

WAC 460-21B-008 Fraudulent practices of broker-dealers. A broker-dealer who engages in one or more of the following practices shall be deemed to have engaged in an "act, practice, or course of business which operates or would operate as a fraud" as used in RCW 21.20.010. This section is not intended to be all inclusive, and thus, acts or practices not enumerated herein may also be deemed fraudulent.

(1) Entering into a transaction with a customer in any security at an unreasonable price or at a price not reasonably related to the current market price of the security or receiving an unreasonable commission or profit.

(2) Contradicting or negating the importance of any information contained in a prospectus or other offering materials with intent to deceive or mislead or using any advertising or sales presentation in a deceptive or misleading manner.

(3) In connection with the offer, sale, or purchase of a security, falsely leading a customer to believe that the broker-dealer or agent is in possession of material, nonpublic information which would impact on the value of the security.

(4) In connection with the solicitation of a sale or purchase of a security, engaging in a pattern or practice of making contradictory recommendations to different investors with similar investment objectives for some to sell and others to purchase the same security, at or about the same time, when not justified by the particular circumstance of each investor.

(5) Failing to make a bona fide public offering of all the securities allotted to a broker-dealer for distribution by, among other things:

(a) Transferring securities to a customer, another broker-dealer, or a fictitious account with the understanding that those securities will be returned to the broker-dealer or its nominees; or

(b) Parking or withholding securities.

(6) Although nothing in this section precludes application of the general antifraud provisions against anyone for practices similar in nature to the practices discussed below, the following subsections specifically apply only in connection with the solicitation of a purchase or sale of OTC non-NASDAQ equity securities:

(a) Failing to comply with rules adopted by the Securities and Exchange Commission under authority granted by the Penny Stock Act of 1990, i.e., United States Securities and Exchange Commission Rules 15g-1 through 15g-9 and 15g-100 (17 C.F.R. §240.15g-1 through § 240.15g-6 adopted in Release 34-30608 issued 4/20/92; 17 C.F.R. §240.15g-8 adopted in Release 34-30577 issued 4/13/92; 17 C.F.R. §240.15g-9 originally adopted as § 240.15c2-6 in Release 34-27160 issued 8/22/89 and amended and redesignated as § 240.15g-9 in Release 34-32576 issued 8/11/93; 17 C.F.R. §240.15g-100 adopted in Release 34-30608 issued 4/20/92 and amended in Release 34-32576 issued 7/2/93) which are hereby incorporated by reference.

(b) Conducting sales contests in a particular security.

(c) After a solicited purchase by a customer, failing or refusing, in connection with a principal transaction, to promptly execute sell orders.

(d) Soliciting a secondary market transaction when there has not been a bona fide distribution in the primary market.

(e) Engaging in a pattern of compensating an agent in different amounts for effecting sales and purchases in the same security.

(7) Effecting any transaction in, or inducing the purchase or sale of any security by means of any manipulative, deceptive, or other

fraudulent device or contrivance including but not limited to the use of boiler room tactics or use of fictitious or nominee accounts.

(8) Failing to comply with any prospectus delivery requirement promulgated under federal law.

[Statutory Authority: RCW 21.20.070 and 21.20.450. WSR 95-16-026, § 460-21B-008, filed 7/21/95, effective 8/21/95.]