NEBRASKA ADMINISTRATIVE CODE

Title 48 - ~~Department of Banking and Finance~~DEPARTMENT OF BANKING AND FINANCE

Chapter 37 - SALES OF SECURITIES AT FINANCIAL INSTITUTIONS

001 GENERAL.

001.01 This Rule has been promulgated pursuant to authority delegated to the Director in Section 8-1120(3) of the Securities Act of Nebraska ("Act").

001.02 The Department has determined that this Rule is consistent with investor protection and is in the public interest.

001.03 The Director may, on a case-by-case basis, and with prior written notice to the affected persons, require adherence to additional standards or policies, as deemed necessary in the public interest.

001.04 The definitions in 48 NAC 2 shall apply to the provisions of this Rule, unless otherwise specified.

001.05 This Rule applies exclusively to broker-dealer services conducted by broker-dealers on the premises of a financial institution where retail deposits are taken. It does not alter or abrogate a broker-dealer's obligations to comply with other applicable laws, rules, or regulations that may govern the operations of broker-dealers and their agents, including but not limited to, supervisory obligations. ~~These rules~~This rule does not apply to broker-dealer services provided to non-retail customers.

001.06 Federal statutes and rules of the Securities and Exchange Commission ("SEC") or the Financial Industry Regulatory Authority ("FINRA") referenced herein shall mean those statutes and rules as amended on or before the effective date of this Rule. A copy of the applicable statutes or rule referenced in this Rule is attached hereto.

002 ~~Definitions~~DEFINITIONS. For purposes of these rules, the following terms have the meanings indicated:

002.01 "Financial institution" means federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the subsidiaries and service corporations of such institutions located in Nebraska.

002.02 "Networking arrangement" means a contractual or other arrangement between a broker-dealer and a financial institution pursuant to which the broker-dealer conducts broker-dealer services on the premises of such financial institution where retail deposits are taken.

002.03 "Broker-dealer services" means the investment banking or securities business as defined in paragraph ~~(p)~~(u) of Article I of the By-Laws of the ~~National Association of Securities Dealers, Inc.~~Financial Industry Regulatory Authority, Inc.

003 ~~Standards For Broker-Dealer Conduct.~~ STANDARDS FOR BROKER-DEALER CONDUCT. No broker-dealer shall conduct broker-dealer services on the premises of a financial institution where retail deposits are taken unless the broker-dealer complies initially and continuously with the following requirements:

003.01 Wherever practical, broker-dealer services shall be conducted in a physical location distinct from the area in which the financial institution's retail deposits are taken. In those situations where there is insufficient space to allow separate areas, the broker-dealer has a heightened responsibility to distinguish its services from those of the financial institution. In all situations, the broker-dealer shall identify its services in a manner that clearly distinguishes those services from the financial institution's retail deposit-taking activities. The broker-dealer's name shall be clearly displayed in the area in which the broker-dealer conducts its services.

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

003.03 At or prior to the time that a customer's securities brokerage account is opened by a broker-dealer on the premises of a financial institution where retail deposits are taken, the broker-dealer shall:

003.03A Disclose, orally and in writing, that the securities products purchased or sold in a transaction with the broker-dealer:

003.03A1 Are not insured by the Federal Deposit Insurance Corporation ("FDIC") or by the National Credit Union Administration ("NCUA"), as applicable;

003.03A2 Are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

003.03A3 Are subject to investment risks, including possible loss of the principal invested.

003.03B Make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of the disclosures required by Section 003.03A1.

003.03C If broker-dealer services include any written or oral representations concerning insurance coverage, other than FDIC or NCUA insurance coverage, as applicable, then clear and accurate written or oral explanations

of the coverage must also be provided to the customers when such representations are first made.

004 ~~Communications With The Public.~~ COMMUNICATIONS WITH THE PUBLIC.

004.01

004.01A All of the broker-dealer's confirmations and account statements must indicate clearly that the broker-dealer services are provided by the broker-dealer.

004.01B Advertisements and sales literature that announce the location of a financial institution where broker-dealer services are provided by the broker-dealer, or that are distributed by the broker-dealer on the premises of a financial institution, must disclose that securities products; are not insured by the FDIC or the NCUA, as applicable; are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and are subject to investment risks, including possible loss of the principal invested. The shorter, logo format described in Section 004.02A may be used to provide these disclosures.

004.01C Recommendations by a broker-dealer concerning non-deposit investment products with a name similar to that of a financial institution must only occur pursuant to policies and procedures reasonably designed to minimize risk of customer confusion.

004.02

004.02A The following shorter, logo format disclosures may be used by a broker-dealer in advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine ("ATM") screens, billboards, signs, posters and brochures, to comply with the requirements of Section 004.01B, provided that such disclosures are displayed in a conspicuous manner:

004.02A1 Not FDIC Insured or Not NCUA Insured, as applicable

004.02A2 No Financial Institution Guarantee

004.02A3 May Lose Value

004.02B As long as the omission of the disclosures required by Section 004.01B would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

004.02B1 Radio broadcasts of ~~30~~thirty seconds or less;

004.02B2 Electronic signs, including billboard-type signs that are electronic, time, and temperature signs and ticker tape signs, but

excluding messages contained in such media as television, on-line computer services, or ATMs; and

004.02B3 Signs, such as banners and posters, when used only as location indicators.

005 ~~Notification Of Termination.~~ NOTIFICATION OF TERMINATION. The broker-dealer must promptly notify the financial institution if any agent of the broker-dealer who is employed by the financial institution is terminated for cause by the broker-dealer.

006 ~~Conflict With Federal Regulations~~ CONFLICT WITH FEDERAL REGULATIONS. The Director may by order suspend any provision of this ~~Chapter~~ Rule upon a showing that such provision conflicts with any regulation promulgated by a federal regulatory agency or a self-regulatory organization of an industry affected by this ~~Chapter~~Rule.

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ARTICLE I DEFINITIONS

When used in these By-Laws, unless the context otherwise requires, the term:

(a) "Act" means the Securities Exchange Act of 1934, as amended;

(b) "bank" means (1) a banking institution organized under the laws of the United States, (2) a member bank of the Federal Reserve System, (3) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under the authority of the Comptroller of the Currency pursuant to the first section of Public Law 87-722 (12 U.S.C. § 92a), and which is supervised and examined by a State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of the Act, and (4) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (1), (2), or (3) of this subsection;

(c) "Board" means the Board of Governors of the Corporation;

(d) "branch office" means an office defined as a branch office in the Rules of the Corporation;

(e) "broker" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization, or other legal entity engaged in the business of effecting transactions in securities for the account of others, but does not include a bank;

(f) "Closing" means the closing of the consolidation of certain member firm regulatory functions of NYSE Regulation, Inc. and the Corporation;

(g) "Commission" means the Securities and Exchange Commission;

(h) "controlling" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity;

(i) "Corporation" means the National Association of Securities Dealers, Inc. or any future name of this entity;

(j) "day" means calendar day;

(k) "dealer" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization, or other legal entity engaged in the business of buying and selling securities for such individual's or entity's own account, through a broker or otherwise, but does not include a bank, or any person insofar as such person buys or sells securities for such person's own account, either individually or in some fiduciary capacity, but not as part of a regular business;

(l) "Delegation Plan" means the "Plan of Allocation and Delegation of Functions by NASD to Subsidiaries" as approved by the Commission, and as amended from time to time;

(m) "district" means a district established by the NASD Regulation Board pursuant to the NASD Regulation By-Laws;

(n) "Floor Member Governor" means a member of the Board appointed as such who is a person associated with a member (or a firm in the process of becoming a member) which is a specialist or floor broker on the New York Stock Exchange trading floor;

(o) "government securities broker" shall have the same meaning as in Section 3(a)(43) of the Act except that it shall not include financial institutions as defined in Section 3(a)(46) of the Act;

(p) "government securities dealer" shall have the same meaning as in Section 3(a)(44) of the Act except that it shall not include financial institutions as defined in Section 3(a)(46) of the Act;

(q) "Governor" means a member of the Board;

(r) "Independent Dealer/Insurance Affiliate Governor" means a member of the Board appointed as such who is a person associated with a member which is an independent contractor financial planning member firm or an insurance company, or an affiliate of such a member;

(s) "Industry Director" means a Director of the NASD Regulation Board or NASD Dispute Resolution Board (excluding the Presidents) who: (1) is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer, or (2) has a consulting or employment relationship with or provides professional services to a self regulatory organization registered under the Act, or has had any such relationship or provided any such services at any time within the prior year;

(t) "Industry Governor" or "Industry committee member" means the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor and any other Governor (excluding the Chief Executive Officer of the Corporation and, during the Transitional Period, the Chief Executive Officer of NYSE Regulation, Inc.) or committee member who: (1) is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer, or (2) has a consulting or employment relationship with or provides professional services to a self regulatory organization registered under the Act, or has had any such relationship or provided any such services at any time within the prior year;

(u) "investment banking or securities business" means the business, carried on by a broker, dealer, or municipal securities dealer (other than a bank or department or division of a bank), or government securities broker or dealer, of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others;

(v) "Investment Company" means an "investment company" as such term is defined in The Investment Company Act of 1940, as amended;

(w) "Investment Company Affiliate Governor" means a member of the Board appointed as such who is a person associated with a member which is an Investment Company or an affiliate of such a member;

(x) "Joint Public Governor" means the one Public Governor to be appointed as such by the Board of Directors of NYSE Group, Inc. and the Board in office prior to the Closing jointly;

(y) "Large Firm" means any broker or dealer admitted to membership in the Corporation which, at the time of determination, has 500 or more registered persons;

(z) "Large Firm Governor" means a member of the Board to be elected by Large Firm members, provided, however, that in order to be eligible to serve, a Large Firm Governor must be an Industry Governor and must be registered with a member which is a Large Firm member;

(aa) "Large Firm Governor Committee" means a committee of the Board comprised of all of the Large Firm Governors;

(bb) "Lead Governor" means a member of the Board elected as such by the Board, provided, however, that any member of the Board who is concurrently serving as a member of the Board of Directors of NYSE Group, Inc. shall not be eligible to serve as the Lead Governor;

(cc) "Mid-Size Firm" means any broker or dealer admitted to membership in the Corporation which, at the time of determination, has at least 151 and no more than 499 registered persons;

(dd) "Mid-Size Firm Governor" means a member of the Board to be elected by Mid-Size Firm members, provided, however, that in order to be eligible to serve, a Mid-Size Firm Governor must be an Industry Governor and must be registered with a member which is a Mid-Size Firm member;

(ee) "member" means any broker or dealer admitted to membership in the Corporation;

(ff) "municipal securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a State or any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States, or any security which is an industrial development bond as defined by Section 3(a)(29) of the Act;

(gg) "municipal securities broker" means a broker, except a bank or department or division of a bank, engaged in the business of effecting transactions in municipal securities for the account of others;

(hh) "municipal securities dealer" means any person, except a bank or department or division of a bank, engaged in the business of buying and selling municipal securities for such person's own account, through a broker or otherwise, but does not include any person insofar as such person buys or sells securities for such person's own account either individually or in some fiduciary capacity, but not as a part of a regular business;

(ii) "NASD Dispute Resolution" means NASD Dispute Resolution, Inc. or any future name of this entity;

(jj) "NASD Group Committee" means a committee of the Board comprised of the five Public Governors and the Independent Dealer/Insurance Affiliate Governor appointed as such by the Board in office prior to Closing, and the Small Firm Governors which were nominated for election as such by the Board in office prior to Closing, and in each case their successors;

(kk) "NASD Public Governors" means the five Public Governors to be appointed as such by the Board in office prior to the Closing effective as of Closing;

(ll) "NASD Regulation" means NASD Regulation, Inc. or any future name of this entity;

(mm) "NASD Regulation Board" means the Board of Directors of NASD Regulation;

(nn) "National Adjudicatory Council" means a body appointed pursuant to Article V of the NASD Regulation By-Laws;

(oo) "Nominating Committee" means the Nominating Committee appointed pursuant to Article VII, Section 9 of these By-Laws;

(pp) "NYSE Group Committee" means a committee of the Board comprised of the five Public Governors and the Floor Member Governor appointed as such by the Board of Directors of NYSE Group, Inc., and the Large Firm Governors which were nominated for election as such by the Board of Directors of NYSE Group, Inc., and in each case their successors;

(qq) "NYSE Public Governors" shall mean the five Public Governors to be appointed as such by the Board of Directors of NYSE Group, Inc. effective as of Closing;

(rr) "person associated with a member" or "associated person of a member" means: (1) a natural person who is registered or has applied for registration under the Rules of the Corporation; (2) a sole proprietor, partner, officer, director, or branch manager of a member, or other natural person occupying a similar status or performing similar functions, or a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member, whether or not any such person is registered or exempt from registration with the Corporation under these By-Laws or the Rules of the Corporation; and (3) for purposes of Rule 8210, any other person listed in Schedule A of Form BD of a member;

(ss) "Public Director" means a Director of the NASD Regulation Board or NASD Dispute Resolution Board who is not an Industry Director and who otherwise has no material business relationship with a broker or dealer or a self regulatory organization registered under the Act (other than serving as a public director of such a self regulatory organization);

(tt) "Public Governor" or "Public committee member" means any Governor or committee member who is not the Chief Executive Officer of the Corporation or, during the Transitional Period, the Chief Executive Officer of NYSE Regulation, Inc., who is not an Industry Governor and who otherwise has no material business relationship with a broker or dealer or a self regulatory organization registered under the Act (other than serving as a public director of such a self regulatory organization);

(uu) "registered broker, dealer, municipal securities broker or dealer, or government securities broker or dealer" means any broker, dealer, municipal securities broker or dealer, or government securities broker or dealer which is registered with the Commission under the Act;

(vv) "Rules of the Corporation" or "Rules" means the numbered rules set forth in the manual of the Corporation beginning with the Rule 0100 Series, as adopted by the Board pursuant to these By-Laws, as hereafter amended or supplemented;

(ww) "Small Firm" means any broker or dealer admitted to membership in the Corporation which, at the time of determination, has at least 1 and no more than 150 registered persons;

(xx) "Small Firm Governor" means a member of the Board to be elected by Small Firm members, provided, however, that in order to be eligible to serve, a Small Firm Governor must be registered with a member which is a Small Firm member and must be an Industry Governor;

(yy) "Small Firm Governor Committee" means a committee of the Board comprised of all the Small Firm Governors; and

(zz) "Transitional Period" means the period commencing on the date of the Closing and ending on the third anniversary of the date of the Closing.

Amended by SR-NASD-2007-023 eff. July 30, 2007.
Amended by SR-NASD-2006-104 eff. Dec. 20, 2006.
Amended by SR-NASD-2006-135 eff. Dec. 20, 2006.
Amended by SR-NASD-2004-110 eff. Dec. 31, 2004.
Amended by SR-NASD-2001-06 eff. May 8, 2001.
Amended by SR-NASD-99-35 eff. Dec. 1, 1999.
Amended by SR-NASD-98-56 eff. Oct. 30, 1998.
Amended by SR-NASD-97-71 eff. Jan. 15, 1998.
Amended by SR-NASD-95-39 eff. Aug 20, 1996.
Amended by SR-NASD-94-64 eff. Feb. 9, 1995.
Amended eff. Mar. 9, 1988 and Sept. 4, 1990.

Selected Notices: 87-14, 87-37, 87-41, 88-51, 94-52, 99-95.

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