

WAC 460-20C-150 Supervision of salespersons and employees. (1)

If you are a broker-dealer registered or required to be registered under RCW 21.20.040, you must reasonably supervise your salespersons and your employees. Reasonable supervision for the purposes of RCW 21.20.110 (1)(j) includes, but is not limited to, the following:

(a) You must designate a qualified person as supervisor for each salesperson. For the purpose of this section, that person will be referred to as the "designated supervisor" of the salesperson(s) supervised. To be qualified, a designated supervisor must demonstrate competence by passing the examinations required by WAC 460-20C-040. A designated supervisor may only supervise the number of salespersons at any one time that will allow the supervisor to reasonably discharge the duties and obligations under the broker-dealer's established supervisory procedures and systems. The number of salespersons a designated supervisor can reasonably supervise depends upon the nature of the business conducted by the salespersons, technical resources available to the supervisor, additional personnel available to assist the supervisor, and other resources made available to assist the supervisor;

(b) You must comply with the supervision requirements set forth in the conduct rules of FINRA. For purposes of the application of FINRA conduct rules to broker-dealers who are not members of FINRA, "member" means "broker-dealer" as defined by RCW 21.20.005(1) and "associated person" means "salesperson" as defined by RCW 21.20.005(15);

(c) You must implement procedures for the reasonable oversight of your designated supervisors;

(d) You must investigate every complaint submitted to the broker-dealer by a customer. You must designate an employee who will investigate, track, and monitor customer complaints. You must respond to all complaints in a timely manner;

(e) You must establish and maintain written supervisory procedures reasonably designed to assist in detecting violations of, preventing violations of, and achieving compliance with the Securities Act of Washington and the rules adopted thereunder, and other applicable laws, regulations, and rules of self-regulatory organizations;

(f) You must conduct an annual review of the businesses in which you engage. The review must be reasonably designed to assist in detecting violations of, preventing violations of, and achieving compliance with the Securities Act of Washington and the rules adopted thereunder, and other applicable laws, regulations, and rules of self-regulatory organizations; and

(g) Pursuant to RCW 74.34.220, you must provide training to your employees who are salespersons registered under RCW 21.20.040 regarding the financial exploitation of vulnerable adults if such employees have contact with customers and access to account information on a regular basis and as part of their jobs. The training must include recognition of indicators of financial exploitation of a vulnerable adult, the manner in which employees may report suspected financial exploitation to the Washington department of social and health services and law enforcement as permissive reporters, and steps employees may take to prevent suspected financial exploitation of a vulnerable adult as authorized by law or agreements between you and your customers.

(2) The director may require heightened supervision as a condition of the registration of any salesperson who has a history of past misconduct or industry or regulatory-related incidents that may pose a risk to customers. The director may require the submission of a writ-

ten heightened supervisory plan developed to address the salesperson's past conduct and minimize the risks posed by the salesperson's ongoing activities.

(a) At a minimum, an effective heightened supervision plan must include the following:

(i) The designation of a principal with the appropriate training and experience to implement and enforce the plan;

(ii) A requirement for appropriate additional training for the salesperson subject to the plan to address the nature of incidents necessitating the plan;

(iii) The written acknowledgment of the heightened supervisory plan by the salesperson subject to the plan and the designated supervisory principal; and

(iv) A requirement that the supervising principal periodically review the heightened supervision plan to assess its effectiveness; and

(b) As appropriate under the facts and circumstances, an effective heightened supervision plan may also provide for the following:

(i) Heightened supervision of the salesperson's business activities including, but not limited to, customer-related activities, employee personal trading accounts, outside business activities, private securities transactions, and restrictions on the sale of certain products;

(ii) Proximity of the supervising principal to the salesperson;

(iii) More frequent contact between the supervising principal and the salesperson;

(iv) More frequent review of the salesperson's communications, particularly with customers; and

(v) Expedient handling of customer complaints related to the salesperson.

[Statutory Authority: RCW 21.20.070 and 21.20.450. WSR 24-19-055, s 460-20C-150, filed 9/12/24, effective 10/13/24.]