

### Unethical actions

- ✓ Excessive trading (churning)
- ✓ Making unsuitable recommendations
- ✓ Executing transactions without proper authority
- ✓ Failing to segregate client assets from firm assets
- ✓ Executing transactions at unfair prices
- ✓ Failing to deliver a prospectus during new issue offerings
- ✓ Charging unreasonable fees
- ✓ Offering a security with no intention of trading it (backing away)
- ✓ Engaging in any form of market manipulation
- ✓ Guaranteeing investors against loss
- ✓ Failing to disclose conflicts of interest
- ✓ Failure to respond to customer complaints
- ✓ Borrowing from or lending to client
- ✓ Exceptions
  - Client in business of lending money
  - Offering a loan through a margin account
  - Loans between firm associates
  - Sharing accounts with customer:
- ✓ Sharing accounts with customer
  - Agents may share if:
    - Written B/D permission
    - Written agreement with client
  - All other persons are prohibited.
- ✓ Splitting commissions
  - Agents may split commissions with reps of same firm
- ✓ Performing securities transactions outside of firm
  - Applies to agents and IARs
  - Considered "selling away"
  - May avoid selling away if:
    - Written disclosure to firm
    - Written approval from firm if being paid

### Other ethical considerations

- ✓ Testimonials
  - Broker-dealers and agents may use
    - Must disclose if compensated > \$100
  - Investment advisers and IAR:
    - State rules: testimonials are prohibited
    - Federal rules: testimonials are regulated
      - Proper disclosures made
      - Written agreement with promoter
- ✓ Must disclose all material facts
  - During offers, recommendations, presentations, etc.
  - Material fact = any fact that may influence an investment decision

### Individual accounts

- ✓ Owned by one individual
- ✓ Subject to probate if not TOD

### Transfer on Death (TOD):

- ✓ Transfers assets to listed beneficiaries upon death
- ✓ TOD accounts avoid probate

### Joint with Rights of Survivorship (WROS):

- ✓ Account owned by one or more persons
- ✓ Deceased owner's assets become property of surviving owner
- ✓ Not subject to probate if surviving owner exists
- ✓ May add TOD (applies if no surviving owners left)

### Joint Tenants in Common (TIC):

- ✓ Account owned by one or more persons
- ✓ Pre-determined ownership between owners
- ✓ Deceased owner's assets pass to estate (subject to probate)

### Fiduciary accounts

- ✓ Account manager must put owner's interests before their own
- ✓ Guardianship
  - Court-appointed guardian over minor/incapacitated
- ✓ Custodial
  - Minor's assets managed by adult custodian
  - Contributions are irrevocable gifts to minor
  - Must be turned over to minor at:
    - UGMA = age of majority (18 or 21 depending on state)
    - UTMA = state-defined age (up to age 25)
- Discretionary
  - Account Managed for client by financial professional
  - Requires Power of Attorney (POA) / trading authority
    - Limited POA = trading only
    - Full POA = trading + withdrawal
    - Durable POA = survives incapacitation
    - Non-durable POA = ceases upon incapacitation
  - Considered discretionary trade if representative chooses:
    - Asset (what security)
    - Amount (how much)
    - Action (buy or sell)