

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

PROPOSED 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 amendment amends the rule to be in compliance with a federal court order.

[(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 subadviser 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 subadviser 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. Amended: Filed May 21, 1969, effective Aug. 1, 1969. Amended: Filed July 21, 1972, effective Aug. 1, 1972. Amended: Filed Nov. 15, 1974, effective Nov. 25, 1974. Amended: Filed Oct. 13, 1983, effective Jan. 13, 1984. Amended: Filed Oct. 16, 1987, effective Feb. 12, 1987. Amended: Filed March 27, 1989, effective June 12, 1989. Amended: Filed July 3, 1989, effective Sept. 28, 1989. Amended: Filed Aug. 28, 1989, effective Feb. 11, 1990. Amended: Filed June 29, 1990, effective Dec. 31, 1990. Emergency amendment filed Aug. 27, 2003, effective Sept. 12, 2003, expired March 9, 2004. Amended: Filed Aug. 28, 2003, effective Feb. 29, 2004. Amended: Filed April 8, 2004, effective Oct. 30, 2004. Amended: Filed March 31, 2008, effective Jan. 1, 2009. Amended: Filed July 19, 2019, effective Jan. 30, 2020. Amended: Filed Dec. 15, 2022, effective July 30, 2023.*

**Original authority: 409.6-605, RSMo 2003.*

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

PRIVATE COST: This proposed amendment will not cost private entities more than five hundred dollars (\$500) in the aggregate.

NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed amendment with the Office of Secretary of State, P.O. Box 1767, Jefferson City,

*MO 65102. To be considered, comments must be received within thirty (30) days after publication of this notice in the **Missouri Register**. No public hearing is scheduled.*