
EMERGENCY RULE

TITLE 15 – ELECTED OFFICIALS
Division 30 – Secretary of State
Chapter 51 – Broker-Dealers, Agents, Investment
Advisers, and Investment Adviser Representatives

EMERGENCY AMENDMENT

15 CSR 30-51.170 Dishonest or Unethical Business Practices by Broker-Dealers and Agents. The secretary is deleting sections (3) and (4).

PURPOSE: This emergency amendment amends the rule to be in compliance with a federal court order.

EMERGENCY STATEMENT: The Secretary of State finds that an immediate danger to the public welfare requires this emergency action and is necessary to preserve a compelling government interest in that a federal court determined certain elements of the original rule were invalid. The Secretary of State is filing this amendment in order to prevent confusion and uncertainty in the industry. The scope of this emergency amendment is limited to the circumstances creating the emergency and complies with the protections extended in the **Missouri and United States Constitutions**. The Secretary of State believes this emergency rule is fair to all interested persons and parties under the circumstances. This emergency amendment was filed October 23, 2024, becomes effective November 6, 2024, and expires May 4, 2025.

[(3) Failing to disclose to any customer or prospective customer the following material fact:

(A) If a broker-dealer or agent incorporates a social objective or other nonfinancial objective into a discretionary investment decision to buy or sell a security or commodity for a customer, a recommendation and/or solicitation to a customer for the purchase or sale of a security or commodity, or the selection, or recommendation or advice to a customer regarding the selection, of a third-party manager or subadvisor to manage the investments in the customer's account, then such broker-dealer or agent shall disclose to such customer the existence of such incorporation;

(B) As used in this section, the following terms mean:

1. "Agent," the same meaning as under section 409.1-102;

2. "Broker-dealer," the same meaning as under section 409.1-102;

3. "Incorporates a social objective," means the material fact to consider socially responsible criteria in the investment or commitment of customer funds for the purpose of seeking to obtain an effect other than the maximization of financial return to the customer;

4. "Nonfinancial objective," means the material fact to consider criteria in the investment or commitment of customer funds for the purpose of seeking to obtain an effect other than the maximization of financial return to the customer;

5. "Socially responsible criteria," any criterion that is intended to further, or is branded, advertised, or otherwise publicly described by the broker-dealer or agent as furthering, any of the following:

A. International, domestic, or industry agreements relating to environmental or social goals;

B. Corporate governance structures based on social characteristics; or

C. Social or environmental goals;

(C) The disclosure obligation under subsection (3)(A) is satisfied by providing clear and conspicuous prior disclosure

and obtaining written acknowledgment and consent from the customer. Written consent shall be obtained either—

1. At the establishment of the brokerage relationship; or

2. Prior to—

A. Effecting the initial discretionary investment for the customer's account;

B. Providing the initial recommendation, advice, or solicitation regarding the purchase or sale of a security or commodity in a customer's account; or

C. Selecting, or recommending or advising on the selection of, a third-party manager or subadvisor to manage the investments in a customer's account;

3. Such disclosure, thereafter, shall be provided to the customer on an annual basis and, no less than every three (3) years, consented in writing by the customer; and

(D) Written consent required under subsection (3)(C) shall contain language that is substantially similar to the following:

"I, [NAME OF CUSTOMER], consent to my [as applicable, NAME OF BROKER-DEALER OR AGENT] incorporating a social objective or other nonfinancial objective into any discretionary investment decision my [as applicable, broker-dealer or agent] makes for my account; any recommendation, advice, or solicitation my [as applicable, broker-dealer or agent] makes to me for the purchase or sale of a security or commodity; or the selection my [as applicable, broker-dealer or agent] makes, or recommendation or advice my [as applicable, broker-dealer or agent] makes to me regarding the selection of, a third-party manager or subadvisor to manage the investments in my account. Also, I acknowledge and understand that incorporating a social objective or other nonfinancial objective into discretionary investment decisions, recommendations, advice, and/or the selection of a third-party manager or subadvisor to manage the investments, in regards to my account, will result in investments and recommendations/advice that are not solely focused on maximizing a financial return for me or my account."

(4) The conduct set forth above is not inclusive. Engaging in other conduct such as nondisclosure or incomplete disclosure of material fact or other deceptive practices are dishonest or unethical business practices.]

AUTHORITY: section 409.6-605, RSMo 2016. Original rule filed June 25, 1968, effective Aug. 1, 1968. For intervening history, please consult the **Code of State Regulations**. Emergency amendment filed Oct. 23, 2024, effective Nov. 6, 2024, expires May 4, 2025. An emergency and a proposed amendment covering the same material will be published in the Dec. 2, 2024, issue of the **Missouri Register**.

PUBLIC COST: This emergency amendment will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the time the emergency is effective.

PRIVATE COST: This emergency amendment will not cost private entities more than five hundred dollars (\$500) in the time the emergency is effective.