any transaction with or for the cus-
tomer for the purchase or sale of such
penny stock; and
(ii) Shall be given or sent to the cus-
tomer in writing, at or prior to the
time that any written confirmation of
the transaction is given or sent to the
customer pursuant to 17 CFR 240.10b–
10.
(2) A broker or dealer, at the time of
making the disclosure pursuant to
paragraph (b)(1)(i) of this section, shall
make and preserve as part of its
records, a record of such disclosure for
the period specified in 17 CFR 240.17a–
4(b).
(c) Contingent compensation arrange-
ments. Where a portion or all of the
cash or other compensation that the
associated person may receive in con-
nection with the transaction may be
determined and paid following the
transaction based on aggregate sales
volume levels or other contingencies,
the written disclosure required by
paragraph (b)(1)(ii) of this section shall
state that fact and describe the basis
upon which such compensation is de-
termined.
[57 FR 18034, Apr. 28, 1992]
§ 240.15g–6 Account statements for
penny stock customers.
(a) Requirement. It shall be unlawful
for any broker or dealer that has ef-
fected the sale to any customer, other
than in a transaction that is exempt
pursuant to 17 CFR 240.15g–1, of any se-
curity that is a penny stock on the last
trading day of any calendar month, or
any successor of such broker or dealer,
to fail to give or send to such customer
a written statement containing the in-
formation described in paragraphs (c)
and (d) of this section with respect to
each such month in which such security
is held for the customer’s account on
a quarterly basis, within ten days
following the end of each such quar-
terly period.
(b) Exemptions. A broker or dealer
shall not be required to provide
monthly statements for each quarterly
period that is immediately subsequent
to such six-month period and in which
the broker or dealer does not effect any
transaction in penny stocks for or with
the account of the customer, provided
that the broker or dealer gives or sends
to the customer written statements
containing the information described in
paragraphs (d) and (e) of this section
on a quarterly basis, within ten days
following the end of each such quar-
terly period.
(2) If, on all but five or fewer trading
days of any quarterly period, a security
has a price of five dollars or more, the
broker or dealer shall not be required
to provide a monthly statement cov-
ering the security for subsequent quar-
terly periods, until the end of any such
subsequent quarterly period on the last
trading day of which the price of the
security is less than five dollars.
(c) Price determinations. For purposes
of paragraphs (a) and (b) of this sec-
tion, the price of a security on any
trading day shall be determined at the
close of business in accordance with
the provisions of 17 CFR 240.3a51–
1(d)(1).
(d) Market and price information. The
statement required by paragraph (a) of
this section shall contain at least the
following information with respect to
each penny stock covered by paragraph
(a) of this section, as of the last trad-
ing day of the period to which the
statement relates:
(1) The identity and number of shares
or units of each such security held for
the customer’s account; and
(2) The estimated market value of
the security, to the extent that such
estimated market value can be deter-
mined in accordance with the follow-
ing provisions:
(i) The highest inside bid quotation
for the security on the last trading day
of the period to which the statement
relates, multiplied by the number of
shares or units of the security held for
the customer’s account; or
(ii) If paragraph (d)(2)(i) of this sec-
tion is not applicable because of the ab-
sence of an inside bid quotation, and if
the broker or dealer furnishing the
§ 240.15g–8

As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it shall be unlawful for any person to sell or offer to sell any security that is deposited and held in an escrow or trust account pursuant to Rule 419 under the Securities Act of 1933 (17 CFR 230.419), or any interest in or related to such security, other than pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended (26 U.S.C. 1 et seq.), or Title I of the Employee Retirement Income Security Act (29 U.S.C. 1001 et seq.), or the rules thereunder.

§ 240.15g–9

Sales practice requirements for certain low-priced securities.

(a) As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it shall be unlawful for a broker or dealer to sell a penny stock to, or to effect the purchase of a penny stock by, any person unless:

(1) The transaction is exempt under paragraph (c) of this section; or

(2) Prior to the transaction:

(i) The broker or dealer has approved the person’s account for transactions in penny stocks in accordance with the procedures set forth in paragraph (b) of this section; and

(ii)(A) The broker or dealer has received from the person an agreement to

(3) The term Qualifying Electronic Quotation System shall mean an automated interdealer quotation system that has the characteristics set forth in section 17B(b)(2) of the Act, or such other automated interdealer quotation system designated by the Commission for purposes of this section.

(4) The term Qualifying Purchases shall mean bona fide purchases by a broker or dealer of a penny stock for its own account, each of which involves at least 100 shares, but excluding any block purchase involving more than one percent of the outstanding shares or units of the security.