STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
City Place, Suite 400
204 North Robinson
Oklahoma City, Oklahoma 73102

ORDER ADOPTING NEW AND AMENDED PERMANENT RULES

Pursuant to the requirements of Section 303 of the Oklahoma Administrative Procedures Act, a notice of rulemaking intent ("Notice") issued by the Administrator ("Administrator") of the Oklahoma Department of Securities ("Department") was published in "The Oklahoma Register" on February 15, 2022. The Notice concerned changes to the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities.

The following rules were specified in the Notice:

660:11-5-11. Initial registration [AMENDED]
660:11-5-15. Categories of registration [AMENDED]
660:11-5-16. Qualification examination requirements [AMENDED]
660:11-5-42. Standards of ethical practices for broker-dealers and their agents [AMENDED]
660:11-5-45 Financial statements for non-FINRA broker-dealers [AMENDED]
660:11-7-2. Definitions [AMENDED]
660:11-7-11. Initial registration [AMENDED]
660:11-7-13. Qualification examination requirements [AMENDED]
660:11-7-21. Errors and omissions coverage [AMENDED]
660:11-7-31. Post-registration reporting requirements [AMENDED]
660:11-7-41. Record keeping requirements [AMENDED]
660:11-7-42. Standards of ethical practices [AMENDED]
660:11-7-44. Financial statements for investment advisers [AMENDED]
660:11-7-46. Information security: Written policies and procedures [AMENDED]
660:11-7-49. Investment adviser representative continuing education requirements [NEW]
660:11-11-54. Intrastate offering exemption [NEW]

As provided for in the Notice, all interested persons were afforded a thirty (30) day comment period to make written comments regarding the proposed new rules 660:11-7-49, 660:11-11-54, and the rule amendments ("Proposed New Rules and Rule Amendments").

A rule impact statement was prepared for the Proposed New Rules and Rule Amendments. The rule impact statement and the text of the Proposed New Rule and Rule Amendments including the proposed changes were posted on the Department’s website as specified in the Notice. The Department electronically notified the person who had made a timely request for advance notice of the Department’s rulemaking proceedings.
Also, as provided for by the Notice, a public hearing regarding the Proposed New Rules and Rule Amendments was scheduled and conducted on March 24, 2022, at 10:00 a.m., in the office of the Department and through Teams before the Administrator.

No written or oral comments were received from the public. Department staff made comments recommending the correction of scrivener errors and the deletion of unnecessary language relating to examinations for principals in 660:11-5-16. The Administrator reviewed and accepted the recommendations made by Department staff.

**AUTHORITY**

Section 1-605.A of the Oklahoma Uniform Securities Act of 2004, 71 O.S. §§1-101 through 1-701 (2022) (“Securities Act”), provides that the Administrator of the Department may:

1. Issue forms and orders and, after notice and comment, may adopt and amend rules necessary or appropriate to carry out this act and may repeal rules, including rules and forms governing registration statements, applications, notice filings, reports, and other records;

2. By rule, define terms, whether or not used in this act, but those definitions may not be inconsistent with this act; and

3. By rule, classify securities, persons, and transactions and adopt different requirements for different classes.

Section 1-605.B of the Securities Act limits this authority to situations in which the Administrator finds that the rule, form, order, or amendment is necessary or appropriate in the public interest or for the protection of investors and is consistent with the purposes intended by the Securities Act.

Section 1-608 of the Securities Act directs the Administrator to so act in order to achieve uniformity among the states and coordination with federal laws in the form and content of registration statements, applications, reports, and other records, including the adoption of uniform rules, forms, and procedures.

**CONCLUSION OF LAW**

The Administrator finds that the Proposed New Rules and Rule Amendments are necessary or appropriate in the public interest or for the protection of investors and are consistent with the purposes intended by the Securities Act.

**ORDER**

**BASED UPON AND SUBJECT TO THE FOREGOING, IT IS HEREBY ORDERED** that the Proposed New Rules and Rule Amendments are adopted as set forth in the attached Exhibit A that includes the new rules and proposed amendments to rules in OAC 660:11.
WITNESS my Hand and the Official Seal of the Oklahoma Department of Securities at Oklahoma City, Oklahoma, and dated this 29th day of March, 2022.

(SEAL)

MELANIE HALL, ADMINISTRATOR OF THE OKLAHOMA DEPARTMENT OF SECURITIES
660:11-5-11. Initial registration [AMENDED]

(a) Broker-dealer. Each broker-dealer applying for initial registration pursuant to Section 1-406 of the Securities Act:

(1) who is contemporaneously applying for FINRA membership or who is a FINRA member:

(A) shall file with the CRD:
   (i) a completed Form BD, including Schedules A-E; and
   (ii) the filing fee specified in Section 1-612 of the Securities Act;
(B) shall provide proof of registration with FINRA and with the jurisdiction where the broker-dealer's principal office is located; and
(B) shall file with the Department, within 60 days of becoming registered, a list of the addresses, telephone numbers and resident agents of all nonbranch sales offices located within the state of Oklahoma.

(2) who is not a current FINRA member shall file with the Department:
(A) a completed Form BD, including Schedules A-E;
(B) the filing fee specified in Section 1-612 of the Securities Act;
(C) financial statements as required by 660:11-5-45, or if the broker-dealer has not commenced operating, an engagement letter with an accounting firm to prepare the audited financial statements required by 660:11-5-31;
(D) documentation of compliance with the minimum capital requirement set forth in Section 1-406.E of the Securities Act and 660:11-5-17;
(E) designation, qualification and registration of a principal as defined in 660:11-5-2 pursuant to (c) of this Section;
(F) a list of the addresses, telephone numbers and resident agents of all nonbranch sales offices located within the state of Oklahoma;
(G) a copy of the written supervisory procedures of the broker-dealer; and
(H) any additional documentation, supplemental forms and information as the Administrator may deem necessary.

(b) Broker-dealer agent.

(1) Required documents. Each broker-dealer agent applying for initial registration pursuant to Section 1-406 of the Securities Act shall file:

(A) a completed Form U4;

(B) the filing fee specified in Section 1-612 of the Securities Act;

(C) proof of successful completion of the applicable examinations specified in 660:11-5-16;

(D) proof of applicant's approved status of registration or licensure in a jurisdiction in which he has an office of employment when such registration is required; and

(E) any additional documentation, supplemental forms and information as the Administrator may deem necessary.

(2) Where to file. An agent applying for registration with a FINRA member shall file the documentation required by (1)(A) through (C) of this subsection with the CRD and shall file any additional documentation with the Department. Agents applying for registration
with a non-FINRA broker-dealer shall file the required documentation with the Department.

(c) **Broker-dealer principal.**

(1) **Required documents.** Each person applying for initial registration under the Securities Act as a principal of a broker-dealer who is not a member of FINRA shall file with the Department:

   (A) a completed Form U4;
   (B) a $50.00 filing fee;
   (C) proof of successful completion of the applicable examinations specified in 660:11-5-16; and
   (D) any additional documentation, supplemental forms and information as the Administrator may deem necessary.

(2) **Effect of Registration.** Registration under the Securities Act as a principal of broker-dealer shall constitute registration as an agent.

(d) **Issuer agent.** Agents of issuers applying for initial registration in the state of Oklahoma pursuant to Section 1-406 of the Securities Act shall file the following with the Department:

   (1) a completed Form U4;
   (2) the fee specified in Section 1-612 of the Securities Act;
   (3) proof of successful completion of the applicable examinations specified in 660:11-5-16;
   (4) an executed Applicant/Management Certification Form; and
   (5) any additional documentation, supplemental forms and information as the Administrator may deem necessary.

(e) **Requirement for continued registration.** 660:11-5-42, adopted pursuant to Sections 1-411.D.13 and 1-605.A.2. of the Securities Act, sets forth the standards of ethical practices for broker-dealers and their agents. Paragraph (22) of said rule requires that each broker-dealer establish, maintain and enforce written procedures that will enable it to supervise properly the activities of each registered agent to assure compliance with applicable securities laws, rules, regulations and statements of policy. Therefore, the initial and continued registration of a broker-dealer that is not a FINRA member is conditioned upon the designation, qualification and registration of a principal who shall be responsible for the supervision of all agents of the broker-dealer who are registered under the Securities Act. A broker-dealer applicant or registrant may apply for registration of more than one person as a principal of said broker-dealer.

**660:11-5-15. Categories of registration [AMENDED]**

(a) **Broker-dealers.** The Administrator shall register broker-dealers in accordance with the following categories:

   (1) General securities - an applicant whose activities in the securities business are not limited.
   (2) Investment company and variable contracts products - an applicant whose activities in the securities business are limited to the solicitation, purchase and/or sale of investment company and variable contracts products.
   (3) Direct participation programs - an applicant whose activities in the securities business are limited solely to marketing, on behalf of the issuer, direct participation programs.
   (4) Options - an applicant whose activities in the securities business include transactions in put or call options with the public.
   (5) Municipal securities - an applicant whose activities in the securities business are limited solely to effecting transactions in municipal securities.
(6) Multiple categories - an applicant may be registered in more than one category if qualified to be so registered.

(b) **Principals and agents. Broker-dealer agents.** The Administrator shall...may register principals of broker-dealers and broker-dealer agents in accordance with the following categories of registration as applicable to the broker-dealer with whom they are associated. An agent may be registered in more than one category provided the agent is qualified to be so registered. An agent qualified solely within one category of registration shall not be qualified to transact business as an agent in any...are not prescribed by said category.

(1) General securities principal or agent—an applicant representing a broker-dealer whose activities in the securities business are not limited.

(2) Investment company and variable contracts products principal or agent—an applicant representing a broker-dealer whose activities in the securities business are limited to the solicitation, purchase and/or sale of investment company and variable contracts products.

(3) Direct participation programs principal or agent—an applicant representing a broker-dealer whose activities in the securities business are limited to marketing, on behalf of the issuer, direct participation programs.

(4) Options principal or agent—an applicant representing a broker-dealer whose activities in the securities business are limited to transactions in put or call options with the public.

(5) Municipal securities principal or agent—an applicant representing a broker-dealer whose activities in the securities business are limited to effecting transactions in municipal securities.

(6) Limited agent—corporate securities—an applicant representing a general securities broker-dealer in the solicitation, purchase, and/or sale of a security, as that term is defined in Section 1-102.32 of the Securities Act; however, such person's activities do not include activities with respect to the following securities unless such person is separately qualified and registered in the category or categories of registration related to these securities:

(A) Municipal securities;

(B) Option securities;

(C) Redeemable securities of companies registered pursuant to the 1940 Act, except for money market funds; and/or,

(D) Direct-participation programs.

(7) Issuer agent. The Administrator may register an applicant whose activities in...are limited solely to effecting transactions for the benefit of an issuer as that term is defined in Section 1-102.19 of the Securities Act.

(8) Multiple categories—an applicant may be registered in more than one category...is qualified to be so registered. An applicant qualified solely within one category of registration shall not be qualified to transact business as an agent in any area not prescribed by said category.

660:11-5-16. Qualification examination requirements [AMENDED]

(a) Examination requirement. Proof of compliance with the examination requirements of this Section is prerequisite to a complete filing for registration under the Securities Act.

(b) Examination. Each applicant for registration as a broker-dealer agent, broker-dealer principal or issuer agent must pass the applicable examinations for the desired category of registration. The examinations shall consist of a qualification examination(s) applicable to the category of registration applied for and a uniform state law examination. The Administrator adopts the examinations administered by FINRA as applicable to each individual registrant by category of registration as the required examinations.
(c) **Limitations on licenses.** Without regard to the category of registration of one’s broker-dealer, if any, the activities of each person registered as a principal or agent are limited to the corresponding category for which they are qualified by examination, unless waived, and for which they are registered under the Securities Act.

(d) **Examination categories.** Examination categories for agents are as follows:

1. General securities or government securities - FINRA Members:
   - (A) Principals—Series 7, 24; or such other examination(s) determined by the Administrator to be acceptable in lieu thereof; and Series 63 or 66.
   - (B) Agents—Securities Industry Essentials (SIE); Series 7; and Series 63 or 66

2. General securities - Non-FINRA Members/Issuers
   - (A) Principals—Series 7, 24; or such other examination(s) determined by the Administrator to be acceptable in lieu thereof; and Series 63 or 66
   - (B) Agents—SIE; Series 7; and Series 63 or 66

3. Investment company and variable contract products:
   - (A) Principals—SIE; Series 6; Series 26; and Series 63 or 66
   - (B) Agents—SIE; Series 6; and Series 63 or 66

4. Direct participation programs:
   - (A) Principals—SIE; Series 22; Series 39; and Series 63 or 66
   - (B) Agents—SIE; Series 22; and Series 63 or 66

5. Options:
   - (A) Principals—Series 4 and 63 or 66; or Series 4, 62 and 63 or 66
   - (B) Agents—Series 7 or 42; and Series 63 or 66

6. Municipal securities:
   - (A) Principals—Series 7; Series 52; Series 53; and Series 63 or 66
   - (B) Agents—Series 7; Series 52; and Series 63 or 66

7. Limited agent—corporate securities—Series 62; and Series 63 or 66

8. Assistant agent—order processing—Series 11; and Series 63 or 66

(c) **Change in series number.** Should FINRA examination series numbers change, the most current examination series applicable to the category of registration shall apply. Effective October 1, 2018, FINRA is implementing a new Securities Industry Essentials examination (SIE) and revised agent-level qualification examinations. At that point, it will be necessary for an applicant to pass the SIE for each examination category in (d)(1) through (4) of this Section in addition to the examinations listed in each of those categories. Also effective October 1, 2018, FINRA is retiring the Series 11, 42 and 62 and will no longer permit new registrations in the examination categories (d)(5) through (8) of this Section.

(f) **Validity of prior examination scores.**

1. The Department will not recognize for purposes of qualification for registration under the Securities Act any FINRA examination score (other than the SIE) that predates an initial application for registration by more than two (2) years in the absence of registration as an agent, principal, broker-dealer, investment adviser or investment adviser representative since examination.

2. The Department will not recognize for purposes of qualification for registration under the Securities Act the examination score(s) (other than the SIE) of any person whose most recent registration as an agent, principal, broker-dealer, investment adviser or investment adviser representative has been terminated for a period of two (2) or more years immediately preceding the date of receipt by the Department of a new application for registration under the Securities Act.

3. With respect to the SIE, the time period for validity is four (4) years.

(g) **Waiver of examination requirement.** The Administrator may waive the examination requirements on a case-by-case basis when such action is determined to be consistent with the
purposes fairly intended by the policy and provisions of the Securities Act. Requests for waivers shall be in writing setting forth the reasons therefor.

PART 7. RECORD KEEPING AND ETHICAL STANDARDS

660:11-5-42. Standards of ethical practices for broker-dealers and their agents [AMENDED]

(a) Purpose. This rule is intended to set forth the standards of ethical practices for broker-dealers and their agents. Any noncompliance with the standards of ethical practices specified in this section will constitute unethical practices in the securities business; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of broker-dealers, and their agents, in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory.

(b) Standards.

(1) A broker-dealer and its agents, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and its agents shall not violate any federal securities statute or rule or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

(2) Recommendations

(A) A broker-dealer and its agents shall have reasonable grounds for believing that a recommended transaction or investment strategy involving a security or securities is suitable for such customer based upon the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information disclosed by the customer or known to the broker-dealer or agent.

(B) A broker-dealer and its agents fulfill the customer-specific suitability obligation for an institutional account, as defined in 660:11-1-3, if (i) the broker-dealer or agent has a reasonable basis to believe that the institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities and (ii) the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the broker-dealer or agent's recommendations. Where an institutional customer has delegated decision-making authority to an agent, such as an investment adviser or a bank trust department, these factors shall be applied to the agent.

(3) Charges, if any, for services performed, including miscellaneous services such as collection of monies due for principal, dividends, or interest, exchange or transfer of securities, appraisals, safekeeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers.

(4) In "over-the-counter" transactions, whether in "listed" or "unlisted" securities, if any broker-dealer or agent of a broker-dealer buys for their own account from their customer, or sells for their own account to their customer, they shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that they are entitled to a profit; and if they act as agent for their customer in any such transaction, they shall not charge their customer more than a fair commission or service
charge, taking into consideration all relevant circumstances including market conditions
with respect to such security at the time of the transaction, the expense of executing the
order and the value of any service they may have rendered by reason of their experience in
and knowledge of such security and the market therefor.
(5) No broker-dealer or agent of a broker-dealer shall publish or circulate, or cause to be
published or circulated, any notice, circular, advertisement, newspaper article, investment
service, or communication of any kind which purports to report any transaction as a
purchase or sale of any security unless such broker-dealer believes that such transaction
was a bona fide purchase or sale of such security; or which purports to quote the bid price
or asked price for any security, unless such broker-dealer believes that such quotation
represents a bona fide bid for, or offer of, such security. If nominal quotations are used or
given, they shall be clearly stated or indicated to be only nominal quotations.
(6) No broker-dealer or agent of a broker-dealer shall make an offer to buy from or sell to
any person any security at a stated price unless such broker-dealer or agent is prepared to
purchase or sell, as the case may be, at such price and under such conditions as are stated at
the time of such offer to buy or sell.
(7) A broker-dealer, when a member of a selling syndicate or a selling group, shall
purchase securities taken in trade at a fair market price at the time of purchase, or shall act
as agent in the sale of such securities.
(8) A broker-dealer who in the capacity of paying agent, transfer agent, trustee, or any
other similar capacity, has received information as to the ownership of securities, shall
under no circumstances make use of such information for the purpose of soliciting
purchases, sales or exchanges except at the request and on behalf of the issuer.
(9) No broker-dealer or agent of a broker-dealer shall, directly or indirectly, give, permit to
be given, or offer to give, anything of value to any person for the purpose of influencing or
rewarding the action of such person in connection with the publication or circulation in any
newspaper, investment service, or similar publication, of any matter which has, or is
intended to have, an effect upon the market price of any security, provided that this rule
shall not be construed to apply to matter which is clearly distinguishable as paid
advertising.
(10) A broker-dealer at or before the completion of each transaction with a customer shall
give or send to each customer written notification disclosing:
   (A) whether such broker-dealer is acting as a broker for such customer and some other
   person; and
   (B) in any case in which such broker-dealer is acting as a broker for such customer or
   for both such customer and some other person, either the name of the person from
   whom the security was purchased or to whom it was sold for such customer and the
date and the time when such transaction took place or the fact that such information
will be furnished upon the request of such customer, and the source and amount of any
commission or other remuneration received or to be received by such broker-dealer in
connection with the transaction.
(11) A broker-dealer or agent of a broker-dealer controlled by, controlling, or under
common control with, the issuer of any security, shall, before entering into any contract
with or for a customer for the purchase or sale of such security, disclose to such customer
the existence of such control, and if such disclosure is not made in writing, it shall be
supplemented by the giving or sending of written disclosure at or before the completion of
the transaction.
(12) A broker-dealer or agent of a broker-dealer who is acting as a broker for a customer or
for both such customer and some other person, or a broker-dealer who is acting as a dealer
and who receives or has promise of receiving a fee from a customer for advising such customer with respect to securities, shall, at or before the completion of any transaction for or with such customer in any security in the primary or secondary distribution of which such broker-dealer is participating or is otherwise financially interested, give such customer written notification of the existence of such participation or interest.

(13) The following standards shall apply to discretionary accounts:

(A) No broker-dealer or agent of a broker-dealer shall effect with or for any customer's account in respect to which such broker-dealer or agent or employee is vested with any discretionary power any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources of such customer and character of such account.

(B) No broker-dealer or agent of a broker-dealer shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the broker-dealer, as evidenced in writing by the broker-dealer or the partner, officer, or manager duly designated by the broker-dealer, in accordance with (22) of this subsection.

(C) The broker-dealer or the person duly designated shall approve promptly, in writing, each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources of the customer and the character of the account.

(D) This section shall not apply to:

(i) discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretions, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined in 660:11-1-3, pursuant to to valid Good-Till-Cancelled instructions issued on a "not-held" basis. Any exercise of time and price discretion must be reflected on the order ticket;

(ii) bulk exchange at net asset value of money market mutual funds ("funds") utilizing negative response letters provided:

(I) The bulk exchange is limited to situations involving mergers and acquisitions of funds, changes of clearing members, and exchanges of funds used in sweep accounts;

(II) The negative response letter contains a tabular comparison of the nature and amount of the fees charged by each fund;

(III) The negative response letter contains a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased; and;

(IV) The negative response feature will not be activated until at least 30 days after the date on which the letter was mailed.

(14) A broker-dealer or agent of a broker-dealer who is participating or who is otherwise financially interested in the primary or secondary distribution of any security which is not admitted to trading on a national securities exchange, shall make no representation that such security is being offered to a customer "at the market" or at a price related to the market price unless such broker-dealer or agent knows or has reasonable grounds to believe that a market for such security exists other than that made, created, or controlled by such
broker-dealer or agent, or by any person for whom he is acting or with whom he is associated in such distribution, or any person controlled by, controlling or under common control with such broker-dealer or agent.

(15) No broker-dealer or agent of a broker-dealer shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device, practice, plan, program, design, or contrivance.

(16) The following standards shall apply to the use of customer funds:

(A) No broker-dealer or person associated with a broker-dealer shall make improper use of a customer's securities or funds.

(B) No broker-dealer or agent of a broker-dealer shall lend, either to themselves or to others, securities carried for the account of any customer, unless such broker-dealer or agent shall first have obtained from the customer a separate written authorization permitting the lending of securities thus carried by such broker-dealer or agent; and, regardless of any agreement between the broker-dealer or agent and a customer authorizing the former to lend or pledge such securities, no broker-dealer or agent shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the customer, except such lending as may be specifically authorized under (C) of this paragraph.

(C) No broker-dealer or agent of a broker-dealer shall lend securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be loaned in view of the indebtedness of the customer, unless such broker-dealer or agent shall first have obtained from such customer a separate written authorization designating the particular securities to be loaned.

(D) No broker-dealer or agent of a broker-dealer shall hold securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be pledged in view of the indebtedness of the customer, unless such securities are segregated and identified by a method which clearly indicates the interest of such customer in those securities.

(E) No broker-dealer or agent of a broker-dealer shall guarantee a customer against loss in any securities account of such customer carried by the broker-dealer or in any securities transaction effected by the broker-dealer or agent with or for such customer.

(F) No broker-dealer or agent of a broker-dealer shall share directly or indirectly in the profits or losses in any account of a customer carried by the broker-dealer or agent or any other broker-dealer or agent, unless such broker-dealer or agent obtains written authorization from the broker-dealer carrying the account; and, a broker-dealer or agent shall share in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by the broker-dealer or agent. Exempt from the direct proportionate share limitation are accounts of the immediate family of such broker-dealer or agent. For purposes of this section, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the broker-dealer or agent otherwise contributes directly or indirectly.

(17) The following standards shall apply to customer credit:

(A) No broker-dealer or agent of a broker-dealer shall take or carry any account or make a transaction for any customer under any arrangement which contemplates or provides for the purchase of any security for the account of the customer or for the sale of any security to the customer where payment for the security is to be made to the broker-dealer by the customer over a period of time in installments or by a series of partial payments, unless:
(i) in the event such broker-dealer acts as an agent or broker in such transaction, it shall immediately, in the regular course of its business, make an actual purchase of the security for the account of the customer, and shall immediately, in the regular course of its business, take possession or control of such security and shall maintain possession or control thereof so long as it remains under obligation to delivery of the security to the customer;
(ii) in the event such broker-dealer acts as a principal in any such transaction, it shall, at the time of such transaction own such security and shall maintain possession or control thereof so long as it remains under obligation to deliver the security to the customer; and
(iii) the provisions of Regulation T of the Federal Reserve Board, if applicable to such broker-dealer, are satisfied.

(B) No broker-dealer, whether acting as a principal or agent, shall, in connection with any transaction referred to in this Standard, make any agreement with its customer under which such broker-dealer shall be allowed to pledge or hypothecate any security involved in such transaction for any amount in excess of the indebtedness of the customer to such broker-dealer.

(18) The following standards shall apply to books and records:
(A) Each broker-dealer shall keep and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated by the Administrator and/or the Commission under the Securities Act.
(B) Each broker-dealer shall keep and preserve in each office of supervisory jurisdiction, as defined in 660:11-5-2, either a separate file of all written complaints of customers and action taken by the broker-dealer, if any, or a separate record of such complaints and clear reference to the files containing the correspondence connected with such complaints as maintained in such office.

(19) A broker-dealer shall make available to inspection by any bona fide regular customer, upon request, the information relative to such broker-dealer's financial condition as disclosed in its most recent balance sheet prepared either in accordance with such broker-dealer's usual practice or as required by the state or federal securities laws, or any rule or regulation promulgated thereunder.

(20) No broker-dealer or agent of a broker-dealer shall offer any security or confirm any purchase or sale of any security, from or to any person not actually engaged in the investment banking or securities business at any price which shows a concession, discount, or other allowance, but shall offer such security and confirm such purchase or sale at a net dollar or basis price.

(21) Selling concessions, discounts, or other allowances, as such, shall be allowed only as consideration for services rendered in distribution and in no event shall be allowed to anyone other than a broker-dealer registered under the Securities Act actually engaged in the investment banking or securities business; provided however, that nothing in this standard shall prevent any broker-dealer from selling any security owned by him to any person at any net price which may be fixed by him unless prevented therefrom by agreement.

(22) The following standards shall apply to supervisory procedures:
(A) Each broker-dealer shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of each registered agent and associated person to assure compliance with applicable securities laws, rules, regulations and
statements of policy promulgated by the Administrator and/or the Commission under the Securities Act.
(B) Final responsibility for proper supervision shall rest with the broker-dealer, the principal(s) of the broker-dealer registered in accordance with 660:11-5-11, and the principal(s) of the broker-dealer in each OSJ, including the main office, and the registered representatives in each non-OSJ branch office designated by the broker-dealer to carry out the supervisory responsibilities assigned to that office by the broker-dealer pursuant to the rules and regulations of FINRA. A copy of the written supervisory procedures shall be kept in each office of supervisory jurisdiction and each non-OSJ branch office.
(C) Each broker-dealer shall be responsible for keeping and preserving appropriate records for carrying out such broker-dealer's supervisory procedures. Each broker-dealer shall review and endorse in writing, on an internal record, all transactions and all correspondence of its registered agents pertaining to the solicitation or execution of any securities transaction.
(D) Each broker-dealer shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses and conduct at least an annual inspection of each office of supervisory jurisdiction.
(E) Each broker-dealer shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person prior to making such a certification in the application of such person for registration under the Securities Act.

(23) The following standards shall apply to financial information:
(A) Each broker-dealer offering or selling securities not listed on a registered national securities exchange recognized by the Administrator shall have and furnish to customers, on request, a balance sheet of the issuer as of a date within eighteen months, and a profit and loss statement for either the fiscal year preceding that date or the most recent year of operations, prepared in accordance with generally accepted accounting principles, the names of the issuer's proprietors, partners or officers, the nature of the enterprise of the issuer and any other available information reasonably necessary for evaluating the desirability or the lack of desirability of investing in the securities of the issuer.
(B) Each broker-dealer who, in computation of net capital includes securities not listed on a registered national securities exchange recognized by the Administrator shall also have the information provided for in (A) of this paragraph available and shall, upon request, furnish same to the Department.
(C) All transactions in such securities described in (A) and (B) of this paragraph shall comply with the provisions of Section 1-301 of the Securities Act.
(D) The provisions of (A) of this paragraph shall not be required in unsolicited transactions, except when numerous unsolicited transactions in a particular security are occurring, it shall be the duty and responsibility of the broker-dealer to make reasonable effort to secure and provide to customers upon their written request the information required by the provisions of (A) of this paragraph. Nothing contained in this Section shall be construed to limit the powers of the Administrator under Section 1-204 of the Securities Act.

(24) The following standards shall apply when a broker-dealer shares an office with an independent investment adviser that has an investment adviser representative who regularly conducts business in the office and is not registered as an agent of the broker-dealer.
(A) The broker-dealer and the independent investment adviser shall reduce any agreement between them to writing.
(B) The broker-dealer shall take appropriate measures, including, but not limited to, adequate disclosures to eliminate the appearance of an agency relationship between the broker-dealer and the independent investment adviser when one does not otherwise exist.
(C) The broker-dealer shall comply with all applicable Oklahoma and federal laws requiring the safeguarding of customer data from disclosure to the independent investment adviser and investment adviser representative.

660:11-5-45. Financial statements for non-FINRA broker-dealers
(a) Audited Required financial statements. Applications for registration for non-FINRA member broker-dealers shall contain audited financial statements for the applicant as of the end of its last fiscal year. Applicants that have commenced operating, but have been in operation for less than twelve (12) months shall submit unaudited unaudited statement of financial condition as of a date within ninety (90) days of the date of the filing of the application and unaudited unaudited statement of income for the period beginning from the date of inception through the date as of which the statement of financial condition is prepared.
(b) Unaudited interim financial statements. If the audited financial statements required by (a) of this section are not current to within ninety (90) days of the date of filing of the application, additional unaudited financial statements shall be submitted covering the period from the beginning of the current fiscal year through a month ending within the 90-day time frame.
(e) Net capital computation. Financial Statement statements submitted by or on behalf of a broker-dealer shall include a statement of the amount of net capital required by the SEC for the broker-dealer and a schedule presenting a computation of net capital as of each statement of financial condition date. The computation of net capital shall be calculated according to the formula established by the SEC in 17 CFR 240.15c3-1.

660:11-7-2. Definitions [AMENDED]
In addition to the terms defined in 660:11-1-3, the following words and terms when used in this subchapter shall have the following meaning, unless the context clearly indicates otherwise:
"Access person" means:
(A) any of the investment adviser's supervised persons:
   (i) who has access to the non-public information regarding any client's purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, or
   (ii) who is involved in making securities recommendations to clients or who has access to such recommendations that are non-public.
(B) if providing investment advice is the investment adviser's primary business, all of its directors, officers, and partners are presumed to be access persons.

"Advisory affiliate" means an advisory affiliate as defined by the Glossary of Terms for the Form ADV.

"Beneficial ownership" means ownership that meets the requirements of section 16 of the 1934 Act (15 U.S.C. 78p) and the rules and regulations thereunder including 17 CFR 240.16a-1. Any report required by 17 C.F.R. 275.204A-1(b) may contain a statement that the report will not be construed as an admission that the person making the report has any direct or indirect beneficial ownership in the security to which the report relates.

"Chief compliance officer" means a supervised person with the authority and resources to develop and enforce an investment adviser's policies and procedures. The individual designated to serve as chief compliance officer must be registered in the chief compliance officer's home state as an investment adviser representative of the investment adviser and must have the background and skills appropriate for fulfilling the responsibilities of the position.

"Fund" means an investment company registered under the Investment Company Act of 1940.

"IARD" means the FINRA-operated Investment Adviser Registration Depository.

"Impersonal advisory services" means investment advisory services provided solely:

(A) by means of written material or oral statements which do not purport to meet the objectives or needs of specific individuals or accounts;

(B) through the issuance of statistical information containing no expression of opinion as to the investment merits of a particular security; or

(C) any combination of the foregoing services.

"Initial public offering" means an offering of securities under the 1933 Act (15 U.S.C. 77a), the issuer of which, immediately before the registration, was not subject to the reporting requirements of sections 13 or 15(d) of the 1934 Act (15 U.S.C. 78m or 78o(d).

"Investment company contract" means a contract with an investment company registered under the 1940 Act that meets the requirements of Section 15(c) of that Act.

"Limited offering" means an offering that is exempt from registration under section 4(2) or section 4(5) of the 1933 Act (15 U.S.C. 77d(2) or 77(d)(5)) or sections 504, 505, or 506 of Regulation D of the Securities Act of 1933 (17 C.F.R. 230.504, 230.505, or 230.506).

"Non-related person" means not a "Related person" as defined by the Glossary of Terms for the Form ADV.

"Office" means any location where an investment adviser and/or one or more of its investment adviser representatives regularly conduct business relating to provides investment advisory services, solicits, meets with, or otherwise communicates with clients or holds the location out to the general public as a place at which an investment adviser and/or one or more of its investment adviser representatives provides investment advisory services, solicits, meets with, or otherwise communicates with clients.

"Reportable security" means a security as defined in section 202(a)(18) of the 1933 Act (15 U.S.C. 80b-2(a)(18)), except that it does not include:

(A) direct obligations of the government of the United States;

(B) banker's acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, including repurchase agreements;

(C) shares issued by money market funds;

(D) shares issued by open-end funds other than reportable funds; and

(E) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are reportable funds.
"Solicitor" means any person who, directly or indirectly, solicits any client for, or refers any client to, an investment adviser.

"Supervised person" means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser. The definition includes investment adviser representatives, employees, independent contractors, or other associated persons and supervised personnel, or other persons acting on behalf of the investment adviser.

PART 3. LICENSING PROCEDURES

660:11-7-11. Initial registration [AMENDED]

(a) Investment adviser. Investment advisers applying for initial registration pursuant to Section 1-406 of the Securities Act:

(1) shall file with the IARD:
   (A) a completed Parts I and II of Form ADV;
   (B) a Form BR for each office located within the state of Oklahoma, and if the investment adviser's principal office is located in Oklahoma, all offices located elsewhere; and
   (C) the filing fee specified in Section 1-612 of the Securities Act;

(2) shall file with the Department:
   (A) a list of the addresses, telephone numbers and resident representatives of all branch offices located within the state of Oklahoma, and if the principal office of the investment adviser is located in Oklahoma, all branch offices located elsewhere;
   (B) audited financial statements as required by 660:11-7-44 unless exempt therefrom;
   (C) a copy of each form of investment advisory contract to be executed by Oklahoma clients and if the principal office of the investment adviser is located in Oklahoma, a copy of each form of investment advisory contract to be executed by any other clients;
   (D) prior to the effective date of registration, proof that the applicant maintains an errors and omissions insurance policy in the amount of at least $1 million per claim form an insurer authorized to transact insurance in the state of Oklahoma or from any other insurer approved by the Administrator according to standards established by 660:11-7-21; and
   (E) any additional documentation, supplemental forms, and information as the Administrator may deem necessary; and

(3) if a natural person, must have passed the applicable examinations specified in 660:11-7-13.

(b) Investment adviser representative. Investment adviser representatives applying for initial registration under the Securities Act:

(1) shall file with the CRD:
   (A) a completed or updated Form U-4;
   (B) the filing fee specified in Section 1-612 of the Securities Act;
   (C) proof of applicant's approved status of registration or licensure in a jurisdiction in which he has an office of employment where such registration is required; and
   (D) any additional documentation, supplemental forms, and information as the Administrator may deem necessary;

(2) must have passed the applicable examinations specified in 660:11-7-13.
660:11-7-13. Qualification examination requirements [AMENDED]
(a) Examination requirement. Proof of compliance with the written examination requirements of this Section is prerequisite to a complete filing for registration under the Securities Act.
(b) Examinations. Any natural person seeking registration as an investment adviser or investment adviser representative must pass the Series 65, or the Securities Industry Essentials (SIE) examination, both the Series 66, and Series 7, or such other examination(s) or certifications determined by the Administrator to be acceptable in lieu thereof. The Administrator adopts the examinations as administered by FINRA as the required examinations.
(c) Change in series number. Should FINRA examination series numbers change, the most current examination series applicable to the category of registration shall apply. Effective October 1, 2018, FINRA is implementing a new Securities Industry Essentials (SIE) examination and revised agent level qualification exams. At that point, it will be necessary for an applicant to pass the SIE in addition to the Series 66 and Series 7 as an alternative to passing the Series 65.
(d) Validity of prior examination scores.
(1) The Department will not recognize for purposes of qualification for registration under the Securities Act any FINRA examination score(s) that predates an initial application for registration by more than two (2) years in the absence of registration as an investment adviser representative, an investment adviser, agent, principal or broker-dealer since examination.
(2) The Department will not recognize for purposes of qualification for registration under the Securities Act the examination score(s) of any person whose most recent registration as an investment adviser, investment adviser representative, agent, principal or broker-dealer has been terminated for a period of two (2) years immediately preceding the date of receipt by the Department of a new application for registration under the Securities Act.
(e) Waiver of examination requirement. The Administrator may waive the examination requirement on a case-by-case basis when such action is determined to be consistent with the purposes fairly intended by the policy and provisions of the Securities Act. Requests for waivers shall be in writing setting forth the reasons therefor.

660:11-7-21. Errors and omissions coverage [AMENDED]
(a) Every investment adviser who is required to maintain an errors and omissions insurance policy under 660:11-7-11 must submit proof of an errors and omissions insurance policy to the Department as a condition of registration.
(b) Every investment adviser registered under Section 1-406 of the Securities Act must submit proof of an errors and omissions insurance policy annually as set forth in 660:11-7-31.
(c) For purposes of compliance with 660:11-7-11 and 660:11-7-31, proof of insurance may be demonstrated by submitting to the Department an attestation of compliance on a form available on the Department’s website approved by the Administrator and a policy declaration page; or a certificate of liability coverage specifying errors and omissions coverage. For purposes of compliance with 660:11-7-31, proof of insurance may be demonstrated by submitting to the Department an attestation of compliance on a form available on the Department’s website.
   (1) An attestation must include:
      (A) The name of the insurer;
      (B) The policy number;
      (C) Name of the insured; licensee; and
(D) Date of the policy period.
(2)(1) For purposes of compliance with this Section, 660:11-7-11, and 660:11-7-31, a policy may not contain exclusions for investment management and advisory services performed in this state on behalf of the investment adviser or for persons performing investment management and advisory services in this state on behalf of the investment adviser unless the investment adviser and its representatives refrain from performing the excluded investment management and advisory services and disclose the limitations in the investment adviser's Form ADV Part 2A.
(3)(2) The requirements for this insurance may be fulfilled by a policy provided through membership in a professional association so long as the requirements are otherwise met, or at the discretion of the Administrator.
(4)(3) The requirements for this insurance may be fulfilled by the policies of one or more insurance carriers which policies together meet such requirements.
(d) For purposes of this rule, policies written by admitted or authorized insurers, registered surplus lines insurers, and registered risk retention and purchasing groups will satisfy the errors and omissions requirement of 660:11-7-11 and 660:11-7-31.
(e) Every investment adviser registered under Section 1-406 of the Securities Act shall immediately notify the Department in writing if its errors and omissions insurance policy is cancelled, terminated, or substantially modified.

PART 5. REPORTING REQUIREMENTS

660:11-7-31. Post-registration reporting requirements [AMENDED]
(a) Form ADV amendments. Every investment adviser registered under Section 1-406 of the Securities Act must amend its Form ADV each year by filing an annual updating amendment within 90 days of the end of its fiscal year. In addition, every investment adviser registered under Section 1-406 of the Securities Act must amend its Form ADV by promptly filing additional amendments (other-than-annual amendments) if required by the written instructions to Form ADV.
(b) Proof of errors and omissions coverage. Every investment adviser registered under Section 1-406 of the Securities Act must submit proof of an errors and omissions insurance policy meeting the requirements of 660:11-7-11(a)(2)(D) to the Department each year within 90 days of the end of its fiscal year. The proof must be submitted in compliance with 660:11-7-21.
(c) Financial reports.
(1) Filing requirement. Pursuant to Section 1-410.B of the Securities Act, every investment adviser registered under Section 1-406 of the Securities Act who has custody, as that term is defined in 660:11-7-48, of clients' funds or securities or requires prepayment of advisory fees six (6) months or more in advance and in excess of $1,200.00 per client shall file a post-registration financial report with the Department each fiscal year.
(2) Report content. Financial reports shall contain the financial or operating report filing fee specified in Section 1-612 of the Securities Act and an audited statement of financial condition as of the investment adviser's fiscal year end.
(3) Report filing dates. Financial reports become due on the last day of the fiscal year to which they apply; however, a grace period is provided before a filing becomes delinquent. The filing must be made within 90 days of the end of the registrant's fiscal year.
(4) Amendment. If the information contained in a financial report is or becomes inaccurate or incomplete in a material respect, the investment adviser shall promptly file a correcting amendment.
(d) **Form BR amendments.** Every investment adviser registered under Section 1-406 of the Securities Act must file a Form BR prior to the use or operation of any office in this state. In addition, every investment adviser registered under Section 1-406 of the Securities Act must promptly amend its Form BRs as required by the written instructions to Form BR.

(e) **Incomplete or delinquent filings.** The Department will not accept incomplete or piecemeal filings. Failure to make a required filing before it becomes delinquent may result in the suspension or revocation of registration.

**PART 7. RECORD KEEPING AND ETHICAL STANDARDS**

**660:11-7-41. Record keeping requirements [AMENDED]**

(a) **General requirements.** Every investment adviser registered or required to be registered under the Securities Act shall make and keep true, accurate and current the following books and records:

1. A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.
2. General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.
3. A record of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser from the client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction. The record shall show the terms and conditions of the order, instruction, modification or cancellation; shall identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed the order; and shall show the account for which entered, the date of entry, and the bank or broker-dealer by or through whom executed where appropriate. Orders entered pursuant to the exercise of discretionary power shall be so designated.
4. All check books, bank statements, canceled checks and cash reconciliations of the investment adviser.
5. All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.
6. All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the accounting period. The financial statements shall include a balance sheet prepared in accordance with generally accepted accounting principles, an income statement, a cash flow statement, and a net worth computation.
7. Originals of all written communications received and copies of all written communications sent by the investment adviser relating to the business of the investment adviser, including, but not limited to:
   
   (A) any recommendation made or proposed to be made and any advice given or proposed to be given,
   (B) any receipt, disbursement or delivery of funds or securities, or
   (C) the placing or execution of any order to purchase or sell any security; provided, however:
   
   (i) that the investment adviser shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment adviser, and
(ii) that if the investment adviser sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to 2 or more persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if the notice, circular or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of the notice, circular or advertisement a memorandum describing the list and the source thereof.

(8) A list or other record identifying all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any client.

(9) A copy of all powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment adviser.

(10) A copy of all agreements entered into by the investment adviser with any client and all other agreements relating to the business of the investment adviser as such, including agreements which set forth the fees to be charged, the manner of computation and method of payment.

(11) A file containing a copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication, including any communication by electronic media, that the investment adviser circulates or distributes, directly or indirectly, to 2 or more persons (other than persons connected with the investment adviser), and if the notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication, including any communication by electronic media, recommends the purchase or sale of a specific security and does not state the reasons for the recommendation, a memorandum of the investment adviser indicating the reasons for the recommendation.

(12) When providing investment advice is the primary business of the investment adviser.

(A) A record of every transaction in a security in which the investment adviser or any advisory representative (as defined in (B) of this paragraph) of the investment adviser has, or by reason of any transaction acquires, any direct or indirect beneficial ownership, except (i) transactions effected in any account over which neither the investment adviser nor the advisory representative of the investment adviser has any direct or indirect influence or control, and (ii) transactions in securities which are direct obligations of the United States. The record shall state the title and amount of the security involved; the date and nature of the transaction (i.e., purchase, sale or other acquisition or disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded no later than ten (10) days after the end of the calendar quarter in which the transaction was effected.

(B) For purposes of this paragraph, the following definitions will apply:

(i) The term "advisory representative" shall mean any partner, officer or director of the investment adviser; any employee who participates in any way in the determination of which recommendations shall be made; any employee who, in connection with his duties, obtains any information concerning which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons who obtain information concerning securities recommendations being made by the investment adviser prior to the effective
dissemination of the recommendations or of the information concerning the recommendations:

(I) any person in a control relationship to the investment adviser,
(II) any affiliated person of a controlling person, and
(III) any affiliated person of an affiliated person.

(ii) "Control" shall mean the power to exercise a controlling influence over the management or policies of a company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25% of the voting securities of a company shall be presumed to control such company.

(13) When providing investment advice is not the primary business of the investment adviser:

(A) Notwithstanding the provisions of (12) of this subsection, where the investment adviser is primarily engaged in a business or businesses other than advising investment advisory clients, a record must be maintained of every transaction in a security in which the investment adviser or any advisory representative (as defined in (C) of this paragraph) of the investment adviser has, or by reason of any transaction acquires, any direct or indirect beneficial ownership, except:

(i) transactions effected in any account over which neither the investment adviser nor any advisory representative of the investment adviser has any direct or indirect influence or control; and

(ii) transactions in securities which are direct obligations of the United States.

(B) Each record required by (A) of this paragraph shall state the title and amount of the security involved; the date and nature of the transaction (i.e. purchase, sale, or other acquisition or disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded not later than 10 days after the end of the calendar quarter in which the transaction was effected.

(C) For purposes of this paragraph, the following definitions will apply:

(i) The term "advisory representative", when used in connection with a company primarily engaged in a business or businesses other than advising investment advisory clients, shall mean any partner, officer, director or employee of the investment adviser who participates in any way in the determination of which recommendations shall be made, or whose functions or duties relate to the determination of which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons who obtain information concerning securities recommendations being made by the investment adviser prior to the effective dissemination of such recommendations or of the information concerning the recommendations:

(I) any person in a control relationship to the investment adviser,

(II) any affiliated person of a controlling person, and

(III) any affiliated person of an affiliated person.

(ii) "Control" shall mean the power to exercise a controlling influence over the management or policies of a company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25% of the voting securities of a company shall be presumed to control such company.
(iii) An investment adviser is "primarily engaged in a business or businesses other than advising investment advisory clients" when, for each of its most recent three fiscal years or for the period of time since organization, whichever is lesser, the investment adviser derived from such other business or businesses, on an unconsolidated basis, more than 50% of:

(I) its total sales and revenues, and

(II) its income (or loss) before income taxes and extraordinary items

(14) A copy of each brochure and brochure supplement and each amendment or revision, given or sent to any client or prospective client of the investment adviser in accordance with the provisions of Section 1-410.F of the Securities Act, and a record of the dates that each brochure and brochure supplement, and each amendment or revision, was given, or offered to be given, to any client or prospective client who subsequently becomes a client. (15) For each client that was obtained by the adviser by means of a solicitor to whom a cash fee was paid by the adviser:

(A) evidence of a written agreement to which the adviser is a party related to the payment of such fee;

(B) a signed and dated acknowledgment of receipt from the client evidencing the client's receipt of the investment adviser's disclosure statement and a written disclosure statement of the solicitor; and

(C) a copy of the solicitor's written disclosure statement. The written agreement, acknowledgement, and solicitor disclosure statement will be considered to be in compliance with this paragraph if such documents are in compliance with Rule 275.206(4)-3 of the Advisers Act of 1940.

(16) All accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for or demonstrate the calculation of the performance or rate of return of all managed accounts or securities recommendations in any notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication including, but not limited to, electronic media that the investment adviser circulates or distributes, directly or indirectly, to two or more persons (other than persons connected with the investment adviser); provided, however, that, with respect to the performance of managed accounts, the retention of all account statements, if they reflect all debits, credits, and other transactions in a client's account for the period of the statement, and all worksheets necessary to demonstrate the calculation of the performance or rate of return of all managed accounts shall be deemed to satisfy the requirements of this paragraph.

(17) A file containing a copy of all written communications received or sent regarding any litigation involving the investment adviser or any investment advisee or employee, and regarding any written customer or client complaint.

(18) Recommendations.

(A) Written information about each investment advisory client that is the basis for making any recommendation or providing any investment advice to such client.

(B) A record evidencing that the account record of each client consisting of the information described in (A) of this paragraph has been furnished by the investment adviser to the client within thirty days of the signing of an investment advisory contract, and thereafter at intervals no greater than thirty-six months. The account record shall include or be accompanied by prominent statements that the client should mark any corrections and return the account record to the adviser and that the client should notify the advisor of any changes to information contained in the account record as they occur in the future.
(19) Written compliance policies and procedures reasonably designed to prevent violations of the Securities Acts and the rules adopted by the Administrator under the Securities Act.

(20) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations. The following standards shall apply to supervisory procedures:

(A) Regardless of its size or complexity, every investment adviser registered or required to be registered under the Securities Act must adopt and implement supervisory procedures that are tailored specifically to their business and must address the activities of all its investment adviser representatives and associated persons. Supervisory procedures must be in writing and must be reasonably designed to achieve compliance with applicable securities laws and the rules adopted under the Securities Act. Ultimate responsibility for supervision rests with the investment adviser.

(B) Written supervisory procedures must identify who has supervisory responsibilities, a record of each associated person who has supervisory responsibilities and the date assigned, and procedures for each business line and applicable securities laws for which each supervisor is responsible.

(C) All written supervisory procedures should specifically identify the individual to perform a supervisory function; what specifically the supervisor will review; when or how often the review will take place and how the supervisor’s review will be documented.

(D) Every investment adviser must maintain a copy of each prior version of its written supervisory procedures for a minimum of five years.

(21) Proxy Voting:

(A) If the investment adviser has the authority to vote client securities, the investment adviser must:

(i) establish, maintain, and enforce written proxy voting policies and procedures that are reasonably designed to ensure that the investment adviser votes client securities in the best interest of clients, to include how the investment adviser addresses material conflicts that may arise between its interests and those of the investment adviser’s clients;

(ii) disclose to clients how they may obtain information from the investment adviser about how it voted with respect to their securities; and

(iii) describe to clients the investment adviser’s proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures to the requesting client.

(B) If the investment adviser does not have the authority to vote client securities, then disclose to clients that it does not have such authority.

(22)(19) A file containing a copy of each document (other than any notices of general dissemination) that was filed with or received from any state or federal agency or self-regulatory organization and that pertains to the registrant or its investment adviser representatives, which file should contain, but is not limited to, all applications, amendments, renewal filings, and correspondence.

(23)(20) Copies, with original signatures of the investment adviser’s appropriate signatory and the investment adviser representative, of each initial Form U-4 and each amendment to Disclosure Reporting Pages (DRPs U-4) must be retained by the investment adviser (filing on behalf of the investment adviser representative) and must be made available for inspection upon regulatory request.
Where the adviser inadvertently held or obtained a client’s securities or funds and returned them to the client within three business days or has forwarded third party checks drawn by clients and made payable to third parties within three business days of receipt, the adviser shall keep a ledger or other listing of all securities or funds held or obtained including the following information:

(A) issuer;
(B) type of security and series;
(C) date of issue;
(D) for debt instruments, the denomination, interest rate and maturity date;
(E) certificate number, including alphabetical prefix or suffix;
(F) name in which registered;
(G) date received by the adviser;
(H) date sent to client or sender;
(I) form of delivery to client or sender, or copy of the form of delivery to client or sender; and
(J) mail confirmation number, if applicable, or confirmation by client or sender of the fund’s or security’s return.

If an investment adviser obtains possession of securities that are acquired from the issuer in a transaction or chain of transactions not involving any public offering that comply with the exception from custody in (c)(2) of 660:11-7-48, the adviser shall keep the following records:

(A) a record showing the issuer or current transfer agent’s name, address, phone number and other applicable contact information pertaining to the party responsible for recording client interests in the securities; and
(B) a copy of any legend, shareholder agreement or other agreement showing that those securities are transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

A copy of the investment adviser’s Physical Security and Cybersecurity Policies and Procedures and Privacy Policywritten policies and procedures required by 660:11-7-46. In addition to the investment adviser's recordkeeping requirements under subsections (e) and (g) of this Section, the investment adviser shall maintain:

(A) A current copy of these policies and procedures either in hard copy in a separate location or stored on electronic storage media that is separate from and not dependent on access to the investment adviser's computers or a network;
(B) All records documenting the investment adviser's compliance with 660:11-7-46, including, but not limited to, evidence of the annual review of the policies and procedures; and
(C) A record of any violation of 660:11-7-46 and of any action taken as a result of the violation.

Copies of the brochures required by 660:11-7-43 including a list of all clients or prospective clients to whom the brochures were provided and the date the brochures were provided.

(b) Special requirements due to type of custody.

(1) Custody as defined in 660:11-7-48. If an investment adviser has custody, as that term is defined in 660:11-7-48, the records required to be made and kept under (a) of this Section shall include:

(A) a copy of any and all documents executed by the client (including a limited power of attorney) under which the adviser is authorized or permitted to withdraw a client's
funds or securities maintained with a custodian upon the adviser's instruction to the custodian.

(B) a journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for all accounts and all other debits and credits to the accounts.

(C) a separate ledger account for each client showing all purchases, sales, receipts and deliveries of securities, the date and price of each purchase and sale, and all debits and credits.

(D) copies of confirmations of all transactions effected by or for the account of any client.

(E) a record for each security in which any client has a position, which record shall show the name of each client having any interest in each security, the amount or interest of each client, and the location of each security.

(F) a copy of each of the client's quarterly account statements, as generated and delivered by the qualified custodian. If the adviser also generates a statement that is delivered to the client, the adviser shall also maintain copies of such statements along with the date such statements were sent to the clients.

(G) if applicable to the adviser's situation, a copy of the special examination report verifying the completion of the examination by an independent certified public accountant and describing the nature and extent of the examination.

(H) a record of any finding by the independent certified public accountant of any material discrepancies found during the examination.

(I) if applicable, evidence of the client's designation of an independent representative.

(2) Adviser to pooled investment vehicle. If an investment adviser has custody because it advises a pooled investment vehicle, the adviser shall also keep the following records:

(A) true, accurate and current account statements;

(B) When the exception set forth in (c)(4) of 660:11-7-48 applies, the records required to be made and kept shall include:

(i) the date(s) of the audit;

(ii) a copy of the audited financial statements; and

(iii) evidence of the mailing of the audited financial to all limited partners, members or other beneficial owners within 120 days of the end of its fiscal year.

(C) When the description set forth in (b)(5) of 660:11-7-48 applies to an investment adviser, the investment adviser is required to make and keep records to include:

(i) a copy of the written agreement with the independent party reviewing all fees and expenses, indicating the responsibilities of the independent third party.

(ii) copies of all invoices and receipts showing approval by the independent party for payment through the qualified custodian.

(c) Managed accounts. Every investment adviser subject to (b) of this Section who renders any investment supervisory or management service to any client shall, with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment adviser, make and keep true, accurate and current:

(1) Records showing separately for each client the securities purchased and sold, and the date, amount and price of each purchase and sale.

(2) For each security in which any client has a current position, information from which the investment adviser can promptly furnish the name of each security held by the client, and the current amount or interest of the client.

(d) Client identity. Any books or records required by this Section may be maintained by the investment adviser in such manner that the identity of any client to whom the investment
adviser renders investment supervisory services is indicated by numerical or alphabetical code or some similar designation.

(e) **Records retention.** Every investment adviser subject to (a) of this Section shall preserve the following records in the manner prescribed:

(1) All books and records required to be made under the provisions of (a) to (c), inclusive, of this Section (except for books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on record, the first two years in the principal office of the investment adviser.

(2) Partnership articles and any amendments, articles of incorporation, charters, minute books, and stock certificate books of the investment adviser and of any predecessor, shall be maintained in the principal office of the investment adviser and preserved until at least three years after termination of the enterprise.

(3) Books and records required to be made under the provisions of (a)(11) and (a)(16) of this Section shall be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in the principal office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, the notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication including by electronic media.

(4) Books and records required to be made under the provisions of (a)(17)-(22), inclusive, of this Section shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on such record, the first two years in the principal office of the investment adviser, or for the time period during which the investment adviser was registered or required to be registered in the state, if less.

(5)(4) Notwithstanding other record preservation requirements of this Section, the following records or copies shall be required to be maintained at the business location of the investment adviser from which the customer or client is being provided or has been provided with investment advisory services: (A) records required to be preserved under (a)(3), (a)(7)-(10), (a)(14)-(15), (a)(17)-(19), (a)(24)-(25), b and c inclusive, of this Section, and (B) the records or copies required under the provisions of (a)(11) and (a)(16) of this Section which records or related records identify the name of the investment adviser representative providing investment advice from that business location, or which identify the business locations' physical address, mailing address, electronic mailing address, or telephone number. The records will be maintained for the applicable period described in this Subsection.

(f) **Ceasing business.** An investment adviser subject to (a) of this Section, before ceasing to conduct or discontinuing business as an investment adviser, shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved under this Section for the remainder of the period specified in this Section, and shall notify the Administrator in writing of the exact address where the books and records will be maintained during the period.

(g) **Format and storage of records.**

(1) The records required to be maintained and preserved may be immediately produced or reproduced, and maintained and preserved as the records are kept in their regular form for the required time, by an investment adviser on:

(A) paper or hard copy form; or

(B) micrographic media, including microfilm, microfiche, or any similar medium; or
(C) electronic storage media, including any digital storage medium or system that meets the terms of this section.

(2) The investment adviser must:
   (A) arrange and index the records in a way that permits easy location, access, and retrieval of any particular record;
   (B) provide promptly any of the following that the Administrator or his representatives may request:
      (i) a legible, true, and complete copy of the record in the medium and format in which it is stored;
      (ii) a legible, true, and complete printout of the record; and
      (iii) means to access, view, and print the records; and
   (C) separately store, for the time required for preservation of the original record, a duplicate copy of the record on any medium allowed by this section.

(3) In the case of records created or maintained on electronic storage media, the investment adviser must establish and maintain procedures:
   (A) to maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction;
   (B) to limit access to the records to properly authorized personnel and the Administrator and his representatives; and
   (C) to reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved.

(h) Investment supervisory services. For purposes of this Section, "investment supervisory services" means the giving of continuous advice as to the investment of funds on the basis of the individual needs of each client; and "discretionary power" shall not include discretion as to the price at which or the time when a transaction is or is to be effected, if, before the order is given by the investment adviser, the client has directed or approved the purchase or sale of a definite amount of the particular security.

(i) Compliance with federal law. Any book or other record made, kept, maintained and preserved in compliance with Rules 17a-3 [17 C.F.R. 240.17a-3] and 17a-4 [17 C.F.R. 240.17a-4] under the 1934 Act, which is substantially the same as the book or other record required to be made, kept, maintained and preserved under this Section, shall be deemed to be made, kept, maintained and preserved in compliance with this Section.

(j) Compliance with other state requirements. Every investment adviser registered or required to be registered under the Securities Act that has its principal place of business in a state other than Oklahoma shall be exempt from the requirements of this section, provided the investment adviser is licensed in the state in which it maintains its principal place of business and is in compliance with that state's books and records requirements.

660:11-7-42. Standards of ethical practices [AMENDED]

(a) Purpose. This Section is intended to set forth the standards of ethical practices for investment advisers and investment adviser representatives. The standards set forth in this Section apply to federal covered investment advisers and investment adviser representatives only to the extent that application is permitted by the National Securities Markets Improvement Act of 1996 (Pub. L. No. 104-290). Any noncompliance with the standards set forth in this Section will constitute unethical practices in the securities business as the same is set forth in Section 1-411.D.13 of the Securities Act; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of investment
advisers and investment adviser representatives in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory.

(b) Standards. Investment advisers and investment adviser representatives shall act in accordance with their fiduciary duty to their clients and shall not engage in dishonest or unethical practices including, although not limited to, the following:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment profile.

(A) A client's investment profile includes, but is not limited to, the client's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information disclosed by the client or known to the investment adviser or investment adviser representative.

(B) Institutional clients.

(i) An investment adviser or an investment adviser representative fulfills the customer-specific suitability obligation for an institutional account, as defined in 660:11-1-3, if

(I) the investment adviser or investment adviser representative has a reasonable basis to believe that the institutional client is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities and

(II) the institutional client affirmatively indicates that it is exercising independent judgment in evaluating the investment adviser or investment adviser representative's recommendations.

(ii) Where an institutional client has delegated decision-making authority to an agent, such as an investment adviser or a bank trust department, these factors shall be applied to the agent.

(2) Exercising any discretionary power in placing an order for the purchase or sale of securities for a client without obtaining written discretionary authority from the client within ten (10) business days after the date of the first transaction placed pursuant to oral discretionary authority, unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of a specified security shall be executed, or both.

(3) Inducing trading in a client's account that is excessive in size or frequency in view of the financial resources, investment objectives and character of the account.

(4) Placing an order to purchase or sell a security for the account of a client without authority to do so.

(5) Placing an order to purchase or sell a security for the account of a client upon instruction of a third party without first having obtained a written third-party trading authorization from the client.

(6) Borrowing money or securities from a client unless the client is a broker-dealer, an affiliate of the investment adviser or investment adviser representative, or a financial institution engaged in the business of loaning funds.

(7) Loaning money to a client unless the investment adviser is a financial institution engaged in the business of loaning funds or the client is an affiliate of the investment adviser or investment adviser representative.
(8) Misrepresenting to any advisory client, or prospective advisory client, the qualifications of the investment adviser or an investment adviser representative or misrepresenting the nature of the advisory services being offered or fees to be charged for such service, or omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading.

(9) Providing a report or recommendation to any advisory client prepared by someone other than the investment adviser without disclosing the source.

(10) Charging a client an unreasonable advisory fee.

(11) Failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including:

(A) Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; and

(B) Charging a client an advisory fee for rendering advice when compensation for effecting securities transactions pursuant to such advice will be received by the investment adviser or its employees or affiliated persons.

(12) Guaranteeing a client that a specific result will be achieved (gain or no loss) with advice which will be rendered.


(14) Disclosing the identity, affairs, or investments of any client unless required by law to do so, or unless consented to by the client.

(15) Taking any action, directly or indirectly, with respect to those securities or funds in which any client has any beneficial interest, where the investment adviser has custody or possession of such securities or funds when the investment adviser's action does not comply with the requirements of Reg. A § 275.206(4)-2 under the Advisers Act as effective to May 3, 2021.

(16) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment adviser or investment adviser representative and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

(17) Entering into, extending or renewing any investment advisory contract, if such contract contains any provision that limits or purports to limit any of the following:

(A) the liability of the investment adviser for conduct or omission arising from the advisory relationship that does not conform to the Securities Act, applicable federal statutes, or common law fiduciary standard of care;

(B) remedies available to the client at law or equity or the jurisdiction or venue where any action shall be filed or heard; or

(C) applicability of the laws of Oklahoma with respect to the construction or interpretation of the provisions of the investment advisory contract.

(18) Failing to adopt, implement, and follow written supervisory procedures that are tailored specifically to their business and that:

(A) address the activities of all its investment adviser representatives and associated persons;
(B) identify who has supervisory responsibilities, including a record of each associated person who has supervisory responsibilities and the date assigned, and procedures for each business line and applicable securities laws for which each supervisor is responsible; and
(C) specifically identify the individual to perform a supervisory function; what specifically the supervisor will review; when or how often the review will take place and how the supervisor's review will be documented.

(19) Engaging in conduct or any act, indirectly or through or by any other person, which would be unlawful for such person to do directly under the provisions of the Securities Act or any section thereunder.

(20) Accessing a client's account by using the client's own unique identifying information such as username and password.

(21) Failing to establish, maintain, and enforce required policies and procedures.

(22) Knowingly selling any security to or purchasing any security from a client while acting as principal for its own advisory account, or knowingly effecting any sale or purchase of any security for the account of the client while acting as broker-dealer for a person other than the client, without disclosing to the client in writing before the completion of the transaction the capacity in which it is acting and obtaining the consent of the client to the transaction.

(A) The prohibitions of this paragraph (22) shall not apply to any transactions with a customer of a broker-dealer if the broker-dealer is not acting as an investment adviser in relation to the transaction.

(B) The prohibition of this paragraph (22) shall not apply to any transaction with a customer of a broker-dealer if the broker-dealer acts as an investment adviser solely:
   (i) by means of publicly distributed written materials or publicly made oral statements;
   (ii) by means of written materials or oral statements not purporting to meet the objectives or needs of specific individuals or accounts;
   (iii) through the issuance of statistical information containing no expressions of opinion as to the investment merits of a particular security; or
   (iv) any combination of the foregoing services.

(C) Publicly distributed written materials or publicly made oral statements shall disclose that, if the purchaser of the advisory communication uses the investment adviser's services in connection with the sale or purchase of a security which is a subject of the communication, the investment adviser may act as principal for its own account or as agent for another person. Compliance by the investment adviser with the foregoing disclosure requirement shall not relieve it of any other disclosure obligations under the Securities Act.

(D) The prohibition of this paragraph (22) shall not apply to an investment adviser effecting an agency cross transaction for an advisory client provided the following conditions are met:
   (i) The advisory client executes a written consent prospectively authorizing the investment adviser to effect agency cross transactions for such client;
   (ii) Before obtaining such written consent from the client, the investment adviser makes full written disclosure to the client that, with respect to agency cross transactions, the investment adviser will act as broker-dealer for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding both parties to the transactions;
(iii) At or before the completion of each agency cross transaction, the investment adviser or any other person relying on this subparagraph sends the client a written confirmation. The written confirmation shall include:

(I) A statement of the nature of the transaction;

(II) The date the transaction took place;

(III) An offer to furnish, upon request, the time when the transaction took place; and

(IV) the source and amount of any other remuneration the investment adviser received or will receive in connection with the transaction. In the case of a purchase, if the investment adviser was not participating in a tender offer, the written confirmation shall state whether the investment adviser has been receiving or will receive any other remuneration and that the investment adviser will furnish the source and amount of such remuneration to the client upon the client's written consent.

(iv) At least annually, and with or as part of any written statement or summary of the account from the investment adviser, the investment adviser or any other person relying on this subparagraph (D) send each client a written disclosure statement identifying:

(I) The total number of agency cross transactions during the period for the client since the date of the last such statement or summary; and

(II) The total amount of all commissions or other remuneration the investment adviser received or will receive in connection with agency cross transactions for the client during such period.

(v) Each written disclosure and confirmation required by this subparagraph (D) must include a conspicuous statement that the client may revoke the written consent required under (i) of this subparagraph (D) at any time by providing written notice to the investment adviser.

(vi) No agency cross transaction may be effected in which the same investment adviser recommended the transaction to both any seller and any purchaser.

(vii) Nothing in the subparagraph (D) shall be construed to relieve an investment adviser or investment adviser representative from acting in the best interests of the client, including fulfilling his duty with respect to the best price and execution for the particular transaction for the client nor shall it relieve any investment adviser or investment adviser representative of any other disclosure obligations imposed by the Securities Act.

(E) Definitions for purposes of this paragraph (22).

(i) "Agency cross transaction for an advisory client" means a transaction in which a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by, or under common control with such investment adviser, including an investment adviser representative, acts as a broker-dealer for both the advisory client and another person on the other side of the transaction. When acting in such capacity such person is required to be registered as a broker-dealer in this state unless excluded from the definition.

(ii) "Publicly distributed written materials" means written materials which are distributed to 35 or more persons who pay for those materials.

(iii) "Publicly made oral statements" means oral statements made simultaneously to 35 or more persons who pay for access to those statements.

(23) Sharing an office with a person who is not an advisory affiliate without:
(A) reducing any agreement with the unaffiliated person to writing;
(B) taking appropriate measures, including, but not limited to, adequate disclosures to eliminate the appearance of an agency relationship with the unaffiliated person when one does not otherwise exist; and
(C) complying with all applicable Oklahoma and federal laws requiring the safeguarding of customer data from the unaffiliated person.

660:11-7-44. Financial statements for investment advisers [AMENDED]
(a) Audited statements. Applications for registration as investment advisers shall contain audited financial statements for the applicant as of the end of its last fiscal year. Applicants that have been in operation for less than twelve (12) months shall submit an unaudited statement of financial condition as of a date within ninety (90) days of the date of the filing of the application and an unaudited statement of income for the period beginning from the date of inception through the date as of which the statement of financial condition is prepared.
(b) Unaudited interim financial statements. If the audited financial statements required in the preceding (a) are not current to within ninety (90) days of the date of filing, additional unaudited financial statements shall be submitted covering the period from the beginning of the current fiscal year through a month ending within the 90-day time frame.
(c) Sole proprietors. Investment advisers who are individuals or sole proprietorships, in lieu of audited financial statements, may provide financial statements that have been prepared in accordance with generally accepted accounting principles and which have been reviewed and reported upon by independent accountants in accordance with the standards for the review of financial statements promulgated by the American Institute of Certified Public Accountants.
(d) Exemption. The financial statement requirements specified in this section shall not apply to an investment adviser unless the investment adviser has custody or possession of clients' funds or securities or requires prepayment of advisory fees six (6) months or more in advance and in excess of $500.00 per client.
(e) Waiver. The Administrator in his discretion may waive any of the requirements of this section on a case-by-case basis when such action is determined to be consistent with the purposes fairly intended by the policy and provisions of the Securities Act. Requests for waivers shall be in writing seeking forth the reasons therefor.

660:11-7-46. Information security-Written policies and procedures [AMENDED]
(a) Required written policies and procedures. It is unlawful for an investment adviser registered or required to be registered under section 1-403 of the Securities Act to provide investment advice to clients unless the investment adviser establishes, maintains, and enforces written policies and procedures tailored to the investment adviser's business model, taking into account the size of the firm, type(s) of services provided, and the number of locations of the investment adviser. The written policies and procedures must provide for at least the following:
   (1) Compliance Policies and Procedures. The investment adviser must establish, maintain, and enforce written compliance policies and procedures reasonably designed to prevent violations by the investment adviser of the Act and the rules that the Administrator has adopted under the Act;
   (2) Supervisory Policies and Procedures. The investment adviser must establish, maintain, and enforce written supervisory policies and procedures reasonably designed to prevent violations by the investment adviser's supervised persons of the Act and the rules that the Administrator has adopted under the Act. The following standards shall apply to supervisory procedures:
(A) Regardless of its size or complexity, every investment adviser registered or required to be registered under the Securities Act must adopt and implement supervisory procedures that are tailored specifically to their business and must address the activities of all its investment adviser representatives and associated persons. Supervisory procedures must be in writing and must be reasonably designed to achieve compliance with applicable securities laws and the rules adopted under the Securities Act. Ultimate responsibility for supervision rests with the investment adviser.

(B) Written supervisory procedures must identify who has supervisory responsibilities, a record of each associated person who has supervisory responsibilities and the date assigned, and procedures for each business line and applicable securities laws for which each supervisor is responsible.

(C) All written supervisory procedures should specifically identify the individual to perform a supervisory function: what specifically the supervisor will review; when or how often the review will take place and how the supervisor's review will be documented.

(3) **Proxy Voting.**

(A) If the investment adviser has the authority to vote client securities, the investment adviser must:

(i) establish, maintain, and enforce written proxy voting policies and procedures that are reasonably designed to ensure that the investment adviser votes client securities in the best interest of clients. to include how the investment adviser addresses material conflicts that may arise between its interests and those of the investment adviser's clients;

(ii) disclose to clients how they may obtain information from the investment adviser about how it voted with respect to their securities; and

(iii) describe to clients the investment adviser's proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures to the requesting client.

(B) If the investment adviser does not have the authority to vote client securities, then disclose to clients that it does not have such authority.

(4) **Physical security and cybersecurity policies and procedures.** Every investment adviser registered or required to be registered shall establish, implement, update, and enforce written physical security and cybersecurity policies and procedures reasonably designed to ensure the confidentiality, integrity, and availability of physical and electronic records and information. The policies and procedures must be tailored to the investment adviser's business model, taking into account the size of the firm, type(s) of services provided, and the number of locations of the investment adviser.

(1)(A) The physical security and cybersecurity policies and procedures must:

(A)(i) Protect against reasonably anticipated threats or hazards to the security or integrity of client records and information;

(B)(ii) Ensure that the investment adviser safeguards confidential client records and information; and

(C)(iii) Protect any records and information the release of which could result in harm or inconvenience to any client.

(2)(B) The physical security and cybersecurity policies and procedures must cover at least five functions:

(A)(i) **Identify.** Develop the organizational understanding to manage information security risk to systems, assets, data, and capabilities;
(B)(ii) **Protect.** Develop and implement the appropriate safeguards to ensure delivery of critical infrastructure services;

(C)(iii) **Detect.** Develop and implement the appropriate activities to identify the occurrence of an information security event;

(D)(iv) **Respond.** Develop and implement the appropriate activities to take action regarding a detected information and security event; and

(E)(v) **Recover.** Develop and implement the appropriate activities to maintain plans for resilience and to restore any capabilities or services that are impaired due to an information security event.

(3)(C) The investment adviser must review, no less frequently than annually, and modify, as needed, these policies and procedures to ensure the adequacy of the security measures and the effectiveness of their implementation.

(5) **Privacy policy.** The investment adviser must deliver upon the investment adviser's engagement by a client, and on an annual basis thereafter, a privacy policy to each client that is reasonably designed to prevent the misuse of material, non-public information by the investment adviser or any person associated with the investment adviser, and to aid in the client's understanding of how the investment adviser collects and shares, to the extent permitted by state and federal law, non-public personal information. The investment adviser must promptly update and deliver to each client an amended privacy policy if any of the information in the policy becomes inaccurate.

(6) **Code of Ethics.**

(A) The investment adviser must establish, maintain, and enforce a written code of ethics that, at a minimum, includes:

(i) A standard (or standards) of business conduct that the investment adviser requires of its supervised persons, which must reflect the investment adviser's fiduciary obligations and those of its supervised persons;

(ii) Provisions requiring the investment adviser’s supervised persons to comply with applicable State and Federal securities laws;

(iii) Provisions requiring all of the investment adviser’s access persons to report, and the investment adviser to review, their personal securities transactions and holdings periodically as provided below;

(iv) Provisions requiring supervised persons to report any violations of the investment adviser’s code of ethics promptly to its chief compliance officer or, provided the investment adviser’s chief compliance officer also receives reports of all violations, to other persons designated in the investment adviser’s code of ethics; and

(v) Provisions requiring the investment adviser to provide each of its supervised persons with a copy of the investment adviser’s code of ethics and any amendments, and requiring the investment adviser’s supervised persons to provide it with a written acknowledgment of their receipt of the code and any amendments.

(B) **Reporting Requirements.**

(i) **Holdings reports.** The code of ethics must require the investment adviser’s access persons to submit to its chief compliance officer or other persons designated in the investment adviser’s code of ethics a report of the access person’s current securities holdings that meets the following requirements:

(1) **Content of holdings reports.** Each holdings report must contain, at a minimum, the title and type of security, and as applicable the exchange ticker symbol or CUSIP number, number of shares, and principal amount of each reportable security in which the access person has any direct or indirect beneficial ownership; the name of any broker, dealer, or bank with which the access person
maintains an account in which any securities are held for the access person’s direct or indirect benefit; and the date the access person submits the report.

(ii) **Timing of holdings reports.** The investment adviser’s access persons must each submit a holdings report no later than 10 days after the person becomes an access person, and the information must be current as of a date no more than 45 days prior to the date the person becomes an access person and at least once each 12-month period thereafter on a date selected by the investment adviser, and the information must be current as of a date no more than 45 days prior to the date the report was submitted.

(ii) **Transaction reports.** The code of ethics must require access persons to submit to the investment adviser’s chief compliance officer or other persons designated in the investment adviser’s code of ethics quarterly securities transactions reports that meet the following requirements:

(I) **Content of transaction reports.** Each transaction report must contain, at a minimum, the following information about each transaction involving a reportable security in which the access person had, or as a result of the transaction acquired, any direct or indirect beneficial ownership: the date of the transaction, the title, and as applicable the exchange ticker symbol or CUSIP number, interest rate and maturity date, number of shares, and principal amount of each reportable security involved; the nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition); the price of the security at which the transaction was effected; the name of the broker, dealer, or bank with or through which the transaction was effected; and the date the access person submits the report.

(II) **Timing of transaction reports.** Each access person must submit a transaction report no later than 30 days after the end of each calendar quarter, which report must cover, at a minimum, all transactions during the quarter.

(iii) **Exceptions from reporting requirements.** The investment adviser’s code of ethics need not require an access person to submit:

(I) any report with respect to securities held in accounts over which the access person had no direct or indirect influence or control;

(II) a transaction report with respect to transactions effected pursuant to an automatic investment plan in which regular periodic purchases or withdrawals are made automatically in or from investment accounts in accordance with a predetermined schedule and allocation, including a dividend reinvestment plan;

(III) a transaction report if the report would duplicate information contained in broker trade confirmations or account statements that the investment adviser holds in its records so long as the investment adviser receives the confirmations or statements no later than 30 days after the end of the applicable calendar quarter.

(iv) **Pre-approval of certain investments.** The investment adviser’s code of ethics must require its access persons to obtain the investment adviser’s approval before they directly or indirectly acquire beneficial ownership in any security in an initial public offering or in a limited offering.

(v) **Small advisers.** If the investment adviser has only one access person, it is not required to submit reports to itself or to obtain its own approval for investments in any security in an initial public offering or in a limited offering, if the investment adviser maintains records of all of its holdings and transactions that this section would otherwise require the investment adviser to report.

(e) (7) **Material Non-Public Information Policy and Procedures.** The investment adviser must establish, maintain, and enforce written policies and procedures reasonably designed to
prevent the misuse of material, non-public information by the investment adviser or any person associated with the investment adviser.

(8) Business continuity and succession plan. The investment adviser shall establish, maintain, and enforce written policies and procedures relating to a business continuity and succession plan that includes at least the following:

(1) (A) the protection, backup, and recovery of books and records.
(2) (B) alternate means of communications with clients; key personnel; employees; vendors; service providers, including third-party custodians; and regulators, including, but not limited to, providing notice of a significant business interruption or the death or unavailability of key personnel or other disruptions or cessation of business activities.
(3) (C) office relocation in the event of temporary or permanent loss of a principal place of business.
(4) (D) assignment of duties of qualified responsible persons in the event of the death or unavailability of key personnel.
(5) (E) otherwise minimizing service disruptions and client harm that could result from a sudden significant business interruption.

(b) Annual review. The investment adviser must review, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this Section and the effectiveness of their implementation.

(c) Chief Compliance Officer. The investment adviser must designate a supervised person as the chief compliance officer responsible for administering the investment adviser’s policies and procedures.

660: 11-7-49. Investment adviser representative continuing education requirements [NEW]

(a) Definitions. For purposes of this Section, the following terms mean:

(1) "Approved IAR Continuing Education Content" means the materials, written, oral, or otherwise that have been approved by NASAA or its designee and which make up the educational program provided to an investment adviser representative under this Section.
(2) "Authorized provider" means a person that NASAA or its designee has authorized to provide continuing education content required by this Section.
(3) "Credit" means a unit that has been designated by NASAA or its designee as at least 50 minutes of educational instruction.
(4) "Home state" means the state in which the investment adviser representative has its principal office and place of business.
(5) "IAR Ethics and Professional Responsibility Content" means Approved IAR Continuing Education Content that addresses an investment adviser representative’s ethical and regulatory obligations.
(6) "IAR Products and Practice Content" means Approved IAR Continuing Education Content that addresses an investment adviser representative's continuing skills and knowledge regarding financial products, investment features, and practices in the investment advisory industry.
(7) "Investment adviser representative" means an individual who meets the definition of "investment adviser representative" under the Securities Act and an individual who meets the definition of "investment adviser representative" under 17 CFR 275.203A-3.
(8) "Reporting period" means the calendar year. An investment adviser representative's initial reporting period commences the first day of the first full reporting period after the individual is registered or required to be registered under the Securities Act.
(b) **IAR continuing education.** Every investment adviser representative registered under the Securities Act must complete a total of twelve (12) credits of continuing education requirements each reporting period as follows:

1. **IAR Ethics and Professional Responsibility requirement.** An investment adviser representative must complete six (6) credits of IAR Ethics and Professional Responsibility Content offered by an authorized provider, with at least three (3) credits covering the topic of ethics; and
2. **IAR Products and Practice requirement.** An investment adviser representative must complete six (6) credits of IAR Products and Practice Content offered by an authorized provider.

(c) **Agent of FINRA-registered broker-dealer compliance.** An investment adviser representative who is also registered as an agent of a FINRA member broker-dealer and who complies with FINRA’s continuing education requirements is considered to be in compliance with subsection (b)(2) for each applicable reporting period so long as FINRA continuing education content meets all of the following baseline criteria:

1. The continuing education content focuses on compliance, regulatory, ethical, and sales practices standards.
2. The continuing education content is derived from state and federal investment advisory statutes, rules and regulations, securities industry rules and regulations, and accepted standards and practices in the financial services industry.
3. The continuing education content requires that its participants demonstrate proficiency in the subject matter of the educational materials.

(d) **Credentialed organization continuing education compliance.** Credits of continuing education completed by an investment adviser representative who holds certifications determined by the Administrator to be acceptable in lieu of required examinations comply with subsection (b) of this Section provided all of the following are true:

1. The investment adviser representative completes the credits of continuing education as a condition of maintaining the credential for the relevant reporting period.
2. The credits of continuing education completed during the relevant Reporting Period by the investment adviser representative are mandatory to maintain the credential.
3. The continuing education content provided by the credentialing organization during the relevant reporting period is Approved IAR Continuing Education Content.

(e) **IAR continuing education reporting.** Every investment adviser representative is responsible for ensuring that the authorized provider reports the investment adviser representative’s completion of the applicable IAR continuing education requirements.

(f) **No carry-forward.** An investment adviser representative who completes credits of continuing education in excess of the amount required for the reporting period may not carry forward excess credits to a subsequent reporting period.

(g) **Failure to complete or report.** An investment adviser representative who fails to comply with this Section by the end of a reporting period will renew under the Securities Act as "CE Inactive" at the close of the calendar year until the investment adviser representative completes and reports all required IAR continuing education credits for all reporting periods as required by this Section. An investment adviser representative who is "CE-Inactive" at the close of the next calendar year is not eligible for investment adviser representative registration or renewal of an investment adviser representative registration.

(h) **Discretionary waiver by the Administrator.** The Administrator may, in the Administrator’s discretion, waive any requirements of this Section.
(i) **Home state.** An investment adviser representative registered or required to be registered in this state who is registered as an investment adviser representative in the individual's home state is considered to be in compliance with this rule provided that both of the following are true:

(1) The investment adviser representative's home state has continuing education requirements that are at least as stringent as the requirements of this Section.

(2) The investment adviser representative is in compliance with the home state's investment adviser representative continuing education requirements.

(j) **Unregistered periods.** An investment adviser representative who was previously registered under the Securities Act and became unregistered for non-compliance with this Section must complete the continuing education requirements required by this Section for all reporting periods that occurred between the time that the investment adviser representative became unregistered and when the person applies to become registered again under the Securities Act unless the investment adviser representative takes and passes the required examinations or receives an examination waiver under 660:11-7-13 in connection with the subsequent application for registration.

**SUBCHAPTER 11. EXEMPTIONS FROM SECURITIES REGISTRATION**

**PART 5. EXEMPT TRANSACTIONS**

660:11-11-54. Intrastate offering exemption [NEW]

(a) **Terms of the Exemption.** Under the authority of Section 1-202.25 of the Securities Act, transactions meeting the following conditions are exempt from Sections 1-301 and 1-504 of the Securities Act:

(1) **Intrastate offers and sales.** The issuer meets all of the requirements set forth in Section 1-202.25 of the Securities Act.

(2) **Minimum offering amount.** Investors shall receive a return of all their subscription funds if the minimum offering amount is not raised by the time stated in the disclosure document. Non-cash contributions from control persons or other insiders shall not be considered in fulfilling the minimum offering amount.

(3) **Initial notice filing.** The issuer, at least ten (10) business days prior to the first sale of the securities, shall file a notice of the proposed offering directly with the Department. The notice must include the following:

(A) the names and addresses of the issuer, all persons who will be involved in the offer or sale of securities on behalf of the issuer, and any bank or other depository institution in which investor funds will be deposited;

(B) a copy of the disclosure document to be provided to each prospective purchaser in connection with the offering within a reasonable period of time before the date of sale containing at least the following:

(i) the name, legal status, physical address, and website address of the issuer;

(ii) the names of the directors, officers, and any other control persons with descriptions of each person's background and qualifications;

(iii) a description of the business of the issuer and the anticipated business plan of the issuer;

(iv) a description of the stated purpose and intended use of the proceeds of the offering sought by the issuer, including compensation paid to any officer, director, or control person;

(v) the target offering amount and the deadline to reach the target offering amount, and any minimum amount required to close the offering if such minimum is less than the target offering amount;
(vi) the amount of commission or other renumeration to be paid to any broker-dealer or agent involved in the offer or sale of the securities;
(vii) financial information about the issuer, certified by the issuer's chief executive officer and chief financial officer, or other individual serving in a similar capacity, to be true and complete in all material respects, including:
   (I) annual financial statements, unless the issuer is newly organized and has not reached its first fiscal year end, that are dated as of the end of the issuer's most recently completed fiscal year; are prepared in accordance with generally accepted accounting principles in the United States; include a balance sheet, statement of income, statement of cash flows, statement of changes in stockholders' equity and notes to the financial statements; and comply with the applicable standard set forth in (4) of this subsection; and
   (II) interim financial statements including an unaudited balance sheet and statement of income for the issuer's most recently completed fiscal quarter, but only if the issuer is newly organized and has not reached its first fiscal year end or the date of the issuer's most recently completed fiscal year end is more than one hundred twenty (120) days prior to the date of filing.
(C) a description of any litigation, legal proceedings, or pending regulatory action involving the issuer, its officers, directors, or control persons;
(D) a statement that:
   (i) sales will only be made to any one person in an amount up to $5,000.00 unless the persons are accredited investors as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933 (17 C.F.R. 230.501);
   (ii) sales will only be made to residents of the state of Oklahoma at the time of the sale of the security;
   (iii) the securities have not been registered with or approved by the state of Oklahoma and are being offered and sold pursuant to an exemption from registration and, therefore, cannot be resold unless the securities are registered or qualify for an exemption from registration under federal and state law;
   (iv) for a period of six (6) months from the date of the sale by the issuer of the securities, any resale of the securities (or the underlying securities in the case of convertible securities) shall be made only to persons resident within the state of Oklahoma; and
   (v) there is no ready market for the sale of the securities acquired from this offering and it may be difficult or impossible for a purchaser to sell or otherwise dispose of this investment;
(E) a copy of the escrow agreement;
(F) a consent to service of process on Form U-2 and (if applicable) Form U-2A; and
(G) the fee as set forth in Section 1-612 of the Securities Act.
(4) Annual financial statement standards. The annual financial statements required in (3)(B)(vii)(I) of this subsection must meet the following applicable standard:
(A) For offerings that have an aggregate offering amount of $500,000 or less, the issuer may provide unaudited and unreviewed financial statements. However, if the issuer has obtained financial statements that have been compiled, reviewed, or audited by an independent certified public accountant, the issuer must provide those financial statements;
(B) For offering that have an aggregate offering amount of more than $500,000 but less than $1,000,000, the financial statements must be compiled by an independent certified public accountant. However, if the issuer has obtained financial statements that have
either been reviewed or audited by an independent certified public accountant, the issuer must provide those financial statements; or
(C) For offerings that have an aggregate offering amount of $1,000,000 or more, the financial statements must be reviewed by an independent certified public accountant. However, if the issuer has obtained financial statements that have been audited by an independent certified public accountant, the issuer must provide those financial statements.

(5) Continuing notice filings. For offerings that continue beyond one year from the commencement date of the offering, the issuer shall file with the Department, no later than thirty (30) days after the end of each quarter, updated interim financial statements including an unaudited balance sheet and statement of income for the issuer’s most recently completed fiscal quarter, certified by the issuer’s chief executive officer and chief financial officer, or other individual serving in a similar capacity, to be true and complete in all material respects.

(6) Final notice filing. The issuer shall file with the Department, no later than thirty (30) days after the termination of the offering, a final notice that the offering has been terminated. The final notice must include the following:

(A) the Oklahoma exemption file number for the offering of securities to which the final notice relates;
(B) the commencement date of the offering and the termination date of the offering;
(C) a sales report that discloses the dollar amount of securities sold in Oklahoma in connection with the offering, in the following format:
   (i) Beginning offering amount;
   (ii) Minus: Amount sold during the offering;
   (iii) Balance unsold at the termination of the offering; and
(D) If the offering did not achieve the minimum offering amount, the issuer shall provide written confirmation to the Department that all offering proceeds that were raised in the offering were returned to each purchaser and that each purchaser did receive their investment proceeds.

(7) Fees. There are no fees required to be paid for the continuing notices or the final notice.

(8) Piecemeal filings. Any notice required under this section is not considered filed if it is incomplete. Piecemeal filings shall not be accepted.

(9) Required legend. The issuer shall, in connection with any securities sold by it under this Section, place a prominent legend on the certificate or other document evidencing the security stating that: "Offers and sales of these securities were made under an exemption from registration and have not been registered under the Securities Act of 1933 or the Oklahoma Uniform Securities Act of 2004. For a period of six months from the date of the sale by the issuer of these securities, any resale of these securities (or the underlying securities in the case of convertible securities) shall be made only to persons resident within the state of Oklahoma."

(10) Evidence from purchaser. The issuer shall obtain from each purchaser a written representation of residency within the state of Oklahoma before a sale may be made. Such representation shall include an affirmation made by the purchaser that the purchaser is at least eighteen (18) years of age and purchasing the securities for investment. The issuer shall also obtain a copy of any one of the following from the purchaser:

(A) valid Oklahoma driver’s license or official identification card issued by the State of Oklahoma;
(B) current Oklahoma voter registration card; or
(C) county property tax records showing the individual owns and occupies property in Oklahoma as his or her primary residence.
(b) **Application of NASAA Statements of Policy and guidelines.** The Department may apply the provisions of applicable Statements of Policy or guidelines adopted by NASAA to any offering of securities made pursuant to this exemption from registration. Failure to comply with any such provision may serve as the basis for withdrawing or further conditioning the exemption as to a particular offering.