

Local Policy 3.04

Mutual Fund Distributors Supporting Staff & "Know "

Date: September 1, 1971

(a) — Supporting & Supervisory Staff:

The Commission will refuse an application for registration of any sales organization if it becomes apparent that the organization does not have the qualified personnel to carry out effectively its supporting and supervisory responsibilities. For this purpose, "sales organization" includes any organization which makes use of salesmen to sell shares or units of mutual funds, be it through brokers, an independent sales force or direct sales force.

For purposes of the foregoing the supporting and supervisory responsibilities of a sales organization must include, but not be limited to, the provision of expert assistance and continued training to salesmen so that adequate advice can be given to clients and potential clients on technical matters relating to the security they are offering for sale, where such matters may be beyond the scope of the salesman's experience. The organization's responsibilities shall include the application of procedures designed to discourage salesmen from attempts to deal with such matters without such assistance.

(b) — "Know Your Purchaser":

The sales organization is required to establish procedures to ensure that its salesmen make reasonable efforts to obtain sufficient relevant information concerning the client's investment objectives, financial position, personal history, etc., to enable a determination to be made as to the suitability of the proposed investment by the client. These procedures must also provide for adequate supervision over the activities of the salesmen to ensure compliance.

Failure on the part of the sales organization to have and properly supervise such procedures will bear on the fitness of the sales organization for continued registration.

Failure on the part of the salesman to carry out the procedures likewise will bear on his fitness for continued registration.