange commission promulgated under those sections.

(B) As used in this rule:

"Dealer" shall mean a dealer licensed by the division that is not required under federal law or the law of this state to be registered as a broker or dealer with the securities and exchange commission.

(C) Records of dealer

(1) Every dealer licensed in this state shall promptly furnish to the division, upon request by the division, legible, true and complete copies of the records required to be preserved and retained pursuant to this rule. The division, in its discretion, may examine the books and records of any licensed dealer or any applicant for a dealer's license.

(2) Every licensed dealer shall preserve and retain for a period of not less than three years, the first two years in an accessible place:

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

(b) All bills receivable or payable, or copies thereof, paid or unpaid, relating to the business of the dealer;

(c) Originals of all communications received and copies of all communications sent by the dealer, including interoffice memoranda and communications, relating to the dealer's business and all communications which are subject to rules of a self regulatory organization of which the dealer is a member regarding

communications with the public. As used in this paragraph, the term "communications" includes sales scripts;

(d) All trial balances, computations of aggregate indebtedness and net capital and working papers in connection therewith, financial statements, branch office reconciliations, and internal audit working papers, relating to the business of the dealer;

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

(f) All written agreements or copies thereof entered into by the dealer relating to its business, including agreements with respect to any account;

(g) For those dealers affiliated with a self-regulatory organization, records that contain the following information in support of amounts included in the form X-17A-5, "Financial and Operational Combined Uniform Single Report," part II, part IIA, part IIB, part III and applicable schedules filed by dealers subject to any minimum net capital requirement set forth in 17 C.F.R. 240.15c3-1, as amended;

(i) Money balance and security position, long or short, including description, quantity, price and valuation of each security including contractual commitments in customers' accounts, in cash and fully secured accounts, partly secured accounts, unsecured accounts, and in securities accounts payable to customers;

(ii) Money balance and security position, long or short, including description, quantity, price and valuation of each security including contractual commitments in non-customers' accounts, in cash and fully secured accounts, partly secured and unsecured accounts, and in securities accounts payable to non-customers;

(iii) Position, long or short, including description, quantity, price and valuation of each security including contractual commitments included in the computation of net capital as commitments, securities owned, securities owned not readily marketable, and other investments owned not readily marketable;

(iv) Amount of secured demand note, description of collateral securing the demand note including quantity, price and valuation of each security and cash balance securing the demand note;

(v) Description of futures commodity contracts, contract value on trade date, market value, gain or loss, and liquidating equity or deficit in customers' and non-customers' accounts;

(vi) Description of futures commodity contracts, contract value on trade date, market value, gain or loss and liquidating equity or deficit in trading and investment accounts;

(vii) Description, money balance, quantity, price and valuation of each spot commodity position or commitments in customers' and non-customers' accounts;

(viii) Description, money balance, quantity, price and valuation of each spot commodity position or commitments in trading and investment accounts;

(ix) Number of shares, description of security, exercise price, cost and market value of put and call options including short out of the money options having no market or exercise value, showing listed and unlisted put and call options separately;

(x) Quantity, price, and valuation of each security underlying the haircut for undue concentration made in the computation for net capital;

(xi) Description, quantity, price and valuation of each security and commodity position or contractual commitment, long or short, in each joint account in which the dealer has an interest, including each participant's interest and margin deposit;

(xii) Description, settlement date, contract amount, quantity, market price, and valuation for each aged failed to deliver requiring a charge in the computation of net capital;

(xiii) Detail relating to information for possession or control requirements under 17 C.F.R. 240.15c3-3, as amended, and reported on the schedule in part II or part IIA of form X-17A-5;

(xiv) Detail of all items, not otherwise substantiated, which are charged or credited in the computation of net capital including cash margin deficiencies, deductions related to securities values and undue concentration, aged securities differences and insurance claims receivable; and

(xv) Other information or records specifically prescribed by the division.

(h) Dealers having physical possession or control of fully paid and excess margin securities shall prepare and maintain a current and detailed description of the procedures used to comply with the possession or control requirements set forth in this rule.

(i) Internal risk management control systems for OTC derivatives dealers.

(i) An OTC derivatives dealer shall establish, document, and maintain a system of internal risk management controls to assist it in managing the risks associated with its business activities, including market, credit, leverage, liquidity, legal, and operational risks.

(ii) An OTC derivatives dealer shall consider the following when adopting its internal control system guidelines, policies, and procedures:

(a) The ownership and governance structure of the OTC derivatives dealer;

(b) The composition of the governing body of the OTC derivatives dealer;

(c) The management philosophy of the OTC derivatives dealer;

(d) The scope and nature of established risk management guidelines;

(e) The scope and nature of the permissible OTC derivatives activities;

(f) The sophistication and experience of relevant trading, risk management, and internal audit personnel;

(g) The sophistication and functionality of information and reporting systems; and

(h) The scope and frequency of monitoring, reporting, and auditing activities.

(iii) An OTC derivatives dealer's internal risk management control system shall include the following elements:

(a) A risk control unit that reports directly to senior management and is independent from business trading units;

(b) Separation of duties between personnel responsible for entering into a transaction and those responsible for recording the transaction in the books and records of the OTC derivatives dealer;

(c) Periodic reviews that may be performed by internal audit staff and annual reviews that must be conducted by independent certified public accountants of the OTC derivatives dealer's risk management systems;

(d) Definitions of risk, risk monitoring, and risk management; and

(e) Written guidelines, approved by the OTC derivatives dealer's governing body, that include and discuss the following:

(i) The OTC derivatives dealer's consideration of the elements in paragraph (C)(2)(i)(ii) of this rule;

(ii) The scope, and the procedures for determining the scope, of authorized activities or any non-quantitative limitation on the scope of authorized activities;

(iii) Quantitative guidelines for managing the OTC derivatives dealer's overall risk exposure;

(iv) The type, scope, and frequency of reporting by management on risk exposures;

(v) The procedures for and the timing of the governing body's periodic review of the risk monitoring and risk management written guidelines, systems, and processes;

(vi) The process for monitoring risk independent of the business or trading units whose activities create the risks being monitored;

(vii) The performance of the risk management function by persons independent from or senior to the business or trading units whose activities create the risks;

(viii) The authority and resources of the groups or persons performing the risk monitoring and risk management functions;

(ix) The appropriate response by management when internal risk management guidelines have been exceeded;

(x) The procedures to monitor and address the risk that an OTC derivatives transaction contract will be unenforceable;

(xi) The procedures requiring the documentation of the principal terms of OTC derivatives transactions and other relevant information regarding such transactions;

(xii) The procedures authorizing specified employees to commit the OTC derivatives dealer to particular types of transactions;

(xiii) Any other procedures or steps taken to prevent the OTC derivatives dealer from engaging in any securities transaction that would cause it to violate laws to which it is subject; and

(xiv) The procedures to prevent the OTC derivatives dealer from improperly determining whether a counterparty is acting in the capacity of principal or agent.

(iv) Management must periodically review, in accordance with written procedures, the OTC derivatives dealer's business activities for consistency with risk management guidelines including that:

(a) Risks arising from the OTC derivatives dealer's OTC derivatives activities are consistent with prescribed guidelines;

(b) Risk exposure guidelines for each business unit are appropriate for the business unit;

(c) The data necessary to conduct the risk monitoring and risk management function as well as the valuation process over the OTC derivatives dealer's portfolio of products is accessible on a timely basis and information systems are available to capture, monitor, analyze, and report relevant data;

(d) Procedures are in place to enable management to take action when internal risk management guidelines have been exceeded;

(e) Procedures are in place to monitor and address the risk that an OTC derivatives transaction contract will be unenforceable;

(f) Procedures are in place to identify and address any deficiencies in the operating systems and to contain the extent of losses arising from unidentified deficiencies;

(g) Procedures are in place to authorize specified employees to commit the OTC derivatives dealer to particular types of transactions, to specify any quantitative limits on such authority, and to provide for the oversight of their exercise of such authority;

(h) Procedures are in place to prevent the OTC derivatives dealer from engaging in any securities transaction that is not

permitted under the laws to which the OTC derivatives dealer is subject;

(i) Procedures are in place to prevent the OTC derivatives dealer from improperly determining whether a counterparty is acting in the capacity of principal or agent;

(j) Procedures are in place to provide for adequate documentation of the principal terms of OTC derivatives transactions and other relevant information regarding such transactions;

(k) Personnel resources with appropriate expertise are committed to implementing the risk monitoring and risk management systems and processes; and

(l) Procedures are in place for the periodic internal and external review of the risk monitoring and risk management functions.

(j) All notices relating to an internal dealer system provided to the customers of the dealer that sponsors the internal dealer system. Notices, whether written or communicated through the internal dealer trading system or other automated means, shall be preserved under this rule if they are provided to all customers with access to an internal dealer system, or to one or more classes of classes of customers.

(3) Every dealer subject to this rule shall preserve and retain for a period of not less than six years after closing any customer's account any account cards or records which relate the terms and conditions with respect to the opening and maintenance of the account.

(4) Every dealer subject to this rule shall preserve and retain during the life of the enterprise and of any successor enterprise, all organizational documents of the enterprise including partnership agreements, articles of incorporation or charters, articles of organization, minute books and stock certificate books, all forms BDW, all amendments to the foregoing forms, and all documentation showing the licensure of the dealer with any regulatory authority.

(5) Each report that any securities regulator has requested or required the dealer to make and furnish to the securities regulator pursuant to an order or settlement, and each securities regulatory examination report shall be retained by the dealer until three years after the date of the report.

(6) Each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the dealer with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person employed by or associated with the dealer shall be retained by the dealer until three years after the termination of the use of the manual.

(7) All reports produced to review for unusual activity in customer accounts shall be retained by the dealer until eighteen months after the date the report was generated. In lieu of maintaining the reports, a dealer may produce promptly the reports upon request by the division. If a report was generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced using historical data in the same format as it was originally generated, the report may be produced by using the historical data in the current system, but must be accompanied by a record explaining each system change that affected the reports. If a report is generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced in any format using historical data, the dealer shall promptly produce upon a request a record of the parameters that were used to generate the report at the time specified by the division, including a record of the frequency with which the report or reports were generated.

(8) The records required to be maintained and preserved pursuant to this rule may be immediately produced or reproduced on microfilm, microfiche or any similar medium, or by means of any digital storage medium or system that meet the conditions set forth in this rule and be maintained and preserved for the required time in that form.

(a) If a digital storage medium or system is used by a dealer, the dealer shall comply with the following requirements:

(i) Upon request by the division, the dealer must be able to provide its own representation or one from the storage medium vendor or other third party with appropriate expertise that the selected storage media meets these conditions. The electronic storage media must:

(a) Preserve the records exclusively in a non-rewriteable, non-erasable format;

(b) Verify automatically the quality and accuracy of the storage

media recording process;

(c) Serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention, the information placed on such electronic storage media; and

(d) Have the capacity to readily download indices and records preserved on the electronic storage media to any medium acceptable to the division.

(ii) Verify automatically the quality and accuracy of the storage media recording process;

(iii) Serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention, the information placed on such electronic storage media; and

(iv) Have the capacity to readily download indices and records preserved on the electronic storage media to any medium acceptable to the division.

(b) If digital storage medium or system or microfilm, microfiche or similar medium is used by a dealer, the dealer shall:

(i) At all times have available, for examination by the division, facilities for immediate, easily readable projection or production of microfilm, microfiche or similar medium or digital storage medium images and for producing easily readable images;

(ii) Be ready at all times to provide, and immediately provide, any facsimile enlargement which the division may request;

(iii) Store separately from the original, a duplicate copy of the record stored on any medium for the time required;

(iv) Organize and index accurately all information maintained on both original and any duplicate storage media. At all times, a dealer must be able to have indices available for examination by the division. Each index must be duplicated and the duplicate copies must be stored separately from the original copy of each index. Original and duplicate indices must be preserved for the time

required for the indexed records;

(v) The dealer must have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved pursuant to this rule to digital storage media and inputting any changes made to every original and duplicate record maintained and preserved. At all times, a dealer must be able to have the results of the audit system available for examination by the division. The audit results must be preserved for the time required for the audited records;

(vi) The dealer must maintain, keep current, and provide promptly upon request by the division all information necessary to access records and indices stored on the electronic storage media; or place in escrow and keep current a copy of the physical and logical file format of the electronic storage media, the field format of all different information types written on the electronic storage media and the source code, together with the appropriate documentation and information necessary to access records and indices; and

(vii) For every dealer exclusively using electronic storage media for some or all of the dealer's record preservation under this rule, at least one third party who has access to and the ability to download information from the dealer's electronic storage media to any acceptable medium under this rule, shall file with the division an undertaking to promptly furnish to the division, upon reasonable request, information as is deemed necessary by the division to download information kept on the dealer's electronic storage media to any medium acceptable to the division, and to take reasonable steps to provide access to information contained on the dealer's electronic storage media, including arrangements for the downloading of any record required to be maintained and preserved by the dealer by this rule. Such arrangements will provide specifically that in the event of a failure on the part of a dealer to download the record into a readable format and after reasonable notice to the dealer, upon being provided with the appropriate electronic storage medium, the undersigned will undertake to do so, as the division may request.

(9) If a person who has been subject to this rule ceases to transact a business in securities directly with others than members of a national securities exchange or ceases to transact a business in securities through the medium of a member of a national securities exchange, the person shall, for the remainder of the

periods of time specified in this section, continue to preserve the records which he theretofore preserved pursuant to this rule.

(10) For purposes of transactions in municipal securities by municipal securities dealers, compliance with rule G-9 of the "Municipal Securities Rulemaking Board" as amended, will be deemed to be compliance with this rule.

(11) If the records required to be maintained and preserved pursuant to this rule are prepared or maintained by an outside service bureau, depository, bank which does not operate pursuant to paragraph (C)(13)(y) of this rule, or other recordkeeping service on behalf of the dealer required to maintain and preserve the records, the outside entity shall, upon request by the division, be able to file with the division a written undertaking in a form acceptable to the division, signed by a duly authorized person, to the effect that the records are the property of the dealer required to maintain and preserve the records and will be surrendered promptly on request of the dealer and including the following provision:

With respect to any books and records maintained or preserved on behalf of [name of dealer], the undersigned hereby undertakes to permit examination of the books and records at any time or from time to time during business hours by representatives of the division, and to promptly furnish to the division true, correct, complete and current hard copy of any or all or any part of the books and records.

Agreement with an outside entity shall not relieve the dealer from the responsibility to prepare and maintain records as specified in this rule.

(12) Every dealer subject to this rule shall furnish promptly to the division legible, true, complete and current copies of those records of the dealer, that are required to be preserved under this rule, or any other records of the dealer subject to examination by the division, that are requested by the division.

(13) All dealers shall make and keep current the following books and records relating to its business:

(a) As to each "office" which, for purposes of paragraph (C)(13) of this rule is defined as any location where one or more associated persons regularly conduct the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, and for a period of not less than six years, the first two years in an easily accessible place, blotters or other records of original entry containing an itemized daily record of all purchases, sales, receipts and deliveries of securities, including certificate numbers, all

receipts and disbursements of cash, and all other debits and credits. The records shall show the account for which each transaction was effected, the name of the security, the amount of securities, the unit and aggregate purchase or sale price, if any, the trade or transaction date, and the name or other designation and capacity of the person from whom the security was purchased or received or to whom it was sold or delivered. For purposes of this rule, "associated person" is defined as a partner, officer, director, salesperson, trader, manager, or any employee handling funds or securities or soliciting transactions or accounts for the dealer.

(b) For a period of not less than six years, the first two years in an easily accessible place, ledgers and other records reflecting all assets and liabilities, income and expense and capital accounts.

(c) For a period of not less than six years, the first two years in an easily accessible place, ledger accounts or other records itemizing, separately as to each cash and margin account of every customer and of the member, broker or dealer and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for each account, and all other debits and credits to each account.

(d) For a period of not less than three years, the first two years in an easily accessible place, ledgers or other records reflecting:

(i) All securities in transfer;

(ii) Dividends and interest received;

(iii) Securities borrowed and securities loaned;

(iv) Monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in collateral);

(v) Securities failed to receive and failed to deliver;

(vi) All long and all short stock record differences arising from the examination, count, verification and comparison, by date of examination, count, verification and comparison showing for each security the number of shares of long or short count differences; and

(vii) Repurchase and reverse repurchase agreements.

(e) For a period of not less than six years, the first two years in an easily accessible place, a securities ledger or other record reflecting, separately for each security as of the clearance dates, all long or short positions, including securities in safekeeping and securities that are the subjects of repurchase or reverse repurchase agreements, carried by the dealer for his account or for the account of its customers or partners or others and, showing the location of all securities long and the offsetting position to all securities short, including long security count differences and short security count differences classified by the date of the physical count and verification in which they were discovered, and in all cases the name or designation of the account in which each position is carried.

(f) As to each office and for a period of not less than three years, the first two years in an easily accessible place, a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof, the account for which entered, the time the order was received, the time of entry, the price at which executed, the identity of each associated person, if any, responsible for the account, the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry, and, to the extent feasible, the time of execution or cancellation. The memorandum need not show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person. In that circumstance, the dealer shall produce upon request by the division a separate record which identifies each other person. Orders entered pursuant to the exercise of discretionary authority by the dealer or any associated person thereof shall be so designated. This memorandum need not be made as to a purchase, sale or redemption of a security on a subscription way basis directly from or to the issuer, if the dealer maintains a copy of the customer's subscription agreement regarding a purchase, or a copy of any other document required by the issuer regarding a sale or redemption. The term "instruction" shall include instructions between partners and employees of the dealer. The term "time of entry" shall mean the time when the dealer transmitted the order or instruction for execution.

(g) As to each office and for a period of not less than three years, the first two years in an easily accessible place, a memorandum of each purchase and sale for the account of the dealer showing the price and, to the extent feasible, the time of execution; and, in addition, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt, the terms and conditions of the order, the account in which it was entered, the identity of each associated person, if any, responsible for the account, the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need not show the identity of any person other than the associated person responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person. In that circumstance, the dealer shall produce upon request by the division a separate record which identifies each other person. An order with a customer other than a dealer entered pursuant to the exercise of discretionary authority by the dealer or associated person thereof, shall be so designated.

(h) For a period of not less than three years, the first two years in an easily accessible place, copies of confirmations of every purchase or sale of securities, including all repurchase and reverse repurchase agreements, and copies of notices of any other debit or credit for securities, cash and other items for the account of customers and partners of the dealer.

(i) For a period of not less than three years, the first two years in an easily accessible place, a record of each cash and margin account showing:

(i) The name and address of the beneficial owner of each account;

(ii) Except with respect to exempt employee benefit plan securities, but only to the extent the securities are held by employee benefit plans established by the issuer of the securities, whether or not the beneficial owner of securities registered in the name of the dealer, or a registered clearing agency or its nominee objects to disclosure of his or her identity, address and securities positions to issuers; and

(iii) In the case of a margin account, the signature of the owner; provided that, in the case of a joint account or an account of a

corporation, the records are required only in respect of the person or persons authorized to transact business for the account.

(j) For a period of not less than three years, the first two years in an easily accessible place, a record of all puts, calls, spreads, straddles and other options for which the dealer has any direct or indirect interest or which the dealer has granted or guaranteed, containing, at least, an identification of the security and the number of units involved. An OTC derivatives dealer shall also keep a record of all eligible OTC derivative instruments in which the OTC derivatives dealer has any direct or indirect interest or which it has written or guaranteed, containing, at a minimum, an identification of the security or other instrument, the number of units involved, and the identity of the counterparty.

(k) A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, provided;

(l) For a period until at least three years after the associated person's employment and any other connection with the dealer has terminated, every dealer shall maintain for each office and with regard to each associated person:

(i) A record listing every associated person of the dealer;

(ii) A record listing every office of the dealer where the associated person regularly conducts the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security for the dealer;

(iii) A record listing the central registration depository number, if any, and every internal identification number or code assigned to that person by the dealer;

(iv) A questionnaire or application for employment executed by each associated person of the dealer, which questionnaire or application shall be approved in writing by an authorized representative of the dealer and shall contain at least the following information with respect to the person:

(a) The associated person's name, address, social security number,

and the starting date of the associated person's employment or other association with the dealer;

(b) The associated person's date of birth;

(c) A complete, consecutive statement of all the associated person's business connections for at least the preceding ten years, including whether the employment was part-time or full-time;

(d) A record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the associated person by any federal or state agency, or by any national securities exchange or national securities association, including any finding that the associated person was a cause of any disciplinary action or had violated any law;

(e) A record of any denial, suspension, expulsion or revocation of membership or registration of any dealer with which the associated person was associated in any capacity when such action was taken;

(f) A record of any permanent or temporary injunction entered against the associated person or dealer with which the associated person was associated in any capacity at the time the injunction was entered;

(g) A record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate, including, but not limited to, acting or being associated with a broker, a dealer, investment company, investment adviser, futures sponsor, bank, fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing; and

(h) A record of any other name or names by which the associated person has been known or which he has used;

Notwithstanding paragraph (C)(13)(l) of this rule, if the associated person has been registered as a salesperson of the dealer with, or his employment has been approved by, the

"Financial Industry Regulatory Agency," or the American stock exchange, llc, the Boston stock exchange, inc., the Chicago stock exchange, inc., the Pacific exchange, inc., the Philadelphia stock exchange, inc., the Chicago board options exchange, inc., the Cincinnati stock exchange, inc., or the international securities exchange, then retention of a full, correct, and complete copy of any and all applications for the registration or approval shall be deemed to satisfy the requirements of paragraph (C)(13)(l) of this rule.

(m) For a period until at least three years after the associated person's employment and any other connection with the dealer has terminated, every dealer shall maintain for each office and with regard to each associated person records required to be maintained pursuant to 17 C.F.R. 240.17f-2(d), as amended.

(n) For a period of at least three years, every dealer shall maintain copies of all forms X-17F-1A "Report of Missing, Lost, Stolen, or Counterfeit Securities", filed pursuant to 17 C.F.R. 240.17f-1, as amended, all agreements between any national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, government securities broker, government securities dealer, registered transfer agent, registered clearing agency, participant therein, member of the "Federal Reserve System" and bank whose deposits are insured by the "Federal Deposit Insurance Corporation", regarding registration or other aspects of 17 C.F.R. 240.17f-1, as amended, and all confirmations or other information received from the "United States Securities and Exchange Commission" or its designee as a result of inquiry.

(o) Every dealer subject to this rule shall preserve and retain during the life of the enterprise and of any successor enterprise, records required to be maintained pursuant to 17 C.F.R. 240.17f-2(e), as amended.

(p) Records required to be made pursuant to 17 C.F.R. 240.15c3-3(o) as amended.

(q) For a period of not less than three years, the first two years in an easily accessible place, the following records regarding any internal dealer system of which a dealer is the sponsor:

(i) A record of the dealer's customers that have access to an internal dealer system sponsored by the dealer identifying any affiliations

between the customers and the dealer;

(ii) Daily summaries of trading in the internal dealer system including:

(a) Securities for which transactions have been executed through use of the system; and

(b) Transaction volume, separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation:

(i) With respect to equity securities, stated in number of trades, number of shares, and total United States dollar value;

(ii) With respect to debt securities, stated in total settlement value in United States dollars; and

(iii) With respect to other securities, stated in number of trades, number of units of securities, and in dollar value, or other appropriate commonly used measure of value of the securities;

(iii) Time-sequenced records of each transaction effected through the internal dealer system, including date and time executed, price, size, security traded, counterparty identification information, and method of execution if internal dealer system allows alternative means or locations for execution, such as routing to another market, matching with limit orders, or executing against the quotations of the dealer sponsoring the system.

(iv) For purposes of paragraph (C)(13)(q) of this rule, "internal dealer system" shall mean any facility, other than a national securities exchange, an exchange exempt from registration based on limited volume, or an alternative trading system that provides a mechanism, automated in full or in part, for collecting, receiving, disseminating, or displaying system orders and facilitating agreement to the basic terms of a purchase or sale of a security between a customer and the sponsor, or between two customers of the sponsor, through use of the internal dealer system or through the dealer sponsor of the system.

(v) For purposes of paragraph (C)(13)(q) of this rule "sponsor" shall mean any dealer that organizes, operates, administers, or otherwise directly controls an internal dealer trading system or, if the operator of the internal dealer system is not a registered dealer, any dealer that, pursuant to contract, affiliation, or other agreement with the system operator, is involved on a regular basis with executing transactions in connection with use of the internal dealer system, other than solely for its own account or as a customer with access to the internal dealer system.

(vi) For purposes of paragraph (C)(13)(q) of this rule, "system order" means any order or other communication or indication submitted by any customer with access to the internal dealer system for entry into a trading system announcing an interest in purchasing or selling a security. "System order" does not include inquiries or indications of interest that are not entered into the internal dealer system.

(r) In an easily accessible place, for a period until at least six years after the earlier of the date an account is closed or the date on which the information is replaced or updated and for each office and for each account with a natural person as a customer or owner:

(i) For purposes of this rule:

(a) An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status, including occupation and whether the customer is an associated person of a dealer, annual income, net worth excluding value of primary residence, and the account's investment objectives. In the case of a joint account, the account record must include personal information for each joint owner who is a natural person, however, financial information for the individual joint owners may be combined. The account record shall indicate whether it has been signed by the associated person responsible for the account, if any, and approved or accepted by a "principal" which for purposes of paragraph (C)(13) of this rule is defined as any individual registered with a registered national securities association as a principal or branch manager of a dealer or any other person who has been delegated supervisory responsibility over associated persons, of the dealer.

(b) A record indicating that:

(i) The dealer has furnished to each customer or owner within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by paragraph (C)(13)(r) of this rule. The dealer may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The dealer may choose to exclude any tax identification number and date of birth from the account record or alternative document furnished to the customer or owner. The dealer shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the dealer, and that the customer or owner should notify the dealer of any future changes to information contained in the account record.

(ii) For each account record updated to reflect a change in the name or address of the customer or owner, the dealer furnished a notification of that change to the customer's old address, or to each joint owner, and the associated person, if any, responsible for that account, on or before the thirtieth day after the date the dealer received notice of the change.

(iii) For each change in the account's investment objectives the dealer has furnished to each customer or owner, and the associated person, if any, responsible for that account a copy of the updated customer account record or alternative document with all information required to be furnished by paragraph (C)(13)(r)(i)(b)(i) of this rule, on or before the thirtieth day after the date the dealer received notice of any change, or, if the account was updated for

some reason other than the firm receiving notice of a change, after the date the account record was updated. The dealer may elect to send this notification with the next statement scheduled to be mailed to the customer or owner.

(c) For purposes of paragraph (C)(13)(r) of this rule, the neglect, refusal, or inability of a customer or owner to provide or update any account record information required under paragraph (C)(13)(r)(i)(a) of this rule shall excuse the dealer from obtaining that required information.

(d) The account record requirements in paragraph (C)(13)(r)(i)(a) of this rule shall only apply to accounts for which the dealer is, or has within the past thirty-six months been, required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which the dealer is a member. In addition, the furnishing requirement in paragraph (C)(13)(r)(i)(b)(i) of this rule shall not be applicable to an account for which, within the last thirty-six months, the dealer has not been required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member. This does not relieve a dealer from any obligation arising from the rules of a self-regulatory organization of which it is a member regarding the collection of information from a customer or owner.

(ii) If an account is a discretionary account, a record containing the dated signature of each customer or owner granting the authority and the dated signature of each natural person to whom discretionary authority was granted; and

(iii) A record for each account indicating that each customer or owner was furnished with a copy of each written agreement entered pertaining to that account and that, if requested by the customer or owner, the customer or owner was furnished with a fully executed copy of each agreement.

(s) A record:

(i) For each office, for a period of not less than three years, the first two

years in an easily accessible place, and as to each associated person of each written customer complaint received by the dealer concerning that associated person. The record shall include the complainant's name and address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, a dealer may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint.

(ii) Indicating that each customer of the dealer has been provided with a notice containing the address and telephone number of the department of the dealer to which any complaints as to the account may be directed.

(t) For a period of not less than three years, the first two years in an easily accessible place, a record for each office:

(i) As to each associated person listing each purchase and sale of a security attributable, for compensation purposes, to that associated person. The record shall include the amount of compensation if monetary and a description of the compensation if non-monetary. In lieu of making this record, a dealer may elect to produce the required information promptly upon request of the division.

(ii) Of all agreements pertaining to the relationship between each associated person and the dealer including a summary of each associated person's compensation arrangement or plan with the dealer, including commission and concession schedules and, to the extent that compensation is based on factors other than remuneration per trade, the method by which the compensation is determined.

(u) For a period of not less than three years, the first two years in an easily accessible place and for each office, a record, which need not be separate from the advertisements, sales literature, or communications, documenting that the dealer has complied with, or adopted policies and procedures reasonably designed to establish compliance with this rule and which require that advertisements, sales literature, or any other communications with the public by the dealer or its associated persons be approved by a principal.

(v) For a period of not less than six years, the first two years in an easily accessible place and for each office, a record for each office listing, by name or title, each person and that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records.

(w) For a period of not less than six years, the first two years in an easily accessible place and for each office, a record listing each principal of a dealer responsible for establishing policies and procedures that are reasonably designed to ensure compliance with the provisions of this rule and any applicable federal requirements or rules of a self-regulatory organization of which the dealer is a member that require acceptance or approval of a record by a principal.

(x) Paragraph (C)(13) of this rule shall not be deemed to require a dealer to make or keep records of transactions cleared for the dealer as are customarily made and kept by a clearing dealer provided that the clearing dealer has and maintains net capital of not less than that required by 17 C.F.R. 240.15c3-1, as amended.

(y) Paragraph (C)(13) of this rule shall not be deemed to require a dealer to make or keep records of transactions cleared for the dealer by a bank as are customarily made and kept by a clearing dealer, provided the dealer obtains from the bank an agreement in writing to the effect that the records made and kept by the bank are the property of the dealer and that the bank files with the division a written undertaking in a form acceptable to the division and signed by a duly authorized person, that the books and records are available for examination by the division and that the bank will furnish to the division, upon demand, true, correct, complete, and current copies of any or all of the records. The undertaking shall include the following provisions:

The undersigned hereby undertakes to maintain and preserve on behalf of [dealer name] the books and records required to be maintained and preserved by the dealer pursuant to paragraph (C) of rule 1301:6-3-15 of the Administrative Code and to permit examination of the books and records at any time or from time to time during business hours by the division, and to furnish to the division true, correct, complete, and current copies of any or all, or any part, of the books and records. This undertaking shall be binding upon the undersigned, and the successors and assigns of the undersigned.

Nothing herein contained shall be deemed to relieve the dealer from the responsibility that the books and records be accurately maintained

pursuant to this rule.

(z) Any report the division, the securities and exchange commission or any self-regulatory organization has requested pursuant to order or settlement, and any examination report shall be retained in an easily accessible place by the dealer for a period of not less than three years after the date of the report.

(aa) Any compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the dealer with respect to compliance and supervision of the activities of each natural person associated with the dealer shall be retained in an easily accessible place by the dealer until three years after the termination of the use of the manual.

(bb) All reports produced to review for unusual activity in customer accounts shall be retained by the dealer in an easily accessible place for a period until eighteen months after the date the report was generated. In lieu of maintaining the reports, a dealer may produce promptly the reports upon request by the division. If a report was generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced using historical data in the same format as it was originally generated, the report may be produced by using the historical data in the current system, but must be accompanied by a record explaining each system change which affected the reports. If a report is generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced in any format using the historical data, the dealer shall promptly produce upon request a record of the parameters that were used to generate the report at the time specified by the division, including a record of the frequency with which the reports were generated.

(cc) Records for the most recent two year period required to be made pursuant to paragraphs (C)(13)(a), (C)(13)(f), (C)(13)(g), (C)(13)(l), (C)(13)(r), (C)(13)(s)(i), (C)(13)(t), (C)(13)(u), (C)(13)(v), (C)(13)(w), and (C)(13)(bb) of this rule and paragraph (C)(2)(c) of this rule which relate to an office shall be maintained at the office to which they relate. If an office is a private residence where only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, regularly conducts business, and it is not held out to the public as an office nor are funds or securities of any customer of the dealer handled there, the dealer need not maintain

records at that office, but the records must be maintained at another location within the same state as the dealer may select. Rather than maintain the records at each office, the dealer may choose to produce the records promptly at the request of the division.

(D) Branch offices

(1) Dealers shall file a paper uniform form BR for each new and existing branch office through the CRD. A form BR is considered filed with the division upon acceptance by the CRD.

(2) Dealers shall amend applicable paper forms U4 through the CRD to assign any securities salespersons working in existing branch offices, to the offices from which they work, and to record the termination of securities salespersons.

(3) Dealers shall promptly file with the division updates and amendments to paper forms BR, U4, and U5.

(E) Notice of change of dealer information

Whenever there is any change in the principals, partners, officers or directors of a dealer, or any other material change from the information appearing on the original application or most recent license renewal of a dealer, the dealer shall, within thirty calendar days, notify the division in writing of the change, or changes, and shall keep a record of the change or changes. Dealers shall submit changes to the division on a paper form BD.

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

(1) Upon the resignation or discharge of a salesperson, the dealer employing such salesperson shall, within thirty calendar days, deliver to the division a request to cancel the license of the salesperson. The request shall be made on form U-5, "Uniform Termination Notice for Securities Industry Registration." Dealers shall submit changes to the division on a paper form U-5.

(2) Except as hereinafter provided, a request to cancel the license or withdraw the license application of a salesperson shall become effective on the sixtieth day after the filing thereof with the division, or within such shorter period of time as the division may determine. If, prior to the effective date of a request to cancel the license or withdraw the license application of a salesperson, the division has instituted a proceeding to suspend or revoke the license, or deny or refuse the license application of the salesperson, the request to cancel the license or withdraw the license application of a salesperson shall not become

effective except at such time and upon such terms and conditions as the division deems necessary or appropriate in the public interest or for the protection of investors.

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

(H) Sale of securities on bank premises.

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

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

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

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

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

securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others.

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

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

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

(c) Customer disclosure and written acknowledgment.

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

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

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

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

not guaranteed by the bank; and

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

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

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

(d) Communications with the public.

(i) Confirmations, advertisements and recommendations:

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

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

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

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

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

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

(ii) Logo format disclosures:

(a) Subject to paragraph (H)(4) of this rule, the following shorter, logo format disclosures may be used by a dealer in advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, automated teller machine screens, billboards, signs, posters and brochures, to comply with the requirements of paragraph (H)(3)(d)(i)(b) of this rule, provided that such disclosures are displayed in a conspicuous manner:

(i) Not FDIC insured;

(ii) No bank guarantee; and

(iii) May lose value.

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

(i) Radio broadcasts of thirty seconds or less;

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

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

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

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

(I) As used in this rule, all terms shall be construed pursuant to generally accepted accounting principles, consistently applied.

(J) Financial requirement for dealer applicant.

(1) An applicant for a dealer's license shall furnish to the division an audited financial statement, sworn by the applicant, showing a net capital of at least twenty-five thousand dollars. A licensed dealer shall at all times maintain a net capital of at least twenty-five thousand dollars.

(2) When the division determines that the net capital requirements of paragraph (K)(1) of this rule are not necessary for the protection of investors, the division may reduce the net capital requirement to not less than ten thousand dollars. Any reduction shall be given in writing.

(3) A dealer may meet the financial requirement of paragraph (J)(1) of this rule if:

(a) The dealer has executed and filed with the division a bond in the amount of twenty-five thousand dollars, with a surety approved by the division, effective for a period of at least one year, and valid for the upcoming year in the case of the renewal of a dealer's license. The surety bond shall indemnify any person who may be damaged by a failure of the dealer to conduct its business in accordance with Chapter 1707. of the Revised Code or rules promulgated thereunder.

(b) The dealer, if a subsidiary corporation, has obtained and filed with the division a guarantee of liabilities by the corporation directly or indirectly controlling the voting common stock interest of the dealer, effective for a period of at least one year, and valid for the upcoming year in the case of the renewal of a dealer's license. The guarantee shall

indemnify any person who may be damaged by a failure of the dealer to conduct its business in accordance with Chapter 1707. of the Revised Code or rules promulgated thereunder. Any guarantor under this paragraph shall itself meet the net capital requirement set forth in paragraph (K)(1) of this rule.

(K) Determination of net capital for dealer.

(1) "Net capital," as used in this rule, shall mean the difference between total assets and total indebtedness, as determined by generally accepted accounting principles, consistently applied, and thereafter adjusted pursuant to paragraph (K)(2) of this rule.

(2) In determining the net capital of a dealer, adjustments to the financial statement of the dealer shall be made in accordance with the following schedule:

(a) The following items shall be disallowed as assets of a dealer:

(i) Furniture and fixtures;

(ii) Vehicles, machinery, and equipment;

(iii) Real estate not used in the ordinary course of business, unless the value of the real estate is supported by an appraisal prepared by a competent, disinterested appraiser with professional qualifications acceptable to the division;

(iv) Prepaid items or expenses;

(v) Unsecured notes or accounts receivable not acquired in the ordinary course of business;

(vi) Fixed assets which cannot be readily converted to cash; and

(vii) Assets of doubtful or uncertain value.

(b) The following items shall be reduced or increased as applicable:

(i) Securities owned shall be adjusted to market values. Securities having no "readily determinable value" as defined by rule 1301:6-3-01 of the Administrative Code shall be valued at zero.

Securities for which the dealer is the primary market maker shall be valued at zero unless the dealer provides substantial and reliable evidence satisfactory to the division supporting another valuation;

(ii) Stock exchange seats shall be adjusted to market values;

(iii) Where the market value of the securities pledged as collateral to secure or partially secure accounts receivable is less than the amount due or shown as secured, they shall be reduced to the market value of the securities;

(iv) The net value of secured notes or accounts receivable not acquired in the ordinary course of business shall be reduced to the fair market value of the collateral pledged;

(v) The net value of notes or accounts receivable acquired in the ordinary course of business shall be reduced by the lesser of ten per cent of their book value or two hundred thousand dollars;

(vi) When an interest in real property is exchanged in whole or in part for an equity interest in a dealer, the value of the interest in real estate, as reflected in the financial statements of the dealer, shall be reduced (but not increased) to the value supported by appraisals made by competent, disinterested appraisers with professional designations and qualifications acceptable to the division; and

(vii) Subordinated debt which is subject to a subordination agreement satisfactory to the division may be added to the net worth of a dealer.

(L) Financial statements and related disclosures to be filed with the division by dealer.

(1) Annually, within ninety days of the end of its fiscal year, every dealer shall file financial statements and related disclosures required by generally accepted accounting principles with the division prepared in accordance with the following requirements:

(a) The financial statements and related disclosures required by generally accepted accounting principles shall be audited by an independent certified public accountant who is duly registered and in good public

standing under the laws of the accountant's place of residence or principal office.

(b) The financial statements and related disclosures required by generally accepted accounting principles shall be under the oath or affirmation of the dealer attesting that, to the best knowledge and belief of the person making the oath or affirmation, the financial statement and supporting schedules are true and correct and neither the dealer nor any partner, officer or director of the dealer has any proprietary interest in any account classified as that of a customer.

(c) The financial statements and related disclosures shall be prepared in accordance with generally accepted accounting principles, consistently applied, and audited in accordance with generally accepted auditing standards, and shall be accompanied by a certificate of the independent public accountant who audited the statement, which certificate shall:

(i) State that the financial statements and related disclosures present fairly, in all material respects, the financial position of the dealer;

(ii) State that the audit was made in accordance with the applicable generally accepted auditing standards;

(iii) Be dated, manually signed, and identify the items of the report covered by the certificate;

(iv) State whether the audit omitted any of the minimum audit requirements or any procedure deemed necessary by the independent public accountant under the circumstances of the audit;

(v) State clearly the unqualified opinion of the independent public accountant with respect to the accounting principles and practices reflected in the financial statements and related disclosures covered by the certificate; and

(vi) Specifically identify any matters to which the independent public accountant takes exception and the effect of each exception on the related item of the report.

(2) In lieu of the financial statements and related disclosures required by generally accepted accounting principles required by paragraph (L)(1) of this rule, a

dealer may submit to the division a manually signed and duly verified duplicate of the current fiscal year end report required by 17 C.F.R. 240.17a-5, as amended.

(3) The division may require other or additional reports during any calendar year and may require that the reports be audited by an independent certified public accountant and under the oath and affirmation of the dealer.

Five Year Review (FYR) Dates:

_____

Certification

_____

Date

Promulgated Under:	119.03
Statutory Authority:	1707.20
Rule Amplifies:	1707.142
Prior Effective Dates:	1/28/00, 11/27/00