Spire Securities, LLC

Spire Securities Written Supervisory Procedures

Policies and Procedures

January 2025

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Introduction

FINRA Rule 3110 states: “Each member shall establish and maintain a system to supervise the activities of every associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” This document, Spire Securities, LLC's Written Supervisory Procedures (WSP) manual, was developed and adopted by the firm’s management to comply with this rule.

Our duty to maintain and enforce adequate standards of supervision extends to every aspect of Spire Securities, LLC's activities. Spire Securities, LLC intends to meet all regulatory requirements and has established systems of supervision and internal controls to provide safeguards against the violation of laws, rules, and regulations--most particularly against improper or fraudulent conduct.

Our Chief Compliance Officer (CCO), working with management, is responsible for the issuance and dissemination of all policies, procedures, and directives that govern the conduct of this firm and its associated persons in a manner that encompasses all relevant laws, rules, regulations and interpretations. These compliance policies and procedures are issued to ensure that all employees maintain high standards of ethical conduct and fair principles of trade.

Our Compliance Department is responsible for ensuring that our policies and procedures, as codified in the Written Supervisory Procedures ("WSPs"), incorporate all new regulatory requirements. We will regularly review our supervisory system and controls, make any changes warranted by these reviews, and disseminate this information to our associated personnel through established channels. Failure to heed such directives or communications will result in disciplinary actions, including possible termination.

As it is not possible for this WSP to address every circumstance that may arise or the entirety of the regulatory structure under which Spire Securities, LLC transacts its business, we expect all associated personnel to be thoroughly familiar with all regulations applicable to their activities. Further questions should be directed to Senior Management, supervisory personnel, and the Compliance Department.

All registered employees must receive appropriate training and guidance about the WSP and Financial Industry Regulatory Authority's ("FINRA") Conduct Rules (available by request from the Compliance Department) to learn about their duties and responsibilities. The Compliance Department, working with all Supervisory Principals, will be responsible for the training of all registered employees.

ADVISORY

ADVISORY

This Focus Area on Advisory is being used to identify those firm level/high level areas of required regulatory compliance. It is a roadmap of the rules and our procedures that must be as they relate to Spire Securities, LLC

REGULATION

FINRA Rule 3110 (Supervision) requires members to develop a written supervisory procedures ("WSP") manual detailing the firm's supervisory system. A senior officer must be designated with overall responsibility to develop, implement, and maintain the supervisory system. The system must identify all the firm's business units, identify supervisors for each business unit, and describe the duties of each supervisor.

Under the Securities and Exchange Act of 1933, broker-dealers are liable for failure to develop, implement, and maintain a supervisory system with policies and procedures reasonably designed to prevent and detect violations of federal securities laws and self-regulatory organization ("SRO") rules.

RESPONSIBILITY

To that end, our CCO, working with Senior Management, is responsible for putting into place an appropriate supervisory system to implement, review, and, when needed, revise the WSP.

PROCEDURE

A copy of our WSP, or the relevant portions thereof will be maintained electronically for access by each supervisor and PIC at branch locations.

Firms with a Significant History of Misconduct

Policy Requirements

Rule 4111 (Restricted Firm Obligations) addresses risks from broker-dealers with a significant history of misconduct, including firms with a high concentration of individuals with a significant history of misconduct. The rule requires member firms that are identified as "Restricted Firms" to deposit cash or qualified securities in a segregated, restricted account; adhere to specified conditions or restrictions; or comply with a combination of such obligations.

Rule 4111 establishes a multi-step, annual process through which FINRA will determine whether a member firm raises investor protection concerns substantial enough to require that it be designated (or re-designated) as a "Restricted Firm" and subject to additional obligations, including a "Restricted Deposit Requirement."

Each year's process will begin with a calculation of which firms meet numeric thresholds based on firm-level and individual-level disclosure events to identify member firms with a significantly higher level of risk-related disclosures as compared to similarly sized peers. The process also gives each member firm that is preliminarily identified by these numeric criteria several ways to affect outcomes during subsequent steps in the process. These include a one-time opportunity to avoid the imposition of obligations by voluntarily reducing its workforce; an opportunity to explain to the Department of Member Supervision (Department) why the firm should not be designated as a Restricted Firm or be subject to a Restricted Deposit Requirement or to propose alternatives that would still accomplish FINRA's goal of protecting investors; and the opportunity to request a hearing before a FINRA Hearing Officer in an expedited proceeding to challenge a Department determination.

Our CCO will be our contact with FINRA if our firm becomes identified as a "Restricted Firm."

Procedures and Documentation

If our firm is identified as a "Restricted Firm" by FINRA, our CCO will establish a "Restricted Deposit Account" in the name of our firm at a bank or our clearing firm. The account must be subject to an agreement in which the bank or the clearing firm agrees:

- not to permit withdrawals from the account absent FINRA's prior written consent;
- to keep the account separate from any other accounts maintained by our firm with the bank or clearing firm;
- that the cash or qualified securities on deposit will not be used directly or indirectly as security for a loan to our firm by the bank or the clearing firm, and will not be subject to any set-off, right, charge, security interest, lien, or claim of any kind in favor of the bank, clearing firm or any person claiming through the bank or clearing firm;
- that if our firm becomes a former member of FINRA, the assets deposited in the Restricted Deposit Account to satisfy the Restricted Deposit Requirement shall be kept in the Restricted Deposit Account, and withdrawals will not be permitted without FINRA's prior written consent;
- that FINRA is a third-party beneficiary to the agreement; and
- that the agreement may not be amended without FINRA's prior written consent.

A member or Former Member that is a Restricted Firm in one year, but does not meet the Preliminary Criteria for Identification or is not designated as a Restricted Firm the following year(s), shall no longer be subject to any deposit requirement, conditions, or restrictions previously imposed on it under this Rule; provided, however, the member or Former Member shall not be permitted to withdraw any portion of its Restricted Deposit Requirement without submitting an application and obtaining the prior written consent of the Department.

Our CCO will maintain books and records that evidence our compliance with Rule 4111 and any Restricted Deposit Requirement or other conditions or restrictions imposed under the rule.

Bank Secrecy Act (BSA) Form SAR: Requirements Beyond Money Laundering Activities

FOCUS

ADVISORY

REGULATION

RULE 3310: Each member shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq*.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each member's anti-money laundering program must be approved, in writing, by a member of senior management.

RESPONSIBILITY

AML PRINCIPAL Is responsible for the development, implementation and testing of our Anti Money Laundering policy.

PROCEDURES

Our AML Principal, working with Senior Management and other appropriate personnel, develops controls based on our business to ensure we uncover all suspicious activity, including the following:

- creating a tailored list of red flags to assist with identifying activity for further due diligence;
- establishing automated systems to monitor and report suspicious activity associated with trading in large volumes;
- adopting procedures that take into account the high-risk nature of our customers' activity; and
- incorporating low-priced securities transactions into our automated monitorin

The Financial Crime Enforcement Network's Form SAR for broker-dealers requires firms to report the following types of suspicious activities:

- Bribery/gratuity;
- Check fraud;
- Computer intrusion;
- Credit/debit card fraud;
- Commodity futures/options fraud;
- Forgery;
- Identity theft;
- Insider trading;
- Mail fraud;
- Market manipulation;
- Money laundering/structuring;
- Prearranged or other non-competitive trading;
- Securities fraud;
- Significant wire or other transactions without economic purpose;
- Suspicious documents or ID presented;

- Terrorist financing; or
- Wire fraud.

Designation of Key Personnel

FOCUS

ADVISORY

REGULATION

FINRA Rule 3130 requires that broker/dealers at all times have a designated Chief Compliance Officer ("CCO") and that appropriate disclosure is made to FINRA identifying this individual.

RESPONSIBILITY

Our President, has been designated as having the responsibility for ensuring that this requirement under Rule 3130 is adhered to and that changes in our CCO designation are appropriately made, to our Schedule A of Form BD, in a timely manner.

PROCEDURE

To be in compliance with FINRA Rule 3130, Senior Management must ensure that a principal of this broker-dealer is designated as our CCO and that such individual is disclosed on our Form BD.

To amend the name of the individual, should it change at any time, the following will occur.

- We will annually review our Form BD (as printed off WebCRD) to ensure that the appropriate individual is disclosed as our CCO. If an amendment is required, it will be made at that time. We will maintain evidence of these annual reviews, including each reviewed document initialed and dated by the individual who undertook the review, and documentation of any further action taken if required.
- At least annually, we will review the FINRA Contact System (FCS) on FINRA's website to ensure that the name of our CCO is appropriately disclosed and amended when necessary. We will also ensure during each annual review that any other FINRA-required disclosure locations are current.

Outsourcing Activities to Third-Party Service Providers

FOCUS AREA

ADVISORY

REGULATION

Notice to Members 05-48 was issued *"to remind broker-dealers that, in general, any parties conducting activities or functions that require registration under FINRA rules will be considered associated persons of*

the broker-dealer, if the service provider is not itself registered as a broker-dealer and the outsourcing functions are known to FINRA (such as in the case of clearing arrangements)."

RESPONSIBILITY

Our CCO along with senior management will be responsible for arranging for outsourcing activities to third parties.

PROCEDURES

- To arrange for and identify the responsibilities of each third-party, and maintaining all third-party outsourcing contracts and/or agreements in our files;
- Ensure that we perform and document a due diligence review of any third-party vendors;
- Ensure that we have appropriate procedures in place to oversee, and where appropriate, supervise and monitor the service provider's performance of covered activities;
- Review and document all our outsourcing arrangements to determine whether they continue to be appropriate based on their performance; and
- Ensure that any third-party systems or other outsourcing support have mechanisms that can be easily and rapidly updated or amended to reflect new or altered regulatory rules and requirements.

Annual CEO Certification of Compliance and Supervisory Processes

FOCUS AREA

ADVISORY

REGULATION

FINRA Rule 3120 (Supervisory Control System) and FINRA Rule 3130 (Annual Certification of Compliance and Supervisory Processes) require that designated persons examine the effectiveness of the supervisory system and report their findings to Senior Management. The CEO (or other designated responsible principal) must then certify to the adequacy of the supervisory system.

RESPONSIBILITY AND PROCEDURE

Our CCO will be responsible for:

- Establishing a program for the testing of our written supervisory procedures
    - Review results and determine any corrections or amendments. Prepare a report on these results.
- Provide a copy of this report to senior management

CEO and CCO Mandated Meetings

Focus Area

Advisory

Regulation

Rule 3130

Responsibility

Senior Management will be responsible for providing for regular meetings between department managers and, specifically, the CEO and the CCO.

Procedure

Our firm should strive to foster regular and significant interaction between senior management and the CCO regarding the member's comprehensive compliance program.

To implement this goal, our CEO and CCO must meet at least once during the 12-months preceding the certification. This meeting will include:

- A discussion of our firm's compliance efforts to date;
- The identification of any significant compliance problems;
- Time frame and manner in which any significant compliance problems will be addressed; and
- Emerging business areas and attendant compliance matters.

CEO Certification of Compliance

Focus Area

Advisory

Regulation

Rule 3130

Responsibility

our CEO

Procedure

According to Rule 3130, our CEO will certify that we have processes to establish, maintain, review, test, and modify written compliance policies and supervisory procedures that are designed to achieve compliance with applicable regulatory laws and requirements, and that our CEO and CCO have met one

or more times during the preceding 12-month period to discuss the processes required to be certified. The certification will be based on a Certification Report compiled by the CCO.

Required Certification Language

As required by FINRA Rule 3130, the language used in the annual certification need not be limited to, but must include the following:

The undersigned is the CEO (or equivalent officer) of this broker-dealer. As required by FINRA Rule 3130, the undersigned makes the following Certification:

1. *We have in place processes to:*
    a. *Establish, maintain and review policies and procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations;*
    b. *Modify such policies and procedures as business, regulatory and legislative changes and events dictate; and*
    c. *Test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations.*
2. *The undersigned has conducted one or more meetings with our CCO during the preceding 12-month period, the subject of which satisfy our obligations as set forth in IM-3130.*
3. *Our processes, with respect to Number 1 above, are evidenced in a report reviewed by me, our CCO and other officers as we have deemed necessary to make this Certification. In addition, if appropriate, the report has been submitted to our board of directors and audit committee or governing bodies and/or committees that serve similar functions in lieu of a board of directors and/or audit committee.*
4. *The undersigned has consulted with our CCO, as well as with other officers, employees, outside consultants, lawyers and accountants, to the extent deemed appropriate and/or necessary, in order to attest to the statements made in this Certification.*

Certification Report Requirements

Under the guidance of our CCO, Spire will produce an annual report prior to the CEO Certification. The report documents our processes for establishing, maintaining, reviewing, testing and modifying our compliance policies. The report must contain the manner and frequency in which each of the required supervisory processes is administered and identify the officers and/or supervisors who are responsible for such administration. The report will be provided to senior management within 45 days after the execution of the CEO certification.

Supervisory Control System

Focus

Advisory

Rule

FINRA Rule 3120

Responsibility

Senior Management

PROCEDURE

FINRA Rule 3120 requires that we designate one or more principals who will establish, maintain, and enforce a system of supervisory control policies and procedures that test and verify that our supervisory control procedures are reasonably designed to comply with applicable securities laws and FINRA rules and create additional or amend supervisory procedures where the need is identified by such testing and verification.

Annual Compliance Meeting

FOCUS

ADVISORY

REGULATION

FINRA RULE 3110

RESPONSIBILITY

Senior Management

PROCECURE

The annual compliance meeting serves a number of functions, including but not necessarily limited to:

- A thorough review of our business and methods of operation, and all related compliance issues
- An opportunity for each attending individual to ask questions concerning compliance requirements, to which they will receive specific answers
- A centralized manner for dissemination and a revisiting of relevant recent regulatory developments, firm policies and any related information that should be communicated to all attendees

Our CCO, working with the compliance department, will arrange for a meeting that is held at least annually that each registered employee of this firm must attend.

Designated supervising principals may be directed by Compliance to hold the actual meetings and, in such instances, must maintain appropriate documentation to evidence compliance.

At each annual compliance meeting all registered employees will be required to make attestations concerning:

- Any changes to their U-4 (i.e., address change, new disclosures, name change, etc.)
- Disclosure of all approved outside business activities
- Disclosure of any previously undisclosed outside business activities, requiring pre-approval
- Disclosure of all previously disclosed outside brokerage accounts at other broker/dealers
- Disclosure of any previously undisclosed outside brokerage accounts at other broker/dealers, requiring pre-approval
- Disclosure of any outside investment advisory activities
- Insider Trading Safeguard Statement
- "Selling Away" Statement
- Disclosure of any existing loans between the registered individual and a customer

Documentation of all such attestations will be retained. These attestations are maintained electronic format with our vendor RegEd.

"Electronic" Conferencing of Meetings

FINRA Notice to Members 98-10 states that we may hold the required Annual Compliance Meeting via video conference, interactive classroom setting or other electronic means. Should we determine that it is beneficial to hold any portion or all of our Annual Compliance Meeting(s) in this manner, our the compliance department will be responsible for determining that:

- those in attendance at the meeting are able to hear presenters live,
- attendees are able to ask questions and engage in a dialogue with the presenters, and
- a "proctoring" method exists to assure that any representatives scheduled to attend actually do so, and that they remain for the entire conference.

Records to be maintained for "electronic" Annual Compliance Meetings include:

- a log of all reps attending;
- the time and place of the conference for each rep;
- the means through which the conference was conducted;
- the identity of the person/s conducting the conference;
- the substantive areas covered during the conference; and
- the means by which the conference was "proctored" to ensure that reps required to be in attendance did, in fact, attend and remain for the designated period of time.

Designation of Supervising Principal

Procedure

FINRA Rule 3110 requires that each registered employee is assigned to *"an appropriately registered representative(s) or principal(s) who shall be responsible for supervising that person's activities."*

While Rule 3110 does not specifically require that the supervising individual is a registered principal, wherever possible, we will assign supervisory responsibilities only to individuals with an appropriate principal's license.

A designated supervising principal is the supervisor of the individuals assigned to them. Each registered individual is told to bring compliance concerns to that specific individual, or directly to the CCO.

Throughout these WSPs, the phrase "designated supervisory principals" is utilized to indicate the person who has certain supervisory and oversight responsibilities.

- Senior management must ensure that we have enough supervising principals to adequately oversee and review the activities of all our registered personnel; and
- each designated supervising principal:
    - is fully aware of the responsibilities and requirements they have been given;
    - has been deemed sufficiently qualified to carry out his/her responsibilities;
    - has received sufficient training regarding his/her responsibilities; and
    - carries out the responsibilities with which he/she has been charged.

Qualifications of Supervising Principals

Working with senior management, our CCO determines the qualifications for designated supervising principal, including their knowledge and understanding of the firm's regulatory requirements and appropriate products and/or services. The following additional areas may be considered:

- experience;
- previous experience as a designated supervisory principal;
- exam qualifications;
- complaint history with this and other firms;
- level of activities in which the individual is engaged; and
- discussions with others within the firm to determine the individual's level of commitment and responsibility.

The compliance department will include, in our Continuing Education ("CE") Training Plan, the consideration the education needs of all designated supervising principals.

Our CCO, working with the compliance department, will ensure that we have procedures which prohibit our supervisory personnel from:

1. supervising their own activities; and
2. reporting to, or having their compensation or continued employment determined by, a person the supervisor is supervising.

Statutorily Disqualified Individual

Under current policy we will not consider hiring a statutorily disqualified individual. Should Senior Management and Compliance agree on a case-by-case basis to override that policy, we will develop

stringent supervisory methods for these people, and ensure that such individual's designated supervising principal is uniquely qualified.

Supervising Principals

FOCUS AREA

ADVISORY

REGULATION

FINRA RULE 3110

RESPONSIBILITY

Senior Management

PROCEDURE

Each associated person of this broker-dealer will be assigned a designated supervising principal. In most instances, that supervising principal is responsible for undertaking day-to-day supervision of the activities engaged in by the associated person(s) who have been assigned to him or her. Senior Management and Compliance are responsible for ensuring that we have put into place an appropriate supervisory structure that allows us to put into effect our written supervisory policies and procedures designed to reasonably detect and deter prohibited activities and ensure that this broker-dealer is continually acting in an ethical, fair and compliant manner.

However, under FINRA Rule 3110 we are required to designate specific registered principals who have ultimate firm-wide responsibility in ensuring compliance in specific areas. Among other responsibilities, working with Senior Management and Compliance, these principals are required to ensure that sufficient designated supervisors are available based on our specific needs, and that all designated supervisors (a) are fully aware of the responsibilities they have been given and the requirements, thereunder, (b) have been deemed as suitably qualified to carry out their responsibilities, (c) have received sufficient training to undertake their responsibilities, and (d) are, in fact, carrying out the responsibilities with which they have been charged.

CCO Designation

Our Chief Compliance Officer is Feisal A. Malik.

CEO Designation

Our Chief Executive Officer is David Blisk.

FINOP Designation

Our FinOP is Josh Bright

While there is general surveillance and review oversight by the CCO and other principals of the firm, the following areas fall under the day-to-day supervisory oversight of each associated person's immediate supervising principal. Our CCO maintains a complete list of each individual who is registered with the firm, regardless of their position, assigning each such individual to a specifically-named and designated supervising principal.

Business Areas Overseen by Each Individual's Designated Supervising Principal

- Books and Records Maintenance (other than Financial records)
- Complaints
  (a) General Complaints
  (b) Municipal Complaints (Series 53 licensed Designated Supervising Principals)%MuniNA%
  (c) Options Complaints (Series 4 licensed Designated Supervising Principals)%OptionsNA%
- Insider Trading
- Mark Ups / Mark Downs
- Product specific requirements and compliance concerns (i.e. suitability, new business, order tickets/investor questionnaires/subscription documents, disclosures, service charges, etc.)
- Trade Reporting

Responsibility

Our CCO, working with Senior Management, maintains and updates our list of supervising principals, archives the lists as they are amended and retains them for a minimum of three years, and distributes the new lists, as appropriate.

In addition, our CCO is responsible for working with Senior Management to ensure that we have an appropriate supervisory structure in place to detect and deter regulatory rule violations, departures from our policies and procedures and fraudulent behavior.

Test and Verify Procedures

FOCUS AREA

ADVISORY

REGULATION

FINRA RULE 3120

RESPONSIBILITY

Senior Management

PROCEDURE

FINRA Rule 3120 requires that we designate and specifically identify one or more principals who will be responsible for establishing, maintaining and enforcing certain supervisory control procedures that will

test and verify that our WSPs are sufficient and that they are amended, or that additional supervisory procedures are created, where the need is identified by such testing and verification.

These principals must ensure that the following occur, on a timely basis, and that we maintain appropriate documentation in the files.

This firm will

1. Conduct a survey of all revenue producing business activities and establish a plan to test each activity to ensure that they are in compliance with our WSPs
2. With appropriate Senior Management, consider a prioritized testing plan based on the results of an internal risk assessment (i.e., identify risks to customers as well as risks to the firm's capital)
3. Test and verify the specifically required WSPs
4. Enhance and amend our WSPs as appropriate due to deficiencies or weaknesses found during testing and verification efforts
5. Annually prepare and submit to appropriate Senior Management a "Report" detailing our system of supervisory controls, a summary of all test results, identification of any significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

FINRA Systems and Forms

FOCUS AREA

ADVISORY

REGULATION

FINRA RULE 4517

RESPONSIBILITY

Senior Management

PROCEDURE

The compliance department must report to FINRA all required contact information via the FINRA Firm Gateway and update this information not later than 30 days following any changes. The department will ensure that the firm maintains current contact information on the Firm Gateway. We will respond to FINRA requests for information not later than 15 days following any such request or within a time frame specified by FINRA staff.

We use FINRA's online systems and applications, including CRD, eFOCUS, Report Center, Regulation Filings, and WebIR (among others). The Company has appointed a supervisor (Sue McKeown) who has the authority to grant or deny entitlements to account administrators and users.

Electronic Filing Requirements

FOCUS AREA

ADVISORY

REGULATION

SEC EXCHANGE ACT

RESPONSIBILITY

FINOP

PROCEDURE

Using FINRA's regulatory notice templates, our FINOP be responsible for the timely filing of the following notices, electronically with FINRA:

- Withdrawals of Equity Capital - Exchange Act Rule 15c3-1(e);
- Special Reserve Bank Account - Exchange Act Rule 15c3-3(i);
- Replacement of Accountant - Exchange Act Rule 17a-5(f)(4);
- Net Capital Deficiency - Exchange Act Rule 17a-11(b);
- Aggregate Indebtedness in Excess of 1200 Percent of Net Capital - Exchange Act Rule 17a-11(c)(1);
- Net Capital Is Less Than 5 Percent of Aggregate Debit Items - Exchange Act Rule 17a-11(c)(2);
- Net Capital Is Less Than 120 Percent of Required Minimum Dollar Amount - Exchange Act Rule 17a-11(c)(3);
- Failure to Make and Keep Current Books and Records - Exchange Act Rule 17a-11(d); and
- Material Inadequacy in Accounting Systems, Internal Controls or Practices and Procedures - Exchange Act Rule 17a-11(e).

In addition, our FINOP must undertake or oversee the reconciliation and/or preparation, review and maintenance of the following:

- Error accounts; and
- Any other accounts prepared on our behalf by a clearing firm.

Any issues arising from the review of any of the above or any other areas of financial control and/or oversight will be immediately addressed and documented. Our FINOP, working with Senior Management and Compliance, is ultimately responsible for ensuring that all corrective measures are taken.

Form Custody

Our FINOP, working with our CCO and other appropriate Senior Staff, must ensure that Form Custody is filed, as required, along with our e-filed FOCUS Reports.

FINRA Contact System (FCS)

FOCUS AREA

ADVISORY

REGULATION

Article IV, Section 3 of FINRA By-Laws

RESPONSIBILITY

CCO & COMPLIANCE DEPT

PROCEDURE

The CCO will maintain the FCS providing FINRA with all information required to be disclosed on FINRA's internal systems (FCS and others, as applicable).

Executive Representative Review/Updating

Our CCO, in complying with FINRA Rule 4517, will perform, at least an annual review of the FCS, changing our Executive Representative designation and contact information within 30-days of any changes.

BCP Review and Appropriate Updating

FINRA Rule 4370 requires members to designate two emergency contact persons on the FCS. The compliance department will review the information currently on file about BCP emergency contact persons and update as necessary, on a timely basis.

FINRA Report Center

Background

FINRA Report Center makes the following reports available.

- 4530 Disclosure Timeliness Report Card
- Equity Report Cards
  - Firm Summary Scorecard
  - OATS Compliance Monthly Report Card
  - Best Execution Report Card
  - Market Order Timeliness Report Card
  - Short Sale Bid Test Report Card
  - Executing Firm Trade Reporting Report Card
  - Reporting Firm Trade Reporting Report Card

- Firm Quote Compliance Report Card
- Executing Firm NMC Compliance Report Card (formerly ACT Compliance Report Card)
- Reporting Firm NMC Compliance Report Card (formerly ACT Compliance Report Card)

- MSRB G-32 Compliance Report Card
- Risk-Monitoring Reports, including statistics on the number of representatives with customer complaint disclosures and prior employment at a disciplined firm
- Trace Quality of Markets Report Card
- WebCRD Late-Filing-Fee Report
- Webcast Usage Report

Responsibility

Our CCO ensures that the appropriate entitlement forms have been filed with FINRA, the individual designated as account administrator for FINRA Report Center obtains all appropriate reports, and that all such reports are appropriately utilized in our ongoing compliance efforts.

Procedure

Each report accessed will be maintained in our files with documentation of how it was utilized, including dates, initials, findings, actions taken, etc.

Form BD

FOCUS AREA

ADVISORY

REGULATION

Except as provided in Rule 1013(a)(2), all forms required to be filed by Article IV, Sections 1, 7, and 8, and Article V, Sections 2 and 3, of the FINRA By-Laws shall be filed through an electronic process or such other process FINRA may prescribe to the Central Registration Depository.

RESPONSIBILITY

Our CCO and Compliance department

PROCEDURE

Any material changes to Form BD are filed via Form BD amendments on WebCRD, to applicable state jurisdictions within 30 days of the change.

Procedure

Changes relating to change in control or our business mix will be appropriately reflected on Form BD.

All Form BD amendments will be made on WebCRD, appropriately signed and maintained. Organizational documents will be placed in the Form BD file, with the designated principal's initials on

the documents indicating that they match the Form BD disclosure or that appropriate amendments have been made.

Form BD Retention Policy

Our CCO must also ensure compliance with Exchange Act Rule 17a-4(d) regarding books and records, that requires copies of our Form BD and all amendments to be retained for the life of this broker-dealer.

Regulation Form Filing

FOCUS AREA

ADVISORY

REGULATION

Customer Complaints - FINRA Rule 4530

Web-Based FOCUS - Exchange Act Rule 17a-5

Regulation T & Rule 15c3-3 Extension Requests - Exchange Act Rule 15c3-3

RESPONSIBILITY

Finop/Compliance Dept.

PROCEDURE

- **Customer Complaints**

  File quarterly information on customer complaints on the 15th calendar day following the end of each quarter. In addition, certain events must also be filed.

- **Web-Based FOCUS**

  Compose and submit Financial and Operational Combined Uniform (FOCUS) Reports to FINRA as required under Exchange Act Rule 17a-5.

- **Regulation T & Rule 15c3-3 Extension Requests - Designated Principal: FINOP**

  The Federal Reserve Board's Regulation T and SEC Exchange Act Rule 15c3-3 provide for the possibility of extensions where investors have not met their obligations for a securities transaction. Regulation T gives an investor a maximum of five business days to pay for securities purchased in a cash or margin account. If the payment due exceeds $1,000 and is not received by the end of the time period, a broker-dealer must either liquidate the position or apply for, and receive, an extension under the following conditions:

1. any sale by any person, for an account in which (s)he has an interest, if the person owns the security sold and intends to deliver the security as soon as is possible without undue inconvenience or expense; and
2. any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

These filings are done by our clearing firms.

Web CRD: Monitoring Searches

Responsibility

Our CCO must ensure that all individuals engaged in the pre-hire or registration process are aware of the prohibition against unauthorized searches of information on WebCRD. Prior to any information being accessed on WebCRD, we must receive written permission from the individual on whom we are performing a search.

Procedure

The individual in charge of Licensing and Registration must ensure that only authorized individuals have the information (i.e., username and password) enabling access to WebCRD.

This individual is also responsible for ensuring that each such authorized individual understands the regulatory prohibitions regarding undertaking unauthorized searches and that they are NOT permitted to search for information on any individual without first receiving written permission from the individual in question.

If anyone is found using the WebCRD for unauthorized searches, he or she will face internal sanctions, including possible termination.

Branch Offices and Office of Supervisory Jurisdiction ("OSJ")

Definitions

FINRA Rule 3110 defines a "branch office" as "any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security, or is held out as such.."

Office of Supervisory Jurisdiction (“OSJ”) is any office at which any one or more of the following functions take place:

- order execution or market making;
- structuring of public offerings or private placements;
- maintaining custody of customers' funds or securities;

- final acceptance (approval) of new accounts on behalf of the member;
- review and endorsement of customer orders;
- final approval of retail communications for use by persons associated with the member, except for an office that solely conducts final approval of research reports; or
- responsibility for supervising the activities of persons associated with the member at one or more other branch offices of the member.

Each OSJ has a resident principal responsible for supervision.

Spire Securities, LLC headquarters is designated as an OSJ.

Each branch office that is not an OSJ will be assigned to the supervision of an OSJ.

The designated OSJ supervisor is required to visit non-OSJ branch offices on a periodic basis and record the visit in documents retained by the designated supervisor for the branch location.

Office Records

Offices are required to retain the following records:

- Order records (3 years, 2 recent years in an accessible location);
- New account records (6 years after account closing, in an accessible location);
- Correspondence, incoming and outgoing (3 years, 2 recent years in an accessible location);
- Operations records, including records of receipt/delivery of securities or funds (3 years, 2 recent years in accessible location); and
- Complaints (3 years, 2 recent years in accessible location).

Designation of Offices and Form BR

FOCUS AREA

ADVISORY

REGULATION

FINRA RULE 3110 (a) (3)

RESPONSIBILITY

Compliance Dept.

Procedures and Documentation

The Compliance department with the CCO will ensures that all office locations, including our home office, receive the correct designation (i.e., OSJ, Supervisory Branch, branch or non-branch) and that individuals who carry out each location's review are qualified and acceptable under FINRA rules. They will ensure that appropriate Form BR filings are made for all off-site locations and maintain copies of all Form BR filings.

Suggested Form:

Offices of Supervisory Jurisdiction ("OSJ") and Supervisory Branch Offices

Our home office is an OSJ.

Our non-supervisory branch offices are to be reviewed on at least a 3 year basis - unless under a special supervision arrangement.

We have some off-site locations that are exempt from Branch Office registration (to be reviewed on at least a 3 year basis)

Some considerations in whether a branch office requires registration:

- Branch Registration Regulators requiring state approval before a branch can conduct business in that state;
- Branch Notice Filing Regulators that do not require approval prior to opening a branch in its jurisdiction but are notified of a branch opening via a Form BR filing.

Prior to registering a branch office; Supervisory personnel will:

- Conduct Due Diligence and review of the types of business that will be conducted at the branch office.
- Review the background, employment, and disciplinary history of staff working in the branch.
- Review the experience of branch office personnel and asses their ability to comply with both broker/dealer and regulatory requirements (SEC, FINRA, NFA, CFTC, DOL, etc).
- Determine the need for any training or heightened supervision programs.

Office Inspection Requirements

The Compliance Dept. along with the CCO will identify all office locations, including our home office, by their correct designation (i.e., OSJ, Supervisory Branch, branch or non-branch branch). They will establish each audit/review time frame that would be required and those individuals assigned to carry out each location's audit/review are qualified and acceptable under FINRA rules.

Temporary relief has been granted by FINRA during the 2020, 2021 and 2022 calendar years regarding the requirement of a physical branch exam.

The exam schedule will remain the same.

We have contracted with Oyster Consulting to conduct our branch exams - and they will conduct those exams during this period virtually using Microsoft Teams.

Offices of Supervisory Jurisdiction (OSJs) and Supervisory Branch Offices

FINRA Rule 3110 requires at least an annual inspection of each office of supervisory jurisdiction. Rule 3110 also creates the designation of supervisory branch office and requires that these supervisory branch offices be inspected at least annually. A "supervisory branch office" is any location, including our home office, *"responsible for supervising the activities of persons associated with a broker-dealer at one or more of their non-branch office locations."*

Our home office (McLean, VA) is an Office of Supervisory Jurisdiction ("OSJ").

Branch Office Inspection Requirements Under Rule 3110

Office inspections must include the testing and verification of our policies and procedures, including supervisory policies and procedures in certain specified areas.

Under Rule 3110, each office inspection must result in a written report kept on file for a minimum of three years unless the inspection is conducted pursuant to a regular periodic cycle for a non-branch office location and the regular periodic schedule is longer than a three-year cycle, in which case the report must be maintained in our files at least until the next inspection report has been created.

The written report must include all required internal review activity as well as testing and verification of our policies and procedures, including supervisory policies and procedures in the areas of

• Safeguarding customer funds and securities

• Maintaining books and records

• Supervision of supervisory personnel

• Transmitting funds between customers and registered representatives and between customers and third-parties

• Validating customer address changes and customer account information

• Transmittals of funds (e.g., wires or checks, etc.) or securities from customers to third party accounts; from customer accounts to outside entities (e.g., banks, investment companies, etc.); from customer accounts to locations other than a customer's primary residence (e.g., post office box, "in care of" accounts, alternate address, etc.); and between customers and registered representatives, including the hand-delivery of;

• Branch security;

• Protecting client personally identifiable information;

• Providing clients with appropriate disclosures, Reg BI and Form CRS;

• Documenting client meetings

• Reg BI recommendations

If any of the above are activities in which we do not engage, we must indicate so in the report and attest to the fact that supervisory policies and procedures for such activities will be in place before we begin engaging in the activity.

For each inspection conducted pursuant to Rule 3110, we must:

(A) have procedures reasonably designed to prevent the effectiveness of the inspections required, pursuant to paragraph (c)(1) of this Rule, from being compromised due to the conflicts of interest that may be present with respect to the location being inspected, including but not limited to, economic, commercial, or financial interests in the associated persons and businesses being inspected; and

(B) ensure that the person conducting an inspection pursuant to paragraph (c)(1) is not an associated person assigned to the location or is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to the location.

(C) If a member determines that compliance with the above paragraph is not possible either because of a member's size or its business model, the member must document in the inspection report both the factors the member used to make its determination and how the inspection otherwise complies.

Should we determine that any branch location requires heightened supervision, we will maintain a list of all such identified locations, along with details of what such heightened inspections will consist of. We may, when able, conduct a Facilities Audit. This audit would be conducted at new office locations to confirm location, building security, signage and other such areas. This audit would not replace the full branch exam and would not need to be conducted by a principal.

The dates of the audit/review and the names of the individuals conducting the review will be included with each report.

All audit/review activities will result in a report; copies of which will be given to our CCO and other appropriate principals. Our CCO will maintain these reports. Supervising principals, will take corrective measures where required based on the reports and conduct a follow-up on these corrective measures.

The corrective action taken by the firm may involve the following:

A letter to the branch office informing staff of the deficiencies/issues documented during the branch office examination. The letter will ask that staff respond to each issue with the action taken to resolve and prevent future recurrence of the deficiency(ies)/issue(s). During the 30-day period, firm staff will be available to discuss any of the deficiencies/issues identified in the notice letter. Unless extended the response shall be provided within 30 days of receipt of the notice letter.

Failure to respond in a thorough and timely manner may result in action deemed appropriate by the firm.

The dates of the audit/review and the names of the individuals conducting the review will be included with each report.

Finance and Operations

Books and Records

FOCUS AREA

CONTROL

REGULATION

SEC Exchange Act 17a-4

Responsibility

Our FINOP and other principals have specific recordkeeping responsibilities. They must ensure that all required books and records are maintained in an appropriate manner for an appropriate length of time, and that they are adequately safeguarded.

PROCEDURES

Our designated supervising principals must monitor and review required books and records to ascertain that they are being adequately maintained.

Books, records and accounts concerning all securities transactions and related activities undertaken by this firm must be maintained in clear, full detail; must accurately reflect all transactions and all activities; must contain clear evidence of who was responsible for reviewing and/or approving the records; and must be kept for the appropriate amount of time as specified in Exchange Rule 17a-4.

Our annual reviews will review and document all recordkeeping requirements of all areas and individuals responsible for maintaining the appropriate records. The outcome of that review will then determine if our internal policies and procedures and/or training efforts should be enhanced.

Customer Account Records

Customer account records, which must be maintained for a period of six years, must include the following information:

- Copies of order tickets/applications/subscription documents;
- If applicable, research files on stock and/or bond recommendations;
- Correspondence, incoming and outgoing, including faxes, e-mails, and instant messages;
- New-account forms;
- AML customer identification program information; and
- Other materials required to justify or clarify actions taken on behalf of a client.

Electronic Notification Filing Requirement

Our FINOP and CCO are required, under FINRA Rule 4517 and Exchange Act Rule 17a-11(d) and (e), that any discovered material inadequacy in accounting systems, internal controls, or practices and procedures and/or failure to make and keep current books and records are filed electronically via FINRA's website using appropriate templates and/or language, as required.

Archiving Compliance Supervisory and Procedures Manuals

FOCUS AREA

CONTROL

REGULATION

EXCHANGE ACT RULE 17a-4

RESPONSIBILITY

COMPLIANCE DEPARTMENT

PROCEDURE

Exchange Act Rule 17a-4 requires that firms maintain each compliance, supervisory and procedures manual which describes the policies and practices of the firm with respect to compliance with applicable laws and rules and supervision of the activities of associated persons.

Material Changes: Each time a material change is made to any manual, we must archive the previous manual, indicating the dates during which it was utilized.

Maintenance Requirement: We must maintain each archived document for three years following the termination of its use.

Distribution of New Policies and Procedures: Supervising principals must be immediately notified each time a manual has been archived to ensure that only the most current documents are being utilized by the principals and, to whatever extent applicable, by registered representatives.

We have contracted with NRS to update these WSPs with any applicable regulatory rule changes.

Electronic Books and Records Maintenance

FOCUS AREA

CONTROL

REGULATION

Exchange Act Rule 17a-4(f)

RESPONSIBILITY

COMPLIANCE DEPT/CCO

PROCEDURES

Background

The term "cloud-based" technology has been used by many firms as they strive for efficiencies and security in their product offerings. Spire uses this technology not only for ease of use but also as a security measure, an answer to our Business Continuity processes, as a bundled technology solution and as a marketing tool. Our cloud based technology is basically contracting with a technology firm to provide a portal to all required and desired programs and platforms in a secure environment. You can only access the portal via a user and login. This same firm enables Spire to utilize Laserfiche to store all documentation electronically vs in paper form. This creates great efficiencies in searching for records, providing documents and safely and securely maintaining the documents. With Technology developments constantly evolving, Spire can rely on our IT vendors to stay ahead of the curve, while we focus on serving the needs of our representatives and their clients.

The Compliance dept. works with outside vendors, as necessary, and appropriate internal IT staff to ensure that we adhere to all requirements of Exchange Act Rule 17a-4(f) regarding the electronic storage of broker-dealer books and records.

The Compliance dept. and other appropriate principals will:

- Develop appropriate internal systems or select a vendor that meets the rule requirements
- Notify FINRA, and other appropriate Designated Examining Authorities, in a timely manner when initiating electronic storage, providing third-party representation, if applicable
- Ensure procedures for providing revised notifications to FINRA, as necessary
- Obtain written Senior Management approval of system configuration (i.e., in-house or third-party vendor) to store records
- Issue passwords to authorized personnel
- Ensure procedures for disabling passwords for terminated employees or for those who no longer require access
- Ensure that the electronic storage media meet the following conditions
  - Non-rewritable, non-erasable formatted disks
  - Automatic verification of the quality and accuracy of the recording process
- Ability to immediately retrieve easily readable production of records
- Accurate organization and indexing
- Retain documentation containing current information necessary to access records and indexes
- Contract with independent third-party with access and the ability to download records (only required if both copies of any records are stored electronically and no paper copy exists)
- Ensure that the system is internally audited at least annually to ensure the integrity of the electronically retained records

- Ensure the establishment of a method for producing required records at outside office locations upon the request of a regulator

Broker-dealers utilizing optical disk technology to maintain any, or all, of their books and records are required to notify FINRA.

Broker-dealers relying on technology other than optical disk technology to maintain any, or all, of their books and records must notify FINRA 90-days PRIOR to implementing this system.

On an annual basis, our CCO and other members of senior management will discuss all books and records maintenance technology we currently utilize with both Senior Management, and applicable IT individuals.

The Compliance dept. will:

review all SRO notifications to ensure that we have made appropriate and timely notifications, and that the most recent notification is fully compliant;

ensure that all individuals involved in any aspect of the technology used for maintenance of our books and records are aware of the fact that new technology or different systems may NOT be utilized without PRIOR discussion with the CCO.

Electronic Notification Required

Utilizing the appropriate template on FINRA's web site, the Compliance dept. must ensure that any required Electronic Storage Media filings (pursuant to Exchange Act Rules 17a-4(f)(2)(i) and 17a-4(f)(3)(vii)) are made electronically according to FINRA requirements.

Sample SRO Notification Language

FINRA
Compliance Department
1735 K Street, NW
Washington, DC 20006-1500

Dear Sir/Madam,

Pursuant to Rule 17a-4(f)(2)(ii) of the Securities Exchange Act of 1934, we provide notice that we employ electronic storage media to maintain some or all of our required records.

We use a system that makes use of optical disk technology.

ELECTRONIC BOOKS AND RECORDS: Third-Party Undertaking

Background

Broker-dealers who exclusively use electronic storage media for some, or all, of their record preservation, must have at least one third-party who has access to, and the ability to, download information from the broker-dealers' electronic storage media to any acceptable medium under SEC rules, and to file with FINRA on behalf of the broker-dealer an undertaking with respect to such records.

Sample Third-Party Notification Language

*The undersigned hereby undertakes to furnish promptly, upon reasonable request, to the SEC, its designees or representatives, any self-regulatory organization of which (*Spire Securities, LLC*) is a member, and any state securities regulators having jurisdiction over (*Spire Securities, LLC*), such information as is deemed necessary by the SEC, SRO or state securities regulatory authority to download information kept on (*Spire Securities, LLC's*) electronic storage media to any medium acceptable under Rule 17a-4 under the Securities Exchange Act of 1934.*

*Furthermore, the undersigned hereby undertakes to take reasonable steps to provide access to information contained on (*Spire Securities, LLC's*) electronic storage media, including, as appropriate, arrangements for the downloading of any record required to be maintained and preserved by (Spire Securities, LLC) pursuant to SEC Rules 17a-3 and 17a-4 in a format acceptable to the SEC, FINRA and state securities regulatory authorities. Such arrangement will provide specifically that in the event of a failure on the part of (Spire Securities, LLC) to download the record into a readable format and after reasonable notice to (Spire Securities, LLC), upon being provided with the appropriate electronic storage medium, the undersigned will undertake to do so, as the SEC, FINRA or any state regulatory authorities may request.*

Responsibility

Our CCO, working with Senior Management, and any other applicable associated persons, including IT personnel, ensures our full awareness of our books and records exclusively maintained in an electronic format, and that appropriate FINRA notifications are made in a timely manner.

Cloud Computing

Background

The availability of high-capacity networks, low-cost computers, and storage devices as well as the widespread adoption of hardware virtualization has led to growth in cloud computing. Cloud computing services, such as those that offer software as a service (e.g. cloud-based email, online calendars, online word processors, etc.) or provide cloud-based storage of documents and other data, aim to cut costs, and helps the users focus on their core business instead of being impeded by IT obstacles. Due to the popularity of cloud computing, it has become an increasing compliance and risk management challenge.

Responsibility

Our cloud computing policies and procedures have been adopted pursuant to approval by the firm's senior management. Our CCO is responsible for reviewing, maintaining, and enforcing these policies and procedures to ensure meeting our overall cloud computing goals and objectives.

Procedure

As an extension of our Cybersecurity Governance Framework, we recognize the critical importance of safeguarding clients' personal information as well as the confidential and proprietary information of the firm and our employees with regards to cloud computing. These procedures provide guidance to employees (also referred to as “Users”) regarding the appropriate use of our information technology resources and cloud-based data (including non-public private information, confidential, or sensitive data).

Users of the firm are permitted to access and use, for business-related purposes, cloud-based applications. This must be done through our firm's enterprise account, rather than by setting up a personal account. The firm’s procedures, which apply to both Users who are on-premises or working remotely, include the following:

- We have downloaded and kept on file, a Non-Disclosure Agreement (NDA) and/or Privacy Policy for each provider;
- Due diligence has been conducted on the cloud service provider prior to signing an agreement or contract, and as part of the due diligence, we have evaluated whether the cloud service provider has safeguards against breaches and a documented process in the event of breaches;
- We have created an automated method to transfer any data stored in the cloud;
- We archive all records for a minimum of seven years;
- At least (quarterly/annually) the firm performs a regular electronic records review;
- The firm maintains a backup of all records off-site;
- Users may not use non-approved cloud-based applications to create, receive, transmit, or maintain confidential or sensitive information;
- Users must keep log-in credentials secure and protected against unauthorized access;
- Users may not conduct business through personal cloud-based e-mail accounts or other cloud-based application;
- The firm is familiar with the restoration procedures in the event of a breach or loss of data stored through the cloud service;
- Any data containing sensitive or personally identifiable information is appropriately secured;
- Remote access to the firms cloud computing systems is controlled and monitored.
- Upon termination of any access person’s employment status, log-in credentials will be disabled to protect unauthorized access to confidential or sensitive information belonging to the firm and its customers.

Business Continuity Plan

FOCUS AREA

CONTROL

REGULATION

FINRA RULE 4370

RESPONSIBILITY

Senior Management

PROCEDURE

Please see our separate stand alone Business Continuity Plan.

Pandemic Response

Spire Securities, LLC's pandemic response policy, in conjunction with our Business Continuity Plan and Cybersecurity policies in the WSPs, recognizes the critical importance of safeguarding our employees and clients in the event of a national pandemic.

Designated Supervising Principal

A member of Senior Management is responsible for approving our Pandemic Response Plan and conducting the required review, including any proposed changes at least annually.

Our Pandemic Response Plan addresses the key areas listed below to the extent they are applicable and necessary, as well as any other key areas to ensure our Plan is complete and thorough based on our specific business and operations:

Working from Home

- Organize and identify a central team of people or focal point to serve as a communication source so that our employees and clients can have accurate information during the crisis;
- Ensure that IT provides the correct technology and security measures for employees who are working from home, including:
    - telework arrangements and any weak points (and respective solutions);
    - connectivity issues due to the increased demand of bandwidth;
    - setting up VPNs for employees;
    - determining the costs and effort to set up secure, compatible systems;
    - providing any requisite software if an employee is using a personal computer; and
    - identifying backup systems and testing for e-mails, conference calls, and video conferencing
- Disseminate additional guidance and training regarding use of firm technology, tools and services in a remote work environment;
- Transition to virtual training to continue preparing for upcoming regulatory obligations;
- Set up work-from-home guidelines, such as emails must be responded to within 24 hours, use text for urgent matters, and no calls between certain hours to make sure teammates are not working around the clock;
- Arrange for regular (weekly or more frequent) meetings or conference calls to review the latest information, develop consistent messaging, and make decisions; and
- Spire Securities, LLC may need to request employees' personal contact information (phone numbers, e-mail addresses, or contact's information of where they may be if they are caring for family members).

Social Distancing

- Employees should avoid close contact with coworkers and clients (maintain a separation of at least 6 feet);
- Avoid shaking hands and always wash hands after contact with others;
- Encourage telephone use, videoconferencing, and the Internet to conduct business as much as possible, even when participants are in the same building;
- Minimize situations where groups of people are crowded together, such as in a meeting;
- If a face-to-face meeting is unavoidable, minimize the meeting time, choose a large meeting room, and sit at least 6 feet from one another;
- Reduce or eliminate unnecessary social interactions--reconsider all situations that permit or require employees, clients, and visitors to enter the workplace; and
- Avoid any unnecessary travel and cancel or postpone nonessential meetings, gatherings, workshops, and training sessions.

Personal Protective Equipment (PPE) and Office Cleanliness

- Stockpile items such as soap, tissue, hand sanitizer, cleaning supplies and recommended personal protective equipment. When stockpiling items, be aware of each product's shelf life and storage conditions (e.g., avoid areas that are damp or have temperature extremes) and incorporate product rotation (e.g., consume oldest supplies first) into your stockpile management program;
- Provide employees and clients in the workplace with easy access to infection control supplies, such as soap, hand sanitizers, personal protective equipment (such as gloves or surgical masks), tissues, and office cleaning supplies;
- Provide training, education, and informational material about employee health and safety, including proper hygiene practices and the use of any personal protective equipment to be used in the workplace;
- Provide clients and the public with tissues and trash receptacles, and with a place to wash or disinfect their hands;
- Regularly clean work surfaces, telephones, computer equipment, and other frequently touched surfaces and office equipment; and
- Discourage employees from using other employees' phones, desks, offices, or other work tools and equipment.

Sick Leave

- Consider flexible leave policies to allow workers to stay home to care for sick family members or for children if schools dismiss students or child care programs close;
- Allow employees to exhaust paid time off (PTO) hours and go into negative balances;
- Advance sick time up to a year of accrual;
- Provide a special time off allotment for the existing pandemic;
- Allow employees to donate leave to others;
- Encourage sick employees to stay home; and

- Offer any existing vaccine at the workplace or allow employees to take time off to get the vaccine.

Change in Control or Business Operations

FOCUS AREA

CONTROL

REGULATION

FINRA RULE 1017

RESPONSIBILITY

Senior Management

PROCEDURE

FINRA Rule 1017 states: "*At least 30 days prior to the occurrence of any of the following changes in ownership, control, or operations, a member firm shall file a written notice and application for continuance in membership with* FINRA *District Office in the District in which the firm's principal place of business is located*."

Our CCO, will ensure that we adhere to Rule 1017 requirements and that no changes as outlined below occur without 30-day prior notification via FINRA's Gateway System.

- Working with Senior Management (and legal counsel, if appropriate), our CCO will, request information regarding discussions which might be underway concerning the following:
    - a merger of this broker/dealer with another FINRA member firm,
    - an acquisition by this broker/dealer of another FINRA member firm,
    - an acquisition of substantially all of our assets,
    - a change in the Direct or Indirect equity ownership or partnership capital of this broker/dealer that will result in one person or entity owning or controlling 25 percent or more of the equity or partnership capital,
    - a material change in our business operations.
- If any of the above are, in fact, under discussion, senior management and legal counsel will be advised of our requirements under Rule 1017(c), noting that the individual responsible for dealing with FINRA District Office must be given sufficient time to make the appropriate FINRA filings. Copies of all correspondence, and resulting decisions made or actions taken, will be maintained (indicating the names of all individuals involved in coming to a decision, and the rationale for such decision).
- Should any FINRA filing be required due to the result of such communication, copies of all filings and FINRA-related correspondence will also be maintained.

Risk Assessment/Management

Cybersecurity: Managing Threats Against our IT Systems

FOCUS AREA

CONTROL

REGULATION

The SEC's Regulation S-P Rule 30 requires firms to have written policies and procedures that are reasonably designed to safeguard customer records and information. **FINRA Rule 4370 (Business Continuity Plans and Emergency Contact Information**) also applies to denials of service and other interruptions to members' operations.

RESPONSIBILITY

Spire Senior Management

Procedures

Responsibility

FINRA's Report on Cybersecurity Practices states the following "principles," offering "effective practices" for each:

Spire will establish and implement a cybersecurity governance framework that supports informed decision making and escalation within the organization to identify and manage cybersecurity risks.

Spire will conduct regular assessments to identify cybersecurity risks associated with firm assets and vendors and prioritize their remediation.

Spire will implement technical controls to protect firm software and hardware that stores and processes data, as well as the data itself.

Spire will establish policies and procedures, as well as roles and responsibilities for escalating and responding to cybersecurity incidents.

Spire will provide cybersecurity training that is tailored to staff needs.

Spire has evaluate the utility of cyber insurance as a way to transfer some risk as part of their risk management processes and have a policy in place.

Senior Management will ensure that a Cyber-Security Committee ("Committee"), consisting of the following individuals, as deemed necessary and appropriate is formed to address this critical area of oversight and protection:

(X) CCO
( ) CEO
( ) President
( ) FINOP
( ) Legal (internal General Counsel)

( ) Legal (outside Counsel)
(X) Head of IT
(X) Head of Operations
( ) Board Members
Others
(X) Operations Dept.

(X) Compliance Dept.

(X) Accounting Dept.

These individuals, as well as individuals designated by them to play a specific role in this on-going process, are responsible for ensuring that we have done our utmost to ensure that we are protecting our clients and our firm from the serious harm which would result from a successful cyber attack.

The Committee will discuss, take into account and develop a program that focuses on

- operational risks (technology failures, external events and internal control failures);
- insider risks in connection with rogue employees
- outsider risks, such as hackers invading technology systems
- approaches to information technology risk assessment
- business continuity plans in case of a cyber-attack
- organizational structures and reporting lines
- processes for sharing and obtaining information about cybersecurity threats
- understanding of concerns and threats faced by the industry
- assessment of the impact of cyber-attacks on the firm over the past twelve months
- approaches to handling distributed denial of service attacks
- training programs
- insurance coverage for cyber-security-related events
- contractual arrangements with third-party service providers

The Committee will also ensure that through training, testing, and monitoring our firm adopts a “culture of cyber-security” into its daily business practices.

We will address this matter with the expectation of an attack, putting into effect all appropriate preventative measures, have a process to monitor ongoing threats and a specific plan for contingencies and remediation. protection of networks and information, risks associated with remote customer access and funds transfer requests.

In addition, risks associated with vendors and other third parties, detection of unauthorized activity, and experiences with certain cybersecurity threats must be taken into account when identifying risk areas.

The committee will also ensure that cyber-security training and education is developed, or obtained through an appropriate third-party vendor.

Please refer to the stand alone Spire Governance Framework for the full scope of our cybersecurity efforts, including our incident response procedures.

Conflicts of Interest

FOCUS AREA

CONTROL

REGULATION

Most recent regulation from the **SEC (Best Interest)** requires a disclosure of, removal of or mitigation of conflicts when it comes to fair dealing with our clients.

In October, 2013, FINRA published the **"Report on Conflicts of Interest,"** focused on firms' approaches to identifying and managing conflicts in three primary areas: (1) enterprise-levels frameworks to identify and manage conflicts of interest, (2) approaches to handling conflicts of interest in manufacturing and distributing new financial products and (3) approaches to compensation associated persons, particularly those acting as brokers for private clients.

FINRA Rule 3110(b)(6) requires a firm to have procedures reasonably designed to prevent the standards of supervision required pursuant to FINRA Rule 3110(a) from being compromised due to the conflicts of interest that may be present with respect to the associated person being supervised, such as the supervised person's position, the amount of revenue such person generates for the firm or any compensation that the supervisor may derive from the associated person being supervised.

Responsibility

Developing a means to identify the various conflicts that could and do exist, and then developing the means or disclosure and mitigation of those conflicts is the responsibility of senior management.

Procedure

Senior management as well as other associated personnel work together to identify all conflicts of interest, rate them in terms of regulatory and reputational risk and put appropriate oversight and control procedures in place.

Once all conflicts have been identified and adequate controls have been put into place, the compliance department will be is responsible for ensuring an annual review to (a) identify additional conflicts, (b) test the controls and (c) ensure that all responsible individuals are fully aware of each conflict and that each is being effectively monitored and tested.

FINRA's 2013 Report on Conflicts of Interest provided the following elements of an "effective practice framework for managing conflicts of interest." In plain English, the elements can be stated as follows:

- Where are our problem areas?
- Who monitors what, and how?
- How do we detect conflicts as they evolve?
- How do we react to conflict of interest where there is a need for escalation procedures?
- How do we say "no" in order to avoid severe conflicts

- What conflicts of interest disclosures do we need to make to clients (and how do we make them?
- How do we adequately train staff to identify and manage conflicts in accordance with our policies and procedures?

In addition, with the implementation of the new Best Interest standard, conflicts related to product choices and compensation arrangements must be examined for conflicts as well.

Financial Controls and Risk to Capital

Responsibility

Our FINOP, in partnership with Senior Management and other appropriate associated persons, will oversee our risk management procedures relating to financial controls.

Procedure

Our FINOP, consulting with appropriate associated personnel, will determine what our overall risk to capital is - based on the nature of our business, our customers, the manner in which we do business, the location of our sales personnel, among other factors.

We have made a commitment based on the acknowledgement of our responsibility to the investing public and to the regulators, and do not take our risk management duties lightly.

Quarterly, our FINOP and CCO will meet to discuss areas of concern the FINOP may have, and to bring the FINOP up-to-date on any internal changes that have been made which may impact our financials, or may in any way impact our risk to capital.

At any time when the FINOP believes there are issues that may impact, or are impacting, our capital or which may put us at financial risk, the matter will immediately be brought to the attention of our CCO or another member of Senior Management. We will maintain documentation of any such occurrences in the files, including the specific issue being addressed, the date, the names of all individuals involved, and detailed notes about how the matter was, or will be, resolved and any remedial procedures have to be put into place to prevent future problems of a similar nature.

Incident Response

Spire Securities, LLC's incident response policy, in conjunction with our Cybersecurity and Identify Theft Prevention policies in the WSPs, recognizes the critical importance of safeguarding the confidential and proprietary information of the firm and its employees.

It is our policy to respond promptly and appropriately, based on the particular circumstances, should the firm suspect or detect that unauthorized individuals have gained access to nonpublic information.

When determining the appropriate response, we will consider the degree of risk posed and aggravating factors that may heighten the risk of a data security incident that results in unauthorized access to nonpublic information held by us or a third-party service provider. Primary and immediate consideration

will be given to evaluating and halting any ongoing attack and to promptly securing firm systems and information.

Each incident will be reviewed to determine if changes are necessary to the existing security structure and the firm's electronic and procedural safeguards to guard against similar attacks or infiltrations in the future. All reported incidents are logged as well as the remedial actions taken. It is the responsibility of our CCO to provide training on any procedural changes that may be required as a result of the investigation of an incident.

Procedures and Documentation

The CCO is responsible for reviewing, maintaining and enforcing these policies and procedures to ensure meeting our overall incident response goals and objectives. Further, we will rely on our Cybersecurity Committee to also act as our Incident Response Team to address this critical area of oversight and protection.

All suspicious activity recognized or uncovered by personnel should be promptly reported to our CCO or the Incident Response Team.

Any questions regarding Spire Securities, LLC's incident response policies should be directed to our CCO.

In the event of a breach:

Compliance/Legal

- Contact Spire Securities, LLC's insurance agents and proper authorities in order to mitigate and enact any compensation controls, if needed, such as payouts for damages or providing extra protection services to our clients like free credit monitoring services;
- Provide notice to authorities and law enforcement such as the FBI;
- Contact our IT provider and make sure that they can correctly gain control of the data loss event;
- Notify clients that a breach occurred; and
- Provide training on any procedural changes that may be required as a result of the investigation of an incident.

IT

- Review each incident to determine if changes are necessary to the existing security structure and our electronic and procedural safeguards to guard against similar attacks or infiltrations in the future. All reported incidents must be logged as well as the remedial actions taken;
- Identify what has been taken, determine the damage of that leaked information, and take immediate steps to stop the exfiltration of data;
- Correlate all of the information from the firm's logs and determine what was taken and who took it to provide to authorities;
- Remove all malware, harden and patch systems, and apply any updates;
- Document as much information as possible during the actual breach;

- Review the inventory list and make sure all items are accounted for;
- Evaluate system processes to ensure they have all been restored; and
- Document any issues and difficulties that arose during the restoration process.

Incident Response Team

- Once the investigation is complete, hold an after-action meeting with all incident response team members and discuss what was learned from the breach. Analyze and document everything about the breach. Determine what worked well in your response plan, and where there were some holes;
- Designate members of the incident response team or lead cybersecurity personnel to review the incident, including the response and recovery process. Evaluate what happened, how quickly the response started, and how long it lasted. During the post-incident analysis, review documentation of the incident. During this analysis, create a report to document the findings;
- Draft a list of names and contact information for all of the vendors that are going to take a part in discovering, documenting, and fixing a breach;
- Use the post-incident analysis to evaluate the effectiveness of the current incident response plan. Address question such as:
    - Was the incident found in a reasonable amount of time?
    - Was the system down as long as expected?
    - Were the right personnel available to respond?
    - Did recovery and restoration happen in the time expected?
    - Were backups available and as up to date as possible?
- Gather all of the pertinent personnel to review the incident and collaborate on everyone's view on the success or failure of the response to the incident;
- If flaws are found in the incident response protocols, document potential changes to the plan based on the response to the incident; and
- Evaluate the team's performance, if the plan was clear to every member that plays a role in incident response, and if Spire Securities, LLC was able to contact everyone necessary during the event.

HR/Marketing

- Determine how to communicate the breach to internal employees, the public, and those directly affected.

Net Capital Requirement Rule (Exchange Act Rule 15c3-1)

Policy Requirements

FINRA Rule 4110 requires that broker-dealers comply with Securities and Exchange Act Rule 15c3-1, known as the net capital requirement rule.

Procedures and Documentation

Under Exchange Act Rule 15c3-1, our FINOP is responsible for the following:

1. Ensure that net capital is computed in accordance with the provisions of the rule and that we have been (and are in) net capital compliance during all hours in which we conduct business;
2. Establish, maintain and verify that all accruals are posted properly and in compliance with Generally Accepted Accounting Principles. (NOTE: Cash-Basis Accounting is not allowed for financial reporting by the SEC, although it is allowed for tax reporting by the IRS.);
3. Distinguish allowable and nonallowable assets at a minimum of every two weeks. (NOTE: Receivables from other Brokers or Dealers for other than regular securities transactions are generally nonallowable for capital, including receivables from tax shelter programs.);
4. Make certain that the collateral value of any secured demand notes we carry (after appropriate "haircuts" are applied), equals or exceeds their face value;
5. Frequently review the market value of any inventory positions to identify concentrated positions (being conservative in valuations and making sure of "haircut" deductions);
6. Ensure that we are in full compliance under Exchange Act Rule 15c3-1 regarding any withdrawals of capital;
7. Establish procedures for the prompt preparation and filing of monthly and quarterly FOCUS reports (FOCUS II for carrying firms and FOCUS IIA for non-carrying firms) within the 17-business-day filing requirement;
8. Prepare a monthly net capital computation;
9. Ensure compliance with all notification provisions under Exchange Act Rule 17a-11, including notices relating to net capital and books and records deficiencies;
10. Notify regulators of any change in our fiscal year-end (FYE); and
11. Pay assessments and fees to regulators.

In accordance with FINRA Rule 4110, our FINOP will ensure that we adhere to the Rule's prohibition against withdrawing equity capital for a period of one year from the date it was contributed, unless otherwise permitted by FINRA in writing.

Customer Accounts

If we carry or clear any customer accounts, our FINOP will ensure that we obtain prior written approval before withdrawing any capital that exceeds 10 percent of the firm's excess net capital in any rolling 35-calendar-day period. This includes withdrawals of profits, routine dividends and similar distributions. If we carry or clear any accounts, we are also prohibited from making any unsecured advance or loan to a stockholder, partner, sole proprietor, employee, or affiliate where such advances or loans in the aggregate exceed 10 percent of the firm's excess net capital in any rolling 35-calendar-day period.

SEC Rule 17a-11 Notification

According to SEC Rule 17a, the FINOP, or his designee, is required to notify the SEC and FINRA of any net capital deficiencies when our:

- Net capital declines below its minimum net capital requirement (notice is required the same day);
- Aggregate indebtedness exceeds 1,200% of the our net capital (notice is required within 24 hours);

- Net capital computation shows that our total net capital is less than 120% of its minimum net capital requirement (notice is required within 24 hours);
- If we fail to make and keep current, the books and records required by SEC Rule 17a-3 (notice is required the same day); and
- If the Firm discovers, or is notified by an independent public accountant of the existence of any material inadequacy as defined in Sec. 240.17a-12(h)(2) (notice is required within 24 hours of discovery or notification).

The FINOP, or his designee, will transmit any notices required by Rule 17a-11 via telegraphic or facsimile transmission to the SEC's principal office in Washington, D.C., the SEC's regional office, and FINRA's principal office and regional office. The notification to FINRA will be via FINRA's electronic notification system.

CUSTOMER PROTECTION - 15c3-3

Background

NASD Rule 3140 prohibits us from *"changing our method of doing business in a manner which would change our exemptive status to a fully computing firm subject to all provisions under SEC Exchange Act Rule 15c3-3, or to commence operations that would disqualify us for continued exemption under our current exemption under 15c3-3, without first obtaining the prior written approval of the Association."*

In December 2018, OCIE published its 2019 Examination Priorities, which included increased attention on broker-dealers entrusted with customer assets, specifically focusing on compliance with Rule 15c3-3, as well as procedures and controls to promote compliance.

Responsibility

Our FINOP, working with Senior Management, ensures that we do not undertake any activities that would change our net capital requirement or, if applicable, the Exchange Act Rule 15c3-3 exemption under which we operate, without prior notification to FINRA.

Our FINOP must also ensure that, any time our net capital falls below 120 percent of the minimum required (i.e., $6,000 for a $5,000 broker-dealer, $120,000 for a $100,000 broker-dealer), SEC and FINRA are immediately notified.

Should our net capital fall below the minimum required amount, our FINOP will immediately notify the SEC and FINRA and will alert Senior Management that we must immediately cease doing business.

Procedure

- Our FINOP must ensure that we at all times operate in a manner fully compliant with the exemption under which FINRA has currently approved us to operate.
- To this end, a firm principal will undertake a quarterly review of our Checks Received/Disbursed log and Securities Received/Disbursed log, if applicable, evidencing such review by initials and dates.

As failure to appropriately disburse all customer funds and/or securities no later than noon of the business day following receipt could result in our losing our Exchange Act Rule 15c3-3 exemption and place us in net capital violation, any instances in which checks or securities were not appropriately handled will be taken very seriously by both the FINOP and our CCO.

Our CCO will oversee an in-depth review of such instances to determine whether disciplinary actions are necessary, if our policies and procedures require modifications or additional training is required. All such instances will be documented in detail for our files, including details about what occurred and any remedial actions put into effect.

In processing customer checks for further deposit to the client's account at our firm's custodians the following processes will apply:

Checks should be made payable to the clearing firm. In the case where the checks are made payable to the account holder, we request that the account holder endorse the check for deposit to the clearing firm. Absent an endorsement, we have the branch office or representative send a letter to the client requesting that any further checks for deposit be endorsed before sending them to Spire. In some cases, the client may have given instructions to third parties (i.e. other investment firms) to send dividends and other distributions directly to Spire for deposit to their clearing account. in this case the check will come directly to us and the client will not have had the opportunity to endorse. We will not accept checks made payable to Spire for deposit to client accounts.

With both of our custodians we now have the opportunity and technology to remotely deposit client checks directly to their accounts. Special scanning equipment has been set up in some locations to process these deposits. Confirmations and reconcilliations of these deposits are reveiwed on an ongoing basis and initialed off on by a firm principal. The process is to scan the checks according to instructions and then lock the physical checks away, in a secure location, for a period of 30 days after which they are shredded.

FINOP Duties and Responsibilities

Duties and Responsibilities

Procedure

In accordance with FINRA Rule 4110, our FINOP will ensure that we adhere to the Rule’s prohibition against withdrawing equity capital for a period of one year from the date it was contributed, unless otherwise permitted by FINRA in writing.

Furthermore, if we carry or clear any customer accounts, our FINOP will ensure that we obtain prior written approval before withdrawing any capital that exceeds 10 percent of the firm’s excess net capital in any rolling 35-calendar-day period. This includes withdrawals of profits, routine dividends and similar distributions. If we carry or clear any accounts, we are also prohibited from making any unsecured advance or loan to a stockholder, partner, sole proprietor, employee or affiliate where such advances or loans in the aggregate exceed 10 percent of the firm’s excess net capital in any rolling 35-calendar-day period. See Regulatory Notice 09-71.

In accordance with NASD Rule 1022(c), our FINOP is responsible for the following, as applicable to the business and financial requirements of this broker-dealer.

- Final approval and responsibility for the accuracy of financial reports submitted on behalf of this firm
- Final preparation of all financial reports (i.e., trial balances, income/expense statements, net capital computations, monthly or quarterly FOCUS reports, as required etc.)
- Final preparation of any Supplemental Statements of Income ("SOSI") as may be required by FINRA under FINRA Rule 4524. To date, one SOSI has been adopted: The SSOI contains additional line items that seek a more detailed categorization of the revenue and expense line items that are on the Statement of Income (Loss) page of the FOCUS Report Part II, Part IIA and Part II CSE

  The implementation date of FINRA Rule 4524 is February 28, 2012. The due date of the initial SSOI, covering the quarter ending September 30, 2012, is October 26, 2012.
- Supervision of all individuals assisting in the preparation of financial documents
- Supervision of and overall responsibility for all individuals engaged in the maintenance of this firm's books and records that form the basis for our financial reports and net capital computations
- Supervision and oversight of all matters relating to this firm's financial and net capital computations, including, but not limited to the following.

    1. Ensuring that we deposit additional net capital funds when necessary
    2. Ensuring that we maintain a fidelity bond in an appropriate amount to match our net capital requirement and review the adequacy of that coverage at least annually
    3. Ensuring that we maintain all books and records (i.e., general ledgers, trial balances, etc.) on a current basis

- Quarterly review of our “Checks Received/Disbursed” and “Securities Received/Disbursed” logs to ensure that we are not permitting any activities that could jeopardize our Exchange Act Rule 15c3-3 exemption or place us in net capital violation
- Establishing procedures to ensure that all books and records will be maintained in a readily accessible place for two years and then kept for either three or six years pursuant to the appropriate time frame noted in Exchange Act Rule 17a-4
- Ensuring that an extension request is filed at least three business days prior to filing date if it is ever anticipated that a monthly or quarterly FOCUS filing will not be made by the required deadline

Under Exchange Act Rule 15c3-1, our FINOP is also responsible for the following.

1. Ensure that net capital is computed in accordance with the provisions of the rule and that we have been (and are in) net capital compliance during all hours in which we conduct business
2. Establish, maintain and verify that all accruals are posted properly and in compliance with Generally Accepted Accounting Principles. (NOTE: Cash-Basis Accounting is not allowed for financial reporting by the SEC, although it is allowed for tax reporting by the IRS.)

3. Analyze for allowable and nonallowable assets periodically, at a minimum, at least every two weeks. (NOTE: Receivables from other Brokers or Dealers for other than regular securities transactions are generally nonallowable for capital, including receivables from tax shelter programs, among others.)
4. Conduct reviews of any secured demand notes we carry to make certain collateral value, after appropriate "haircuts" are applied, equals or exceeds face value of notes
5. Review frequently the market value of any inventory positions we may carry with an eye toward possible concentrated positions (being conservative in valuations and making sure of "haircut" deductions)
6. Ensure that we are in full compliance under Exchange Act Rule 15c3-1 regarding any withdrawals of capital
7. Establish procedures that will allow all reconciliations and analyses to be completed in time for the prompt preparation and filing of monthly or quarterly FOCUS reports (FOCUS II for carrying firms and FOCUS IIA for non-carrying firms) within the 17-business-day filing requirement
8. Prepare a monthly net capital computation, regardless of whether or not we are required to file monthly FOCUS reports
9. Ensure compliance with all notification provisions under Exchange Act Rule 17a-11, including, among other things, notices relating to net capital and books and records deficiencies
10. Notify regulators of any change in our fiscal year-end (FYE)
11. The payment of assessments and fees to regulators

Electronic Filing Requirements

Utilizing the FINRA's regulatory notice templates, our FINOP must ensure that the following notices, as appropriate and/or necessary, are filed electronically with FINRA.

- Withdrawals of Equity Capital - Exchange Act Rule 15c3-1(e)
- Special Reserve Bank Account - Exchange Act Rule 15c3-3(i)
- Replacement of Accountant - Exchange Act Rule 17a-5(f)(4)
- Net Capital Deficiency - Exchange Act Rule 17a-11(b)
- Aggregate Indebtedness In Excess of 1200 Percent of Net Capital - Exchange Act Rule 17a-11(c)(1)
- Net Capital Is Less Than 5 Percent of Aggregate Debit Items - Exchange Act Rule 17a-11(c)(2)
- Net Capital Is Less Than 120 Percent of Required Minimum Dollar Amount - Exchange Act Rule 17a-11(c)(3)
- Failure to Make and Keep Current Books and Records - Exchange Act Rule 17a-11(d)
- Material Inadequacy in Accounting Systems, Internal Controls or Practices and Procedures - Exchange Act Rule 17a-11(e)

NASD Notice to Members 06-61 (November 2006) states at Endnote 4, *"Electronic filing of these notices with FINRA does not affect requirements in those rules to file notices with the SEC or other securities regulatory agencies."*

As additional controls, our FINOP must undertake or oversee the reconciliation and/or preparation, review and maintenance of the following, if applicable, based on the business undertaken by this broker-dealer.

- Liquid asset accounts
- Trade activity reports/blotters
- Error accounts
- Any other accounts prepared on our behalf by a clearing firm

Any issues arising from the review of any of the above or any other areas of financial control and/or oversight will be immediately addressed and documented (including the nature of the concern; what the findings were; what actions, if any, were required; relevant dates and initials of the individual undertaking any review or follow-up actions). Our FINOP, working with Senior Management and Compliance, is ultimately responsible for ensuring that all corrective measures are taken when necessary or that additional surveillance or other supervisory activities are put into place.

Deficits in Introduced Accounts

FINRA, in its NASD Notice to Members 05-38, expressed concerns that clearing firms and their introducing firms are not in full compliance in terms of properly considering deficits in introduced accounts in accordance with an August 1988 interpretation published in NASD's May 1996 Guide to Rule Interpretations. The interpretation reads as follows.

> *"Deficits in unsecured and partly secured introduced accounts shall be deducted by the carrying broker-dealer and the introducing broker-dealer when the clearing agreement states that such deficits are the liability of the introducing broker-dealer. The amount is deductible by the carrying broker-dealer upon occurrence after application of timely calls for margin, marks to market, or other required deposits which are not outstanding for more than five business days unless there is reason to believe payment will not be made. The introducing broker-dealer must deduct the charge on the day after it becomes a charge to the carrying broker and the carrying broker-dealer must advise the introducing broker-dealer in writing on a daily basis of all such deficits to be charged."*

The NASD Notice to Members states that *"the Interpretation does not permit a clearing firm to delay 'passing on the deficit,' nor does it permit an introducing firm to postpone taking a capital charge for deficits in introduced accounts."*

Our FINOP must review our clearing agreement to determine whether our clearing firm deems us to be responsible for customer deficits. If it does, then both we, as the introducing firm, and our clearing firm must comply with the conditions of the Interpretation, which require that the amount of the deficit be deducted by

> (a) the carrying broker-dealer upon occurrence
>
> (b) the introducing broker-dealer *"on the day after it becomes a charge to the carrying broker*"

In instances where a customer or correspondent satisfies a deficit by agreeing to a payment schedule or agrees to make the clearing firm whole if the customer fails to honor a payment schedule that has been agreed to, the introducing broker-dealer must deduct the entire unpaid amount from its net worth in its net capital calculation.

Our FINOP must ensure that arrangements have been made with our clearing firm whereby the latter will report the total deficit to us daily, in writing. Our FINOP will make necessary net capital adjustments based on the daily report received and will follow up with appropriate staff, should such a report not be received for any day.

Our FINOP will also ensure that we maintain all received deficit reports for a period of not less than three years, the first two years in an easily accessible location. Our FINOP will deem such reports working papers utilized for net capital computation.

In instances where a parent or affiliate entity of the introducing broker-dealer agrees to pay the deficit either in full or through payments, the introducing broker-dealer must comply with the SEC July 11, 2003 letter titled *"Recording Certain Broker-Dealer Expenses and Liabilities"* (see NASD Notice to Members 03-63), regardless of whether the introducing broker-dealer and the paying third party have an expense-sharing agreement for other purposes.

Net Capital Treatment of a Clearing Deposit upon Termination of the Clearing Agreement

Our FINOP will maintain, and refer to, a copy of FINRA Regulatory Notice 08-46 which contains the SEC Interpretation ("Interpretation I") regarding the circumstances under which a clearing deposit may be deemed an allowable asset upon termination of our clearing agreement (under Exchange Act Rule 15c3-1).

Clearing Agreements Containing an Early Termination Penalty Clause

Our FINOP will also review FINRA Regulatory Notice 08-46 "Interpretation II", which addresses termination penalty clauses of clearing agreements, and will review our clearing agreement, treating as non-allowable assets any clearing deposits of cash and/or securities held by our clearing firm, unless the clearing agreement contains the following language:

> *"In the event that (NAME OF INTRODUCING BROKER-DEALER) is the subject of the issuance of a protective decree pursuant to the Securities Investor Protection Act of 1970 (NAME OF CLEARING FIRM)'s claim for payment of a termination fee under this Agreement shall be subordinate to claims of (NAME OF INTRODUCING BROKER-DEALER)'s customers that have been approved by the Trustee appointed by the Securities Investor Protection Corporation pursuant to the issuance of such protective decree."*

FYE Audited Financials

In addition, our FINOP must also make every effort to see that our outside independent public accountant registered with the Public Company Accounting Oversight Board (PCAOB) completes our FYE Audited Financial Statement in sufficient time for it to be filed (not later than 60-days after FYE) with the relevant FINRA, SEC and state jurisdictions.

In the event that our outside independent auditors do not finalize their audit report in sufficient time for us to file it with the regulatory bodies in a timely manner, our FINOP will ensure that appropriate extension request letters are submitted, PRIOR to the filing deadline. In such instances, our FINOP is

responsible for appropriate documentation, follow-up and timely submission, based on extensions received.

Two hard copies of the audited financials must be submitted to the SEC in Washington, DC, one hard copy to the appropriate SEC Regional/District Office and one copy to FINRA's Principal Office.

The FINRA copy is required to be filed in electronic form via FINRA's Firm Gateway. The required format of the filing is Portable Document Form (PDF). The electronic submission screen on the Firm Gateway will include a list of documents that, if applicable, are required in the audit filing. This list will assist in ensuring that all required schedules are included in our submission.

In addition, our FINOP must determine the states in which this broker-dealer is registered that also require receipt of our FYE audited financials, as well as the required submission deadlines. Documentation of FYE Audited Financial Statement submissions will be maintained in the files.

SIPC Filing Requirement: Finally, in response to the SEC's 2013 amended paragraph (d)(6) of Rule 17a–5 we are responsible for ensuring that, if we are a member of SIPC, we file our annual audited financials with SIPC.

Our FINOP must ensure that all financial reports are filed in a timely manner to the appropriate locations.

Financial Filing Extensions: FOCUS reports (both monthly, if required, and quarterly) must be filed no later than 17-business days after month- or quarter-end. FYE annual audited financials are due 60 calendar days after the end of our fiscal year. All reports are due by midnight, EST, of the deadline date, and reports are considered filed when actually received by the regulatory body. (If the due date of an annual audit falls on a weekend or business holiday, the audit report will be accepted up to the next business day following the weekend or holiday.)

Our FINOP is aware that requests for extensions may only be made in exceptional circumstances, and if such an extension request is made, it must be submitted in writing to, and received by, our FINRA District Office no later than three business days prior to the due date of the report, with all related documentation retained in the files.

Late Filing Fee

In Notice to Members 04-35, FINRA states that *"failure to file such reports by the due date, or the revised due date if an extension has been granted, will result in a late fee of $100 per day for a maximum of 10 days, as described in Schedule A of FINRA's By-Laws."* This late fee is an administrative fee and is therefore not a reportable event. FINRA also states that *"all reports will be considered timely filed only when received at the appropriate time and at the required location."*

Our FINOP must ensure that late-filing fees are paid in a timely manner and must maintain appropriate documentation indicating the payments in the files.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act and Section 17(e) of the Exchange Act require financial documents filed by broker-dealers to be certified by an independent public accountant registered with the Public Company Accounting Oversight Board (PCAOB). This requirement applies to all broker-dealers for their fiscal year 2009 and subsequent audits.

In accordance with FINRA Rule 2261 (formerly NASD Rule 2270), our CCO will ensure that upon customer request, our FINOP makes available to the customer any information relative to our financial condition as disclosed in our most recent balance sheet. For purposes of this rule, a customer is deemed to be any person who in the regular course of our business has cash or securities in our possession.

Broker-Dealer Guarantees or Flow-Through Benefits

Procedures and Documentation

FINRA Rule 4150.03 prohibits us from entering into an arrangement on guarantees or flow-through benefits unless we have the authority to promptly make available the books and records of the other person/entity for inspection by FINRA in the United States. Also, the books and records of the other person/entity must be kept separately from those of the member. Our FINOP will ensure that such availability exists and will review at least annually to verify the availability continues as required.

Our FINOP and Senior Management will determine if prior written notice is required to be made to FINRA due to any plans for this broker-dealer to guarantee, endorse or assume, directly or indirectly, the obligations or liabilities of another person (including an entity).

General Ledger Accounts and Identification of Suspense Accounts

Responsibility

Our FINOP is responsible for ensuring that we are in full compliance with FINRA Rule 4523 (as outlined in Regulatory Notice 11-26).

Our FINOP is also responsible for designating an associated person to be responsible for each general ledger bookkeeping account and account of like function used by us and that the associated person must control and oversee entries into each such account and determine that the account is current and accurate as necessary to comply with all applicable FINRA rules and federal securities laws governing books and records and financial responsibility requirements.

Procedure

Our FINOP (or our CCO) will maintain written documentation as to each individual designated with "primary" responsibility for any account or accounts.

Our FINOP (as supervisor) will, minimally on a monthly basis, review each account to determine that it is accurate and that any items that are aged or uncertain as to resolution are promptly identified for research and possible transfer to a suspense account(s).

Our FINOP will record, in an account that must be clearly identified as a suspense account, money charges or credits and receipts or deliveries of securities whose ultimate disposition is pending determination. All information known with respect to each item so recorded will be maintained.

All records made pursuant to FINRA Rule 4523(c) will be preserved for a period of not less than six years (the period set forth in SEA Rule 17a-4(a)).

FINRA APPROVAL REQUIREMENTS
Supplementary Material (FINRA Rule 4523.01)

While we have more than one (1) associated person (registered and non-registered) we have determined that to ensure that our books and records are retained in an accurate and timely manner, we are best served by having the designated "primary" and "supervisory" responsibilities fulfilled by one individual.

Therefore, our FINOP is responsible for ensuring that we have sought FINRA's prior written approval to assign primary and supervisory responsibility for each account to the same associated person (explaining in writing to FINRA why such assignment is appropriate given out circumstances). Our FINOP or CCO will maintain all relevant correspondence and attendant documentation.

Restricted Transactions

Clearing Agreements: Fully-Disclosed Introducing BD

FOCUS AREA

ADVISORY

REGULATION

FINRA Rule 4311

RESPONSIBILITY

Senior Management and CCO

PROCEDURE

Senior Management and our CCO are responsible for ensuring that the following language is contained in all Clearing Agreements into which the firm enters:

> *"For purposes of the Securities and Exchange Commission's financial responsibility rules and the Securities Investor's Protection Act, the broker/dealer's customers will be considered customers of National Financial Services or Pershing and not customers of Spire Securities. Nothing herein shall cause Spirel's customers to be construed or interpreted as customers of National Financial for any other purpose, or to negate the intent of any other section of this agreement, including, but not limited to, the delineation of responsibilities as set forth elsewhere in this agreement."*

Furthermore, when reviewing customer account statements, we will ascertain that they contain the requisite language that adheres to the SEC interpretation, such as:

> *"National Financial Services carries your account and acts as your custodian for funds and securities deposited with us directly by you, through Spire or as a result of transactions we process for your account. Inquiries concerning the position and balances in your account may be directed to our Client Services Department at 800-801-9942. All other inquiries regarding your account or the activity therein should be directed to Spire."*

We will also ensure that our clearing firm is complying with FINRA Rule 2340 which requires that customer account statements include an advisory notice to customers requesting that they "promptly report any inaccuracies or discrepancies in their account to both this broker/dealer and to our clearing firm and, if such notification is made orally, to confirm such communication in writing"

Where account statements are delivered electronically, the advisory may also be delivered electronically provided it is on the same screen as the account statement. Neither we nor our clearing firm would be deemed to be in compliance with this requirement electronically if the customer were required to utilize a "click-through process" to bring the advisory to the screen.

Additionally, clearing agreements must specify which party is responsible for:

- Opening, approving and monitoring customer accounts
- Extending credit
- Maintaining books and records
- Receiving and delivering funds and securities
- Safeguarding funds and securities
- Preparing confirmations and statements
- Accepting orders and executing transactions

Furthermore, upon the opening of a customer account to be introduced on a fully-disclosed basis, written notification of the fact that a clearing agreement is in effect must be made in writing to the customer. Our CCO will identify, from the clearing agreement (required to identify the party responsible for providing such written notification) the responsible party for making such disclosure.

Our Clearing firm (NFS) has the responsibility (under the clearing agreement), we will undertake appropriate due diligence to ensure such disclosures are, in fact, made.

Our CCO is also responsible for submitting Clearing Agreements to FINRA for review and approval if any changes/amendments are made or if we enter into any new agreements. Copies of all clearing agreements sent to FINRA, with copies of FINRA response, will be maintained in the files. Also maintained will be evidence of changes made to the agreements as deemed necessary by FINRA upon their review.

Assets of Introducing Broker/Dealer Held by Clearing Firm: Our FINOP is responsible for ensuring that all Clearing Agreements into which we enter contain appropriate Proprietary Account of an Introducing Broker/Dealer ("PAIB") language.

Introducing firms may include PAIB assets as allowable assets in net capital computations, provided their clearing firm establishes a separate reserve account for such assets in accordance with SEC Exchange Act Rule 15c3-3, and provided that the introducing firm and the clearing broker/dealer enter into a written agreement whereby the clearing firm will perform the PAIB calculation in accordance with the provisions, procedures and interpretations set forth in the SEC's June 1, 1999, No-Action Letter.

If applicable, our FINOP is responsible for treating assets in our proprietary account accordingly (either as allowable or non-allowable assets), depending on the existence of an appropriately worded PAIB letter.

Our FINOP is also responsible for adhering to FINRA requirement that, within two days of entering into any new PAIB agreement, we must notify our FINRA District Office, in writing, advising them that we have entered into such an agreement with our clearing firm.

Even if we do not maintain a proprietary trading account, a PAIB agreement is still required for us, as an introducing, fully-disclosed broker/dealer to treat our deposit at the clearing firm as an allowable asset for net capital computation purposes. Our FINOP is responsible for ensuring that proper calculations of net capital are undertaken, treating our clearing firm deposit monies as either allowable or non-allowable assets, depending upon the existence of an appropriately worded PAIB agreement.

Signature Guarantees

SUPERVISION

SEC RULE AD-15

RESPONSIBILITY

Our designated supervising principals will oversee all signature guarantee activities in which individuals under their direct supervision are involved.

Procedure

Signature guarantees are required in all instances when stocks, bonds or other registered securities are transferred from a seller to a buyer. Signature guarantees must be obtained on the appropriate documents, including but not necessarily limited to, stock certificates and stock/bond power forms.

Use of the stamp is limited to letters and requests to mutual fund companies, limited partnerships, insurance companies and transfer agents for the benefit of our clients. Blank or altered documents may never be guaranteed.

A supervising principal must approve all signature guarantees. A signature guarantee may NOT be approved without a comparison made to the new account document files for validation purposes.

All submissions for a signature guarantee must be accompanied by a Signature Guarantee Certification form, signed by the client's representative.

Once signed, the guaranteed document along with the certification must be scanned into Laserfiche and booked into the Signature Guarantee blotter wihin Spire Access.

Supervising principals will ensure that all internal audits and reviews, including branch offices if applicable, assess the level of security under which signature guarantee stamps are maintained, and how access is limited only to authorized guarantors. These reviews will also ensure that all required signature guarantees are obtained and approved by an appropriate principal.

Our CCO will maintain a list of those individuals authorized to guarantee signatures.

Registered Personnel

DBAs

FiNRA Rule 3270 - DBA being considered an OBA

RESPONSIBILITY

Our Registered Representatives may choose to operate under a Doing Business As (DBA) for branding and marketing purposes. The DBA is not a registered entity and does not take the place of Spire Securities. The request is submitted by the RR using the same process as an OBA.

The RR will be responsible for notifying their supervising principal of any outside activity and or employment. This notification will be required to be delivered in writing (submission of an OBA form - available on the Spire Support site). This OBA will be reviewed by the supervisor and members of the compliance department.

PROCEDURE

The following procedures will be followed in the creation and ongoing use of any DBAs:

- OBA requests are submitted via Laserfiche or email to the Compliance department for review and approval. Compliance will review and update registration files and provide a copy back to the RR along with any conditions and or restrictions.
- Based upon guidance received years ago from counsel, we will not approve any DBA names with the term Advisor or Investment Counsel.
- If approved, the approval and any conditions will be communicated to the RR. A copy of the request and approval will be maintained in Spire's representatives files and the Consultant's Registration & Compliance folder.
- Once a DBA name is approved, business cards, websites, social media sites etc. must be approved according to our advertising controls.
- Emails of the new domain/DBA must be captured in our Global Relay system.
- Bank account statements, established with the new DBA, may be required to be submitted on a monthly basis for review by the supervisor and compliance.
- Branch office signage will be required to disclose the DBA and proper disclosure of the broker/dealer.
- State filing of the DBA entity (i.e. LLC, LP, Inc.) will be required to be provided to compliance.

Reviews of activities and communications will be used to monitor for any possible private securities transactions as well as unidentified or inappropriate funds moving through the DBA bank accounts.

Continuing Education and Training

REGULATION

FINRA Rule 1240

Responsibility

It is the responsibility of each RR to complete any continuing education requirements, whether it be the FINRA Regulatory Element or Spire's Firm Element, in the time period specified.

Procedures:

Continuing Education (CE)

1. **Regulatory Element** is an online computer based training program that focuses on rules and regulations and industry standards and practices for compliance, regulatory, ethical, and sales practice. This is the FINRA portion of the CE program. This is required every 3 years.

- ***Beginning 2023, Regulatory Element will be required each year (by 12/31)**

FINRA's CE program automatically tracks RR's anniversary dates for the completion of their Regulatory Element. As a convenience. our compliance department may periodically notify each RR of any upcoming program "windows".

If an individual's 120-day period expires without successful completion of the CE Regulatory Element component, the individual and his/her supervising principal will receive notification that the individual cannot undertake any activities requiring registration until such time as he/she completes the CE requirement. Such inactive status does not permit us to compensate this individual for any securities-related activities, furthermore, any loss of commissions or salary or other compensation may not be repaid upon successful completion of the CE.

As part of our new hire due diligence process, a review of the individual's CRD record will be reviewed by our compliance department to verify that the individual's status is not inactive due to failure to satisfy Regulatory Element requirements prior to being registered by us. The verification will be printed and maintained in the files.

For any new individual who is inactive at the time of hire, the supervising principal will require successful completion of required CE before any activities requiring registration, take place.

2. **Firm Element** is administered by Spire through our vendor, QuestCE (as of 2022) and required for all RRs that deal with public customers (and their supervisors). This is an annual program.

Spire utilizes the technology of QuestCE to deliver the Annual Compliance Meeting, the Annual Compliance Questionnaire and the Firm Element courses. Each individual is required to complete one or more of these courses which will be set up in the QuestCE system where their completion can be tracked.

Our CCO along with members of the compliance department will develop an appropriate, written, Continuing Education (CE) Training Plan from an Internal Needs Analysis. This training will be required

of all covered persons, all registered personnel with direct contact with customers, and to their immediate supervisors. The training is given as often as deemed appropriate and/or necessary, but not less than annually.

Any RR who fail to complete training by the required date will be suspended from all activities requiring registration until the RR completes the training.

Form U4/U5

FOCUS AREA

SUPERVISION

REGULATION

Article V, Section 2(c) of FINRA By-Laws requires that Forms U4 and U5 be "kept current at all times by supplementary amendments that must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to a reporting obligation."

Responsibility

It is the responsibility of the RR to notify their supervisors when any information required on their U4 needs updating, adding or removal. While activities relating to the maintenance or filing of U4s and U5s on FINRA's CRD may be undertaken by various individuals within the compliance department, our CCO has oversight responsibilities for the proper filing of amendments to the U4 and U5.

These notifications and filing requirements may include, financial (judgments and/or bankruptcy) or criminal (felony or misdemeanor charges). If the filing involves a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Exchange Act, "such amendment must be filed not later than 10 days after such disqualification occurs."

FINRA will asses late filing fees starting on the day following the last date on which the event was required to be reported under FINRA rules."

Procedure

All RRs are required to report to their supervisors whether any amendments are required on their U4 to either report a new disclosure event or to change the status of a currently disclosed event. For any information to which an RR responds affirmatively, details should be submitted to the compliance department in a timely fashion. All documentation regarding these amendments may be evidenced by initials and dates, and where applicable, by copies of a signed U4 amendment.

Individuals failing to immediately disclose information that may require U4 amendments will be required to explain, in writing, why the failure occurred and may face internal sanctions.

If information becomes available on individuals who have been terminated that requires a U5 amendment, the compliance department will file the U5 updates and send a copy of the amendment to the previously associated individual at the address currently appearing on FINRA's CRD. Documentation of all such actions will be maintained in the files.

INITIAL REGISTRATION

Activities relating to the hiring and registration of RRs may be undertaken by various individuals within this firm such as Licensing and Registration. This, after the due diligence by senior management of the new associate has been completed and the approval has been given to register the individual with our firm. Individuals responsible for the approval of new RR would be the COO, CCO along with other members of senior management.

Procedure

For each prospective RR, we will obtain written permission prior to requesting a preregistration report from FINRA's CRD, and maintain all such permissions in our personnel/U4 files.

The individual in charge of Licensing and Registration must ensure that only authorized individuals have the information (i.e., username and password) enabling access to WebCRD.

This individual is also responsible for ensuring that each such authorized individual understands the regulatory prohibitions regarding undertaking unauthorized searches and that they are NOT permitted to search for information on any individual without first receiving written permission from the individual in question.

If anyone is found using the WebCRD for unauthorized searches, he or she will face internal sanctions, including possible termination.

Activities relating to the hiring and registration of RRs may be undertaken by various individuals within this firm such as Licensing and Registration. This, after the due diligence by senior management of the new associate has been completed and the approval has been given to register the individual with our firm. Individuals responsible for the approval of new RR would be the COO, CCO along with other members of senior management.

An employee may not perform any duties normally performed by a RR unless such person is effectively registered with FINRA and any State registration requirements.

For each prospective RR, we will obtain written permission prior to requesting a preregistration report from FINRA's CRD, and maintain all such permissions in our personnel/U4 files.

Until the status of FINRA and state registrations is indicated as approved for an individual, that individual will not be effectively registered to begin dealing with the public or undertaking other responsibilities requiring FINRA and/or state registration.

Initial verification of each RR's registration status will be reviewed prior to allowing them to undertake any actions requiring registration. Thereafter, the compliance department will review the registration status of each RR annually, generally by use of the FINRA annual renewal roster (typically done during renewal time).

INDIVIDUAL TERMINATIONS

While reporting the activities relating to termination of RRs may be undertaken by various individuals within this firm such as the supervising principal and the compliance department, our CEO has ultimate responsibility for approving the termination of a registered individual. The compliance department will be responsible for the review and filing of the U5.

Procedure

The U5 must be filed within 30-days of terminating a RR, and verify that we have complied with the requirement to give the terminated individual a copy of the Form U5, as filed with FINRA's CRD. The U5 along with a cover letter will be mailed to the individual.

We will maintain copies of all Forms U5 with documentation, indicating how they were delivered to the terminated individuals, in the files.

All relevant information will be attached to any Forms U5 when an individual was terminated for cause.
Amending Form U5

If information regarding individuals who have been terminated becomes available and requires a U5 amendment, the U5 will be updated and a copy of the amendment sent to the previously associated individual at the address currently on FINRA's CRD. We will maintain documentation of all such actions in the files.

Form U4/U5 Amendment Late Filing Fees

Rule

Article V, Section 2(c) of FINRA By-Laws requires that Forms U4 and U5 be *"kept current at all times by supplementary amendments that must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to a reporting obligation."*

Responsibility

It is the responsibility of the RR to notify their supervisors when any information required on their U4 needs updating, adding or removal. While activities relating to the maintenance or filing of U4s and U5s on FINRA's CRD may be undertaken by various individuals within the compliance department, our CCO has oversight responsibilities for the proper filing of amendments to the U4 and U5.

These notifications and filing requirements may include, financial (judgments and/or bankruptcy) or criminal (felony or misdemeanor charges). If the filing involves a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Exchange Act, *"such amendment must be filed not later than 10 days after such disqualification occurs."*

FINRA will asses late filing fees starting on the day following the last date on which the event was required to be reported under FINRA rules."

Procedure

All RRs are required to report to their supervisors whether any amendments are required on their U4 to either report a new disclosure event or to change the status of a currently disclosed event. For any information to which an RR responds affirmatively, details should be submitted to the compliance department in a timely fashion. All documentation regarding these amendments may be evidenced by initials and dates, and where applicable, by copies of a signed U4 amendment.

Individuals failing to immediately disclose information that may require U4 amendments will be required to explain, in writing, why the failure occurred and may face internal sanctions.

If information becomes available on individuals who have been terminated that requires a U5 amendment, the compliance department will file the U5 updates and send a copy of the amendment to the previously associated individual at the address currently appearing on FINRA's CRD. Documentation of all such actions will be maintained in the files.

Form U4: Initial Registrations

FOCUS AREA

ADVISORY

REGULATION

FINRA Rule 3110 (e)

Responsibility

The Compliance dept.

Activities relating to the hiring and registration of RRs may be undertaken by various individuals within this firm such as Licensing and Registration. This, after the due diligence by senior management of the new associate has been completed and the approval has been given to register the individual with our firm. Individuals responsible for the approval of new RR would be the COO, CCO along with other members of senior management.

Procedure

For each prospective RR, we will obtain written permission prior to requesting a preregistration report from FINRA's CRD, and maintain all such permissions in our personnel/U4 files.

The individual in charge of Licensing and Registration must ensure that only authorized individuals have the information (i.e., username and password) enabling access to WebCRD.

This individual is also responsible for ensuring that each such authorized individual understands the regulatory prohibitions regarding undertaking unauthorized searches and that they are NOT permitted to search for information on any individual without first receiving written permission from the individual in question.

If anyone is found using the WebCRD for unauthorized searches, he or she will face internal sanctions, including possible termination.

Activities relating to the hiring and registration of RRs may be undertaken by various individuals within this firm such as Licensing and Registration. This, after the due diligence by senior management of the new associate has been completed and the approval has been given to register the individual with our firm. Individuals responsible for the approval of new RR would be the COO, CCO along with other members of senior management.

An employee may not perform any duties normally performed by a RR unless such person is effectively registered with FINRA and any State registration requirements.

Form U5: Individual Termination Forms

Responsibility

While reporting the activities relating to termination of RRs may be undertaken by various individuals within this firm such as the supervising principal and the compliance department, our CEO has ultimate responsibility for approving the termination of a registered individual. The compliance department will be responsible for the review and filing of the U5.

Procedure

The U5 must be filed within 30-days of terminating a RR, and verify that we have complied with the requirement to give the terminated individual a copy of the Form U5, as filed with FINRA's CRD. The U5 along with a cover letter will be mailed to the individual.

We will maintain copies of all Forms U5 with documentation, indicating how they were delivered to the terminated individuals, in the files.

All relevant information will be attached to any Forms U5 when an individual was terminated for cause.

Amending Form U5

If information regarding individuals who have been terminated becomes available and requires a U5 amendment, the U5 will be updated and a copy of the amendment sent to the previously associated

individual at the address currently on FINRA's CRD. We will maintain documentation of all such actions in the files.

Registered Personnel Policies

Hiring Registered Personnel

FOCUS AREA

SUPERVISION

REGULATION

Various SRO Requirements

RESPONSIBILITY

The initial responsibility for bringing on a new "Producing" RR will be with the members of senior management responsible for Spire's recruiting efforts. These producing RRs will have their book of business reviewed (clients, products) to determine if Spire can accommodate their practice.

Once determined to proceed with an individual our compliance department will then take on the review of the individual's regulatory background, credit file, insurance licensing, OFAC check and perhaps a LexisNexis review.

PROCEDURES

Licensing and Registration, Human Resources and/or other appropriate individuals, will take the following steps prior to hiring any individual as a RR.

- Individuals must state that there are no outstanding complaints or issues about which he or she is aware that might not yet appear on FINRA's CRD.
- We must obtain written permission from the individual being investigated to conduct a CRD search. This search will be performed to review employment history as well as any disclosure events.
- If an individual's status for continuing education (CE) is inactive, working with the RR's supervising principal, we will ensure that the individual sits for the required CE prior to functioning in any capacity that requires FINRA or state registration or licensing.
- Background Checks/Investigation – Our background review will include (in addition to the CRD review) an Equifax credit check as well as an OFAC check - and possibly a LexisNexis check - to verify the accuracy and completeness of the information contained in an applicant's Form U4.
- We must ensure that we screen all individuals, even those who will be in a position that does not require registration, to ensure that they are not statutorily disqualified.

On-Boarding

Upon registering an individual with this firm, we must ensure, and document, that we have received the following

- Disclosure of all current outside securities accounts at other broker-dealers (PSA);
- Disclosure of any outside investment advisory activities (OBA);
- A completed Insider Trading Safeguard Statement;
- A completed Selling Away Statement (PST); and
- Other "attestations" or documents as required by our internal policies.
- Attestations from the individual regarding:
    - Code of Ethics
    - Privacy Policy
    - Review of Compliance Manual
    - Cybersecurity Training
    - BYOD

Upon approval and during on-boarding the new RR will be assigned to a Supervising Principal.

Educational Communication Related to Recruitment Practices and Account Transfers (FINRA Rule 2273)

When we hire (or become affiliated with) an RR, we must provide former customers, individually (in paper or electronic form) an educational communication as prepared by FINRA, when:

- We, directly or through a representative, contact a former customer of that representative to transfer assets; or
- A former customer of the representative, transfers assets to an account assigned, or to be assigned, to the representative at the firm.

The communication to former customers of a representative must be the FINRA-created communication. We may not use an alternative format.

The educational communication highlights the following potential implications of transferring assets to us:

- financial incentives the representative receives may create a conflict of interest;
- some assets may not be directly transferrable to us and the customer may incur costs to liquidate and move those assets or incur account maintenance fees to leave them with his or her current firm;
- potential costs related to transferring assets to this broker-dealer, including differences in the pricing structure and fees the customer's current firm and this firm impose; and
- differences in products and services between the customer's current firm and us.

Additional communications by the transferring representative may include:

- informing the former customer that he or she is now associated with this firm;

- suggesting that the former customer consider transferring his or her assets or account to this firm;
- informing the former customer that we may offer better or different products or services; or
- discussing with the former customer this firm's fee or pricing structure.

Oral or written communications to a group of former customers similarly triggers the requirement to deliver the FINRA-created educational communication under Rule 2273 including:

- mass mailing of information;
- sending copies of information via email; or
- automated phone calls or voicemails.

We are required to deliver the educational communication at the time of first individualized contact with a former customer by us, directly or through the representative, regarding the former customer transferring assets to us.

If the contact is in writing, the educational communication must accompany the written communication.

Fingerprinting of Associated Personnel

FOCUS AREA

SUPERVISION

REGULATION

SEC Rules 17a-3(12)(ii)(e) and 17a-3(a)(19)).

Responsibility

All Associated Persons must be fingerprinted during the on-boarding process. The compliance department will provide new and pre-hire associated persons with the necessary information to meet FINRA fingerprinting requirements. The compliance department will review the results of the fingerprint results and notify the designated supervisor and the associated person of any negative result for further action. The individual will be responsible for scheduling the fingerprinting - and until those are completed and filed, the FINRA registration will not be fully approved.

Procedure

- All registered employees as well as any nonregistered employees who have access to our original books and records or to client files, are required to be fingerprinted. Effective October

2017 we began processing fingerprints electronically through a vendor approved by FINRA. No more "cards" are required.

- For nonregistered individuals who require fingerprinting, our Registration & Licensing department will file the documentation in Laserfiche (as required by Rules 17a-3(12)(ii)(e) and 17a-3(a)(19)).
- Copies of the FBI notifications are placed in the individual's personnel file.
- If there are findings other than clear, a notice will be delivered to the supervising principal.
- Any notices received from FINRA/WebCRD indicating anything less than clear for the fingerprints (i.e., notification from the FBI regarding criminal activity) will immediately undergo an investigation and may result in the termination of pending employment. Notes will be made to the file of the results of the investigation and the final determination made regarding the pending individual (i.e., termination, heightened supervision, limitations of activities, etc.).
- The results and review of the fingerprint records will be completed by the compliance department and filed in the registration folder in Laserfiche.

Branch Office Records and Personal Securities Accounts

FOCUS AREA

SUPERVISION

REGULATION

Exchange Act Rule 17a-3

Responsibility

the person in charge at the location where we have registered branch offices or off-site affiliated individuals, the following materials are maintained in such a manner to be almost immediately accessible when any regulator asks to see documents relating to associated persons working out of a specific office location.

These required documents will be maintained in our Laserfiche system. These documents are then available to both the branch location and the home office/OSJ.

Procedure

- Supervising Principals will ensure that the designated Person in Charge (PIC) at each registered location will maintain books and records on behalf of Spire at the office location via our Laserfiche system. These documents will be maintained in electronic format.
- Each new RR will be entered into the Laserfiche system, by the operations staff (during the on-boarding process), which we use to ensure that his or her records are appropriately maintained to comply with the office location requirements.
- Terminated individuals will be moved to another location within the system, and their records will be maintained for an appropriate period of time as required by the SEC's books and records rules, with initialed and dated Form U5 or other appropriate materials evidencing an individual's deletion from the system.

Office Definition: Under the SEC's amended Books & Records Rule – Exchange Act Rule 17a-3, "office" is defined as *"locations where one or more associated persons regularly conduct a securities business."* Excluded from the definition are private residences where only one associated person, or multiple persons of the same immediate family regularly conducts business and the office is not held out to the public as an office of the broker-dealer and neither customer funds nor securities are handled.

Records to Be Maintained by Associated Person, by Office Location:

Complaints

- Complainant's name/address/account number
- Date complaint received
- Name of each associated person involved
- Description and nature of complaint
- Disposition

Registered Representative Agreements

Any documents relating to the relationship between the associated person and this broker-dealer

Compensation Arrangements

All compensation arrangements, including commission, concessions, overrides and other compensation and standard expenses are highlighted on the Schedule A - and or the LOI.

Our Spire Access system contains our commission system, which generates and archives the RR's commission statements.

Check Blotters

Customer Account Records

Delivery of Books and Records to Office Locations: Exchange Act Rule 17a-3 requires that all related books and records are maintained at the office location where the associated persons are located. However, the SEC has stated that, in lieu of maintaining the books and records at the actual office location, it is acceptable to have the books and records maintained elsewhere in such a manner that allows for immediate delivery to the location upon request by a regulator. Spire maintains all client and required books and records electronically in Laserfiche. Our OSJ/Home Office has access to Spire Nationwide books and records. Therefore all required documents are available to both the branch location and the OSJ.

Written Customer Agreements: We are required to create a record for each account, indicating that each customer has been furnished with a copy of any written agreement entered into pertaining to that account.

Personal Securities Accounts

Each RR is required to disclose their PSA upon registration. We require that all "producing" RRs maintain their PSA at one of our custodians (some exceptions are permitted - Discretionary/Managed Accounts, accounts with non-transferrable positions). In doing so, we are able to capture all transactions in our Spire Access system. Accounts are identified as employee or employee related so that those trades can easily be identified on our Smart Blotter (i.e. trade blotter). We can then pull reports for those trades (by date and by rep). This also allows us to identify when a RR is trading in the same security as the client.

Correspondence: Email Advertising/Marketing

FOCUS AREA

SUPERVISION

REGULATION

FINRA RULE 3110 (b) (4)

RESPONSIBILITY

Our designated supervising principals will ensure that all incoming and outgoing e-mails sent by individuals under their direct supervision are captured in our Global Relay system for review for compliance with regulatory issues and with our internal policies and procedures.

PROCEDURE

Commercial electronic e-mail includes e-mail messages primarily used to send an ad or to promote a product or service. These messages must be pre-approved.

These messages, or a draft of the message, must be submitted through our Laserfiche system to be captured, reviewed, approved (or denied) and archived, prior to use.

Designated principals are responsible for ensuring that all such commercial e-mails contain the required "opt-out" feature. Currently, we use Constant Contact which does include an Opt-out feature.

Designated supervising principals are responsible for ensuring that commercial e-mails being sent out by the RRs under their direct supervision do not:

- Use false or misleading information
- Use deceptive subject headings
- In any way deceive or mislead the recipient regarding the sender's address
- Use computers owned by others to transmit commercial e-mails
- Register for an e-mail address or domain name using materially false information
- Falsely represent themselves in any manner
- Use "address harvesting" to obtain e-mail addresses
- Create multiple accounts from which to send commercial e-mail

Designated principals must ensure that each commercial e-mail

- is clearly and conspicuously identified as an ad or that a solicitation includes clear and conspicuous identification;
- contains a legitimate street address of the sender; and
- a valid return address or sufficient information to allow the recipient to "opt out" if they so desire.

Heightened Supervision

FOCUS AREA

SUPERVISION

REGULATION

FINRA RULE 3110

RESPONSIBILITY

When determined that a new recruit or an existing associate should be placed under Heightened Supervision, the individual's Supervising Principal will develop a plan of supervision based on the needs. The designated supervising principal must monitor, on a heightened supervisory basis, the activities of any individual required to be overseen in this manner.

Procedure

The following criteria (as well as others) will be used to determine whether a registered individual should be subject to special or heightened supervision:

- Registered representatives with a history of customer complaints, disciplinary actions and/or arbitration.
- Persons hired in a non-registered capacity who were previously employed as a registered representative and who have such a history
- Registered representatives who develop such a history while associated with this firm
- Registered representatives terminated from prior employment for what appears to be a significant sales practice or regulatory violation
- A complaint filed by a regulator
- An injunction in connection with an investment-related activity

When we identify that an individual requires heightened supervision, the direct supervising principal will develop and implement special supervisory procedures structured to address specific sales practice concerns raised by the individual's history. We will take into account the product, customer and/or activity type with which the individual is involved and the level of risks presented. We will consider restricting the individual's activities. We will maintain documentation of all discussions concerning this individual's special supervisory needs, such as timeframes, limitations, preapproval on some or all trades, verification of customers' new account information when accounts are opened, extra training or CE in areas subject to special supervision, etc. We will maintain copies of the special supervisory procedures created to address these needs, filed, with a copy signed by the supervising principal and by the individual being placed under special supervision.

We may factor the individual's prior history into our Needs Analysis to assist in determining the scope of continuing education to be afforded this individual.

The designated supervising principal will hold regular meetings with any individual under their direct supervision who falls within the above parameters requiring heightened supervision, to discuss the ongoing responsibilities of each, and to assess the continuing willingness of the individual to accept the special supervision. We will maintain in the files notes of these meetings, including any issues raised that we might consider problematic, as well any steps taken by the supervisor to address these concerns.

Additional requirements of an individual on heightened supervision may be annual branch exams and obtaining a copy of the branch's monthly bank statements.

Annual reviews will determine whether any limitations can be removed, if additional limitations need to be added, if the timeframe of heightened supervision can be shortened or extended, etc. We will maintain detailed notes concerning these reviews in the files.

Legal Proceedings and Investigations

FOCUS AREA

SUPERVISION

RESPONSIBILITY

It is each RR's responsibility to be aware of the various disclosure requirements that they are to report on. RRs are reminded annually with our Annual Compliance Questionnaire (ACQ) of these requirements and that all appropriate regulatory filings are made in the required timeframe.

Our designated supervising principals must ensure that the individuals under their direct supervision are made aware of these disclosure responsibilities.

PROCEDURE

Disclosure Requirements

Every registered employee must IMMEDIATELY notify the appropriate supervising principal or the Compliance Department if he or she is ever

- The subject of any investigation or inquiry by any federal or state authority or self-regulatory organization (SRO)
- Requested to testify before or provide documents to any federal or state authority or SRO
- A defendant or a respondent in any civil, administrative or arbitration matter
- The subject of any censure, injunction, suspension, fine, cease and desist order or any other sanction imposed by any federal or state authority or SRO
- The subject of any bankruptcy proceeding
- The subject of any oral or written complaint by a client or any claim for damages by a client
- The subject of any arrest, summons, arraignment, indictment, conviction or guilty plea to any criminal misdemeanor or felony offense, other than a minor traffic violation

Form U4 Amendment Filing Requirements

Any new disclosures must be made to Form U4 and submitted to FINRA/CRD within thirty-days of the event.

This matter is covered in our Annual Compliance Questionnaire as well as through other mechanisms (i.e., face-to-face meetings, written communications, etc.) as deemed appropriate by supervising principals, Compliance and Senior Management. If there is reason to believe that any individual has not been promptly forthcoming with regard to a required disclosure, an immediate investigation will be undertaken. Individuals found to have violated the requirements could be disciplined and may be terminated.

Operations Professionals

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 1220(b)(3)

RESPONSIBILITY

Our registered associates need to be aware of the fact that there are sixteen different "functions" and three categories of individuals defined under the Rule who must become registered as an Operations Professional.

PROCEDURES

Operations Professionals holding an acceptable qualifying exam (#6, #7, #17, #37, #38. #4, #9/10, #14, #16, #24, #26, #27, #28, #51 and #53) only need to have their U4 amended to reflect their registration as an Operations Professional.

All other individuals registering as Operations Professionals after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Operations Professional qualification examination. A person registering as an Operations Professional shall be allowed a period of 120 days beginning on the date such person requests Operations Professional registration to pass any applicable qualification examination, during which time such person may function as an Operations Professional.

CE Firm Element: Operations Professionals must be included in our Firm Element Training Plan.

Use of Personal Computers

Responsibility

Our Director of Operations along with our security committee must ensure that registered personnel are aware of our security requirements when using personal computers. All Spire related activities must be performed/saved within our "Cloud" which is OS33 and MCCi/Laserfiche.

Procedure

Registered personnel are permitted to correspond with customers from their home computers, through a laptop brought into the office, or through third-party systems, only if through our "Cloud" and through our Spire email. Safety and security precautions must be in place.

REGISTERED PERSONNEL: Processing a Termination

FOCUS AREA

SUPERVISION

REGULATION

Article V, Section 2(c) of FINRA By-Laws requires that Forms U4 and U5 be "kept current at all times by supplementary amendments that must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to a reporting obligation."

RESPONSIBILITY

Registration & Licensing personnel will managing the Off-Boarding process upon the termination of an associated person. This includes using a checklist to assure that all computer records, systems, software and customer records are secured and retained and all entitlements are deactivated.

All individuals who supervise registered individuals will receive training regarding the requirements to IMMEDIATELY notify our registration and licensing personnel, upon the termination of any registered individual, and when that occurs, ensure that all electronic and hardcopy records are secure.

PROCEDURES

When possible, designated supervising principals must request that a terminated employee completely turn in all software and disks currently utilized. All proprietary information, including all customer information, must be left with the firm.

In addition, all keys must be immediately returned to the appropriate principal, as well as company credit cards and any other property belonging to this firm and not to the individual.

Where appropriate, office doors will be locked until the computer and other equipment can be secured.

The supervising principal will make our CCO aware of any situation where it is not possible to retrieve all appropriate materials from a terminated individual. Those situations will then be handled by the CCO, working with appropriate supervising principals and Senior Management.

Termination checklist along with U5, and any other termination related documents, should be filed in the Registration folder for the individual. Once completed, the Registration folder is moved from Current

Reps to Terminated Reps in Laserfiche. We will maintain those registration files for a period of 3 years after termination.

The individual's Consultant folder is to be moved to the Terminated Reps/Accts folder in Laserfiche. These records are required to be maintained for a period of at least 6 years after the client terminates their relationship with Spire.

Restricted Transactions

Positions of Trust for or on Behalf of a Customer

FOCUS AREA

SUPERVISION

REGULATION

Effective February 5, 2021, **Rule 3241** limits any registered person from being named a beneficiary, executor or trustee, or to have a power of attorney or similar position of trust for or on behalf of a customer.

RESPONSIBILITY

Our registered personnel must report to their supervising principal if they are or become a beneficiary, executor or trustee for a client.

PROCEDURE

Our registered associates, according to Rule 3241must decline:

1. being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status unless the registered person provides written notice and receives written approval from the member firm prior to being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate; and
2. being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer unless:
    a. upon learning of such status, the registered person provides written notice and receives written approval from the member firm prior to acting in such capacity or receiving any fees, assets or other benefit in relation to acting in such capacity; and
    b. the registered person does not derive financial gain from acting in such capacity other than from fees or other charges that are reasonable and customary for acting in such capacity.

The rule does not apply where the customer is a member of the registered person's immediate family.

Upon receipt of the registered persons' written notice, the supervising principal will:

- perform a reasonable assessment of the risks created by the registered person's assuming such status or acting in such capacity, including, but not limited to, an evaluation of whether it will interfere with or otherwise compromise the registered person's responsibilities to the customer; and
- make a reasonable determination of whether to approve the registered person's assuming such status or acting in such capacity, to approve it subject to specific conditions or limitations, or to disapprove it.

A reasonable assessment of the risks created by the registered person's assuming such status or acting in such capacity would take into consideration several factors, such as:

1. any potential conflicts of interest in the registered person being named a beneficiary or holding the position of trust;
2. the length and type of relationship between the customer and registered person;
3. the customer's age;
4. the size of any bequest relative to the size of a customer's estate;
5. whether the registered representative has received other bequests or been named a beneficiary on other customer accounts;
6. whether, based on the facts and circumstances observed in the member's business relationship with the customer, the customer has a mental or physical impairment that renders the customer unable to protect his or her own interests;
7. any indicia of improper activity or conduct with respect to the customer or the customer's account (e.g., excessive trading); and
8. any indicia of customer vulnerability or undue influence of the registered person over the customer.

Cash and Non-Cash Compensation

FOCUS AREA

SUPERVISON

REGULATION

FINRA RULE 3220

RESPONSIBILITY

Our designated supervising principals must make all reasonable efforts to ensure that no inappropriate cash or noncash compensation is received by any of individuals under their direct supervision.

PROCEDURE

Background

Noncash compensation or sales incentive items, including travel bonuses, prizes, and awards offered by any sponsor or program, cannot be paid directly or indirectly to us or to any associated person, in excess of one hundred dollars ($100) per person, per issuer, annually. Such compensation is NOT permitted to be preconditioned on achievement of a sales target.

We are permitted to provide such noncash compensation to our representatives provided no sponsor, affiliate of a sponsor, or program, including an affiliate of this broker-dealer, directly or indirectly participates or contributes in providing such noncash compensation. In such instance, cash compensation must be paid directly to us, with distribution to representatives controlled by us, disclosed in the prospectus, if appropriate, and reflected on our books and records. See N**otice to Members 88-88.**

- We may provide training regarding cash and noncash compensation prohibitions through a variety of means (i.e. our Annual Compliance Meetings, Continuing Education Firm Element Training, internal newsletters/memorandums, face to face discussions, etc.).
- We maintain copies of all required formal requests for receipt of cash or noncash compensation, in Laserfiche under Cash/Non Cash Compensation under Compliance.
- Our compliance personnel or specifically designated individuals, maintain and monitor, as the situation presents itself, the documentation of any permitted cash and noncash compensation paid to our registered employees.

Churning

FOCUS AREA

SUPERVISION

REGULATION

FINRA RULE 2111

RESPONSIBILITY

Our designated supervising and Operations principals must ensure that all transactions undertaken by individuals under their direct supervision are reviewed in such a manner to reasonably detect and deter any instances of illegal churning in customer accounts and assuring that no discretionary trading is taking place on broker/dealer accounts.

PROCEDURE

Daily reviews are conducted via Spire Access, all exceptions are updated in the Smart Blotter.

Background

Churning a client's account, that is, executing transactions solely for the purpose of generating commissions, is STRICTLY PROHIBITED. Uncovered churning activities will result in, at the very least, suspension of the representative's trading activities for a specified period of time and, in severe or repeat instances, termination.

Turnover is a mathematical ratio that measures how frequently a customer's funds are reinvested from one security to another. While no predetermined turnover ratio identifies churning because customer investment objectives and investment history must be considered on a case-by-case basis, churning is generally characterized by short-term holding periods and high turnover ratios.

Churning generally occurs when a representative has direct or indirect control over a customer's account. Direct control exists in discretionary accounts. Indirect control exists in situations where customers have a high degree of reliance on a representative, generally allowing the representative to transact whatever business the customer feels most appropriate. (It should be noted that Spire Securities does not permit discretionary trading on its broker/dealer brokerage accounts) Such customers are generally unsophisticated and, not understanding the securities market in any depth, rely heavily on their representative's expertise.

Personal Securities Accounts

Responsibility

Regulation: FINRA Rule 3210

Our Registration & Licensing personnel are responsible for ensuring that we have appropriate pre-hire and ongoing procedures in place to ensure that we are fully aware of each representative's outside brokerage accounts.

In addition, our designated supervising principals are responsible for ensuring that the individuals under their direct supervision are aware of the requirements regarding any outside brokerage accounts held by registered representatives of this broker/dealer or their immediate family or those that they have a control relationship with.

IPO Restrictions: Registered personnel and their immediate families are prohibited from participating in IPOs.

Procedure

- Our designated supervising principals ensure that each registered person understands the requirements.
- Any new representative will be required to disclose any existing personal securities accounts.
- Our designated supervising principals must pre-approve requests for outside securities accounts, submitting such request to Compliance for final processing.
- Effective 8/1/2019 all registered personnel will be required to hold their personal brokerage accounts at one of our approved custodians (i.e. Schwab, Fidelity, NFS, Pershing (PAS or DBS) and TD Institutional). Requests for exceptions must be submitted to their supervising principal for approval and to Compliance for processing. Those trades will then be subject to the filters and flags that all other trade activity goes through with review and approval by a principal of the firm.

* With brokerage accounts that feed into our back office system (i.e. Spire Access), no paper copies of statements or confirms will be required on those registered persons' brokerage accounts.

The accounts feeding into Spire Access will be reviewed on a quarterly basis. Reports will be run, reviewed and filed (***S:\Spire Compliance\AVP-Registration & Licensing\Personal Securities Accounts\Trading Activity\All Employee Trades***). As these are saved as .CSV or Excel files, the date and reviewer will need to be typed into the file (i.e. no electronic or wet signature).

* Copies should be provided either in hard copy form or electronically for any brokerage accounts that have been granted an exception to being held at one of our approved custodians.

- The Compliance department will maintain records of all correspondence or discussions concerning outside securities accounts.
- Our designated supervising principals will advise individuals of approval or denial regarding the opening of a new brokerage account.
- If approval is given, the appropriate designated supervising principal, will advise the individual of requirements regarding duplicate confirms and/or statements.
- Our designated supervising principals and or compliance principals will review employee statements, that have been received either by mail or electronically, quarterly.
- Hard copy and emailed statements will have review evidenced by the reviewing individual's initials and date of review and filed in Laserfiche.
- Any investigations and findings undertaken due to questions raised while reviewing statements will be documented and maintained either by the supervising principal or by Compliance, with notes of the findings and any necessary follow-up actions, indicating who undertook the investigation.

Purchase of Alternative Investments by representatives

Should an RR desire to invest personally in an alternative investment, the following will be required:

- A Personal Securities Request form needs to be submitted disclosing the product, where held (custody or direct) and the amount.
- A copy of the Offering document must be submitted.
- A copy of the executed subscription agreement must be submitted.

Unless the product has been approved for client purchase, the RR must not recommend the product to any client or prospect.

Frontrunning/Trading Ahead

Regulation: FINRA Rule 5320

Background

Registered personnel of a broker-dealer are prohibited from buying, selling or recommending the purchase or sale of any security or a derivative thereof for any account in anticipation of (a) a price change resulting from a contemplated or pending block transaction in the security or a derivative

thereof for another account, or (b) the issuance of a research report, research rating change or other similar occurrence that could materially impact the market for a security.

Responsibility

Our operations principals must ensure that appropriate surveillance procedures are in place to detect any frontrunning or trading-ahead activities. Our Smart blotter in Spire Access has flags established to identify those accounts for further review. In addition, our designated supervising principals must ensure that individuals under their immediate supervision are aware of the prohibitions regarding frontrunning and trading-ahead, and adhere to our policies and procedures.

Procedure

- Supervisory personnel on an ongoing basis, and Compliance/Surveillance at least quarterly, will review employee trading activity to determine if any unusual activity has taken place. We will maintain documentation of these review activities in the files, indicating who undertook the review, the date of such review, any findings, and details of any corrective actions taken, where applicable.
- We capture Rep/Advisor brokerage trade activity through our Spire Access trade compliance engine. We require all producing Rep/Advisors to maintain their accounts at one of our approved custodians that in turn transmit trade data into Spire Access.
- In addition to capturing and reviewing employee trades, we are able to run reports from Spire Access to identify those trades that employees execute in the same security and on the same day as their clients. These reports are run on a monthly basis, reviewed and filed ("S" drive >Spire Compliance > Avp Registration & Licensing > Personal Securitie Accounts > Trading Activity > Personal Stock Trades Rep and Client).

Gifts and Gratuities

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 3220

RESPONSIBILITY

Supervising principals must ensure that all RRs and associates are aware of the restrictions on giving of gifts and/or compensation of any nature.

PROCEDURE

Any employee or member of their immediate family is prohibited from giving to any person, or receiving from any person, any item of value (i.e., gifts, gratuities, etc.) greater than $100 in value, annually, when the item of value given or received relates to firm business.

Entertainment of or by clients of a reasonable cost does not fall under the above prohibition. Entertainment costs are considered reasonable if both the host and guest attend the entertainment together (i.e., a football game) and/or the guest's portion of the total cost of the entertainment does not exceed $250 if the entertainment has a for-profit sponsor, or $500 if a non-profit sponsor is involved. Reasonable greens fees or admission to a baseball game are examples of reasonable entertainment.

All employees are required to submit a request to their immediate supervising principal, PRIOR to giving, or receiving, a gift that is in any manner business-related, to an individual employed by another broker-dealer, a financial institution or any other entity with which we have a business relationship.

All such requests will be reviewed and either approved or denied, in writing. Decisions will be made on a case-by-case basis. In no instance will any gifts be permitted to exceed $100 for any one individual over a 12-month period.

Receipt of Customer Funds & Securities

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 2150

RESPONSIBILITY

Our Operations Principals must ensure that we have appropriate policies in place to detect and deter inappropriate handling of customer funds.

In addition, our designated supervising principals are responsible for ongoing oversight of all individuals under their immediate supervision to detect and deter any activities involving the improper use of customer funds.

Procedure

For those customers that prefer to mail their checks directly to one of our registered branch offices, it is important that our policies and procedures concerning the handling of client funds are carefully adhered to.

All customer checks must be made payable to a third-party, as appropriate (i.e., to an investment company, insurance company, an issuer, an issuer's escrow account, clearing firm, etc.).

No client checks, for deposit to client accounts, are permitted, that are made payable to Spire or to an employee of the firm. If a client submits a check made payable to Spire or an employee of the firm, it is to be immediately turned over to the individual's supervising principal, or designated individual, who

will, in turn, ensure that the check is entered onto our checks received/disbursed blotter and returned to the client, with re-issue instructions.

Our designated supervising principals must ensure that all registered personnel receive sufficient training regarding the appropriate handling of customer funds.

We encourage all associates to utilize the Remote Check Deposit entitlements of our custodians in order to process a same day deposit of checks received. The check blotter is completed and any "scanned" check is then held in a secure location/safe for 30 days after which the check is to be shredded. Otherwise Spire will process all checks received, make copies, make appropriate checks received/disbursed blotter entries and mail via a traceable carrier directly to the appropriate third-party no later than noon of the following business day, or return such funds to the customer.

MISAPPROPRIATION OF CUSTOMER FUNDS AND/OR SECURITIES

Responsibility

Our designated supervising principals are given specific training as to their responsibilities to ensure that any efforts to misappropriate customer funds or securities, or to undertake any other fraudulent or unethical activities, by individuals under their immediate supervision are detected and deterred.

It is the responsibility of our designated supervising principals to be aware of all activities in which the individuals under their supervision are engaged and to be in a position to immediately take action when a specific individual's actions raise concerns.

Preventing theft or any other fraudulent activity by any of our affiliated personnel is a matter of the highest priority and is dealt with seriously by senior management and compliance staff of this broker/dealer.

While sales practice abuses and manipulative activities (such as inappropriate address changes, inappropriate trading within an account, acting in a discretionary manner, etc.) are addressed elsewhere in these WSPs, this section is included to cover all areas of possible manipulation and misappropriation of client funds or securities in one section, in order to stress the importance of these matters.

(a) **Accounts Utilizing P. O. Box Addresses:** It is company policy that no P. O. Box accounts may be maintained at this firm without written authorization by the account holder. A legal, street address must be on file when using a P.O. box as the mailing address.

(b) **Addresses Other than Accounts "Home" Address / "In Care of" Addresses:**
The same procedures as given above for P. O. Box addresses are in place for addresses other than the account holder's home address, and for any accounts which are "in care" of someone other than the account holder. The client's legal address must be maintained on file.

(c) **Verification of Changes of Address With the Customer**: Any address changes will automatically

generate, through our clearing firm, a letter to the account holder, sent to both the old and new address. Our registered personnel do not have the ability to alter account statements (including any maintained on line).

(d) **Changes to Customer Account Information**: No account information change is permitted to be formalized until we have received written authorization from the client. This policy is further overseen by our custodian sending updated account information to our clients, minimally every 36 months as required under the SEC Amended Books and Records Rules (Exchange Act Rules 15c-3 and 15c-4). Our registered personnel have no means by which to independently change any new account information on line.

(e) **Confirming Customer Authorizations to Transfer Funds**: All transfers, withdrawals, or wires from a customer's account are confirmed with the customer.

(f) **Pre-signed letters of authorization:** Such pre-signed documents do not provide adequate assurance of authorization from the customer and are prohibited. Any associated personnel found in possession of pre-signed documents will be required to meet with compliance, and may face further training requirements or sanctions (including possible termination).

(g) **Customer Signatures:** All third party wire transfers and checks require client authorization and a "verbal" confirmation from the Rep or their approved staff.

Procedure

We are committed to focusing on the possibility of abuse, and periodically and systematically review for indications of problems.

Such indications, requiring immediate review, would include but not necessarily be limited to (a) an instance where a registered individual has a number of customers with non-home mailing addresses (such as a P. O. Box, an “in care” of address, etc.), (b) any customer account that shows the same address as the registered individual’s, (c) multiple changes of address by a customer or among customers of a particular registered individual, (d) the use of the same address for multiple customers, or (e) correspondence returned as undeliverable by the post office.

Any activity deemed to be unusual for any reason (increased customer activity, larger than usual investment amounts, increase in address change requests, substantial change in registered individual’s lifestyle, etc.) will be required to be immediately investigated, generally by the supervising principal. Based on the findings of the supervisor, Compliance may or may not get involved for further investigation. In many instances, client contact will be required.

All account statements include the phone number of the registered representative, as well as a number where the customer can call with a complaint, in case of any questions or problems with the account.

RECEIPT OF CUSTOMER SECURITIES

Responsibility

Supervisory Personnel are responsible for the training of our RRs on the appropriate procedures for the handling of securities certificates for customers and that those procedures are properly followed.

Procedure

Our Supervising Principals must ensure that all registered personnel receive sufficient training regarding our policy about accepting securities from clients.

As a general matter, clients should be advised to NOT send securities to this broker-dealer, and be given instructions for appropriate forwarding (i.e., to a clearing firm, transfer agent, etc.).

This firm does not have a complete prohibition against accepting customer securities. We have procedures in place to handle these securities quickly and efficiently. The client will immediately be given a receipt for these securities.

Any securities we receive will be IMMEDIATELY logged into our Securities Received and Disbursed log and then be immediately mailed (by traceable means) to our clearing firm or other appropriate third-party that day - but no later than by noon of the next business day.

Any instances where we find that securities received were not forwarded in a timely manner, will warrant immediate disciplinary action, which may include termination.

RECEIPT OF CASH

Our policy not to receive cash is strictly enforced, and any deviation from the policy will result in appropriate disciplinary action, including the possibility of immediate termination.

If an affiliated individual is found to have violated our prohibition against receiving cash, our CCO must immediately be notified and decide whether any actions are required under our Anti-Money Laundering Program, such as filing a Cash Transaction Report (CTR) or a Suspicious Activities Report (SAR).

Insider Trading

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 3110 - SEC Exchange Act

RESPONSIBILITY

All supervising principals are responsible for appropriately reviewing transactions for insider trading and other fraudulent activities.

- Once we have identified any possible violations, we must promptly conduct an internal investigation into the trade.
- *Reporting Insider Trading Violations*

  If we determine that a trade has violated provisions of the Exchange Act, its regulations or FINRA rules prohibiting insider trading and manipulative and deceptive devices, our CCO will prepare a written report that details the investigation within five business days of the internal investigation. The report will include the results of the internal investigation by the supervising principal(s), any internal disciplinary actions taken, and any referral of the matter to FINRA, another SRO, the SEC or any other federal, state or international regulatory authority.

- *Filing Written Reports with FINRA*

  If we are required to file a written report to FINRA under FINRA Rule 3110(d) we must provide it, either in hard copy or electronically, to our Regulatory Coordinator.

Our Operations Principals are responsible for controls and training over insider trading.

PROCEDURE

FINRA Rule 3110(d) requires a firm to include in its supervisory procedures a process, for reviewing securities transactions, that is reasonably designed to identify trades that may violate the provisions of the Exchange Act, its regulations or FINRA rules prohibiting insider trading and manipulative and deceptive devices that are affected for:

- accounts of the firm;
- accounts introduced or carried by the firm in which a person associated with the firm has a beneficial interest or the authority to make investment decisions;
- accounts of a person associated with the firm that are disclosed to the firm pursuant to FINRA Rule 3210; and
- Covered Accounts

Firms may take a risk-based approach to monitoring transactions, which should include establishing guidelines or criteria for taking reasonable follow-up steps to determine which trades are potentially violative trades and, therefore, merit further review via an internal investigation.

Covered Accounts

FINRA Rule 3110(d) defines the term “covered accounts” as any account introduced or carried by the firm that is held by:

1. the spouse of a person associated with the firm;

2. a child of the person associated with the firm or such person's spouse provided that the child resides in the household or is financially dependent upon the person associated with the firm;
3. any other related individual over whose account the person associated with the firm has control; or
4. any other individual over whose account the associated person of the firm has control and to whose financial support such person materially contributes.

Procedures and Documentation

Our Operations Principals are responsible for controls and training over insider trading.

- All employees must sign an "Insider Trading Safeguard" Statement upon being hired and annually acknowledging Spire's Insider Trading policies. Our Registration & Licensing department will maintain all these statements in file.

All employees, including all officers and registered and nonregistered personnel, are required to do the following.

- Refrain from disclosing any inside information to any person except on a need-to-know basis; and
- Refrain from trading on inside information.

Restricted List: Spire does not currently have any approved products or securities that would be listed as restricted.

Our designated supervising principals must ensure that the individuals under their direct supervision maintain the following insider trading safeguards (as well as any others that may be deemed necessary or appropriate):

- Visitors should always be accompanied while in our offices; they should not be permitted to wander the halls or sit in an office of a director, associate or analyst. Conference rooms or the lobby are the only appropriate places for visitors when unescorted by an employee.
- Client information must be secured. Confidential files or memos, work papers or other materials are not to be left unattended or available for review by others.
- Nonpublic inside information about any company is not to be discussed with any person (including spouse, sibling, parent or close friend), regardless of whether the company is a client or a company about which we may have some information.
- When appropriate, client or project code names should be utilized instead of client names to identify clients on desk files, memos, binders and other analytical documents and communications, as well as on vouchers and/or receipts for outside expense charges.
- All inquiries relating to any company, client or not, from the press or investment community should be directly referred to our CCO or CEO.
- No identifying materials, desk or library files, memos or reports, binders or review documents, catalogues, magazines and/or company brochures are to be left in a conference room, office or workstation when a meeting, conference or work is complete.

- Care is to be taken concerning conversations (including phone and elevator conversations) with fellow employees and with clients regarding confidential matters. Employees should always be aware of others who may be present physically or via speaker phone, for instance, at the other end of a phone call.

Loans Between Registered Persons and Customers

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 3240 prohibits registered persons of broker-dealers from borrowing money from or lending money to a customer.

RESPONSIBILITY

Our Supervising Principals must ensure that all registered personnel receive appropriate training regarding what is permitted, and what is prohibited, when it comes to borrowing money from, or lending money to, customers.

- Principals are responsible for ensuring that all registered personnel are given training covering the prohibitions and the possible acceptable scenarios. Should compliance determine that the lending or borrowing situation falls into one of the above situations where approval may be granted, based on a written request outlining all applicable facts and circumstances, a determination will be made as to whether or not to approve the registered person's request.
- Approval or denial will be made in writing and only upon written approval may the registered individual engage in the lending or borrowing arrangement.
- We will retain documentation in the files of each request and each response, indicating what fact-specific issues determine approval of any such request.
- Failure to adhere to the requirements under Rule 2370 or with our policies thereunder will result in sanctions, which may include termination.

PROCEDURES

The following are the only scenarios in which such arrangements may be permitted:

The customer is a member of the registered individual's immediate family (i.e., parent, grandparent, in-law, husband or wife, brother or sister, child, grandchild, cousin, aunt or uncle, niece or nephew) or any other person whom the registered person supports, directly or indirectly, to a material extent.

- The customer is in the business of lending money, and the customer is acting in the course of such business, **PROVIDED the lending arrangement between the representative and the financial institution has been made on commercial terms that the customer generally makes available to the general public similarly situated as to need, purpose and creditworthiness.**

The following scenarios require a written request to the individual's supervising principal, who, on a case-by-case basis, may consider approval of any such lending and/or borrowing requests only if the situation meets one of the permissible scenarios, as follows.

- The customer and the registered individual are both registered individuals of the same firm.

- The lending arrangement is based on a personal relationship outside of the broker-customer relationship.

- The lending arrangement is based on a business relationship outside of the broker-customer relationship.

Market Manipulation

FOCUS AREA

SUPERVISION

REGULATION

The **SEC's Regulation M** is designed to prevent manipulation by individuals with an interest in the outcome of an offering, and prohibits activities and conduct that could artificially influence the market for an offered security.

RESPONSIBILITY

Supervising Principals must see that all registered personnel under their supervision receive sufficient training with regard to prohibitions on market manipulation, and they must undertake appropriate surveillance activities to deter and detect any such fraudulent activity.

In addition, our designated supervising principals are responsible for ongoing monitoring of all activities of individuals directly under their supervision, making every effort to detect any efforts to manipulate the market.

PROCEDURE

- Any individual involved in the securities business is prohibited from participating in any type of activity that might be construed as a manipulation of financial markets.
- It is further prohibited to circulate any rumors of a sensational or important nature to effect market conditions.
- Registered representatives must watch for potential or actual manipulation of markets by others with whom the registered individual does business, either colleague or client.
- Activities that affect the underlying price of a security for reasons other than supply-and-demand or other factors generally affecting the markets, can be construed as market manipulation.

Any individual suspected of involvement in market manipulation will be spoken with directly to determine whether the individual is actually engaged in wrongdoing. We will maintain documentation of all such occasions in the file, including the name and CRD # of the individual involved, the name of the individual who raised the concern, the reason for the concern and the final disposition of the matter, including any disciplinary actions taken, and corrective measures put into place, if applicable.

Misappropriation of Customer Funds or Securities

Responsibility

Our designated supervising principals are given specific training as to their responsibilities to ensure that any efforts to misappropriate customer funds or securities, or to undertake any other fraudulent or unethical activities, by individuals under their immediate supervision are detected and deterred.

It is the responsibility of our designated supervising principals to be aware of all activities in which the individuals under their supervision are engaged and to be in a position to immediately take action when a specific individual's actions raise concerns.

Preventing theft or any other fraudulent activity by any of our affiliated personnel is a matter of the highest priority and is dealt with seriously by senior management and compliance staff of this broker/dealer.

While sales practice abuses and manipulative activities (such as inappropriate address changes, inappropriate trading within an account, acting in a discretionary manner, etc.) are addressed elsewhere in these WSPs, this section is included to cover all areas of possible manipulation and misappropriation of client funds or securities in one section, in order to stress the importance of these matters.

(a) **Accounts Utilizing P. O. Box Addresses:** It is company policy that no P. O. Box accounts may be maintained at this firm without written authorization by the account holder. A legal, street address must be on file when using a P.O. box as the mailing address.

(b) **Addresses Other than Accounts "Home" Address / "In Care of" Addresses:**

The same procedures as given above for P. O. Box addresses are in place for addresses other than the account holder's home address, and for any accounts which are "in care" of someone other than the account holder. The client's legal address must be maintained on file.

(c) **Verification of Changes of Address With the Customer**: Any address changes will automatically generate, through our clearing firm, a letter to the account holder, sent to both the old and new address. Our registered personnel do not have the ability to alter account statements (including any maintained on line).

(d) **Changes to Customer Account Information**: No account information change is permitted to be formalized until we have received written authorization from the client. This policy is further overseen by our custodian sending updated account information to our clients, minimally every 36 months as required under the SEC Amended Books and Records Rules (Exchange Act Rules 15c-3 and 15c-4). Our registered personnel have no means by which to independently change any new account information on line.

(e) **Confirming Customer Authorizations to Transfer Funds**: All transfers, withdrawals, or wires from a customer's account are confirmed with the customer.

(f) **Pre-signed letters of authorization:** Such pre-signed documents do not provide adequate assurance of authorization from the customer and are prohibited. Any associated personnel found in possession of pre-signed documents will be required to meet with compliance, and may face further training requirements or sanctions (including possible termination).

(g) **Customer Signatures:** All third party wire transfers and checks require client authorization and a "verbal" confirmation from the Rep or their approved staff.

Procedure

We are committed to focusing on the possibility of abuse, and periodically and systematically review for indications of problems.

Such indications, requiring immediate review, would include but not necessarily be limited to (a) an instance where a registered individual has a number of customers with non-home mailing addresses (such as a P. O. Box, an "in care" of address, etc.), (b) any customer account that shows the same address as the registered individual's, (c) multiple changes of address by a customer or among customers of a particular registered individual, (d) the use of the same address for multiple customers, or (e) correspondence returned as undeliverable by the post office.

Any activity deemed to be unusual for any reason (increased customer activity, larger than usual investment amounts, increase in address change requests, substantial change in registered individual's lifestyle, etc.) will be required to be immediately investigated, generally by the supervising principal. Based on the findings of the supervisor, Compliance may or may not get involved for further investigation. In many instances, client contact will be required.

All account statements include the phone number of the registered representative, as well as a number where the customer can call with a complaint, in case of any questions or problems with the account.

Outside Business Activities (OBAs)

REGULATION

FINRA Rule 3270

RESPONSIBILITY

All registered personnel must be made aware of the requirements under FINRA Rule 3270 and the continual disclosures required under that Rule.

All registered associates are required to notify their firms in writing of proposed outside business activities (OBAs), prior to their engagement in such activities, so that firms can determine whether to limit or allow those activities. Our designated supervising principals must ensure that the individuals under their direct supervision are aware of the disclosure requirements. The designated supervising principals must investigate situations where they suspect that adequate disclosure has not been made.

Sample types of activities that should be considered as OBAs (regardless of compensation):

- Fixed Insurance sales
- Real Estate sales
- Involvement as a board member of an organization
- Part time employment
- Registration with our affiliate - Spire Wealth Management

PROCEDURE

Appropriate guidance will be provided to all new registered individuals, as well as annual reminders regarding the requirements under FINRA Rule 3270 that prohibit registered personnel from being engaged in any employment, in any capacity, and/or from being compensated in any manner other than a passive investment, in any employment outside the scope of his/her association with this firm, unless such activity is appropriately disclosed in writing, and approved in writing.

When individuals are hired, they will be required to disclose all outside business activities. We do require that all RRs include any additional registrations with our affiliated RIA (Spire Wealth Management). We will maintain this disclosure in the representative's file.

Upon hire, the individuals are advised that from this point on, PRIOR to engaging in any outside employment or receiving any outside compensation, they must request, and receive permission, in writing.

We will document any additional training efforts in the files indicating dates, copies of training materials utilized, method of delivery (i.e., Annual Compliance Meeting, CE, compliance manual, compliance alerts, online training, etc.), and names and CRD #s of all who received such training.

Our Supervising Principals as well as Registration & Licensing Principals, must grant permission, in writing, PRIOR to a registered individual engaging in any outside business activities.

Any limitations or denial of this activity will be provided in writing from a compliance principal or the supervising principal.

If approved, the registration and licensing department will update the U4 for the individual if required. If the individual is also a producing IAR of our affiliate (Spire Wealth Management), their ADV 2b will also be updated with the information regarding the activity.

All requests for an OBA, whether approved, restricted or denied, will be maintained in the representative's registration folder.

An individual who fails to adhere to these policies and procedures will be sanctioned, ranging from suspension or termination of his or her outside activities, fines to possible termination.

Training:

Initial onboarding will require that the representative disclose all activities - including a review of those activities currently disclosed on their U4. A discussion of what types of activities will need to be disclosed along with a discussion of the definition of compensation.

On an annual basis, a questionnaire, as part of our Firm Element, will be required to be completed which, among other things, requires acknowledgement and attestation of the disclosure requirements for OBAs.

Additional Compliance Responsibilities Under FINRA Rule 3270

Upon receipt of a written request, consideration must be given to whether the requested activity will

- Interfere with or otherwise compromise the registered person's responsibilities to this broker-dealer and/or our customers, or
- Be viewed by our customers or the general public as part of our business based upon, among other factors, the nature of the requested activity and the manner in which it will be offered.

Additionally, our review must also contain an evaluation concerning the advisability of imposing specific conditions or limitations to the person's outside business activity or totally prohibiting the activity.

Finally, all requests must be evaluated to ensure they are appropriately characterized as an outside business activity rather than an outside securities activity or a private securities transaction.

Monitoring:

Supervising principals should consider the following in order to monitor for participation in OBAs:

- Review of correspondence, emails and social media
- Customer complaints

- Review of bank statements (of DBA branch manager, lead representative, PIC)

Private Securities Transactions (PSTs) of Individuals Independently Registered as IAs

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 3280

RESPONSIBILITY

Our supervising principals and compliance personnel must ensure that we appropriately approve, track and log all securities activities of our registered personnel who are independently registered as investment advisers.

On a day–to-day basis, designated supervising principals must be aware of the activities in which individuals under their direct supervision are engaged, and ensure that they comply with all applicable rules and regulations and our internal procedures.

PROCEDURE

It is imperative that broker-dealers know, and understand, the nature of the securities business of its registered employees who are involved in executing securities transactions away from the firm. FINRA has determined that FINRA Rule 3280 applies to registered personnel of a broker-dealer who are also registered with the SEC or with a state as an investment adviser PARTICIPATING, in his/her capacity as an investment adviser, in the execution of a trade at a broker-dealer other than the employing broker-dealer.

If the representative/adviser does not go beyond making a mere recommendation and the **customer independently executes the order** with another broker-dealer, directly with a mutual fund, or with a third-party investment adviser, NASD Rule 3040 does NOT apply. However, FINRA Rule 3270 (formerly Rule 3030), requiring a representative to provide prompt written notice of any outside business activity, DOES apply.

All registered individuals will receive sufficient training from their supervisors and compliance personnel on their responsibilities concerning their investment adviser registration and disclosure of related activities.

FINRA Rule 3280 requires that PRIOR to their participating in any private securities transaction, registered personnel, provide written notice to their supervising principal that describes, in detail, the proposed transaction and their proposed role, including information of whether he or she has received, or may receive, selling compensation in connection with the transaction.

Upon receipt of a request, our compliance personnel will advise the individual in writing, whether his or her participation, as described in the request, has been approved, approved with restrictions or denied.

Our compliance personnel will maintain documentation of all requests and subsequent responses in the files as well as make any regulatory filings.

If we approve an "away" transaction in which the associated person has received or may receive selling compensation, the transaction will be recorded on our books and records, and we will supervise participation in the transaction as if it were executed by this firm.

Examples of a registered representative/registered investment adviser participating in the execution of trades away, would be when he or she enters an order for an advisory customer with a brokerage firm other than this broker-dealer, or directly with a mutual fund, or with any other entity including another adviser, and receives any compensation for the overall advisory services. In such instance, FINRA Rule 3280 and our responsibility to supervise, and maintain books and records on this transaction, would apply.

For those registered representatives that are registered as IARs with our affiliate firm, Spire Wealth Management, LLC (an SEC RIA), we will be capturing, reviewing, supervising those activities as the affiliate would be required to do.

Any registered employee of this firm who is also independently registered as an investment adviser of an unaffiliated RIA who will be "selling away," MUST provide, in writing, a clear description of his or her proposed activities, the service that would be provided, any discretionary authority and compensation arrangements.

At our Annual Compliance Meeting, all registered personnel will be required to submit an attestation that discloses any outside investment advisory activities or outside business activities or attests to the fact that they are not engaged in any such private securities activities.

We will maintain records for the following items: a copy of the representative's advisory contract and any discretionary agreement used. Where possible, the b/d where the trades are being executed will be provided authorization to direct a trade download to our trade review/compliance engine (SpireAccess) in order to review/supervise that trading.

We will arrange with the representatives, who are associated with an unaffiliated RIAs, to deliver to Spire a copy of their IA/RIA trade review. This is expected to show those trades that have been executed on their RIA client's accounts and their in-house/compliance review of those transactions.

Restricted or Control Person Securities

FOCUS AREA

SUPERVISION

REGULATION

SEC RULE 144

RESPONSIBILITY

Our designated supervising principals must ensure that all individuals under their immediate supervision are aware of the requirements concerning restricted or control person securities, and that the individuals adhere to all policies and procedures concerning these securities.

PROCEDURE

- For stock sales to take place, the stock must be either in hand or registered in an account with our clearing firm.
- If the stock is in hand, the front and back of the certificate will be reviewed for any stock encumbrances, notices or restrictions.
- Prior to approving a new account, the supervising principal will review to ensure the question on the form asking if the client is a director, ten percent (10%) shareholder or policy-making officer of a publicly trading company has been negatively responded to. (Initials and dates on the new account form will evidence such review.)
- In instances where an individual has responded affirmatively to the above, the rep will ensure that should a request be made to sell securities in which the individual has control in the company it taken to a supervisor before proceeding. The file will evidence the review undertaken and the rationale for the final decision on whether or not to allow the transaction.
- New account forms will not be approved and the initial transaction will not be permitted if this information is missing or incomplete.

Sharing in Customer Profits or Losses

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 2150

RESPONSIBILITY

Our compliance department will ensure that we maintain all related documentation, including the rationale for allowing the activity, in both the client file and the personnel/Form U4 files.

PROCEDURE

FINRA Rule 2150 prohibits broker-dealers and associated persons from sharing, directly or indirectly, in the profits or losses in any account of a customer of this, or any other registered broker-dealer except under the following circumstances:

- Compliance gives prior written authorization to the firm or to the associated person;
- This firm receives prior written authorization from the customer;
- Prior written guidelines indicate that this firm or the associated person share in the profits and losses in the account only in direct proportion to the financial contributions made by either the firm or the associated person;

- Under Rule 2150(c), accounts of the immediate family (i.e., parents, mother-in-law, father-in-law, spouse or any relative to whose support the firm or associated person contributes directly or indirectly) are exempt from the direct proportionate share limitation indicated above.

Unreasonable Charges

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 2122

RESPONSIBILITY

Senior management, including our CCO must ensure our compliance with FINRA Rule 2122 and that all appropriate personnel receive sufficient training. This includes negotiations with our custodians regarding their pricing.

Designated supervising principals will oversee all securities-related activities engaged in by the individuals under their direct supervision and ensure they comply with Rule 2122.

PROCEDURE

FINRA Rule 2122 reads as follows: "Charges, if any, for services performed, including, but not limited to, miscellaneous services such as collection of monies due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services shall be reasonable and not unfairly discriminatory among customers."

Political Contributions

Policy Requirements

FINRA Rule 2030 prohibits member firms from distribution or solicitation activities with a government entity for compensation on behalf of an investment adviser or investment pool or covered investment pool that provides or is seeking to provide investment advisory services to that government entity within two years after a contribution to an official of the government entity is made by the member firm or an associated person of the member firm.

Procedures and Documentation

It is Spire Securities, LLC's policy to permit the firm and its covered associates, to make political contributions to elected officials, candidates and others, consistent with regulatory requirements.

The CCO or delegate is responsible for the implementation and monitoring of our political contribution policy, practices, disclosures and recordkeeping.

Spire Securities, LLC has adopted various procedures to implement the firm's policy, conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- the Compliance Officer, or other designated officer, determines who is deemed to be a "Covered Associate" of the firm and promptly advises those individuals of their status as such;
- the Compliance Officer, or other designated officer, obtains information from new employees (or employees promoted or otherwise transferred into positions) deemed to be covered associates regarding any political contributions made within the preceding two years (from the date s/he becomes a covered associate) if such person will be soliciting municipal business. Such review may include an online search of the individual's contribution history as part of the firm's general background check;
- political contributions made by covered associates must not exceed the rule's de minimis amount;
- prior to accepting a new advisory client that is a government entity, the CCO, or other designated officer, will conduct a review of political contributions made by covered associates to ensure that any such contribution(s) did not exceed the rule's permissible de minimis amount;
- the Compliance Officer, or other designated officer, monitors and maintains records detailing political contributions made by the firm and/or its covered associates. Such records will be maintained in chronological order and will detail:
    - The name and title of each contributor;
    - The name and title (including any city/county/state or other political subdivision) of each recipient of a contribution or payment;
    - The amount and date of each contribution or payment; and
    - Whether any such contribution was the subject of the exception for certain returned contributions pursuant to Rule 2030;
- the Compliance Officer, or other designated officer, maintains records of:
    - The names, titles and business and residence address of all covered associates of the covered member;
    - The name and business address of each investment adviser on behalf of which the covered member has engaged in distribution or solicitation activities with a government entity within the past five years, but not prior to August 20, 2017;
    - The name and business address of all government entities with which the covered member has engaged in distribution or solicitation activities for compensation on behalf of an investment adviser, or which are or were investors in any covered investment pool on behalf of which the covered member has engaged in distribution or solicitation activities with the government entity on behalf of the investment adviser to the covered investment pool, within the past five years, but not prior to August 20, 2017;
    - All direct or indirect contributions made by the covered member or any of its covered associates to an official of a government entity, or direct or indirect payments to a

political party of a state or political subdivision thereof, or to a political action committee; and

- Any book or other record made, kept, maintained and preserved in compliance with SEA Rules 17a-3 and 17a-4, or with rules adopted by the Municipal Securities Rulemaking Board, which are substantially the same as the book or other record required to be made, kept, maintained and preserved under this Rule, shall be deemed to be made, kept, maintained and preserved in compliance with this Rule.

Should we determine that a covered person has contributed in violation of FINRA Rule 2030, we will qualify for an exception from the violation if the following conditions are met:

- We must discover the contribution within 4 months of the date it occurred;
- Ensure the contribution did not exceed $350; and
- The contributor must obtain a return of the contribution within 60 calendar days of the date of discovery of such contribution by the firm or associated person.

If we have more than 150 registered persons, we are entitled to no more than three exceptions per calendar year. If we have 150 or fewer registered persons, we are entitled to no more than two exceptions per calendar year. Additionally, we may not rely on the exceptions above more than once for the same covered associate, regardless of the time.

Prohibition of Guarantees

Responsibility

Our designated supervisory principals will oversee the solicitation efforts of the registered personnel under their immediate supervision and ensure that the prohibition against guarantees is fully understood.

Our Compliance Principals will review, through exception reports, audits, on-site visits, training, etc., activities and correspondence to ensure that all solicitation is done in an appropriate manner and in compliance with the rules and regulations.

Procedure

The designated principal will ensure that reviews are conducted to ensure that affiliated personnel are not utilizing any marketing or promotional materials other than those supplied by vendors which have been approved or those which have been internally developed and approved (see further herein under "Sales Materials."). Unapproved promotional materials may contain prohibited guarantees or other inappropriate language and are therefore prohibited. Evidence of all such reviews will be maintained in the files, indicating the scope of the review, dates, name(s) of individual(s) conducting the review, and all findings, including corrective measures taken where applicable

Receipt of Cash Prohibited

Procedures and Documentation

Our policy not to receive cash is strictly enforced, and any deviation from the policy will result in appropriate disciplinary action, including the possibility of immediate termination.

If an affiliated individual is found to have violated our prohibition against receiving cash, our CCO must immediately be notified and decide whether any actions are required under our Anti-Money Laundering Program, such as filing a Cash Transaction Report (CTR) or a Suspicious Activities Report (SAR).

Receipt of Checks Made Payable to the Broker-Dealer

Responsibility

Our CCO must ensure that we handle all checks appropriately and do not jeopardize our net capital standing. Furthermore, our CCO will ensure that no checks are misappropriated.

The designated supervising principals must ensure that individuals under their direct supervision advise clients correctly, have their mail sufficiently monitored to ensure that all checks received are appropriately handled, and ensure that all checks received are appropriately logged, and distributed, in a timely manner.

Procedure

Spire, as a fully disclosed, introducing firm, does not hold customer funds or securities. Doing so would place us in a position of facing a net capital violation and/or a violation of NASD Rule 1017 (Change in Ownership, Control or Business Operations).

While designated principals instruct individuals under their direct supervision to make checks payable to, and send them directly to an appropriate third-party or custodian, there will from time-to-time be those clients who misunderstand our instructions and instead send us a check made payable to Spire.

In such instances, receipt of the check is IMMEDIATELY logged onto our Checks Received/Disbursed log and returned to the client with reissue instructions. We maintain copies of all such letters in the client files.

Our CCO must ensure that, at least monthly, our Checks Received and Disbursed Log is reviewed to ensure that we adhere to timely distribution. Our CCO will maintain documentation of such reviews, evidenced by initials and dates.

As there should be very few checks received that have been made payable to Spire, anything more than an occasional entry will initiate a further investigation to determine why the situation is occurring more frequently than should be expected. We will maintain results of any such investigations in the file.

Individuals we find noncompliant in terms of handling customer third-party checks will be spoken with, and if the non-compliance continues, we will issue sanctions, including the possibility of termination.

Receipt of Checks Payable to a Third-Party

Responsibility

Our CCO must ensure that we handle all checks appropriately and do not jeopardize our net capital standing. Furthermore, our CCO will ensure that no checks are misappropriated.

Our designated supervising principals will ensure that individuals under their direct supervision advise clients correctly, have their mail sufficiently monitored to ensure that all checks received are appropriately handled, and ensure that all checks received are appropriately logged and distributed in a timely manner.

Procedure

For "Direct" existing business, our policy is to advise clients to send checks directly to the appropriate third-party sponsor company (i.e., insurance company, mutual fund, issuer). Should the checks be received at either the branch location or the OSJ, it will be properly logged, filed and forwarded onto the sponsor company no later than noon of the next business day. For checks received as additional investments into Mutual Funds (incl. 529 Plans), Variable Annuities or Alternative Investments that are $10,000 or more, a "Direct Trade Ticket" must be completed and submitted. Additional disclosure documents may also be required.

For checks to deposit into client brokerage accounts held with our clearing firms (Pershing and NFS), checks can be sent to/delivered to our Spire branch offices or the OSJ. NFS checks are scanned directly into an NFS/Bank of America account at approved locations for same day deposit to their account(s). These checks are also logged, filed and then held in a secure location for 30 days before being shredded. Checks for deposit to a Pershing brokerage account may also be scanned in a similar fashion, logged, filed and then shredded. These checks may also be sent via trackable means to the custodian for deposit.

A check blotter is to be completed and scanned into our Laserfiche system with a copy of the front and back (if endorsed) of each check along with a copy of the delivery receipt. Our CCO must ensure that, at least monthly, our Checks Received and Disbursed log is reviewed by a supervising principal to ensure that we adhere with timely distribution.

Individuals we find noncompliant in terms of handling customer third-party checks will be spoken with, and if such noncompliance continues, we will issue sanctions, including the possibility of termination.

Receipt of Securities from Clients

Responsibility

Supervisory Personnel are responsible for the training of our RRs on the appropriate procedures for the handling of securities certificates for customers and that those procedures are properly followed.

Procedure

Our Supervising Principals must ensure that all registered personnel receive sufficient training regarding our policy about accepting securities from clients.

As a general matter, clients should be advised to NOT send securities to this broker-dealer, and be given instructions for appropriate forwarding (i.e., to a clearing firm, transfer agent, etc.).

This firm does not have a complete prohibition against accepting customer securities. We have procedures in place to handle these securities quickly and efficiently. The client will immediately be given a receipt for these securities.

Any securities we receive will be IMMEDIATELY logged into our Securities Received and Disbursed log and then be immediately mailed (by traceable means) to our clearing firm or other appropriate third-party that day - but no later than by noon of the next business day.

Any instances where we find that securities received were not forwarded in a timely manner, will warrant immediate disciplinary action, which may include termination.

Threats, Intimidation, Harassment, Profanity

Policy Requirements

Consistent with rules adopted by the Federal Trade Commission (FTC) and prior FINRA interpretations and policies, and inherent in and implied by the provisions of FINRA Rule 2010, FINRA member firms must ensure that no affiliated individual engages in communications with customers that constitute threats, intimidation, the use of profane or obscene language or calls any individuals repeatedly to annoy, abuse or harass the called party.

Procedures and Documentation

Our designated supervising principals must ensure that no individuals under their immediate supervision ever engage in threats, intimidation, harassment, profanity or other unethical and illegal manner of behavior when undertaking any business activities on behalf of this broker-dealer.

Unauthorized Transactions

Policy Requirements

Unauthorized transactions include those known as selling away (i.e., undertaking securities transactions at a broker-dealer other than this broker-dealer) as well as transactions which have not been authorized by the customer. Under certain circumstances, trading away from the firm may be permissible if permission has been granted beforehand and if we adhere to all the conditions under which such permission was granted. However, unauthorized trading in a customer account is never permissible. Unless discretion has been given to the registered representative, we may not undertake transactions in a client's account without the customer's prior knowledge and approval.

Unauthorized trading in a client account often falls under the churning prohibition - trades generated solely to generate additional commissions. Other fraudulent types of transactions include, transactions to cover previous failure to follow a customer's advice, or attempts to cover other inappropriate activities within a customer's account.

Procedures and Documentation

- Because it is difficult to detect selling away activities through an internal review process, supervising principals receive training on what to look for in terms of an individual's activities that may be evidence of selling away.
- The regulatory prohibition against selling away without first receiving written permission from the employing broker-dealer is discussed during initial training for new hires and on an annual basis at our Annual Compliance Meeting.
- If we are unable to discern through an investigation of the customer files and representative's records whether transactions were authorized by the customer, the client will be contacted by an appropriate principal of the firm.
- Any registered employees who are found engaging in unauthorized trading activity, either away from the firm without prior written permission, or on behalf of a customer, will face sanctions ranging from giving up commissions to possible termination.

Unregistered Persons: Payments

Policy Requirements

From FINRA Regulatory Notice 15-07: *"Rule 2040(a) prohibits member firms or associated persons from, directly or indirectly, paying any compensation, fees, concessions, discounts, commissions or other allowances to: (1) any person that is not registered as a broker-dealer under SEA Section 15(a) but, by reason of receipt of any such payments and the activities related thereto, is required to be so registered under applicable federal securities laws and SEA rules and regulations; or (2) any appropriately registered associated person, unless such payment complies with all applicable federal securities laws, FINRA rules and SEA rules and regulations. Rule 2040(a) directs persons to look to SEC rules to determine whether the activities in question require registration as a broker-dealer under SEA Section 15(a). The provision also prohibits payments to appropriately registered associated persons unless such payments comply with applicable federal securities laws, FINRA rules, and SEA rules and regulations."*

Procedures and Documentation

All supervising principals are responsible for ensuring that the general prohibition of Rule 2040 is understood and adhered to.

Our CCO is responsible for ensuring that all individuals responsible for paying any compensation, fees, concessions, discounts, commissions or other allowances have been made aware of the prohibitions under FINRA Rule 2040 and that they understand their responsibilities to adhere to those prohibitions.

Semi-annually, our CCO will require a review to be undertaken to ensure that any payments made to unregistered persons were permitted under Rule 2040 (i.e. retired representatives and foreign finders, both of which must meet the provisions of Rule 2040).

Whistleblower Provisions

FOCUS AREA

SUPERVISION

REGULATION

On May 25, 2011 the Securities and Exchange Commission adopted rules to create a whistleblower program that rewards individuals who provide the agency with high-quality tips that lead to successful enforcement actions. The SEC whistleblower program, implemented under Section 922 of the Dodd-Frank Act, is primarily intended to reward individuals who act early to expose violations and who provide significant evidence that helps the SEC bring successful cases.

Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act authorizes the SEC to pay rewards to individuals who provide the Commission with original information that leads to successful SEC enforcement actions and certain related actions.

Under the rules, a whistleblower who provides information to the Commission is protected from employment retaliation. In addition, the rules make it unlawful for anyone to interfere with a whistleblower's efforts to communicate with the Commission, including threatening to enforce a confidentiality agreement.

RESPONSIBILITY

SUPERVISING PRINCIPALS & CCO

PROCEDURES

Under the rules, a whistleblower who provides information to the Commission is protected from employment retaliation. In addition, the rules make it unlawful for anyone to interfere with a whistleblower's efforts to communicate with the Commission, including threatening to enforce a confidentiality agreement.

The final rules do not require that employee whistleblowers report violations internally to qualify for an award. However, the rules strengthen incentives that had been proposed and add certain additional incentives intended to encourage employees to utilize their own company's internal compliance programs when appropriate to do so. For instance, the rules:

- Make a whistleblower eligible for an award if the whistleblower reports internally and the company informs the SEC about the violations.
- Treat an employee as a whistleblower, under the SEC program, as of the date that employee reports the information internally – if the employee provides the same information to the SEC within 120 days. Through this provision, employees can report their information internally first while preserving their "place in line" for a possible award from the SEC.
- Provide that a whistleblower's voluntary participation in an entity's internal compliance and reporting systems is a factor that can increase the amount of an award, and that a whistleblower's interference with internal compliance and reporting is a factor that can decrease the amount of an award.

Procedures and Documentation

- In determining the amount of an award, the final rules provide: first, that a whistleblower's voluntary participation in an entity's internal compliance and reporting systems is a factor that can increase the amount of an award; and, second, that a whistleblower's interference with internal compliance and reporting is a factor that can decrease the amount of an award.
- The final rule contains a provision under which a whistleblower can receive an award for reporting original information to an entity's internal compliance and reporting systems, if the entity reports information to the Commission that leads to a successful Commission action. Under this provision, all the information provided by the entity to the Commission will be attributed to the whistleblower, which means that the whistleblower will get credit -- and potentially a greater award -- for any additional information generated by the entity in its investigation.
- Under the Rule, the time for a whistleblower to report to the Commission after first reporting internally and still be treated as if he or she had reported to the Commission at the earlier reporting date is 120 days.

Code of Ethics

FOCUS AREA

ADVISORY

RESPONSIBILITY

Senior Management

PROCEDURE

Spire Investment Partners has a Code of Ethics that is disseminated to all affiliated personnel. Violations of this Code of Ethics by anyone, from Senior Management to clerical staff, will not be tolerated. The following elements are included in our Code of Ethics:

- Every aspect of our business will be conducted in a fair, lawful and ethical manner.
- Sufficient internal controls have been implemented to ensure that all reasonable efforts are always taken to deter and detect any activities that do not meet the highest standards of ethical behavior.
- Senior Management is committed to working with our CCO to ensure the existence and awareness of a strong and committed compliance culture. Our leadership will consistently instill ethical behavior throughout the firm and make it known that anyone acting in a manner less than what is expected would be sanctioned or terminated.
- Senior Management will lead by example, creating an environment encouraging honesty and fair-play by all employees in the conduct of his or her duties.

- Our customers will be offered only those preapproved products/services that have been determined to be appropriate for their specific needs and provide fair value.
- It is our obligation to respect and protect the right to privacy of all our clients.
- Confidential or proprietary information, obtained during an individual's association or employment with Spire, may not be used for personal gain or be shared with others for personal benefit.
- All efforts are to be made to avoid actual or apparent conflicts of interest. Such a conflict may exist even when no actual wrongdoing occurs; the opportunity to act improperly may be sufficient to give the appearance of a conflict.
- Strict compliance with all laws and regulations governing the securities industry is paramount.
- Senior Management will continue to ensure that the procedures in place are acceptable in terms of making determinations regarding the qualifications, experience and training of all individuals prior to assigning them any supervisory responsibilities.
- Individual employees not adhering to this Code of Ethics, as well as all other policies and directives issued by Spire, during any activities undertaken on behalf of this broker-dealer will be subject to sanctions and possible termination.

Procedures and Documentation

To ensure that the above Code of Ethics is maintained throughout the company, Senior Management, working with Compliance and all supervisory personnel, will strive to ensure that the supervisory policies and procedures contained in that document ensure the following:

- The best interests of our clients are foremost.
- Adherence to all regulatory requirements is ensured.
- All our personnel are adequately trained to perform at the highest ethical, legal, and professional levels.
- Only highly qualified, well-trained personnel will have review and/or supervisory responsibilities.
- All compliance and supervisory efforts, and all appropriate follow-up activities, will be well documented and appropriately maintained.
- Immediate attention will be given to any area in which our efforts are found to be deficient in any manner.
- We will always have sufficient personnel in place to perform any actions deemed necessary at any given time.
- We will ensure that all associated persons are aware of the seriousness with which all compliance efforts should be undertaken.

Hiring of Registered Personnel

Procedures and Disclosures

Customer Relations

Regulation Best Interest and Form CRS

Form CRS

POLICY

On June 5, 2019, the SEC adopted Form CRS (Customer/Client Relationship Summary) that broker-dealers must provide to their prospective retail clients.

Form CRS must explain the types of client/customer relationships, the services the firm offers, the fees, costs, conflicts of interest, and required standard of conduct associated with those relationships and services. Additionally, whether the firm and its financial professionals currently have any reportable legal or disciplinary history.

To help make Form CRS easier to compare between firms, the SEC has created five sections, along with certain language or questions to be answered in each section, that must be addressed: an introduction, a description of Relationships & Services, Summary of Fees, Costs, Conflicts, Standard of Conduct, Disciplinary History and where to go for Additional Information.

Form CRS must be delivered to a prospective customer who is a retail investor, before or at the earliest of: (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order; (iii) the opening of a brokerage account.

Deliver to each retail investor who is an existing customer must occur before or at the time (i.) Opening a new account that is different from the retail investor's existing account(s); (ii) recommending that the retail investor roll over assets from a retirement account into a new or existing account or investment; or (iii) recommending or providing a new broker service that does not necessarily involve opening a new account and would not be held in an existing account.

PROCEDURE

Our representatives are required to deliver a Form CRS (Customer/Client Relationship Summary) at or prior to the time any recommendation is made. We must also provide this document to prospective retail clients. Form CRS must explain the types of client/customer relationships and the services the firm offers, the fees, the costs, the conflicts of interest, and the required standard of conduct associated with those relationships and services, and whether the firm and its financial professionals currently have any reportable legal or disciplinary history. Along with this CRS, Spire has created a Spire Securities, LLC Supplemental Disclosure Document to be provided to prospects as well as existing clients when making a recommendation.

Form CRS must also be delivered following a material change to the details of Form CRS, or upon certain events, such as when the client re-engages for a new or different relationship or service with the firm.

The following are the disclosures that will be provided, with evidence of delivery, to the customer. The CRS must be the first document delivered if within this disclosure package.

1. Spire Securities form CRS
2. Spire Securities Supplemental Disclosure
3. Spire Securities Privacy Policy

Evidence of delivery and timing can be accomplished in one of the following three ways:

4. In Person/Mail: completion of the Disclosure Attestation form that requires a client signature when submitting paperwork with the document delivery taking place at or prior to the recommendation.
5. Email: satisfaction of the requirement can also be fulfilled by providing Operations with a copy of the Sent Email to the client that documents that the disclosures were sent to the client's email that is on file (or will be on file for new clients).
6. Docusign: Sending the disclosures via Docusign generates a unique stamp ID on the form that can be used to evidence delivery of the requirement.

Senior Management will:

- Update the relationship summary and file it in accordance with Form CRS instructions within 30 days whenever any information in the relationship summary becomes materially inaccurate. The filing must include an exhibit highlighting the changes;

Representatives must:

- Ensure that the delivery of the current Form CRS occurs for prospective and existing retail investors. As well as within 30 days upon an investor's request.

Regulation Best Interest

On June 5, 2019, the SEC adopted Regulation Best Interest (Reg BI), which requires broker-dealers to act in their clients' best interests when making an investment recommendation by meeting four core obligations:

1. ***Disclosure***. A broker-dealer must provide certain prescribed disclosures before or at the time of a recommendation regarding the investment and the relationship between the retail customer

and the broker-dealer. Spire has created a Supplemental Disclosures document as well as the Customer Relationship Summary (CRS) which will be provided to all new clients.

2. ***Care***. A broker-dealer must exercise reasonable diligence, care, and skill in making the recommendation. The Care Obligation mirrors FINRA's Suitability Rule, with the caveat that under Reg BI, in addition to suitability, the obligation also considers whether the broker-dealer's standards avoid placing the financial interests of the broker-dealer ahead of the customer.
3. ***Conflicts of Interest*.** Establishing, maintaining, and enforcing policies and procedures reasonably designed to address conflicts of interest.
4. ***Compliance*.** Establishing, maintaining, and enforcing policies and procedures for the broker-dealer's Disclosure and Care Obligations. These WSPs are designed to address these requirements.

Variable Insurance sales will also require a Suitability and Best Interest review and consideration. Those representatives that have been approved to conduct Fixed insurance sales (Outside Business Activities), will also be required to adhere to these Reg BI requirements (including NY's Regulation 187).

Recommendation

Whether a recommendation is made that triggers Reg BI will be based on the facts and circumstances of the situation. The determination generally will be made based on whether the communication "could reasonably be viewed as a 'call to action'" to the customer, whether it "reasonably would influence an investor to trade a particular security or group of securities," and that "the more individually tailored the communication to a specific customer or targeted group, the greater the likelihood that the communication may be viewed as a recommendation."

Reg BI applies not only to the recommendation of a securities transaction itself, but also to investment strategies, which may include recommendations such as to invest in a bond ladder, to engage in day trading, to liquidate home equity to invest, or to engage in margin investing. Recommendations as to the type of account, whether to roll over or transfer assets from an employer retirement plan to an IRA, or to take a plan distribution will also trigger Reg BI.

Examples of activities triggering Reg BI:

- Recommending the opening of a B/D commission based account or an RIA, fee based account.
- Recommending a change to an already existing account - such as adding margin or option writing entitlements.
- Recommending a separate "Direct" securities purchase - such as an Alternative Investment.

Retail Customer

The SEC has defined "retail customer" as "a natural person, or the legal representative of such natural person, who: (A) receives a recommendation of any securities transaction or investment strategy involving securities from a broker-dealer; and (B) uses the recommendation primarily for personal, family, or household purposes."

The definition of “retail customer” does not exclude high-net worth natural persons and natural persons that are accredited investors.

Best Interest

Under Reg BI, broker-dealers will have an obligation to “act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer,” and may not put their financial interests ahead of the customer’s while making these recommendations.

Though the SEC did not define “best interests,” the Commission has pointed out that “best interests” pertains to a recommendation in the context of a ***client’s entire situation*** and ***applies only at the time of the recommendation itself.*** A broker-dealer does not need to find the one “best” product, evaluate all possible alternatives, or even focus on the lowest cost alone. In addition, brokers do not have to refuse a customer’s order if it’s contrary to the broker’s recommendation—the ***Care Obligation will not apply to self-directed or unsolicited transactions*** by a retail customer. Further, broker-dealers will be allowed to retain their existing conflicts of interest as long as they are disclosed to customers and the broker-dealer takes steps to mitigate conflicted incentives for their registered representatives.

Usage of Investment Advisor Title

Regulation Best Interest changes how brokers may identify themselves and aims to bring clarity to consumers who may be confused or not understand the differences between broker-dealers and investment advisers including their services to be provided and fee structure.

Under Reg BI, a broker dealer that is (I) not also dually registered as an investment advisor or (ii) not also a supervised person of an investment adviser cannot use the term "adviser" or "advisor" in their title. Usage of this term by individuals not meeting the criteria will be in violation of the capacity disclosure requirements under Reg BI which enables a retail customer to more easily identify and understand their relationship.

The supervisors as well as the principals involved with marketing review, will be responsible for implementing this policy regarding representative's title.

Senior Management, and supervising principals will oversee our Reg BI and Form CRS procedures and controls and ensure the following:

Care Obligation

- Prior to or at the time of a recommendation, we will reasonably disclose, in writing, all material facts about the scope and terms of the firm’s relationship with the customer, including: the nature of the relationship, material fees and costs, the type and scope of services to be provided, whether or not account monitoring services will be provided, and any conflict of interest associated with the recommendation that might incline us to make a recommendation that is not disinterested;

Spire's due diligence committee will be responsible for reviewing those products that may be recommended to clients. We undertake these due diligence reviews on alternative investments. We utilize the AMBest rating for evaluating insurance carriers (must have a rating of B+ or higher).

All individuals engaged in making investment recommendations and those who supervise them will receive training on properly complying with Reg BI.

Disclosure Obligation

- Review existing disclosures to ensure compliance with Reg BI and create any necessary new disclosures.
- Update the relationship summary and file it in accordance with Form CRS instructions within 30 days whenever any information in the relationship summary becomes materially inaccurate. The filing will include an exhibit highlighting the changes;
- Deliver and communicate any material changes in the updated relationship summary to retail investors who are existing clients or customers within 60 days after the updates are required to be made and without charge. The amended relationship summary will highlight the most recent changes or an additional disclosure will be provided as an exhibit showing the revised text to the unmarked amended relationship summary.
- Ensure the disclosures have been delivered to the retail client as needed or required. Ensure delivery of the current Form CRS occurs per the obligations outlined in the **Policy Requirements under the Form CRS** section of this document for prospective and existing retail investors. As well as within 30 days upon an investor's request.

Policies & Procedures

- Documentation will be created and maintained regarding:
    - Records of the date that each relationship summary and client disclosure was provided to each retail investor will be evidenced in the client files. Copies or versions of our CRS will be archived using NRS;
    - The training our registered representatives receive on Reg BI compliance;
- Update the relationship summary and file it in accordance with Form CRS instructions within 30 days whenever any information in the relationship summary becomes materially inaccurate. The filing will include an exhibit highlighting the changes;
- Ensure representatives use titles approved by the Compliance department. Representatives may select a title Compliance has pre-approved or submit a request to Compliance via email for title review and approval.
- Ensure representatives provide the required response to the Reg BI questions generated in Spire Access when applicable Reg BI transactions are flagged. These responses are due to be provided on T + 1 in the Spire Access system. These represent trades that are executed within our custodial brokerage accounts (NFS and DBS). Failure to promptly update these responses will end in a forfeiture of any commissions generated.

Conflicts Obligation

- Spire Securities, LLC will prohibit sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sale of specific securities or specific types of securities within a limited period of time with respect to Spire's brokers;
- Avoid compensation thresholds that disproportionately increase compensation through incremental increases in sales;
- We will disclose any existing conflicts of interests and mitigate any conflicts of interest that create an incentive for our registered representatives to place the interest of the firm (or themselves) ahead of the customer;
- For a retail customer's fees and costs, we must provide disclosure that the nature of the compensation may create conflicts of interest (this would include those alternative investment funds that pay Spire a referral fee for client introductions);
- Identify and mitigate any conflicts of interest associated with recommendations that create an incentive for a registered representative to place the interest of our firm or the individual ahead of the interest of the retail customer;
- Identify and disclose any material limitations placed on the securities or investment strategies involving securities that may be recommended to a retail customer and any conflicts of interest associated with such limitations; prevent such limitations and associated conflicts of interest from causing the registered representative to make recommendations that place his or her interest ahead of the interest of the retail customer.

Employee Trading in Personal Accounts

- The Conflict Obligation requires procedures to monitor trading in employee accounts to identify red flags such as trading in the same security on the same day and closing in time as clients.
- The CCO has implemented the use of a monthly report that will identify employee trades that were executed in the previous month that were flagged for review with client trades in the same security in the same trading day and time.
- The CCO and/or his delegate will review this report and, when there are exceptions, will review with the representative to determine the reason for this action.
- The findings and reports will be stored in the Firm's books and records repository.

Arbitration

FOCUS AREA

ADVISORY

REGULATION

FINRA Rule 2268

RESPONSIBILITY

SENIOR MANAGEMENT

PROCEDURE

Pre-dispute clauses

Customer agreements containing pre-dispute arbitration clauses must have the clauses highlighted and include language disclosing the nature of arbitration in outline form.

Among other things, Rule 2268 requires that the waiver of the customer's right to litigate disputes arising under the agreement be plainly disclosed, and that the language contained in the agreement may not in any manner limit, or contradict, any self-regulatory organization's rules.

FINRA Rule 2268 requires that a copy of any agreement containing a pre-dispute arbitration clause be delivered, and acknowledged by the client, within 30 days of signing. At that time, the customer must acknowledge the receipt either on the agreement, or on a separate document.

In addition to this 30-day delivery requirement, Rule 2268 requires that, within 10-days of receipt of a customer request (or by the 30-day delivery requirement date if earlier), we provide the customer with a copy of any pre-dispute arbitration agreement clause or agreement that the customer has signed, or inform the customer that we do not have a copy of the agreement.

In addition, if a customer requests a copy of an agreement containing a pre-arbitration clause we will make certain that procedures are implemented to provide a copy of the agreement to the customer within 10-days of the request (or by the 30-day delivery requirement date, if earlier). Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision are aware of these requirements and that steps are taken to prevent recurrence if the requirement has been overlooked.

If, for any reason, we do not have a copy of an agreement as required under FINRA/NASD and SEC recordkeeping rules, and are unable to respond to a customer request for a copy of the document, we must inform the customer within 10-days of the request (or by the 30-day delivery requirement date if earlier). We may not neglect to respond to the request.

Best Execution FINRA Guidance

FINRA Rule 5310

PROCEDURE

From FINRA Regulatory Notice 15-46: *"Considering the increasingly automated market for equity securities and standardized options, and recent advances in trading technology and communications in the fixed income markets, FINRA is issuing this Notice to reiterate the best execution obligations that apply when firms receive, handle, route or execute customer orders in equities, options and fixed income securities. FINRA is also issuing this Notice to remind firms of their obligations, as previously articulated by the Securities and Exchange Commission (SEC) and FINRA, to regularly and rigorously examine execution quality likely to be obtained from the different markets trading a security."*

Our senior management and supervising principals, are responsible for developing, implementing, and reviewing our best execution efforts and procedures; implementing any needed changes based on a review; and ensuring that all appropriate individuals are trained in all our best execution efforts and procedures.

Currently we will collect execution statistics from our various custodians, NFS and Pershing/DBS.

The reports will be compared against each other for any execution outliers. If any material differences appear in the reports from a custodian, we will investigate with the custodian.

We also look at the various service/offerings provided by our custodians, including costs. Any material differences will be addressed with our custodians by our COO.

Marketing and Advertising

Procedures and Documentation

Our CCO, or another individual specifically designated as having responsibility for advertising and sales material compliance, will ensure that independently prepared reprints utilized by this broker-dealer as sales material are handled appropriately.

Principal approval is not required for advertisements, sales literature or independently prepared reprints if, at the time we intend to publish or distribute it:

- Another FINRA member firm has filed it with the regulator and has received a letter stating that it appears to be consistent with applicable standards;
- We have obtained a copy of the FINRA letter; and
- The sales piece has not been materially altered by us and will not be used in a manner inconsistent with the regulator's letter indicating that it is consistent with applicable standards.

At least annually, if utilized, our CCO, or an appropriately designated individual, will review all independently prepared materials permitted to be utilized by us and all independently prepared materials permitted to be utilized during the past 12-month period to ensure that the requirements of FINRA Rule 2210 have been met. We will maintain documentation of this review in file.

Policy Requirements

FINRA Rule 2210 defines "Institutional Communication" as any written (including electronic) communication that is distributed or made available only to institutional investors, excluding a member's internal communications.

"Institutional investor" means any:

1. person described in Rule 4512(c), regardless of whether the person has an account with a member;
2. governmental entity or subdivision thereof;
3. employee benefit plan, or multiple employee benefit plans offered to employees of the same employer, that meet the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and in the aggregate have at least 100 participants, but does not include any participant of such plans;
4. qualified plan, as defined in Section 3(a)(12)(C) of the Exchange Act, or multiple qualified plans offered to employees of the same employer, that in the aggregate have at least 100 participants, but does not include any participant of such plans;

5. member or registered person of such a member; and
6. person acting solely on behalf of any such institutional investor.

No member may send a communication to an institutional investor if the member has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any retail investor

Institutional Communications are exempt from FINRA Rule 2210 filing requirements.

Procedures and Documentation

Our CCO and all supervising principals are responsible for ensuring that the materials deemed to be institutional communications meet the requirements under Rule 2210.

The designated principal must ensure that any materials falling under the FINRA Rule 2210 "institutional communications" definition is made available ONLY to institutions as defined in the Rule. We will maintain documentation indicating approval of material appropriate to be called institutional correspondence, evidenced by initials and date.

We may not consider any material as institutional correspondence: until it is first approved as such by the designated supervising principal.

Once we decide that a document is institutional correspondence, the designated principal will determine whether we will require an agreement or incorporate a disclaimer prohibiting redistribution to any persons who are not institutional investor.

Correspondence: Any type of communication delivered in any format to only one person. The material need not be pre-approved prior to distribution but must be submitted for review, approval and archival by a principal of the firm. This material is to be scanned into Laserfiche to the Correspondence folder. This is only for written correspondence. Our Global Relay system collects all incoming and outgoing electronic communications.

Advertising/Sales Literature: Any type of communication delivered in any format to more than one person (including websites, social media, etc.). The material must be submitted for review, approval and archival by a principal of the firm ***prior*** to distribution.

Websites:

- Check for Spire (and or other regulatory disclosures).
- Check for email addresses (i.e. info@, contact@).
- Check for designations being used (i.e. CFP).
- Check for any mention of DBAs.
- Check for reference to our custodians (most have specific requirements when highlighting the affiliation).
- Check for any product endorsement or performance information.
- Check for Testimonials.

- Check for any blogs/newsletters/opinion pieces.
- Check for links to other sites.
- Mandatory links: Broker Check, SIPC, FINRA.
- Spire recommends IARs have their ADV2B posted.
- Must link to Spire's main website.

Business Cards:

- Must contain the Registered Branch office address - or Spire's home office address.
- Must contain the proper Spire/regulatory disclosures.
- Must clearly show that any DBA is not a Spire DBA but only that of the RR/IAR.
- All contact info (email, phone, fax, website).
- Only approved titles may be used.

Social Media: See Section on Social Media

Public Appearances

In preparing and supervising these mass media appearances, these messages should be limited to be appropriate for a broad, general audience. Specific levels of audience knowledge, experience or suitability cannot be assumed. Disclaimers and disclosures must also be carefully considered. It should be understood that what works well in fine print in a hardcopy document may not appear on a screen long enough to be read. Similarly, radio disclosures must be made clearly and slowly enough to be fully comprehended. Extemporaneously presented material must reflect the same content standards as scripted material.

Responsibility

Our CCO and all supervising principals are responsible for ensuring adherence to Rule 2210 oversight.

Procedure

Our CCO will ensure that when this firm sponsors or participates in a seminar, forum, radio or television interview, or otherwise engages in public appearances or speaking activities that are unscripted and do not constitute retail communications, institutional communications or correspondence ("public appearance"), persons associated with members the standards of Rule 2210(d)(1) are met.

Policy Requirements

FINRA Rule 2210 includes the following:

1. Retail communications that include a recommendation of securities must have a reasonable basis for the recommendation and must disclose, if applicable, the following:
2. that at the time the communication was published or distributed, the member was making a market in the security being recommended, or in the underlying security if the recommended

security is an option or security future, or that the member or associated persons will sell to or buy from customers on a principal basis;

3. that the member or any associated person that is directly and materially involved in the preparation of the content of the communication has a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal; and
4. that the member was manager or co-manager of a public offering of any securities of the issuer whose securities are recommended within the past 12 months.
5. A member must provide, or offer to furnish upon request, available investment information supporting the recommendation. When a member recommends a corporate equity security, the member must provide the price at the time the recommendation is made.
6. A retail communication or correspondence may not refer, directly or indirectly, to past specific recommendations of the member that were or would have been profitable to any person; however, a retail communication or correspondence may set out or offer to furnish a list of all recommendations as to the same type, kind, grade or classification of securities made by the member within the immediately preceding period of not less than one year, if the communication or list:
7. states the name of each such security recommended, the date and nature of each such recommendation (e.g., whether to buy, sell or hold), the market price at that time, the price at which the recommendation was to be acted upon, and the market price of each such security as of the most recent practicable date; and
8. contains the following cautionary legend, which must appear prominently within the communication or list: "it should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list."

Promotional Materials

Our Advertising Principal must ensure the fairness and balance of all sales materials and oral presentations regarding both the risks and benefits of investing in these products. We may not claim that certain Alt products (e.g., asset-backed securities, distressed debt, derivative contracts or other products) offer protection against declining markets or protection of invested capital UNLESS these statements are fair and accurate. We must provide investors with any prospectus and/or other disclosure material provided by the issuer or sponsor, but simply providing such material does not in and of itself offset unfair or unbalanced sales or promotional materials, whether prepared by this firm, the sponsor or the issuer.

In addition, we will review Alt advertising and sales literature to ensure that we meet the obligation that all marketing materials provide an accurate and balanced description of the risks and rewards of any Alts being offered.

We may not utilize any Alt promotional materials that do not clearly indicate preapproval by an appropriate principal and that, if necessary, they have been filed with FINRA. We will retain copies of all approved advertising in the files, indicating approval by initials and dates.

Individuals who utilize material that has not been preapproved will face internal sanctions, including the possibility of termination.

Preparation of Consolidated reports or statements

The preparation and distribution of reports or statements by the registered representatives requires review and approval prior to distribution. Source documents (I.e. custodial statements) will be required to be provided during the review process in order to determine the proper value of the assets.

The approver will also review for proper disclosures as may be required.

Procedures and Documentation

Our CCO:

- will ensure that ALL affiliated personnel are given copies of, or access to, FINRA Regulatory Notices 12-29 and 13-03 to ensure their full understanding of the requirements under FINRA Rule 2110; and
- is responsible for ensuring that all individuals charged with creating, reviewing, approving, and disseminating correspondence fully understands all the potential implications of Rule 2110, Rule 2111, and other suitability rules.

Effective November 2022 our new process for submission of Advertising and Sales Literature will utilize the workflow in Laserfiche Forms. A template is completed with required information and a submission of the material necessary in the review of the piece is included in the submission. If approved, a copy of the material is automatically moved to the representatives Marketing Collateral folder in Laserfiche where it is archived.

SOCIAL MEDIA - Communications

FOCUS AREA

SUPERVISION

REGULATION

FINRA Rule 3110

RESPONSIBILITY

Supervising Principals

PROCEDURE

Our Supervising Principals will oversee our policy regarding granting permission to communicate, or to permit our associated persons to communicate, through social media sites. Should such persmission be

granted, we must retain records of those communications as required by Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934 and FINRA Rule 3110.

Spire currently allows the use of Twitter, Facebook and LinkedIN for social networking. We require that all profiles be submitted to compliance for review and approval prior to posting. We only allow for static display of information, no interactive communication (blogs) are allowed. All content must be reviewed and approved prior to posting.

Our email capture vendor, Global Relay, also captures for us the Twitter and LinkedIN content pages and any changes. They currently do not offer capture of Facebook.

Prohibitions:

* Recommending a security through social media sites.

* Interactive electronic communications. All postings are static and must be pre-approved.

* Third party posts. Third-party content can be attributable to this broker-dealer if we have (1) involved ourselves in the preparation of the content or (2) explicitly or implicitly endorsed or approved the content. FINRA would consider such a third-party post to be a communication with the public by this broker-dealer or our personnel under an "entanglement" theory if we or our personnel paid for or otherwise were involved with the preparation of the content prior to posting. FINRA also would consider a third-party post to be a communication with the public by us or our personnel under the "adoption" theory if we or our personnel, after the content is posted, explicitly or implicitly endorses or approves the post.

All sites must also contain the proper disclosures required by FINRA Rule 2210 (d) (Member's Name). Additional disclosures required based on content may be provided by the use of a hyperlink.

Electronic Communications

Policy

Spire's policy will allow for electronic communications under certain conditions:

- Associates will utilize approved venues for communications
- All communications must be of a professional nature
- All communications must be submitted for approval and archive

Consent to Policy

Use of Spire Securities' electronic communications systems represents the employee's consent to the terms outlined in this Policy, including consent for Spire Securities to monitor and audit content and/or usage.

Regulation

FINRA requires that all member firms put into place policies & procedures to insure compliance with the regulations regarding electronic communications, as outlined in Rule 2210.

Regulation: FINRA Rule 2210

Responsibility

Our CCO is responsible for creating these policies and procedures and providing them to our supervising principals who are responsible for educating and monitoring the communications of our registered associates.

Representatives are responsible for adhering to these procedures regarding communications in the context of their practice.

The compliance department as well as supervising principals will be responsible for monitoring the communications within Global Relay for adherence to our electronic communications policy. Spire's compliance principal, as well as supervising principals, will log into Global Relay at least on a weekly basis and do a review of a sample (5%) of emails, along with the other forms of electronic communications being captured, from the prior week. This sampling will be created from a targeted group of emails that contain certain works and phrases (the lexicon) selected by Spire.

Communications with the public, regardless of the category and or how it is delivered (electronically, postal mail, hand delivered, etc.), must be captured, archived and retained for a minimum period of time if received by or delivered by a representative of Spire.

The following definitions apply to Spires's interpretation & implementation of FINRA Rule 2210:

- **Correspondence:** Any letter/note/message (including account statements & reports) emailed, sent/hand delivered to a single individual or entity.
- **Retail Communications**: Any letter/note/message emailed, sent/hand delivered to more than one individual or entity regardless of content. For the purposes of this policy, Retail Communications is also considered advertising.
- **Advertising:** Includes, but is not limited to;
    - Any correspondence sent to more than one individual or entity

- Any electronic website posting e.g. proprietary website, LinkedIn, Facebook, Twitter, etc. NOTE: After approval, subsequent changes/updates require pre-approval prior to posting.
- All third party reprints either sent to clients/prospects/entities or posted to an approved website.
- Advertising and invitations for any client/prospect/entity function/event including, but not limited to, seminars, events (e.g. open house, shredding events, etc.).

All written communications are to be captured in Laserfiche. Spire's policy is that a mailing going to only one person or entity does not need to be pre-approved however, it must be submitted through Laserfiche for post-delivery approval. Any mailing going to or available to more than one person or entity must be pre-approved. Items submitted for review and approval (whether or not Correspondence, Retail Communication or Advertising) will be electronically initialed (using the Laserfiche template) to indicate if Approved and the Principals initials. Laserfiche electronically dates and timestamps the file. The piece may also be stamped with the Principals electronic signature and manually dated and time-stamped. Once an item is pre or post approved it will be stored electronically in a Correspondence file. All incoming postal delivered correspondence is to be handled similarly by being submitted and stored in Laserfiche.

Consistent with FINRA Rule 2210(d), correspondence and/or electronic communication sent by a RR of Spire Securities must meet the general standards of good taste and accuracy and should fairly represent the products or services included in the communication. Promissory, exaggerated, or false statements as well as language inferring guarantees are not permitted. Projections and predictions are not permitted. Past performance is not a guarantee of future performance and should be identified as such if included in advertising or sales literature. Portraying the performance of past recommendations or actual transactions must include an acceptable universe over a reasonable period of time.

Spire Securities has adopted the following Content Standards:

- Must be based on principals of fair dealing and good faith
- Must be fair and balanced
- Must provide a sound basis for evaluating the facts of the security, securities product, or service being discussed
- No material facts may be willfully omitted from a communication
- False, exaggerated, unwarranted or promissory claims may not be made in any communication
- Information may be placed in a footnote or legend in the event that such placement would not inhibit the investor's understanding of the communication
- Statements must be clear and not misleading within the context in which they are made and provide a balanced treatment of risks and potential benefits
- The nature of the audience must be considered when writing a communication
- May not predict or project performance, imply that past performance will recur or make exaggerated claims, opinion, or forecasts

- Comparisons in communications between investments or services must disclosure the differences between them, including (as applicable) investment objectives, costs and expenses, liquidity, safety, guarantees or insurances, fluctuation of principal or return, and tax features
- References to tax-free or tax-exempt income must indicate which income tax when taxes apply, or which do not, unless income is free from all applicable income taxes
- May not characterize income or investment returns as tax-free or exempt from income tax when tax liability is just postponed or deferred
- Should a communication include a product or service recommendation, the recommendation must have a reasonable basis
- May not refer, directly or indirectly, to past specific recommendations that were or would have been profitable to any person
- May not represent or take ownership of a piece that was created by a third party. Ownership of the piece should be clearly represented.

COMMUNICATIONS WITH THE PUBLIC

The Advisers Act Rule 204-2 ("Books and Records Rule") requires advisers to make and keep certain books and records relating to their investment advisory business in non-rewritable and non-erasable format. While the definition may seem vague, the SEC Rule states that if a communication, regardless of where it takes place, relates to firm business, it must be retained and supervised. Investment Advisor Representatives ("IARs) must follow Firm rules that allow for this archiving of communications with all devices.

FINRA Rule 2210, on the other hand, governs three categories of communications by FINRA member Broker/Dealers: Correspondence, Retail Communications, and Institutional Communications. The Rule sets forth requirements relating to: (i) approval, (ii) review and recordkeeping of communications, (iii) filing requirements and review procedures, and (iv) content standards.

Spire Wealth Management, LLC and Spire Securities, LLC has established this policy and various procedures for Supervised Persons of the Registered Investment Adviser and Broker/Dealer, respectively, regarding business communications. This policy includes the following sections: Correspondence, Retail Communication, Content Standards, and General Communication Policies. This is an important policy; all Supervised Persons of Spire Wealth Management and Spire Securities, LLC are required to annually attest that they are familiar with and comply with this policy.

General Terms / Definitions

"Supervised Person" ("SP") *A Supervised Person is a registered person or a non-registered fingerprinted person. This includes all administrative associates and any individual associated with the Firm, Spire Wealth Management, LLC ("SWM"), including IARs, employees of IARs, Spire Securities, LLC ("SS"), including Registered Representatives ("RR"), RRs employees, and all Spire employees.*

"Correspondence" *is any written communication, including electronic, that is distributed or made available to 1 person. Types of correspondence include 1 to 1 messages (electronic or print), or documents / materials attached or distributed within a 1 to 1 communication exchange. Additionally, documents / materials as referenced are not altered or modified by the AP. Correspondence conducted under the Firm by an AP is limited to business communications.*

"Business Communication" *is any correspondence related to the Firm, or its customers, products, services, and Associated Persons. Generally, when referring to correspondence or communication in this policy, it infers that the communication is business-related.*

"Retail Communication" *is any written communication, including electronic, that is distributed or made available to more than 1 person. Types of retail communication include but are not limited to: Websites, Social Media Accounts & Activity, Announcements, Email Signatures, Videos, Podcasts, Seminars, etc. An exception that is also considered retail communication even though it may be delivered to 1 person is Altered or Modified Materials and Consolidated Statements.*

CORRESPONDENCE & COMMUNICATIONS

This section of the policy governs the transmission of **correspondence** for all Supervised Persons of the Firm. It includes: (i) Electronic Correspondence, (ii) Print Correspondence, and (iii) General Correspondence Policies.

ELECTRONIC CORRESPONDENCE / COMMUNICATIONS

Responsibility	1. Supervised Person (SP) 2. Compliance 3. Supervision
Resources	**<u>Terms / Definitions</u>** ***"Electronic Communication"*** *is a type of written communication transmitted through electronic means and channels, such as email, fax, text, instant message, and 1-to-1 messages through social media platforms, etc.* **<u>Technology / Systems Used</u>** My Rep Chat ("MRC")
Frequency	Ongoing
Action	Consistent with regulation, Spire and its SPs perform the following responsibilities and procedures when conducting electronic communication: **<u>Supervised Person:</u>** • Complete Spire's required onboarding process which includes the following items related to electronic communication: (i) Training course(s) pertaining to electronic communications and Attestation.

(ii) An entitlement form which provisions the SP with Spire's required and sponsored electronic communication channels, the three being: (1) a hosted email account, (2) an instant message ("IM") platform, and (3) an electronic fax system.

(iii) Attestation Form for Spire's optional electronic communication channels to: (1) document the SP's election status, (2) document the SP's attestation of understanding the policy(ies) for said channel, and (3) completion of the Firm's training (as stated above).

(iv) Various enrollment request forms for the Firm to properly set up and connect the optional electronic communication channels to the Firm's archiving system for those channels the AP has opted in to with MRC.

- **SP limits the transmission of their email communications through the Firm's sponsored and hosted email address.**

- **SP limits the transmission of their IM communications through the Firm's sponsored IM platform, My Rep Chat.**

- **SP limits the transmission of all other electronic communication types to only the following: (1) communication channels and platforms that have been approved by the Firm, and (2) communication channels and platforms where**

SP has completed the Firm's enrollment process. If not an approved channel / platform, and not enrolled, SP is strictly prohibited from using that form of electronic communication.

- Adheres to policies related to privacy and confidentiality, encryption, safeguarding, prohibitions, etc.

- Executes any corrections to correspondence or attends training as requested by Compliance or Supervision.

- Accurately completes Spire's Annual Questionnaire, which includes questions related to SP's correspondence, and the various channels and /or platforms used by SP to conduct electronic communication.

- Completes Spire's annual attestations to renew SP's understanding of policies related to electronic communication, and to document the continued or discontinued enrollment in Spire's optional electronic communication channels.

- If applicable, submits a formal request to Spire's Compliance Department requesting the Firm review and add an alternative electronic communication channel or platform not currently approved by the firm.

<u>Compliance:</u>

- In conjunction with other home office departments of the Firm, manage and document the onboarding process of all SPs, which includes the SP's entitlement

form to set up the required Firm hosted email address and instant message user, and their election / enrollment status with other Firm approved optional electronic communication channels / platforms.

- Maintain a list of the firm's election and enrollment status for its SPs regarding the Firm's approved but elective electronic communication channels and platforms in order to reconcile and perform ongoing reviews and control checks for electronic communication.

- Perform reasonable and ongoing reviews of electronic communication for all SPs and check for adherence to Spire's policies and procedures. Electronic communications marked for review are identified through the use of lexicons, election status lists, proximity searches, and random sampling. Reviews are conducted by properly licensed members of Compliance.

- Communications that are found to be deficient, Compliance member follows up with SP to address the deficiency; and, if applicable, any corrective action or consequence. SP's Designated Supervisor will be copied on the follow up communications, including SP's employees.

- Internal electronic communications are reviewed and addressed in a substantially like manner as described in the bullet point above. Deficiencies will be reported to the CCO. Spire executive electronic communications are reviewed by the CCO, and deficiencies addressed by the CCO.

- Establish and execute disciplinary action for violations of the Correspondence policy and procedures (See Disciplinary Actions for Non-Adherence).

- Assign or conduct training for the SP as needed.

- As requested, perform due diligence on proposed alternative electronic communication mediums, channels, and /or platforms, and either approve or reject.

-

- On a quarterly basis, review list of opt-outs with Supervision to examine incidences of non-compliance with policy.

Supervision:

- For registered SPs, Supervisors will perform periodic reviews of electronic communications regarding specific customer related activities.

- As needed, the Supervisor follows up with assigned SPs to address any unexplained communication and / or activities that may violate Spire's supervisory policies and procedures.

	• As needed, report violations to Compliance. • As requested by Compliance, conduct training for the SP.
Record	Copies of communications are executed via email and archived in Global Relay. Reviews are executed and maintained in Global Relay Archive.

APPROVED ELECTRONIC COMMUNICATION CHANNELS & PLATFORMS

There is a vast number of communication mediums, channels, and platforms that transmit electronic communication. Not all channels or platforms can be or are captured in an archiving system; it is dependent on whether the electronic communication platform, connects and shares data with the Firm's archiving vendor.

Spire's archiving vendor is Global Relay Archive. Global Relay Archive captures electronic communication transmitted through platforms that are set up and properly connected to the Firm's Global Relay Archive database. The following is a list of the Firm's approved electronic communication channels and/or platforms to transmit instant messages/texts:

Business Communication Medium Type	Required / Optional	Firm Approved Channel / Platform
Email	Required	Microsoft Exchange through the Firm's Cloud, Workplace Stronghold
Fax	Required	Interfax
Text Message	Optional	My Rep Chat
Instant Message	Required	Microsoft Teams
Social Media 1 to 1 Message	Optional	LinkedIn (Individual and Business Profiles) Twitter (Individual and Business Profiles)

All electronic communications must be transmitted solely through the Firm's approved channels and/or platforms as listed above. As previously stated, the Firm sponsors certain channels and/or platforms to support compliant transmission of the most common forms of electronic communication: email, fax, and instant message. Access to these channels and/or platforms are provisioned at the time of the SPs onboarding and required to be used accordingly by all SPs of the Firm. All other channels and/or platforms are optional, and prior to using, the SP must complete the Firm's election, attestation, and enrollment process for proper set up and connection to the Firm's archiving system.

Any electronic communication transmitted outside of the Firm's approved channels and platforms, or prior to proper archival set up is a violation of this policy. The consequences for violations will be commensurate with the actions taken by the SP and could range from fines, and for repeated violations, termination. See Disciplinary Actions for Non-Adherence.

EMAIL

All SPs are required to have a business email address and the Firm requires this email to be hosted by the Firm's email exchange. All emails related to business communications must be sent and received to and from APs business email address. The use of a personal email address is strictly prohibited.

FAX

All independent financial practices are provisioned an electronic fax number and system to transmit faxes to conduct business. Confidential information may not be sent to a public fax shared with another entity. Any practice wishing to set up their own independent fax system must seek Compliance approval and arrange for documents to be also automatically transmitted to Spire.

TEXT MESSAGE

The Firm has approved My Rep Chat for text messaging business communications. The following are the requirements for texting clients:

As discussed earlier, the Firm has adopted the My Rep Chat platform to enable access to texting from a business line phone number. Communication with clients via text through this work number will be compliant with SEC and FINRA regulations as messages can be reviewed and archived. Supervised Persons ("SPs") will have the choice to opt out of the program at enrollment. If opting out, the SP is strictly prohibited from using personal numbers to text with clients.

1. Complete mandatory training regarding electronic communications related to texting, regardless of opting in or out, to understand the scope of the policy and the ramifications of non-compliance and violations.
2. Complete the "Electronic Communications Attestation for Text Messaging" by confirming the training completion date.
3. Select the opt-in or opt-out option by initialing next to the appropriate choice.
4. If opting in, training will be provided by the vendor to install, access, and utilize the My Rep Chat app on your cellphone.
5. Texting is not considered a secure medium of communication for confidential information. As a result, this tool does not support the delivery of attachments. Encrypted work email would be the appropriate method of sending such files.
6. It is appropriate to instruct the client to use your text-enabled business phone number to communicate with you regarding investment-related matters. It's also appropriate and convenient to use the MRC message tool to reply to the client's communication, which conveniently changes the number on the client's next reply.
7. Email signatures need to be updated to reflect office number, cell number, text number and fax.
8. Other important requirements for adherence:
    a) Trading instructions may never be texted, similar to the policy of messages included on voicemails and emails. These instructions must be communicated directly to the Advisor.
    b) Mass or group texts are not allowed.
    c) Texting client sensitive or non-public personal identifying information including account numbers, social security numbers, date of birth, etc. are strictly prohibited.
    d) Accepting/processing asset movement transaction instructions/requests are strictly prohibited.
    e) Recommending new products and/or services via text messaging is not allowed.

INSTANT MESSAGE

The Firm has apportioned Microsoft Teams as the approved system for instant messaging. Instant messaging is required for all digital business communications between SPs and other SPs, as well as

employees.

SOCIAL MEDIA (1-TO-1 MESSAGES)

SPs may not send or conduct business communications over personal social media accounts. If a person posts or messages a business-related question or request on the SPs social media account, responses may only be made from one of the Firm's approved electronic media. (Business / Professional Profiles only)

GENERAL ELECTRONIC COMMUNICATION POLICIES

(i) The Firm's electronic systems or communications devices are for business purposes and electronic communications must conform to accepted business standards and regulatory requirements.
(ii) Personal computers or devices may be used for business purposes, unless specifically not approved by Spire's Compliance Department.
(iii) All devices with access to the Firm's hosted business email must be password protected.
(iv) Confidential electronic communications must not be sent on portable devices in public places unless encrypted.
(v) Do not view confidential information on devices where unauthorized persons may have access, such as public places.
(vi) Safeguard portable devices to avoid unauthorized access to firm business. Close open pages and sign out when the device is not in use.
(vii) Safeguard passwords.
(viii) Personal use of the firm's email and any other electronic systems is strongly discouraged.

DISCIPLINARY ACTIONS FOR NON-ADHERENCE WITH ELECTRONIC COMMUNICATION POLICY

All Supervised Persons and their employees, whether opting in or out, will be subject to the same strict policies established herein this rule. Regulation states that if an electronic messaging platform is in place, and the SP or related employee, doesn't use the medium to communicate with their clients or potential clients, they must be held accountable for their actions. As a result, **the following activities would be a violation of the policy: SENDING, REPLYING, OR COMMUNICATING IN ANY MANNER ON AN UNAPPROVED ELECTRONIC MEDIUM WITH A CLIENT, POTENTIAL CLIENT, OR ANY INDIVIDUAL/ENTITY FOR PURPOSES OF BUSINESS COMMUNICATIONS OUTLINED EARLIER.** There are no exceptions or excuses (i.e. technology failures, error in platform selection, inexperience with the My Rep Chat application, etc.) that will be accepted in breaches of policy.

1st Violation: $1,500 Fine

2nd Violation: $2,500 Fine and reporting to FINRA pursuant to Rule 4530 (a)(2) ["Member firms also are required to report multiple instances of different violative conduct by an associated person where such violations are significant in nature or result in significant customer harm. In addition, member firms should note that certain disciplinary actions taken by firms against associated persons, such as when an associated person is fined by a member firm in excess of $2,500, must be reported under FINRA Rule 4530(a)(2), rather than as an internal conclusion of violation under FINRA Rule 4530(b)."]

3rd Violation: Termination. U-5 Disclosure with language "Failure to follow Firm's policy and procedures regarding electronic communications".

PRINT CORRESPONDENCE

Responsibility	1. Supervised Person (SP) 2. Compliance
Resources	**<u>Terms / Definitions</u>** ***"Print Communication":*** *Any written communication that relates to the Firm, or its customers, products, services, and employees.* **<u>Technology / Systems Used</u>** Laserfiche
Frequency	Ongoing
Action	Consistent with regulation, the Firm and its SPs perform the following responsibilities and procedures when conducting print communications. **<u>Supervised Person:</u>** • Correctly identify all print communication that qualifies as correspondence, such as letters, proposals, consolidated statements, client reviews, etc. *(see above definition of correspondence)* • After delivery or receipt of a print communication, submit a copy to Compliance via Laserfiche using the Correspondence workflow. • Execute any corrections or attend training as requested by Compliance. **<u>Compliance:</u>** • Review print communications submitted to Correspondence in Laserfiche and check for adherence to Spire's policies and procedures. • Mark the correspondence submission as either accepted or rejected. If rejected, document all notes on the correspondence file in Laserfiche. Notes include the reason for rejection, and as needed, list any action items required to be completed by the SP to resolve the issue. • Establish and execute disciplinary actions for repeated violations. • As needed, assign, or conduct training for the SP.
Record	

	Copies of print communications and evidence of review are executed and maintained in Laserfiche.

GENERAL CORRESPONDENCE POLICIES FOR ALL MEDIUMS

(i) Correspondence / written communications must include current and valid information.
(ii) References and / or links to web sites may be a form of Advertising / Sales Literature requiring prior approval from the Compliance Department.
(iii) Copyrighted material cannot be sent unless authorized by the creator. Contact the Compliance Department for assistance.
(iv) Consider correspondence / written communications as public communications. Do not confuse phone conversations or face-to-face conversation with electronic or print communications; they are subject to review and retention and may be the subject of subpoena in a civil or regulatory action.
(v) Inappropriate communications (i.e. profanity, obscenity, threats, or otherwise offensive content) are prohibited. Threatening or harassing communications should be reported to the CCO.

Social Network sites: Spire approved sites include Facebook, LinkedIn and Twitter.

Spire's policy on the use of *Social Networking sites' interactive communications* will require all LinkedIn users to accept the Global Relay capture of their interactive communications. Twitter electronic communications are also able to be captured through and archived in Global Relay. We currently do not have a means to capture any communication through Facebook therefore no interactive communication may take place on that site.

All Correspondence, Retail Communications and Advertising both written and electronic must contain the required (dependent upon content) disclosures.

17a-4 requires that we maintain correspondence for 3 years. As the Advisors Act calls for 5 years, we will archive all correspondence for 6 years before deleting.

Prior to establishing a social networking site on LinkedIN and Twitter, associates will submit to compliance a template of the information to be contained on the site. Once approval is granted, an acknowledgement from the associate that Global Relay will be capturing the electronic, interactive communications conducted through the sites.

For establishing a Facebook site, the associate must provide the compliance department with a template of the information to be posted. This Facebook site should only be utilized for business related matters. Spire does not require a submission or review of sites set up for strictly personal use.

Cold Calling/Telemarketing

Cold calling is not currently approved for use by Spire.

Customer Agreements

REGULATION

FINRA RULE 2200

RESPONSIBILITY

Our supervising principals are responsible to see that the representatives under their supervision are only utilizing firm approved documents that contain the appropriate language on any agreements or in a separate document and confirm:

- The customer has received a copy of the document;
- The customer has read the document; and
- The customer understands the document.

Designated supervising principals are responsible to see that, at the time a new account is opened, the client receives and acknowledges receipt, in writing, of appropriate agreements. We will maintain documentation of this review of receipt of the acknowledgement, evidenced by initials and dates.

Procedures and Documentation

All customer agreements that we are required to give clients (i.e., margin agreements, disclosure agreements regarding options, penny stocks, privacy disclosures, new account forms, as well as mutual fund/variable product applications and subscription documents if these are used in lieu of new account forms, etc.) must contain language whereby the customer acknowledges receipt of the document.

During client and or annual reviews we will confirm that all appropriate disclosures and attestations are contained in the client files. We will maintain documentation of all such reviews, including any

deficiencies noted, and the steps taken to determine why such deficiency exists and corrective measures taken.

Identity Theft Prevention: Safeguarding Confidential Customer Information

FOCUS AREA

ADVISORY/SUPERVISION

REGULATION

SEC Regulation S-P

RESPONSIBILITY

Our CCO as well as senior management will provide guidance and training so that all associated personnel are mindful of the importance of safeguarding customer information, of working with internal or third-party technology experts to understand risks involved with technology, are aware of the risks and possible changes in policies and procedures required when a new technology is implemented anywhere within the firm, and understand what safeguards, such as encryption or biometric technology, can effectively be implemented to eliminate or minimize these risks.

In addition, the CCO working with senior management must see that measures are in place to restrict or control the ability to access client information from any third-parties, including CRM systems, in order to review, delete, or perform security assessments, as necessary.

Background

Regulation S-P (Privacy Rules) calls for policies and procedures that address the protection of customer information and records. However, additional issues surrounding possible identify theft are not covered under Regulation S-P. For instance, the fact that many individuals telecommute, work from their homes, or work while traveling, increases the possibility of identity theft through lost laptops or through access by unauthorized individuals. Wireless connections (Wi-Fi) are more easily intercepted than those required to tap into a physical wire. Remote access to corporate networks through Virtual Private Networks (VPNs) or other technology, while raising similar concerns, can more easily be addressed through the use of firewalls, routers, filters and other means to guard against intrusion.

Procedure

Regulation S-P will be reviewed, with appropriate documentation maintained, as outlined in that section of these WSPs.

Associated personnel will receive training on the importance of safeguarding customer information. Such training will caution individuals that they must logout of computers when they are not being utilized, not maintain too much information on their laptops ,and always be aware of what information is contained thereon. This information will be vital in case of laptop loss or theft. Training will also emphasize that the theft or loss of a laptop must IMMEDIATELY be made known to either the CCO or to the individual's immediate supervising principal.

Introducing Broker-Dealer Best Execution

FOCUS AREA

ADVISORY

REGULATION

FINRA Rule 5310

RESPONSIBILITY

Our CCO, working with Trading and Compliance, will make all reasonable efforts to detect instances in which it appears that best execution was not obtained and deter future instances.

Procedure

As a fully-disclosed, introducing firm, we direct all order flow to our clearing firms and the clearing firm is responsible for ensuring that all measures are taken to obtain best execution for the customer. However, this does not relieve us from having best execution responsibilities. To this end, our AVP/Compliance and VP Trading/Operations will ensure that the following are undertaken:

Quarterly Reviews

Verification of receipt (on a quarterly basis) from our clearing firm evidence (numerical, statistical, other) of best execution

Annual Reviews

- Verification of receipt (on an annual basis) of "FINRA's Best Execution Report Card" from our clearing firm, if available to the public. Pershing does not share FINRA's report card, rather they produce an Execution Quality Scorecard Should such "report card" not be positive, the clearing firm will be contacted for further investigation. Based on the findings of such investigation, it may be necessary to recommend to management that we consider changing clearing firms.

Documentation

- All materials received and/or reviewed to determine the level of best execution for our clients by our clearing firm will evidence such review by initialing the document.
- Any concerns requiring further investigation will be documented and attached to the appropriate reviewed document, along with resolutions or corrective action taken.

Privacy (Regulation S-P)

Annual Notice to Customers

FOCUS AREA

ADVISORY

REGULATION

SEC Regulation S-P

Responsibility

Our CCO will see that we have policies and procedures to comply with all regulations under Regulation S-P (privacy regulations).

Procedure

Unless we are exempt from Regulation S-P (broker/dealers with ONLY institutional customers are exempt) our CCO is responsible for ensuring that we provide annual privacy notices to our customers, "during the continuation" of a customer relationship.

We have opted to select a calendar year as the 12-month period within which notices will be provided, in addition to the original account opening. The notice is included in our custodian's quarterly statement mailing.

Our CCO is responsible for determining the nature of our annual notification (i.e. a simplified notice if we do not disclose, and do not wish to reserve the right to disclose, nonpublic personal information to affiliates or nonaffiliated third parties).

Our CCO is also responsible for ensuring that records concerning the annual notices are maintained in compliance with Exchange Act Rule 17a-4, indicating to whom the notices were sent and the dates.

Disclosure Rule Compliance

Responsibility

Our CCO will ensure our compliance with all regulations under Regulation S-P.

Procedure

All broker/dealers must be in compliance with the requirements under SEC Regulation S-P, its rule on privacy of consumer financial information, as required under the Gramm-Leach-Bliley Act.

Unless we claim an exemption from Regulation S-P (see "Privacy Regulation S-P Exemption" section in these WSPs), our CCO will ensure that we are in full compliance with the Regulation.

Under Regulation S-P, we are required to deliver **initial** and **annual** privacy notices that describe in general terms the firm's information sharing and collection practices. Regulation S-P calls for such disclosures to give **"clear and conspicuous"** notice of a firm's privacy policies and practices.

The initial notice must include, in general but clear terms, our practices on information sharing and collection practices.

If we provide non-public personal information about consumers to nonaffiliated third parties, the initial notice must also contain the "opt out" provision required by Regulation S-P.

Where possible, the notice will be given in person to the individual upon the account being opened. Proof of such delivery (via client signature) will be maintained in the client files.

When it is not possible to physically give the notice to the client, the notice will be mailed out (by our CCO) no later than 48 hours after the account has been opened. Hard copy proof of such mailing will be placed in the client file.

We may not, directly or through any affiliate, disclose any nonpublic personal information about a consumer to a nonaffiliated third party, **unless**:

- We have provided the required initial notice of its privacy policies;
- We have provided the required "opt out" notice in "clear and conspicuous" language;
- We have delivered a reasonable opportunity to "opt out"; **and**
- The investor does not "opt out."

Our CCO is responsible for ensuring that non-public personal information is being shared with a non-affiliated third party ONLY if the above four factors have been complied with.

If we do not currently disclose any non-public personal information, the "opt out" provision can be included with the initial privacy notice, stating that the investor can at this time "opt out" from any possible future information sharing activities.

If this is not done, however, our CCO is responsible for ensuring that opt out provisions be delivered to all customers, with sufficient time for them to opt out, prior to undertaking any information sharing which would trigger the requirements under Regulation S-P.

Regulation S-P requires that customers be given a "reasonable" period of time (30 days) to exercise their opt out right.

Proof that the Initial Notice with the "opt out" provision was sent to the investor upon opening of an account must be maintained in our client files. An initial review of customer files will be undertaken, during account opening, under the supervision of our CCO, to ensure that we are adhering to all required aspects of Regulation S-P. Documentation of such review will be retained in the files, indicating the dates, name(s) of individual(s) conducting the review, findings and any corrective measures taken, if applicable.

Disposal of Consumer Report Information

Policy Requirements

The SEC adopted amendments to Regulation S-P implementing the provision in Section 216 of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act). This amended the Fair Credit Reporting Act (FCRA), by requiring that *"any person that maintains or otherwise possesses consumer information, or any compilation of consumer information, derived from consumer reports for a business purpose, properly dispose of any such information or compilation."*

The FCRA defines a consumer report as *"any written, oral or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for (a) credit or insurance to be used primarily for personal, family or household purposes, (b) employment purposes or (c) any other purpose authorized under section 604."*

Further definitions, such as that of a "consumer reporting agency" as well as some exclusions from the definition, may be found in SEC Release Nos. 34-50781, IA-2332, IC-36685: Disposal of Consumer Report Information.

Exclusion - Information that does not identify particular consumers is not covered under this disposal rule. A person is deemed to be identified based on name and a variety of other personal identifiers such as, but not limited to, social security number, phone number, physical address, and email address.

Disposal means (a) the discarding or abandonment of consumer report information; or (b) the sale, donation, or transfer of any medium, including computer equipment, on which consumer report information is stored.

Procedures and Documentation

Our CCO will ensure that an appropriate program is put into place with policies and procedures guiding the disposal of consumer report information.

Our CCO will ensure that appropriate disposal is undertaken and that we adhere to the requirements under the Disposal of Consumer Report Information, Section 216 of the FACT Act by *"taking reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal."*

Our CCO will determine the appropriate times and methods of disposal, taking into consideration the following procedures that might be followed:

- policies and procedures that require the burning, pulverizing, or shredding of papers containing consumer report information so that the information cannot practically be read or reconstructed; and
- destruction or erasure of electronic media containing consumer report information so that the information cannot practically be read or reconstructed.

After due diligence efforts are completed, we will enter into a contract with another party engaged in the business of record destruction to dispose of material, specifically identified as consumer report information, in a manner consistent with the disposal rule.

Firewall for Opt-Outs

Responsibility

Our CCO must ensure our compliance with all requirements under Regulation S-P.

Procedure

Our CCO is responsible for ensuring the physical safeguarding of information and the testing of our firewalls to ensure that appropriate procedures are in place to guarantee that no information is shared about those customers who have opted out.

Documentation concerning the firewalls put into effect and the procedures for ensuring their effectiveness will be retained in the files, appropriately distributed (with distribution list and dates noted in the files as well).

In addition, our CCO will (on a quarterly basis) review all data bases utilized for the sharing of information against a list of all customers who have indicated they do not want any information to be shared.

If individuals who have "opted out" are included on such data base lists, he will ensure that steps are taken immediately to have them removed and the procedures will be reviewed to determine whether or not modifications are needed.

Documentation as to all such reviews will be retained in the files, including dates, name(s) of individual(s) who undertook the review, findings and corrective measures taken, if applicable.

This quarterly review will also constitute a testing of our "firewalls" to determine if our system needs to be changed in any manner to more adequately ensure privacy where requested. Any changes to our procedures concerning this effort will be documented and retained in our "privacy" files.

Information Sharing Exceptions

Procedures and Documentation

We are permitted to share information with a nonaffiliated third-party without providing the consumer a right to opt-out if the third-party will perform services for us such as the marketing of this firm or our services under a joint agreement. When utilizing this exception, our CCO will ensure that we:

1. Disclose this information sharing arrangement in our privacy notices; and
2. Separately contract with, or amend, the existing contract with the third-party to require such party to maintain the confidentiality of the information and restrict its use as provided in the

joint agreement. (e.g., an agreement with a depository institution to promote our products and services on the bank premises.)

We may disclose information about servicing or processing financial products or services requested by the consumer, or with maintaining or servicing a consumer account (i.e., utilization of a clearing firm).

If we intend to use the exception, our CCO will ensure that we make the correct distinctions between consumer and customer. Under Regulation S-P consumers need not receive either the initial or the annual notification unless we share information with third parties. A consumer is one who has no ongoing customer relationship with this firm - i.e., they may have made a one-time purchase or received a one-time service.

Safeguarding Security of Customer Information

Responsibility

Our CCO must ensure that appropriate policies and procedures are carried out in a timely and appropriate manner, and that adjustments are made based on internal testing and review, new technology, new or amended rules and regulations or any other matter that may impact the security of customer information. Our CCO will review, among other materials, Notice to Members 05-49, to ensure that we meet our obligations regarding the protection of customer information.

Procedure

Our CCO is responsible for ensuring that we undertake, and document, appropriate steps implementing a comprehensive information security program that is tailored to our information retention system and the needs of our customers. This includes administrative, technical and physical safeguards appropriate to our size and complexity and the nature and scope of our activities.

Our CCO is responsible for ensuring that our program is designed to

- Ensure the security and confidentiality of customer information
- Protect against any anticipated threats or hazards to the security or integrity of such information, and
- Protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer

To meet the goals of our information security policies, underlying standards and procedures have been developed. The policies may be changed over time as business processes and technology changes. The security standards are based upon accepted security practices.

Our CCO will ensure that sufficient information is maintained in the files documenting all relevant information concerning how our safeguarding program was developed, what the specific policies and procedures are, what the interaction is between Compliance and IT individuals responsible for maintaining the system, etc. In addition, information relevant to how the following 8 specific security-related standards have been, and continue to be, handled will be documented, including modifications made to relevant policies and procedures.

General Information Security Standards

Security standards encompass all aspects of the organization that affect security. This includes not just computer security standards but also such areas as physical security and personnel procedures.

Examples of important security standards include

- Access controls on customer information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing customer information to unauthorized individuals who may seek to obtain this information through fraudulent means (e.g., requiring employee use of user ID numbers and passwords, etc.)
- Access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals (e.g., intruder detection devices, use of fire and burglar resistant storage devices)
- Encryption of electronic customer information, including while in-transit or stored on networks or systems to which unauthorized individuals may have access
- Procedures designed to ensure that customer information system modifications are consistent with the firm's information security program (e.g., independent approval and periodic audits of system modifications)
- Dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for, or access to, customer information (e.g., require data entry to be reviewed for accuracy by personnel not involved in its preparation; adjustments and correction of master records should be reviewed and approved by personnel other than those approving routine transactions, etc.)
- Monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems (e.g., data should be able to be audited for detection of loss and accidental or intentional manipulation)
- Response programs that specify actions to be taken when the firm suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies
- Measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage or technological failures (e.g., use of fire resistant storage facilities and vaults; backup and store off site key data to ensure proper recovery)

Any information systems security programs utilized by us incorporate appropriate system audits and monitoring, security of physical facilities and personnel, the use of commercial or in-house services such as networking services, and contingency planning.

Physical Security Standards

- Client information shall not be left unattended in offices or conferences rooms unless these areas are secure.
- As a general practice, client files, documents, or other records shall be stored in locked cabinets or desks when not in use and, in all cases, secured at the end of each business day.
- Visitors shall not be allowed to walk unescorted in areas where client information is accessible.

- As a general practice, records or documents containing client information shall be destroyed or shredded before disposal.
- Our security policies and procedures of off-site record storage facilities will be periodically assessed (with notes maintained concerning any changes deemed appropriate, indicating when such changes were implemented).
- Protocols shall be established for locking down offices at the close of business and for access to offices after business hours.
- The effectiveness of physical access controls in each area, during both normal business hours and other times, shall be reviewed on a periodic basis, at least annually. We will maintain documentation of all such reviews, including information regarding any areas determined to have deficiencies, and the remedial actions taken and any other information relevant to such reviews.

Electronic Records Security Standards

- Personal computers (PCs) with access to client information shall not, as a general practice, be left unattended, in addition, screen savers/sleep mode will incorporate password protection.
- Password protections for access to network PCs, client network accounts, and e-mail user accounts are required and passwords are changed periodically. Users are trained to avoid easy-to-guess passwords, not to divulge their passwords, and not store passwords where others can access them.
- An appropriate schedule to back up electronic files is in place. Backup copies shall be tested to ensure that they are usable and are stored securely. Security measures have been implemented to prevent unauthorized access to backup copies.
- The firm's network monitors and logs access to files containing client information. Access to client information on our network is limited to those employees who require such access to service the client or conduct firm operations.
- Processes, as appropriate, have been developed for (1) requesting, establishing, and closing user accounts; (2) tracking users and their respective access authorizations; and (3) managing these functions.
- The need for the use of encryption technology will be considered in the event that we elect to communicate client information electronically.
- In instances where we may collect nonpublic personal information from persons visiting a website through log-in or such devices as "cookies," we have established appropriate policies to safeguard such information.
- At least annually, we will review and assess security measures designed to prevent unauthorized access to client information residing on the firm's website.

Contingency and Disaster Security Standards - Business Continuity

Our Business Continuity Plan (BCP) has encompassed the identification of mission- or business-critical functions that protect client information and resources that support critical functions.

Physical and environmental controls to anticipate contingencies or disasters and the use of test-scenarios have been employed to develop appropriate response plans to a wide range of potential events.

Employee Security Standards

- Employees are required to sign appropriate confidentiality agreements as part of their employment agreements. These are maintained in the files.
- We limit access to client information to those employees that require access to the information to either provide client services or conduct firm operations.
- At least annually, employees are reminded of the prohibition of disclosing client information over the telephone, or in response to an e-mail, unless they have clearly identified the person to whom they are communicating as either the client, a fiduciary representative of the client, or a party that needs the information to complete a transaction for the client (i.e., a clearing firm or other appropriate third-party). Employees are required to follow firm-wide practices to confirm the identity of persons requesting client information over the telephone or by e-mail by requiring personal identifying information, such as mother's maiden name or social security number, before releasing information.
- We have developed contingency plans for dealing with both friendly and unfriendly terminations to ensure that access to client information is discontinued as soon as possible. This includes, but is not necessarily limited to, removal of access privileges, computer accounts, control of keys, and return of firm property. Whenever possible, terminated employees receive a briefing on continuing responsibilities for confidentiality and privacy of client information.

Risk Assessment

Senior Management is responsible for taking reasonable and prudent measures to

- Identify foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration or destruction of client information or client information systems
- Assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of client information
- Assess the adequacy of policies, procedures, client information systems, and other arrangements in place to control risks and, when deficiencies are detected, make the appropriate recommendations to management in order to correct such deficiencies, and
- Maintain appropriate books and records reflecting all of the above

We will maintain documentation of Senior Management's input in the files, indicating names, dates and other relevant information.

Service Provider Arrangements

With respect to third-parties with which the firm shares client information or which have access to such information, we will

- Exercise appropriate due diligence in selecting service providers and make inquiry as to their security policies and procedures
- Require, when feasible, service providers by contract to implement appropriate measures designed to meet the objectives of our information security policies, and
- Where indicated by a risk assessment, monitor service providers to confirm that they have not shared or reused client information in violation of privacy rules

Website Postings

Responsibility

Our CCO must ensure compliance with all requirements under Regulation S-P.

Procedure

Our Privacy Policy can be found on our public website, www.SpireIP.com.

We do not currently use our website as the means to which we provide this initial or annual Privacy Policy, rather as a convenience to our clients and associates.

Securities Investor Protection Corporation (SIPC)

Advertising/Office Signage

Policy Requirements

Our CCO must ensure that we utilize appropriate SIPC office signage and that we comply with all SIPC issues related to advertisements.

Designated principals responsible for overseeing off-site locations are individually responsible for ensuring that the office signage as supplied to them by Compliance is appropriately displayed.

In addition to displaying evidence of SIPC membership in our place of business where it is clearly visible to any customers entering any one of our offices, we will include the statement "Member SIPC" in certain advertisements.

As a SIPC member we may use either of the following statements.

- "Member of SIPC, which protects securities customers of its members up to $500,000 (including $100,000 for claims for cash). Explanatory brochure available upon request or at www.sipc.org"; or
- "Member of SIPC. Securities in your account protected up to $500,000. For details, please see www.sipc.org."

In both cases, we may omit the words "Member of SIPC" if the official explanatory statement is used in conjunction with the official SIPC symbol.

No other language or SIPC references are permitted beyond the above.

Procedures and Documentation

Annually, we will review or audit all locations requiring display of SIPC signage. We will maintain documentation of these reviews in reports.

The principal responsible for ensuring that all advertising is approved by an appropriate principal prior to use must consider any SIPC disclosures we utilize when deciding whether to approve a piece of sales material.

Information Disclosure to Customers

Responsibility

Our CCO must ensure that we are in compliance with FINRA Rule 2266 (previously NASD Rule 2342).

Procedure

Supervising principals are responsible for ensuring that at the time of opening a new customer account the customer is given, in writing, documentation as to our SIPC membership, indicating that the customer can obtain information about SIPC (including the SIPC brochure) by contacting SIPC by phone (202/371-8300) or by going to the SIPC website (www.sipc.org).

Our CCO is responsible for:

> (a) undertaking an annual review of customer files to ensure that the required SIPC information has been given to clients upon account opening) and

Documentation of (a) above will be maintained by our CCO indicating dates, name(s) of person(s) undertaking the review, scope of review and any findings and subsequent remedial steps taken.

Assignment of SIPC Disclosure Requirement to Our Clearing Firm
If a determination is made that our clearing firm will send the required information to our clients (both at the time the account is opened and annually thereafter), such "assignment" of responsibility must be made in writing (either through an amendment to the clearing agreement or in any other manner) such documentation to be retained by our CCO.

SIPC Membership Requirements

Policy Requirements

As a SIPC member, we must maintain our membership in good standing by paying annual member assessment fees.

- The SIPC assessment effective January 1, 2019 will be .0015 of Net Operating Revenues.
- SIPC-6 (First Half General Assessment Payment Form): due with payment of the assessment no later than 30 days after the end of the first half of the firm's FYE.
- SIPC-7 (General Assessment Reconciliation): due 60 days after FYE, with payment of assessment balance due.

Procedures and Documentation

Our FINOP will ensure that we pay all SIPC fees in a timely manner and ascertain which method of payment is currently required by SIPC. We will maintain documentation of payments and notes regarding which method of payment is currently utilized by SIPC in the files.

In addition, our FINOP is responsible for working with our PCAOB accounting firm to ensure compliance with SEC Rule 17a-5(e)(4), which calls for, under certain circumstances, a supplemental report to be included with our annual audited financials.

Senior Investors

Diminished Capacity and Suspected Financial Abuse of Seniors

FOCUS AREA

Supervision

REGULATION

FINRA Rule 2165 (Financial Exploitation of Specified Adults)

FINRA Rule 4512 (Account documentation RE: Trusted Contact Person)

RESPONSIBILITY

Representatives that suspect that financial abuse or diminished capacity is suspected should immediately report the situation to their supervising principal.

The compliance department together with supervising principals must ensure that all registered personnel receive appropriate training through Firm Element/CE on the issue of senior investor financial abuse and the handling of accounts for individuals who appear to have diminished capacity.

PROCEDURE

In instances where we may be conducting an investigation into possible diminished capacity, we will take appropriate steps that may include restricting or limiting the account, contacting appropriate state agencies or authorities, contacting family members, etc. As permitted by rule 2165 we may place a temporary hold on disbursement of funds or securities from the Account of a Specified Adult if:

(A) The member reasonably believes that financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted; and

(B) The member, not later than two business days after the date that the member first placed the temporary hold on the disbursement of funds or securities, provides notification orally or in writing, which may be electronic, of the temporary hold and the reason for the temporary hold to:

(i) all parties authorized to transact business on the Account, unless a party is unavailable or the member reasonably believes that the party has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult; and

(ii) the Trusted Contact Person(s), unless the Trusted Contact Person is unavailable or the member reasonably believes that the Trusted Contact Person(s) has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult; and

(C) The member immediately initiates an internal review of the facts and circumstances that caused the member to reasonably believe that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted.

The temporary hold authorized by this Rule will expire not later than 15 business days after the date that the member first placed the temporary hold on the disbursement of funds or securities, unless otherwise terminated or extended by a state regulator or agency of competent jurisdiction or a court of competent jurisdiction, or extended pursuant to paragraph (b)(3) of this Rule.

Provided that the member's internal review of the facts and circumstances under paragraph (b)(1)(C) of this Rule supports the member's reasonable belief that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted, the temporary hold authorized by this Rule may be extended by the member for no longer than 10 business days following the date authorized by paragraph (b)(2) of this Rule, unless otherwise terminated or extended by a state regulator or agency of competent jurisdiction or a court of competent jurisdiction.

Record retention: We shall retain records related to compliance with this Rule, which shall be readily available to FINRA, upon request. The retained records shall include records of:

(1) request(s) for disbursement that may constitute financial exploitation of a Specified Adult and the resulting temporary hold;

(2) the finding of a reasonable belief that financial exploitation has occurred, is occurring, has been attempted, or will be attempted underlying the decision to place a temporary hold on a disbursement;

(3) the name and title of the associated person that authorized the temporary hold on a disbursement;

(4) notification(s) to the relevant parties pursuant to paragraph (b)(1)(B) of this Rule; and

(5) the internal review of the facts and circumstances pursuant to paragraph (b)(1)(C) of this Rule.

High-Pressure Sales Seminars Aimed at Seniors

Responsibility

Our CCO will work with designated supervising principals, sales managers and other appropriate personnel, to ensure their full understanding that disciplinary action will be taken if those at our firm engage in any inappropriate, high pressure or misleading seminars aimed at seniors.

Procedure

A firm Principal must pre-approve all seminars, in writing. Record will be maintained providing documentation of all scripts, handouts, dates, names of individuals conducting seminars to be attended by seniors, and any other relevant material.

The approving principal must be given the list of attendees for all seminars to which senior investors are invited.

Senior Designations and Credentials

Background

In Notice to Members 07-43, FINRA stated its concern about the proliferation of professional designations, particularly those that suggest an expertise in retirement planning or financial services for seniors, such as "certified senior adviser," "senior specialist," "retirement specialist" or "certified financial gerontologist." Regardless of how such titles are granted, seniors may be led to believe that these individuals are particularly qualified to assist them based on such designations.

FINRA Rule 2210 prohibits firms and registered representatives from making false, exaggerated, unwarranted or misleading statements or claims in communications with the public. This prohibition includes referencing nonexistent or self-conferred degrees or designations or referencing legitimate degrees or designations in a misleading manner. Firms therefore must have adequate supervisory procedures in place to ensure that their registered representatives do not violate this requirement. As with all supervisory procedures, these procedures should be written, clearly communicated to employees, and effectively enforced. The procedures should also indicate how approved designations may be used.

Responsibility

We will permit the use of titles or designations that convey an expertise in senior investments or retirement planning ONLY where such expertise actually exists. A pre-approval must be requested and provided by a firm principal. Our CCO must ensure that we do not violate FINRA Rules 2010 and 2210, and possibly the antifraud provisions of the federal securities laws by permitting such designations where specific expertise does not exist. Our CCO will also ensure that where such designations are permitted, we do not violate a state prohibition or restriction on the use of senior designations.

Procedure

As we do permit certain qualified associated personnel to utilize designations that include the words "senior," "retirement" or other titles implying expertise in dealing with senior investors, the use of these designations require prior approval before use. Our CCO requires written documentation concerning curriculum, examinations and continuing education components that validate the designations, prior to permitting the use of such designations.

Submission of any certification or designation must be made to our Spire Compliance department/Marketing review department. The request will be reviewed and either approved or denied by a firm principal. This approval or denial will be maintained in our Laserfiche files.

Suitability of Products and Services

Background

FINRA released Notice to Members 07-43 to remind firms that policies and procedures should be in place to address special issues that are common to many senior investors. The Notice also highlights a number of best practices that some firms have adopted to better serve these customers.

Responsibility

Our CCO must ensure that all registered personnel receive appropriate training regarding special concerns that should be taken into account when servicing senior investors.

Procedure

Our CCO will maintain documentation relating to all training given in this area. This training will typically take place during our Firm Element of CE.

Such training may cover, but will not necessarily be limited to, the following

- Asking either at account opening, or at a later point, whether the customer has executed a durable power of attorney. Some firms report that it is easier to have conversations with their customers about such sensitive issues as a matter of routine.
- Asking either at account opening, or at a later time, whether the customer would like to designate a secondary or emergency contact for the account whom the firm could contact if it could not contact the customer or had concerns about the customer's whereabouts or health. To avoid violating Regulation S-P, firms would have to clearly disclose to the customer the conditions under which the information would be used, and the customer would have the right to withdraw consent at any time.
- Asking the customer if he or she would like to invite a friend or family member to accompany the customer to appointments at the firm.
- Informing the customer where appropriate that, in the firm's view, a particular unsolicited trade is not suitable for the customer.
- Reminding registered representatives that it is important when dealing with customers, particularly seniors, to base recommendations on current information.
- Ensuring that all requirements under FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) have been met before any investment recommendations are made.

This review will ensure that information such as the following has been appropriately captured and taken into account when undertaking transactions on behalf of these accounts.

- Is the customer currently employed? If so, how much longer does he or she plan to work?
- What are the customer's primary expenses?
- What are the customer's sources of income? Is the customer living on a fixed income or anticipate doing so in the future?
- How much income does the customer need to meet fixed or anticipated expenses?
- How important is the liquidity of income-generating assets to the customer?
- What are the customer's financial and investment goals?

While not all seniors are, or should be, risk-adverse, and while no particular product, per se, is unsuitable for older investors, certain products or strategies pose risks that may be unsuitable for any seniors, because of time horizon considerations, age, liquidity, volatility or inflation risk.

We have designed an age of 75 to be the benchmark in our Trade Blotter to flag trades for further review.

Our reviews of senior-related issues will focus on transactions involving products that have (withdrawal penalties or otherwise lack liquidity), such as deferred variable annuities, equity indexed annuities, some real estate investments and limited partnerships; variable life settlements; complex structured products, such as collateralized debt obligations (CDOs) or cases where investors have mortgaged home equity for investment purposes or have utilized retirement savings, including early withdrawals from IRAs, to invest in high risk investments.

Suitability

Accredited Investor

Background

Under "the Act," there are two standards to determine whether an individual investor (that is, an investor who is a natural person, as opposed to a legal entity) is an accredited investor: the "income test" and the "net worth test."

Under the net worth test, an individual qualifies as an accredited investor if he or she has an individual net worth, or joint net worth with his or her spouse, that is at least $1 million. Previously, an investor could include the value of his or her primary residence in determining whether the investor's net worth met the $1 million minimum.

As a result of the Act's passage and immediately effective as of July 22, 2010, the value of an investor's primary residence is excluded in determining whether the investor's net worth meets the $1 million minimum.

Thus, for an individual investor to qualify as an accredited investor, he or she now must either:

1. Have an individual net worth, or joint net worth with his or her spouse, that is at least $1 million, excluding the value of the investor's primary residence; or
2. Have had individual income in excess of $200,000 in each of the two most recent years or joint income with his or her spouse in excess of $300,000 in each of those years and a reasonable expectation of reaching the same income level in the current year.

Responsibility

Our CCO and all individuals with responsibility for supervising sales and sales-related activities are responsible for ensuring that the new "accredited investor" definition has been disseminated to, and understood by, all appropriate personnel.

Change of Customer Investment Objectives

Procedures and Documentation

Our CCO must establish procedures to review and monitor changes made to customer investment objectives , in accordance with SEC Rule 17a-3(a)(17).

Under the direction of our CCO, quarterly we will perform a review of the policies and procedures to determine whether they are sufficient or need to be enhanced.

Investment Recommendations

Policy Requirements

To comply with FINRA Rule 2111, all investment recommendations made to a client must be suitable for the client, based on information obtained by the registered representative upon opening of the account. As of June 30, 2020, FINRA Rule 2111 no longer applies to any recommendations subject to Regulation Best Interest.

To know your customer, broker-dealers and their registered personnel must learn all essential facts relevant to every order, every customer, and every account opened or serviced. (FINRA Rule 2090 Know Your Customer)

Procedures and Documentation

Our CCO must ensure appropriate oversight through reviews, exception reports, audits, onsite visits, training, etc., to ensure that all investment recommendations are suitable under Rule 2111.

Our designated supervising principals will oversee the suitability requirements and documentation based on the client profile information.

DUE TO THE COMPLEXITY OF RULE 2111 AND THE ACCOMPANYING FINRA INTERPRETATIONS AND GUIDANCE, OUR CCO WILL ENSURE THAT ALL APPROPRIATE AFFILIATED INDIVIDUALS ARE GIVEN, OR HAVE ACCESSS TO, FINRA REGULATORY NOTICES 11-02 and 11-25, REQUIRING EVERYONE TO ACKNOWLEDGE RECEIPT AND FULL UNDERSTANDING OF BOTH.

Through our Continuing Education Firm Element Training Plan, our Annual Compliance Meeting, compliance alerts, discussions with supervising principals, and other means as deemed appropriate, all registered personnel are advised of what is considered a recommended (i.e., solicited) transaction (including what types of communication can be deemed to be considered a recommendation, as discussed in "Communications With The Public**:** Recommendations" herein), and that the client's investment objectives, risk tolerance, financial resources and level of sophistication and knowledge about financial matters and securities markets, and all other investor profile requirements, must be clearly understood by the registered representative servicing the account. Income, liquidity needs, time horizons, age, employment status, occupation, dependents and other relevant information must be considered and discussed with the client when determining investment objectives and making appropriate recommendations.

Non-Recommended Transactions

Our registered personnel are advised that suitability must be a concern even when accepting a non-recommended transaction. There have been cases where broker-dealers have been cited for unsuitable, non-recommended transactions, including cases when the registered individual STATES that a transaction was not recommended.

A supervising principal may not approve new account forms and the opening of a new account or undertake the first transaction unless the principal determines that we have obtained sufficient investor profile information.

We will utilize exception reports to indicate when a single investment represents an unacceptable percentage of a client's investment portfolio. This percentage can vary, but any over 30% will warrant immediate review.

For retail clients, any investment in excess of three hundred thousand dollars ($300,000) may require a financial statement no more than two years old.

We will review all transactions for appropriateness and suitability during our regular and random reviews of client accounts.

Transactions deemed unsuitable by registered individuals should not be processed without first consulting a supervising principal who may require a written disclosure from the customer acknowledging this firm's concern that the transaction is unsuitable and that the customer wants to proceed regardless.

If a trade appears unsuitable, the representative and his or her immediate supervisor will be contacted to defend their position that the trade was suitable.

Know Your Customer

Every effort will be made to obtain the following, or similar, information (as well as any other information deemed to be pertinent in terms of our making investment recommendations) on all new accounts and on all accounts as they are routinely updated.

- Title of account;
- Customer's full name/home address/home phone;
- Customer's employer/Customer's occupation/Customer's title;
    - Is Employer a broker-dealer?
    - Is the Customer affiliated with FINRA?
    - Is Customer associated with another broker-dealer?
    - Is Customer a public company officer/director/controlling stockholder?
- Spouse's employer/spouse's occupation/spouse's title, if applicable;
- Customer's employer address and spouse's employer address, if applicable;
- Name/address/relationship of third-party operating account;

- Type of account;
- Citizenship/age;
- Trusted Contact Person, if applicable;
- How the account was acquired/How long has the representative known the client?
- Bank references/other references;
- Previous investment experience;
- Other securities holdings;
- Investment time horizons;
- Liquidity needs;
- Income/net worth/tax bracket;
- Investment objectives;
- Initial transaction information;
- Social security/tax payer ID number;
- Signature of registered representative/signature of principal;
- Any standing instructions;
- Verification of registered representative's licensing/registration in customer's state of residence;
- Other brokerage accounts held by customer; and
- Is Customer related to/associated with an employee of this firm?

Supporting documentation to be obtained includes but is by no means limited to:

- Tax returns;
- Power of Attorney, if applicable;
- If the client is an Employee Benefit Plan participant, a copy of the plan document and written authorization executed by the plan trustee which expires and requires renewal on an annual basis.

All client files and records are subject to surprise inspections and/or review under the direction of our CCO.

Recommended Investment Strategies

Supplemental Material .03 to Rule 2111 states: The phrase *"investment strategy involving a security or securities" used in this Rule is to be interpreted broadly and would include, among other things, an explicit recommendation to hold a security or securities*.

The following communications are EXCLUDED from the coverage of Rule 2111 if they do not include (standing alone or in combination with other communications) a recommendation of a specific security or securities:

a. *General financial and investment information, including (i) basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment, (ii) historic differences in the return of asset classes (e.g., equities, bonds, or cash) based on standard market indices, (iii) effects of inflation, (iv) estimates of future retirement income needs, and (v) assessment of a customer's investment profile;*

b. *Descriptive information about an employer-sponsored retirement or benefit plan, participation in the plan, the benefits of plan participation, and the investment options available under the plan;*
c. *Asset allocation models that are (i) based on generally accepted investment theory, (ii) accompanied by disclosures of all material facts and assumptions that may affect a reasonable investor's assessment of the asset allocation model or any report generated by such model, and (iii) in compliance with Rule 2214 (Requirements for the Use of Investment Analysis Tools) if the asset allocation model is an "investment analysis tool" covered by Rule 2214; and*
d. *Interactive investment materials that incorporate the above.*

Our CCO will develop our internal policies and procedures covering investment strategy recommendations. FINRA Regulatory Notice 11-02 discusses principles that are relevant to determining whether a communication could be viewed as a recommendation for purposes of the suitability rule. In addition, Regulatory Notice 11-25 has some investment strategy FAQs. These policies and procedures will be disseminated to all appropriate associated personnel.

Liquefied Home Equity Recommendations

No affiliated personnel may make recommendations to an existing or potential customer to liquefy their home equity to purchase securities without having the transaction approved by an appropriate supervising principal PRIOR to the transaction. Immediately upon approval of the transaction, the information will be given to Compliance for further suitability review. If a determination is made that both the liquidation of equity and the initial transaction were NOT appropriate, no further transactions may be undertaken in the account without the prior written approval (i.e., initials and date) of an appropriate supervising principal and the CCO.

In addition to other suitability requirements, our CCO will require review of all transactions involving funds obtained by liquefying home equity as soon as possible after the initial transaction has occurred, to confirm that the files contain documented evidence that the following have been considered:

- How much equity does the investor have in the home?
- What is the level of equity being liquefied by investments?
- How will the investor meet any increased mortgage obligations?
- Is the mortgage or home equity loan at a fixed or variable rate?
- What is the investor's risk tolerance with respect to the funds being invested?
- What is the investor's overall debt burden?
- What is the sustainability of the value of the investor's home?

The files must also contain documented evidence that the customer has been provided with adequate risk disclosure information, including:

- The potential loss of their home;
- The fact that, unlike other potential lenders, we have an interest in having the proceeds of the loan used for investments which may generate commissions, mark-ups, or fees for this firm;
- If applicable, the fact that this broker-dealer, or an affiliated entity, may earn fees about originating the loan;

- The impact of liquefied home equity on the home owner's ability to refinance a home mortgage; and
- Depending upon the amount of home equity liquefied and any change in the value of the home, the homeowner may have negative equity in the home.

Our CCO will ensure that we conduct a review annually of all customer accounts that involve funds obtained by liquefying home equity to ensure that we adhere to our strict policies and procedures. If the review finds that individual registered personnel have a higher than average instance of opening accounts with funds obtained through home equity liquidation, heightened scrutiny will be given to such accounts. We may also contact the customer to ensure that full disclosure of all related risk factors were clearly made.

Main Suitability Obligations

Policy Requirements

According to FINRA Regulatory Notice 11-02, there are three main suitability obligations: reasonable-basis, customer-specific and quantitative suitability.

- **Reasonable-basis suitability** requires a broker to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. What constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the firm's or associated person's familiarity with the security or investment strategy. A firm's or associated person's reasonable diligence must provide an understanding of the potential risks and rewards associated with the recommended security or strategy.
- **Customer-specific suitability** requires that a broker have a reasonable basis to believe that the recommendation is suitable for a specific customer based on that customer's investment profile. As noted above, the rule requires a broker to attempt to obtain and analyze a broad array of customer-specific factors. For example, Regulation Best Interest applies to recommendations to "retail customers," which Reg BI defines as a natural person, or the legal representative of such natural person, who receives a recommendation of any securities transaction or investment strategy involving securities from a broker-dealer and uses the recommendation primarily for personal, family, or household purposes. Thus, FINRA's suitability rule is still needed for entities and institutions (e.g., pension funds), and natural persons who will not use recommendations primarily for personal, family, or household purposes (e.g., small business owners and charitable trusts).
- **Quantitative suitability** requires a broker who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together considering the customer's investment profile. Factors such as turnover rate, cost-equity ratio and use of in-and-out trading in a customer's account may provide a basis for finding that the activity at issue was excessive.

The rule makes clear that a broker must have a firm understanding of both the product and the customer. It also makes clear that the lack of such an understanding itself violates the suitability rule.

In January 2019, FINRA released its 2019 Annual Risk Monitoring and Examination Priorities Letter, where suitability obligations continue to be a priority.

Some specific areas on which FINRA may focus include: (1) deficient quantitative suitability determinations or related supervisory controls; (2) overconcentration in illiquid securities, such as variable annuities, non-traded alternative investments and securities sold through private placements; and (3) recommendations to purchase share classes that are not in line with the customer's investment time horizon or hold for a period that is inconsistent with the security's performance characteristics.

Procedures and Documentation

Our CCO is responsible for ensuring that:

- all affiliated personnel (from senior management to reps in the field) are given sufficient training and instruction to understand these three basic suitability elements;
- appropriate risk controls are put into effect;
- supervisors have sufficient resources and tools to undertake meaningful suitability reviews; and
- adequate review procedures exist, both on a "real time" and an "after the fact" basis.

Customer Complaints

Filing Requirements

Background

FINRA Rule 4530 requires member firms to:

1. report to FINRA certain specified events and quarterly statistical and summary information regarding written customer complaints; and
2. file with FINRA copies of certain criminal actions, civil complaints and arbitration claims.

Exception for Information Reported on the Form U4

To satisfy the Form U4 exception, firms are required to affirmatively indicate that the data reported on a Form U4 Disclosure Reporting Page (DRP) also be applied to satisfy its corresponding FINRA Rule 4530 reporting obligation. Specifically, FINRA enables filers to designate through functionality (i.e., checkboxes) in the CRD system that the data reported on the following specified Form U4 DRPs also be applied to satisfy the corresponding requirement under Rule 4530(a)(1): (1) Criminal; (2) Regulatory Action; (3) Civil Judicial; and (4) Customer Complaint/Arbitration/Civil Litigation.

Firms can elect to use this new functionality or can continue to report an event via the Rule 4530 application in the FINRA Firm Gateway.

The Form U4 exception will not apply to the reporting of quarterly statistical and summary.

Exception for FINRA Findings and Actions

For purposes of Rule 4530(a)(1)(A), (C) and (D). Supplementary Material 4530.10 to Rule 4530 states that member firms are not required to report findings and actions by FINRA. This exception is generally consistent with the exception under Rule 4530(f) for arbitration claims filed in the FINRA Dispute Resolution forum.

Responsibility

Our CCO must ensure that all appropriate personnel are made aware of the significant changes in reporting requirements from NASD Rule 3070 under FINRA Rule 4530.

Procedure

- As deemed necessary by our CCO and Senior Management, Regulatory Notices 11-06 and 11-32, and other appropriate Notices, may be discussed and distributed at various times, including at our Annual Compliance Meetings.
- Our CCO will also ensure that all designated supervising principals receive sufficient instruction regarding their responsibility to determine that the individuals under their direct supervision are aware of, and in compliance with, the requirements to disclose any event specified under FINRA Rule 4530.

  In addition, to comply with the 30 calendar day reporting requirement under FINRA Rule 4530, the designated supervising principals must continuously strive to make individuals under their direct supervision aware of their responsibilities and the appropriate time frames.
- At least annually, our CCO will require each registered person to review the list of events required to be reported under FINRA Rule 4530 and attest to the fact that either none are applicable, or to immediately disclose to his or her supervising principal, or to Compliance, those that are applicable.

  We will maintain records of all communication with our registered personnel requiring response for reporting purposes. Our CCO will review all complaints entered into our complaint file, to determine whether all required reporting for each written complaint falling under the guidelines of Rule 4530, FINRA Regulatory Notice 11-06 and Regulatory Notice 11-32 has been undertaken. We will maintain copies of all FINRA Rule 4530 filings.

Appropriate Handling of Customer Complaints

REGULATION

FINRA RULE 4530

RESPONSIBILITY

While all designated supervising principals will be responsible for providing guidance to those individuals under their immediate supervision in handling customer complaints in an appropriate manner.

Procedure

Our CCO will provide our supervising principals as well as all registered associates adequate training, at our Annual Compliance Meeting, through compliance alerts, during one-on-one conversations, through manuals, or other means deemed appropriate, regarding how to handle complaints, both verbal and written.

- In conjunction with the supervising principal's review procedures for incoming correspondence, all written complaints are immediately copied and sent to our CCO.
- Our CCO's review of each complaint, will include a determination whether to amend the individual's Form U4 to reflect the complaint in any manner. In any instance where a member of Senior Management is involved in a complaint, a review of Form BD will also be undertaken to determine whether a disclosure is required on that document.
- Our CCO will maintain copies of all complaints along with any relevant correspondence and/or notes. These files and any internal databases in which complaint information is stored, are under the direct supervision of our CCO.
- A principal of the firm will acknowledge receipt of all written complaints in the form of a letter to the client or the client's designated representative.
- All complaints received concerning actions taken by employees of this firm will be dealt with on a one-on-one basis between supervising principals of the firm and the relevant registered representative.
- Notes indicating who undertook the review and the determination made regarding Form U4, Form U5 and/or Form BD disclosure will be made and maintained with the complaint. If a Form U4, Form U5 or Form BD amendment is required, copies of such filed amendments will be maintained with the complaint, indicating the date on which the amendment was filed on WebCRD.
- When it is determined that a customer's comment did not fall within the definition of a complaint, and therefore no disclosure was made either in our complaint report or on a specific individual's Form U4 or Form U5, careful cross-references will be made in the files indicating why and how this decision was reached.

REPORTING REQUIREMENTS

Background

FINRA Rule 4530 requires member firms to:

1. report to FINRA certain specified events and quarterly statistical and summary information regarding written customer complaints; and
2. file with FINRA copies of certain criminal actions, civil complaints and arbitration claims.

Exception for Information Reported on the Form U4

To satisfy the Form U4 exception, firms are required to affirmatively indicate that the data reported on a Form U4 Disclosure Reporting Page (DRP) also be applied to satisfy its corresponding FINRA Rule 4530 reporting obligation. Specifically, FINRA enables filers to designate through functionality (i.e., checkboxes) in the CRD system that the data reported on the following specified Form U4 DRPs also be

applied to satisfy the corresponding requirement under Rule 4530(a)(1): (1) Criminal; (2) Regulatory Action; (3) Civil Judicial; and (4) Customer Complaint/Arbitration/Civil Litigation.

Firms can elect to use this new functionality or can continue to report an event via the Rule 4530 application in the FINRA Firm Gateway.

The Form U4 exception will not apply to the reporting of quarterly statistical and summary.

Exception for FINRA Findings and Actions

For purposes of Rule 4530(a)(1)(A), (C) and (D). Supplementary Material 4530.10 to Rule 4530 states that member firms are not required to report findings and actions by FINRA. This exception is generally consistent with the exception under Rule 4530(f) for arbitration claims filed in the FINRA Dispute Resolution forum.

Procedure

- Our CCO will provide sufficient instruction to supervising principals regarding their responsibility to determine that the individuals under their direct supervision are aware of, and in compliance with, the requirements to disclose any event specified under FINRA Rule 4530.

  In addition, to comply with the 30 calendar day reporting requirement under FINRA Rule 4530, the designated supervising principals must continuously strive to make individuals under their direct supervision aware of their responsibilities and the appropriate time frames.
- At least annually, through our CE program, our CCO will require each registered person to review the list of events required to be reported under FINRA Rule 4530 and attest to the fact that either none are applicable, or to immediately disclose to his or her supervising principal, or to Compliance, those that are applicable.

Customer disclosure requirements

Background

Under the SEC's books and records rule, Exchange Act Rule 17a-3, we must provide all customers with the address and telephone number of the department or individual within the firm to whom complaints should be directed.

Responsibility

Our CCO will see that our customers receive appropriate notification regarding where they should direct complaints.

Procedure

- Our CCO will see that a mechanism is in place (i.e., the Customer Agreement of the Spire New Account form and our custodial statements) whereby each customer receives the required

information. Annually, we will review the documents we utilize to ensure that all contain the appropriate required disclosure.

Information Disclosure to Customers

Background

Under the SEC's books and records rule, Exchange Act Rule 17a-3, we must provide all customers with the address and telephone number of the department or individual within the firm to whom complaints should be directed.

Responsibility

Our CCO ensures that our customers receive appropriate notification regarding where they should direct complaints.

Procedure

- Our CCO must ensure that a mechanism is in place (i.e., the Customer Agreement of the Spire New Account form and our custodial statements) whereby each customer receives the required information. Annually, we will review the documents we utilize to ensure that all contain the appropriate required disclosure. We will retain copies of all documents reviewed in the file, evidencing such review by initials and dates.

Accounts

First and Third Party Asset Movements

The policy below outlines the procedures for monitoring and authenticating client requests for transfers and transactions within client accounts, especially for transactions directing funds to third-party payees or other client accounts. Special attention will be given to requests related to newly opened accounts or those received via electronic communication, such as email, to ensure that proper verification and client authentication are conducted.

General Policy Guidelines

- **Monitoring and Authentication:** All transfer requests will be monitored to prevent unauthorized transactions. Requests will be authenticated using multiple verification methods, especially when the request involves transferring funds to third parties or newly established accounts.
- **Scope of Transactions:** This policy covers transactions where funds are transferred from a client's account to:
    - Third-party payees
    - Another account under the client's name, particularly those where the receiving account was recently opened
- **Methods of Request:** Requests may be received through various channels, including but not limited to email and phone calls.

Verification Process for Payment Requests to First Parties

- **Initial Verification:** Payment or Standing Instructions requested by first parties that are received without a live phone call will undergo a verification process:
    - The client will be contacted by phone to verify the request.
    - If the client is unavailable by phone, an additional attempt will be made to ensure proper authentication (e.g., SMS verification or secure online authentication).
- **Form Submission:**
    - Once the request is verified, the appropriate forms (electronic or paper) will be sent to the client for signature or e-signature.
    - If the client opts for electronic forms, they must be completed and signed digitally using either Knowledge Based Authentication or SMS Authentication.
- **Final Confirmation:**
    - Upon receipt of the signed forms, the investment adviser representative (IAR) or his/her designee will contact the client via phone to verbally confirm the request.
    - This verbal confirmation will include a detailed explanation of the request to ensure clarity and prevent errors or fraud.
- **Advisor Attestation:**

- An advisor attestation will be completed, ensuring the request is properly validated. This attestation will be stored in the approval queue folder in Laserfiche. Management).

- **Principal Approval:**
  - The payment and/or Standing Instructions request will only be processed after it has been reviewed and approved by a designated principal. Only upon principal approval will the request proceed to the custodian for execution.

- **First Party Live Standing Instructions:**
  - First Party Live Standing Instructions that have been Principal approved, do not require subsequent approvals when transactions are submitted and, at some custodians, will be automatically approved. No attestations are required for these transactions.

Verification Process for Payment Requests to Third Parties

- **Initial Verification:** Payment or Standing Instructions requested to third parties that are received without a live phone call will undergo a verification process:
  - The client will be contacted by phone to verify the request by the advisor or his/her designee.

- **Form Submission:**
  - Once the payment or instruction request is verified, the appropriate forms (electronic or paper) will be sent to the client for signature or e-signature.
  - If the client opts for electronic forms, they must be completed and signed digitally using either Knowledge Based Authentication or SMS Authentication.

- **Advisor Attestation and Home Office Call-Out Verification:**
  - Upon receipt of the signed forms, the investment adviser representative (IAR) or his/her designee will contact the client via phone to verbally confirm the transfer request or instructions and to inform the client that an Operations Associate from the home office will be calling to validate the request.
  - The advisor will then submit to Operations, via Laserfiche Forms, the Asset Movement Attestation Form completed after the above to initiate the call-out process.
  - Home office Operations will call the client to validate the information on the Form and to confirm their intention to ensure clarity and prevent errors or fraud in making the third-party payment request or setting up Standing Instructions.
  - The transaction or instructions will not be approved until this conversation is completed.
  - The advisor and/or his/her designee must prepare the client for this call to avoid delays in processing.

- **Principal Approval:**

- The payment and/or Standing Instructions request will only be processed after it has been reviewed with the client and approved by a designated principal. Only upon principal approval will the request proceed to the custodian for execution.
- Any third-party submissions to the custodian without prior approval from a designated principal will be cancelled.

Monitoring New Client Accounts and Payment Requests

- **Newly Opened Accounts:** For newly opened accounts (within 30 days of account opening), any payment request—whether to a third-party payee or another account in the client's name—will be subject to increased scrutiny. This includes:
  - Confirming that the request is legitimate and consistent with the client's account profile.
  - Verifying that the client is authorized to make the request.
- **High-Risk Transaction Indicators:** If a payment request is made shortly after the account opening or involves a high-value transaction, additional verification will be conducted. These transactions are typically authenticated by the custodian's controls, but the home office will assist in flagging any additional requests not captured.

Electronic and Non-Phone Requests

- **Requests via Email or Other Electronic Communication:**
  - All email-based transfer requests must be authenticated through a second communication method, such as phone calls.
  - Text messages are not an acceptable method of receiving asset movement instructions and will be further scrutinized if received.
  - Clients are discouraged from sending transfer requests via email alone, as email communication can be easily intercepted or compromised.

Processing Payments and Standing Instructions for All Parties

- **Approval Process:**
  - Once a payment or standing instructions request is confirmed/validated and the necessary documentation is received and verified, the request will enter the approval queue in Laserfiche.
  - A designated principal will review and approve the transfer request based on the information provided, including confirmation from the client, attestation from the IAR and phone call with the client (3rd party) and all required signatures.
- **Custodian Processing:**
  - Upon receiving designated principal approval, the transaction will be submitted to the custodian for execution.

- A record of the transfer will be maintained for auditing and compliance purposes.

Compliance Control Checks

- Periodic audits will be conducted to ensure adherence to this policy and to detect any anomalies or irregularities in the payment process.
- Following the end of every month, Spire Operations will run a report for all new third-party transactions completed across all custodians and will save this report in Laserfiche.
- Spire Operations will reconcile these third-party transactions with forms/Attestations that were required to be submitted in the previous month for prior approval.
- Operations will notify Compliance of any violations of policy where approvals were not on file for transactions reported by the custodians.

Exceptions and Risk Mitigation

- **Escalation Procedures:** In cases where the verification process finds violations of the aforementioned policy, the transaction will be escalated to Compliance for further review.
- The Chief Compliance Officer will then evaluate if disciplinary action is warranted.
- **Fraud Prevention:** Any suspected fraudulent activity will be promptly reported to the appropriate regulators and handled in accordance with the firm's fraud prevention and risk management procedures.

Handling Customer Funds and Securities

Client Account Reassignment

Background

From time to time, the firm may need to reassign client accounts among registered representatives at the firm. This situation may arise in a variety of situations, including when a registered representative joins or leaves the firm. To ensure that any transfers of customer accounts within the firm are processed appropriately, the firm has adopted these policies and procedures.

Policy

Whenever a client's account is reassigned for a reason other than a registered representative leaving the firm, the newly-assigned registered representative will review all the client's open accounts within ten (10) days of the accounts being assigned to him or her.

Spire Securities, LLC will designate a registered representative who serves as the interim representative whenever a registered representative leaves the firm. This interim representative is responsible for the former registered representative's accounts and will be the individual to whom the former employee's clients may direct questions and trade instructions following the representative's departure. The interim

representative will no longer be responsible for these accounts once a new registered representative is assigned.

When client account reassignment will occur because a registered representative is leaving the firm, Spire Securities, LLC requires that a review of the former employee's clients be performed within ten (10) days of a registered representative leaving the firm. Each of the former employee's clients will be reassigned, and the newly-assigned registered representative will also review the client's open accounts within ten (10) days of the accounts being assigned to him or her.

The CCO will ensure that, whenever a client's account is reassigned, the client is notified in writing within ten (10) days of the reassignment. The notification to the client will include the date on which the reassignment occurred and the name and contact information of the newly-assigned registered representative. The communication should also clarify that the client may retain his or her assets at Spire Securities, LLC and be serviced by the newly assigned registered representative, a different registered representative at Spire Securities, LLC, or transfer the assets to another firm. Information provided by the member firm about the departing registered representative must be fair, balanced and not misleading.

Procedures and Documentation

When a registered representative leaves Spire Securities, LLC, the CCO will ensure that a review of all of the former employee's clients will be performed within ten (10) days of that registered representative leaving the firm. After the review, the CCO will reassign the former employee's clients to other registered representatives at the firm.

The CCO or Branch Supervisor will determine the manner in which client accounts are reassigned.

Whenever a client account is reassigned, the newly-assigned registered representative will review the client's open accounts within ten (10) days of the account being assigned to him or her. The registered representative will review, at minimum, the following:

- Investment objectives
- Investment suitability
- Recent trading activity
- Investment recommendations

The newly-assigned registered representative will document his or her review of the client's open accounts. This documentation will be kept for a period of six (6) years.

Bulk Transfers/Negative Response Letters

Background

NASD Notice to Members 02-57 addresses the use of negative response letters for the bulk transfer of customer accounts.

- NASD Rule 2510(d) allows broker-dealers to use negative response letters in certain situations to effect the bulk exchange of a customer's money market mutual fund for a different fund without the affirmative consent of the customer, provided that certain conditions are met.
- FINRA has also interpreted the trade reporting rule regarding riskless principal trading to permit the use of negative response letters to document an institutional customer's agreement to trade with a firm on a net basis (Notice to Members 00-79).
- In limited circumstances, FINRA rules also permit the use of negative response letters to obtain authorization to take certain actions on behalf of customers without obtaining affirmative consent. Such actions include:
    - Broker-dealers experiencing financial or operational difficulties
    - Introducing broker-dealers going out of business
    - Changes in networking arrangements with a financial institution (under FINRA Rule 3160, previously NASD Rule 2350)
    - Acquisitions or mergers of broker-dealers
    - Change in clearing firm

Responsibility

Our CCO ensures that we utilize negative response letters for bulk transfers only in appropriate situations, and that all registered personnel are aware of our prohibition against utilizing such letters in other circumstances.

Procedure

FINRA may approve the use of negative response letters in other situations requiring bulk transfers. Should we wish to take this route for a reason deemed by Compliance and senior management to be appropriate, our CCO may contact our FINRA District Office for guidance.

For any instances where we use negative response letters to accomplish a bulk transfer of customer accounts, our CCO is responsible for ensuring that each customer receives the following information in the negative response letter:

- A brief description of the circumstance necessitating the transfer;
- A statement on how the customer can effectuate a transfer to another firm;
- A sufficient time period for the customer to respond to the letter (minimally 30 days from receipt of the letter unless circumstances exist which warrant a shorter time frame);
- Disclosure of any costs imposed on the customer as a result of the transfer, including costs to the customer if the customer initiates a transfer of the account after the account is moved pursuant to the negative response letter; and
- A statement regarding the firm's compliance with Regulation S-P (Privacy) in connection with the transfer.

No negative response letters for bulk transfer of accounts are to be utilized unless they have been signed off on by the CCO. While it is permitted, as described above, FINRA feels strongly that, where possible, a customer should affirmatively consent to the transfer of his or her account to another firm, due to the fact that a decision to move an account to another firm requires the consideration of various factors (i.e. level and quality of service of the new firm, fees and charges imposed by the new firm, the cost of the transfer, etc.).

Utilization of negative response letters simply because it is more convenient may conflict with our obligation to observe high standards of commercial honor and just and equitable principles of trade under FINRA Rule 2110 and negative response letters are therefore strictly prohibited unless expressly permitted under FINRA rules and approved by Compliance.

Our CCO will maintain documentation of all negative response letters utilized for any bulk transfer, including the rationale for such use.

In instances where we are on the receiving end of a bulk transfer, our CCO is responsible for ensuring that our privacy notices (see "Privacy / Regulation S-P Disclosures" section in these WSPs) including opt-out provisions, if appropriate) are provided to customers upon the establishment of the account.

Cost Basis Information for Customer Account Transfers

Background

Impeding the transfer of cost basis information upon customer request violates FINRA Rule 2010 (formerly NASD Rule 2110) that requires all FINRA member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Although cost basis information is reported on customer confirmations and account statements, customers who have not kept their confirmations and statements may be unable to gather this information themselves and, therefore, would not be able to compute gains and losses for tax purposes. While the customer's assets may be electronically moved to his or her new broker-dealer through the National Securities Clearing Corporation's (NSCC) Automated Customer Account Transfer Service (ACATS), ACATS does not transfer cost basis information. NSCC does offer participation in the Cost Basis Reporting Service (CBRS), an automated system that gives brokerage firms the ability to transfer customer cost basis information from one firm to another on any asset transferred through ACATS.

Our clearing firms, Pershing and NFS, both participate in transmission of cost basis through ACATS.

Responsibility

Our CCO must ensure that, if we have the means available, cost basis information is supplied as a matter of course as part of any account transfer process.

Procedure

Rule 2110 does not impose upon us the requirement to create this information upon customer request if we do not already maintain it in some fashion in an electronically transferable form.

Our clearing firm, NFS would be responsible for transferring any cost basis information to another firm via the ACAT system. If we do have cost basis information available (either through our participation in CBRS or through retention in some electronic mode) and are therefore able to transfer it to another firm, "tape to tape," our CCO is responsible for ensuring that we supply this information as part of any account transfer process. In addition, in instances where we maintain this information in an accessible format electronically or otherwise, it is to be made available to any customer upon request.

ACCOUNT TRANSFERS: Requests by Customers

Policy Requirements

FINRA Rule 2140 (previously IM-2110-7) provides that "*no member or person associated with a member shall interfere with a customer's request to transfer his or her account in connection with the change in employment of the customer's registered representative, where the account is not subject to any lien for monies owed by the customer or other bona fide claim.*" Prohibitive interference includes seeking a judicial order or decree that would bar or restrict the submission, delivery or acceptance of a written request from a customer to transfer his or her account.

Rule 2140 does not prevent a broker-dealer from using employment agreements to prevent former representatives from soliciting firm customers, nor does it prevent us from pursuing other remedies to address employment disputes with former registered representatives.

Employment restrictions concerning solicitation of customers upon a registered representative's termination, or the sharing of information relevant to this firm with another firm, cannot be construed as prohibiting an account transfer that has been directly requested by a customer.

Procedures and Documentation

Our CCO oversees all customer account transfer requests, and ensures such transfers occur without any unnecessary delays and without any attempts to persuade customers not to transfer their accounts.

Negative Response Letters

Policy Requirements

FINRA has indicated that, because negative response letters are not appropriate when a "direct application" account's broker-dealer of record is changed, a customer's affirmative consent must be obtained prior to the change.

While such direct application accounts (mutual funds and variables) are not per se an account transfer, regulators have deemed them to be a transfer when a notification to the fund or other entity is made to change the name of the broker-dealer of record, thereby changing the broker-dealer to which commissions are directed.

Procedures and Documentation

The CCO will:

- Ensure that we do not utilize negative response letters for changing broker-dealer status for direct business;
- For non 'direct application' account transfers, the lack of response to a negative response letter does not permit us to automatically exchange shares unless we have prior written authorization from the customer permitting us to exercise discretion in the account;
- Ensure that when such direct business is transferred to us a letter goes out to the client requesting an affirmative consent; and

- Oversee an annual review of all change of broker-dealer notifications to ensure that we have received an affirmative response from all clients.
- Affiliated personnel are not permitted to send out negative response letters without receiving prior approval from a supervising principal or our CCO. Individuals found to have violated this prohibition will be spoken to and internal disciplinary measures may be taken.
- Our CCO will evidence such reviews by initials and dates on the notifications.

Transmittal or Withdrawal of Asset Requests Received Via E-Mail

Background

From FINRA Regulatory Notice 12-05 (reiterated from Regulatory Notice 09-64): *"The requirement that firms have supervisory procedures for reviewing and monitoring transfers of customer assets applies to both clearing and introducing firms. Further, FINRA Rule 4311(c) requires that when customer accounts are to be carried on a fully disclosed basis, the carrying agreement must specify the responsibilities of each party to the agreement, and while the rule permits firms to allocate responsibility for the performance of certain functions between the carrying and introducing firms, it expressly requires that the carrying firm be allocated the responsibility for the safeguarding of customer funds and securities.*

Both firms must have policies and procedures in place to ensure that their respective regulatory and contractual responsibilities are met. For example, the firms may agree that the introducing firm is responsible for verifying a customer's identity and that the instructions originated with the customer, in which case the introducing firm must have adequate policies and procedures to ensure that it effectively carries out this function.

However, the carrying firm must still have adequate policies and procedures to review and monitor all disbursements it makes from customers' accounts, including but not limited to third-party accounts, outside entities or an address other than the customer's primary address.

A firm's procedures should also specify how instructions to withdraw or transmit assets may be conveyed, including which employees of the introducing firm are authorized to transmit instructions to the clearing firm on the customer's behalf, and both firms are responsible for ensuring that their employees follow their respective procedures.

Responsibility

Our CCO is responsible for documenting whether or not we permit E-Mail requests to transmit or withdraw assets from client accounts and for ensuring that, if we do, we have appropriate oversight (specifically verification) policies and procedures in effect.

> %firmNAME **DOES PERMIT** email or other electronic means of requesting funds or assets transmittals or withdrawals from client accounts. Therefore, we have the following policies and procedures in effect.

Our CCO is responsible for ensuring that all appropriate affiliated personnel (including, but not necessarily limited to, senior management, operations, supervising principals and sales representatives)

are aware of the required safeguards we have in place to ensure the safety of our client funds and assets by requiring verification of email requests for funds or assets movement.

One of the risks associated with accepting instructions to withdraw or transfer funds by email and other electronic means is that customers' email accounts are susceptible to being breached by hackers or other intruders who may use the email accounts to commit fraud.

Therefore, we have put into effect policies and procedures regarding the acceptance of accepting instructions to withdraw or transfer funds via electronic means which are adequately designed to protect customer accounts from the risk that customers' email accounts may be compromised and used to send fraudulent transmittal or withdrawal instructions.

All individuals having any part in opening new client accounts are trained to advise the client that no email request for withdrawal or transfer of client assets will be acted upon until a follow up call has been made verifying that the client did, in fact, submit such a request.

Notations must be made as to the time and date of such call, the name of the individual who made the call, the name of the person spoken to and the number to which the verification call was made.

Clients are also advised to notify their registered representative immediately upon becoming aware that their email or other electronic means of communication have been compromised.

Upon receiving verification that the email request was made by the client, all procedures concerning oversight (including AML) of excessive or larger than normal transmittals or withdrawals, those that appear to be overly urgent, those which appear out of the ordinary based on client history, or those which request transmittal to a third-party concerns) will be in effect.

In instances where we are advised that the request did not come from the client, individuals are required to immediately notify our CCO who will ensure that an appropriate investigation is immediately begun, and that proper authorities (including FinCEN) are notified.

On a quarterly basis, utilizing exception reports showing movement of assets from client accounts, our CCO, or an appropriately designated individual, will undertake random sampling and testing of transfers and withdrawals to monitor for compliance.

Customer Account Statements and Confirmations

Change of Customer Addresses

FOCUS AREA

Supervision

REGULATION

FINRA Rule: 4512 (Client account information)

RESPONSIBILITY

It is the responsibility of the Representative to report or confirm any client change of address to their supervisors according to the written procedures for Change of Address. This reporting should be done in a timely manner (i.e. within 30 days of the change).

Procedures and Documentation

Senior management must ensure that supervising principals have appropriate procedures to review and monitor address changes and that internal auditing includes a review for validation of address changes.

Everyone's direct supervising principal ensures that all address changes are handled in compliance with all rules, regulations and requirements.

- If possible, address change requests should be received, in writing, from the customer, with such documentation maintained in the client's files.
- All efforts should be made to obtain, in writing, address changes for each party of multiparty accounts, with documentation maintained in the clients' files.
- Either the supervising principal or Compliance will ensure that address change requests are verified by the customer, with our custodian's verification letter going out to BOTH the old AND new addresses.
- Address change requests must be approved by an appropriate supervising principal prior to the change being processed.
- Requests to change an address to a post office box will only be accepted if the customer's permanent street address is maintained in the client files, both at the home office and branch, if the latter is applicable.
- All requests to change delivery to a third-party address must be obtained in writing from the client, and all appropriate documentation (i.e., power of attorney) must be included in the request.

Independent Verification of Proprietary or Customer Assets

Policy Requirements

Under FINRA Rule 4160, we will be prohibited from continuing to have custody or retain record ownership of assets at a non-FINRA-member financial institution which fails promptly to provide FINRA with written verification of assets maintained by us upon FINRA's request.

Procedures and Documentation

Our FINOP, working with our CCO and other appropriate members of Senior Management, is responsible for ensuring that we are able to comply with FINRA Rule 4160 ("Independent Verification of Assets").

( ) FINRA Rule 4160 is not applicable as this broker-dealer does not have proprietary or customer assets independently held at any non-FINRA member financial institutions.

Our FINOP and CCO will document discussions with any non-FINRA member financial institutions where proprietary or customer assets are held to advise them of this Rule, and to ensure that the financial institution knows, should we be required to transfer our assets pursuant to this Rule, such transfer must be accomplished "in a reasonable period of time."

[While Rule 4160 does not require that we enter into written contracts with non-FINRA member financial institutions maintaining our proprietary or customer assets, obligating the non-FINRA member financial institutions to comply with FINRA's requests for verification, FINRA has stated in Regulatory Notice 10-61 that "FINRA strongly encourages its member firms to enter into such contracts."]

Our FINOP, CCO and other members of Senior Management will determine how to handle the matter of written contracts, documenting the decision(s) made and the rationale of such decision(s).

Per Share Estimated Values

Policy Requirements

FINRA Rules 2231 and 2310 cover disclosures and advisory notices that must be included on customer account statements, including requirements concerning per share estimated values of DPPs and unlisted REITs.

Reliability of per share estimated values:

- A general securities member shall include in a customer account statement a per share estimated value of a direct participation program (DPP) or unlisted real estate investment trust (REIT) security, developed utilizing either a Net Investment Methodology or an Appraised Methodology.

FINRA Rule 2231 disclosure requirements:

- An account statement that provides a "net investment" per share estimated value for a DPP or REIT security under paragraph (c)(1)(A) shall disclose, if applicable, prominently and in proximity to disclosure of distributions and the per share estimated value the following statements: "IMPORTANT—Part of your distribution includes a return of capital. Any distribution that represents a return of capital reduces the estimated per share value shown on your account statement."
- Any account statement that provides a per share estimated value for a DPP or REIT security shall disclose that these securities are not listed on a national securities exchange, are generally illiquid and that, even if a customer is able to sell the securities, the price received may be less than the per share estimated value provided in the account statement.

FINRA Rule 2310 disclosure requirements:

A member shall not participate in a public offering of the securities of a direct participation program (DPP) that is not subject to the requirements of the Investment Company Act of 1940 or of a REIT unless the issuer of the DPP or REIT has agreed to disclose:

- a per share estimated value of the DPP or REIT security, developed in a manner reasonably designed to ensure it is reliable, in the DPP or REIT periodic reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act;
- an explanation of the method by which the per share estimated value was developed;
- the date of the valuation; and
- in a periodic or current report filed pursuant to Section 13(a) or 15(d) of the Exchange Act within 150 days following the second anniversary of breaking escrow and in each annual report thereafter, a per share estimated value:
    i. based on valuations of the assets and liabilities of the DPP or REIT performed at least annually, by, or with the material assistance or confirmation of, a third-party valuation expert or service;
    ii. derived from a methodology that conforms to standard industry practice; and
    iii. accompanied by a written opinion or report by the issuer, delivered at least annually, that explains the scope of the review, the methodology used to develop the valuation or valuations, and the basis for the value or values reported

Procedures and Documentation

Our CCO working with all supervisors overseeing individuals engaged in DPP and/or REIT transactions, are responsible for ensuring that we comply with FINRA Rule 2231 and FINRA Rule 2310.

At least quarterly, the designated principal will review a sampling of customer account statements sent out for the previous period, ensuring that all appropriate disclosure requirements appear and that the sample includes DPP and REIT transactions (with their respective required disclosures), if applicable.

In instances where appropriate disclosures have not been made, the designated principal will investigate why there was a failure to comply. We will take corrective measures, if appropriate, based on the review findings.

We will maintain a file with copies of all statements reviewed, evidenced by initials and dates. We will also maintain documentation regarding any deficiency findings and the corrective measures taken.

Consolidated Financial Account Reports

Policy

As a service to our clients, consolidated reports are available to combine reporting of investments held at Spire Securities' various custodians, sponsor companies and insurance carriers. These reports must comply with regulatory requirements and are subject to review and record retention requirements. All such reports must be accurate and not misleading.

Consolidated reports/statements may be used only when the following conditions are met:

- Approved vendors are used
    - Approved vendors include; Addapar, Envestnet, EMoney
- Proper disclosures and disclaimers are used
- Data is received by the vendor electronically from the source

- No manual entries are included

Exceptions to the above will require submission to compliance for review and approval prior to use.

Responsibility

Spire will evaluate vendors for use in producing consolidated statements. Procedures for use and distribution are provided to all representatives. Periodic reviews conducted by compliance as well as supervision will confirm the proper handling of these reports by our representatives.

Representatives should review these reports periodically against the client custodial statements to confirm accuracy. Any discrepancies noted should be brought to the attention of compliance.

Procedure

Spire has made available to our reps tools/vendors that may be used to provide consolidated/performance reports of the client's various assets. The production of these reports is not mandatory, rather as a service to our clients.

If a report is being created by one of the approved vendors and no customization is performed, then the report would fall under Spire's requirement for treatment of Correspondence (i.e. if only going to one person/household). The piece must be submitted for review, approval by a principal and archived. This does not require that the report be pre-approved before distribution.

If a report is being created by one of the approved vendors and is being reformatted or manipulated in any way - or any type of self created report - then the report would fall under Spire's requirement for treatment of Advertising/Sales Lit. This piece would need to be submitted for review, approval by a principal and archived PRIOR to being distributed to clients. All supporting documentation to verify assets being entered manually on these reports would need to be submitted with the report.

Our CCO, or specifically designated principals, will review consolidated reports delivered to customers to ensure adherence to all applicable rules and best practices. This review will include but will not necessarily be limited to:

- Review to determine that consolidated reports are not represented as a substitute for (and have been distinguished from) account statements required by SEC and FINRA rules.
- Most of these reports are created by 3rd party vendors. If produced by an individual at Spire we will ensure that designated supervising principals are aware of their requirement to supervise the creation of these consolidated reports by representatives under their direct supervision.
- Review consolidated reports (deemed to be communications with the public) to determine they are not in any way false or misleading. The reports must clearly delineate between information about assets held by us on behalf of the customer (those included on our books and records) and other external accounts or assets. In addition, all appropriate disclosures must be made.
- Disclosures should include the following:

    1. that the consolidated report is provided for informational purposes and as a courtesy to the customer, that the client is urged to always rely on the account statements provided by the custodians of the assets (official statements) and may include assets that the firm does

not hold on behalf of the customer and which are not included on the firm's books and records;
2. identify that assets held away may not be covered by SIPC.

Representatives utilizing consolidated statements will submit these document through Laserfiche for review.

- For reports that adhere to the approved format, with no manual entries, the representatives will submit to through Laserfiche to Correspondence for review, approval and archive.
    - These reports may also be distributed to clients via email. These should be sent securely by encrypting the email or password protecting the document. As it is being sent via our Spire email, no submission is necessary through Laserfiche.
- For reports that require review and approval prior to distribution, the representative will submit the report through Laserfiche to the Advertising Review queue. These should be submitted along with any required backup. A review will be performed by a compliance or supervisory principal and either be approved or rejected. Final documents are then retained in Laserfiche.

Our CCO, working with senior management, will determine, based on the complexity of consolidated financial reports issued by us and taking into account all risk factors, which of the following best practices should be put into effect, and to what extent:

- Verification of assets held away and validation of any valuations by supporting documentation.
- Proper disclosure and disclaimers made to clients advising them that the original source documents (Custodial Statements) should be reviewed rather than relying solely on the consolidated reports.

Customer Mail Retention

Background

According to FINRA Rule 3150: A member may hold mail for a customre who will not be recieving mail at his or her usual address, provided that:

(1) the member receives written instructions from the customer that include the time period during which the member is requested to hold the customer's mail. If the requested time period included in the instructions is longer than three consecutive months (including any aggregation of time periods from prior requests), the customer's instructions must include an acceptable reason for the request (e.g., safety or security concerns). Convenience is not an acceptable reason for holding mail longer than three months;

(2) the member:

(A) informs the customer in writing of any alternate methods, such as email or access through the member's website, that the customer may use to receive or monitor account activity and information; and

(B) obtains the customer's confirmation of the receipt of such information; and

(3) the member verifies at reasonable intervals that the customer's instructions still apply.

(b) During the time that a member is holding mail for a customer, the member must be able to communicate with the customer in a timely manner to provide important account information (e.g., privacy notices, the SIPC information disclosures required by

Rule 2266 as necessary.

(c) A member holding a customer's mail pursuant to this Rule must take actions reasonably designed to ensure that the customer's mail is not tampered with, held without the customer's consent, or used by an associated person of the member in

any manner that would violate FINRA rules or the federal securities laws.

Responsibility

All individuals responsible for overseeing the activities of registered personnel must ensure that sufficient training is given to all individuals regarding the holding of customer mail.

Procedure

- Supervising principals must ensure that the registered representatives they oversee understand that customer mail may not be held unless the principal is aware that the customer has requested this in writing and has been advised by return mail about the time limitations of our ability to comply with the request.
- Each supervising principal must maintain lists of all customers for whom the member is holding any mail and that list must be provided to the CCO. The supervising principal, or designee will be responsible for actually holding the mail.
- Each list maintained must indicate the date on which we began holding the mail and an "expiration" date.

- The mail will be held in a safe and secure location.
- The designated principal will ensure that upon each expiration date, our retention of that specific client's mail ceases and the mail is once again forwarded to the appropriate address.
- Our CCO will conduct quarterly reviews to ensure that we do not hold any client's mail past the expiration date. We will maintain documentation of all reviews, including date, who undertook the review, the scope of the review, findings and any corrective measures taken.

Lost Stockholders

Procedures and Documentation

Our CCO is responsible for ensuring that appropriate individuals (operations, back office, immediate supervising principals) are fulfilling the responsibilities under SEC's Exchange Act Rule 17Ad-17 on the requirement to search for holders of securities with whom we have lost contact and providing notifications to persons who have not negotiated checks that have been sent to them.

The mandatory attempt to correct addresses for lost stockholders must utilize information database services that contain addresses from the entire U.S geographic area, where the names of at least 50% of the U.S. adult population, is indexed by taxpayer identification number or name and is updated at least four times a year.

The searches must be conducted by taxpayer identification number, or if a search based on taxpayer identification number is not likely to locate the security holder, by name. The security holder may not be charged for these mandated searches.

The requirement to undertake the first database search is conducted between three and twelve months from the later of

1. the date upon which a correspondence is returned as undeliverable; or
2. if a returned correspondence is re-sent within one month from the date it was returned and is again returned as undeliverable, the date on which the re-sent item is returned as undeliverable.

The second required database search must be performed between six and twelve months after the first search.

The obligation to search does not apply when:

- the broker-dealer has received documentation that the security holder is deceased;
- the total value of assets in the security holder's account is less than $25; or
- the security holder is not a natural person.

Unresponsive Payees

Our CCO is also responsible for working with accounting, or other appropriate departments and individuals, to ensure that any payments from an issuer accepted by this broker-dealer to be distributed

to the holder(s) of the security, receive written notice when the check sent to them has not been negotiated within six months, unless the unnegotiated check is in an amount less than $25.

New Account Procedures

Customer Age

Policy Requirements

All accounts, except institutional accounts, must include a customer's age. No one under the age of majority may open an account UNLESS the account is carried as a custodian account. For life insurance sales, the age of majority is 15 years, 6 months.

No one may open an individual or joint account in the name of any person who has not attained the age of majority in his/her state of residence.

Everyone's direct supervising principal must ensure that the individuals under their direct supervision appropriately handle all suitability requirements related to the age of the investor, in compliance with rules, regulations and definitions.

UGMA/UTMA

An adult custodian may open an account for the benefit of a minor under either the Uniform Gifts to Minors Act (UGMA) or the Uniform Transfers to Minors Act (UTMA). All states and U.S. territories have adopted either one, or both, of these Acts.

New account documentation required to open a UGMA or UTMA account must include the following:

- Minor's date of birth;
- Minor's state of residence; and
- Minor's social security number.

In states with laws modeled on UGMA, the account title must be: *(Custodian's name)* as custodian for *(Minor's name)* under the *(State)* UGMA

In states with laws modeled on UTMA, the account title must be: *(Custodian's name)* as custodian for *(Minor's name)* under the *(State)* UTMA

A transfer of property into a UGMA or UTMA account represents a complete and irrevocable transfer of property to the minor. The transferor gives up all rights to the property; the transfer cannot be revoked.

Restrictions on Custodial Account Transactions

- An UGMA or UTMA account can only list one custodian and one minor.
- Joint custodians and/or joint minors are not permitted.

- Powers of attorney giving discretionary authority over a UGMA or UTMA account to persons/entities other than professional money managers are PROHIBITED and will not be accepted.
- UGMA or UTMA accounts are not eligible for margin trading.
- UGMA or UTMA accounts are not eligible for futures trading.
- Option trading activity is limited in UGMA or UTMA accounts to purchasing puts against long stock positions and selling covered calls.

Procedures and Documentation

Designated supervisory principals undertake ongoing reviews of all new accounts and transactions, indicating review for appropriate age restrictions, limitations and appropriate disclosures either by initials and dates or by the principal's signature on the new account form.

Designated supervisory principals will also:

- monitor and keep records of when beneficiaries would reach the age of majority; and
- provide notifications to custodians to advise them that beneficiaries were approaching the age of majority and informed them about upcoming transfers of custodial property in their UTMA/UGMA Accounts, as well as any restrictions to the custodians' trading authority after the beneficiaries reached the age of majority.

Customer Verification of Account Information

Responsibility

Concerning our custodial brokerage accounts, our CCO must undertake appropriate reviews to determine that all customers have received verification of their new account information from our custodians.

In addition, our designated supervisory principals are responsible for ongoing oversight of all new account opening procedures undertaken by the individuals under their direct supervision.

Procedure

Annually we will generate the reports necessary from our custodians indicating the delivery of the client account verification materials. We will maintain documentation concerning such reviews in the files, indicating what the review covered, the dates of such review, the name individuals who conducted the review and all findings, including, where applicable, any corrective measures taken.

In addition, the designated principal will review a sample of customer accounts that have had changes made, either internally or upon the request of the customer, to their account investment objectives or customer-related information. The designated principal will then perform a review to determine that that proper documentation was received showing the client authorization for such changes.

The designated principal will also conduct annual reviews of all accounts that have been opened for at least three years to ensure compliance with the requirement that all customers receive copies of their

new account information every three years (36 months) after opening the account. These notifications are sent our by our clearing firms. We can obtain reports indicating those account mailings.

We will maintain records concerning all of the above reviews and the findings. If such reviews and findings require corrective action, written documentation will indicate the steps taken to improve compliance in this area.

Good Faith Efforts

The designated principal will ensure that all new account information sent to customers for verification PROMINENTLY displays a statement that the customer should mark any corrections and return the account record or whatever material we utilize for customers to verify their information on file with us with any corrections plainly indicated. Again these mailings are done by our clearing firms as part of their agreed upon custodial services. The statement will also ask the customer to notify us of any future changes to information contained in the account records.

Trusted Contact Person

With respect to Rule 4512 and regarding the designation, by the client, of a Trusted Contact Person at the time of account opening, we will disclose that we are authorized to contact the trusted contact person and disclose information about the customer's account to address possible financial exploitation, to confirm the specifics of the customer's current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by Rule 2165.

With respect to any account subject to the requirements of SEA Rule 17a- 3(a)(17) to periodically update customer records, we shall make reasonable efforts to obtain or, if previously obtained, to update where appropriate the name of and contact information for a trusted contact person consistent with the requirements of SEA Rule 17a-3(a)(17).

Customers Affiliated with FINRA

Responsibility

Our CCO is responsible for verifying that the appropriate question appears on our new account forms and for ensuring that we are in full compliance with FINRA rules regarding customers who are affiliated with FINRA.

In addition, on an ongoing basis, our designated supervising principals responsible for overseeing new account openings by the individuals under their direct supervision are responsible for ensuring that this information has been appropriately requested and that the information is forwarded to our CCO when an affirmative disclosure to FINRA has been made.

Procedure

FINRA Rule 2070 (formerly NASD Rule 3090) requires that, in any instance where a FINRA employee has a financial interest in, or controls trading in, an account, our CCO must ensure that we “obtain and

implement" an instruction from the FINRA employee that duplicate account statements be provided, by us, to FINRA. We will document evidence of all such communications with FINRA for such accounts in the files, indicating all required actions taken and all follow-up measures.

Our CCO will also contact the direct supervising principal of all such accounts, who will make the individuals servicing the accounts aware that no one affiliated with this firm can give, either directly or indirectly, anything of more than nominal value to any FINRA employee who has a responsibility for a regulatory matter (e.g., examinations, disciplinary proceedings, membership applications, listing applications, delisting proceedings, dispute-resolution proceedings, etc.) involving this broker-dealer. We will retain documentation of such notification, including the dates and name of individual giving notification, in the files.

Customers Associated with Another Broker-Dealer

Procedures and Documentation

Our CCO must ensure that our new account forms request information on whether the customer's employer is another broker-dealer, and that we have appropriate policies and procedures in place to adhere to FINRA rules regarding customers who respond affirmatively.

Based on the requirements of Rule 3210, prior to approving a new account for an individual who is associated with another FINRA member firm, the supervising principal will review the account documentation to ensure that the execution of transactions with such account will not adversely affect the interests of the employing broker-dealer.

In addition, our CCO ensures that prior to final approval of the account, written notification to the employing broker-dealer of our intention to open and maintain the individual's account, including notice that we must receive a written request from the employing firm indicating whether it wants duplicate copies of confirms, statements, and/or other information with respect to such account.

Institutional Accounts

Responsibility

Our CCO will ensure that all registered personnel receive appropriate training regarding the opening of institutional accounts and related suitability issues.

In addition, our designated supervising principals are responsible for the ongoing, day-to-day activities of the registered individuals under their immediate supervision. The principals must ensure that the registered individuals can differentiate between institutional and non institutional customers, and that they understand institutional account issues, and act in a manner compliant with all regulatory rules and with our policies and procedures.

Procedure

Institutional* Accounts
The following procedures will be followed when opening an institutional account:

1. Salespersons shall obtain information required on New Account Forms and deliver the information, with specifically stated instructions, to a Principal.
2. The Principal shall determine what, if any, additional documentation (Agreements, Corporate Resolutions) may be required.

Institutional Account Suitability
For purposes of clarifying the suitability obligations that FINRA member firms have to institutional investors (applying to all securities, except municipals, the purchase or sale of which is recommended by a broker/dealer), FINRA has adopted an "Interpretation on Suitability Obligations to Institutional Customers." In part the Interpretation (FINRA Conduct Rule 2310) states:

"...that the term 'institutional customer' should not be arbitrarily defined by referencing a threshold institutional asset size or portfolio size or various statutory designations."
Rather, FINRA states that for purposes of the Interpretation, *"...an institutional customer shall be any entity other than a natural person."* FINRA further states that it believes the Interpretation is more appropriately applicable to an entity having *"at least ten million dollars invested in securities in the aggregate in its portfolio or under management."*

To fulfill our suitability requirements to institutional customers, under the Interpretation, our responsibilities include:

a) having a reasonable basis for recommending a particular security or strategy, as well as reasonable grounds for believing that the recommendation is suitable for the customer to whom it is made.

The Suitability Interpretation states that the two most important considerations in determining the scope of broker/dealer suitability obligations in making recommendations to an institutional customer are:

i) the customer's capability of evaluating investment risk independently; and
ii) the extent to which the customer is exercising independent judgment in evaluating a broker/dealer's recommendation.

Therefore, we must determine, based on information available, the customer's capability of evaluating investment risk. If our customer is either not capable of evaluating investment risks or lacks sufficient capability to evaluate a particular product and its risks, our obligation under the suitability rule IS NOT diminished by the fact that we are dealing with an institutional customer.

b) making a determination as to whether the customer is exercising independent judgment in its investment decision - is the customer's investment decision based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations?

When we have reasonable grounds for concluding that an institutional customer is making independent investment decisions and is capable of independently evaluating investment risks and our determination that the recommendation is appropriate for the particular client, then our obligation to determining suitability of a recommendation has been fulfilled.

Determining a Customer's Ability to Evaluate Risk Independently: Such a determination depends on an examination of the customer, including resources available to them to make informed decisions. Several factors relevant to making such a determination include (1) the use (by the customer) of one or more consultants, investment advisers or bank trust departments; (2) the general level of experience of the customer in financial markets and specific experience with the type of instruments under consideration; (3) the customer's ability to understand the economic features and risks of the security involved; (4) the customer's ability to independently evaluate how market developments might affect the security; and (5) the complexity of the security of securities involved.

Determining a Customer's Ability to Make Independent Investment Decisions: Several considerations would be called for, including but not necessarily limited to (1) any written or oral understanding that exists between the broker/dealer and the customer regarding the nature of their relationship and the services to be rendered by the broker/dealer; (2) a pattern of accepting or rejecting recommendations of the broker/dealer; (3) the customer's use of ideas, suggestions, market views and information obtained from other broker/dealers and/or market professionals, specifically those relating to the same type of securities; and (4) the extent to which the broker/dealer has received from the customer current comprehensive portfolio information in connection with the discussion of recommended transactions.

Each registered individual opening new accounts or undertaking securities transactions on behalf of an account has the responsibility to use due diligence and learn as many essential facts as possible concerning our customers.

On any recommended transaction, we must obtain minimal information about a customer's financial situation and investment objectives, prior to or promptly after, completion of an initial transaction.

Review as to the appropriate gathering of all required information will be evidenced by a new account form containing the signature of the registered individual who opened the account, the customer and a supervising principal (whose signature indicates approval).

Information must be obtained and maintained with the New Account forms concerning any special circumstances appropriate to any unusual transactions.

The ongoing reviews will be on a daily, "as needed" basis (in terms of account opening), upon the raising of suitability or other matters (i.e. switching, churning, etc.), and will otherwise be an annual event. However, should situations arise (i.e. concerns with particular registered representatives, anti-money laundering issues or other concerns), such account reviews may be continued on an on-going basis. Our CCO will make notes to the client files concerning any such reviews. For account openings, such reviews will be evidenced by the principal signing off on the new account form.

Documentation of all training received by registered personnel on account opening procedures and suitability issues is maintained in the files and includes dates, copies of any training materials utilized, method of delivery (i.e. Annual Compliance Meeting, CE, on-line training, etc.), and lists of all individuals (names and CRD #s) who received such training.

*For purposes of FINRA Rules 3110 ("Books and Records Rule") and 2310 ("Suitability Rule"), an institution is (a) a bank, savings and loan association, insurance company, or registered investment company, (b) an investment adviser registered with either the SEC under Section 203 of the 1940 Act or with a state securities

commission (or any agency or office performing like functions), or (c) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

Investment Objective Terminology

Responsibility

Our CCO must ensure that the investment objective terms used on our new account forms and on any other documents given to clients and utilized by our registered personnel to determine suitability, are explained in clear and concise terms.

Procedure

In addition to our efforts to make the terminology as clear as possible and in keeping with the SEC's Books and Records Rule, each term will include its definition to avoid any possible confusion on behalf of the customer. Therefore, if a client, for example, checks "growth" on the new account form, both the customer and the registered individual will understand the precise meaning of that term. The designated principal must ensure that such definitions are not ambiguous or misleading. We will maintain the investment objective terms and accompanying definitions utilized in our files, with approval of such evidenced by initials and dates.

Retail Accounts

Responsibility

Our CCO is responsible for ensuring that appropriate training is given to all registered personnel regarding the opening of new accounts and retail suitability issues and for undertaking period reviews (as indicated throughout these WSPs) to determine the level of compliance throughout the firm for this and other areas.

In addition, on an ongoing basis, our designated supervising principals are responsible for overseeing the day to day activities of the individuals over whom they have direct supervisory responsibility and for monitoring their activities to detect instances where they are not acting in a manner compliant with all regulatory rules and with our policies and procedures.

New Account Form Disclosure: The following is a minimal checklist of information which must be contained on a New Account form:

- Customer's full name and residential address
- Date of Birth (customer must be of legal age)
- Name of Employer
  - is employer a registered broker/dealer?
- Is customer affiliated with FINRA or the American Stock Exchange?
- Customer signature (although not required by regulation - Spire requires as confirmation of information)
- Signature of registered representative introducing account
- Signature of principal accepting the account

Suitability Disclosures on Recommended Transactions: FINRA Rule 2310 ("Suitability Rule") requires that we make every reasonable effort to also obtain (from retail clients) the following, prior to execution of any recommended transactions:

- the customer's financial status
- the customer's investment objectives
- the customer's investment experience

For Corporations, Partnerships and other entities, the following information is also required:

- Name(s) authorized to transact business on behalf of the entity

Suitability Disclosures for Non-Recommended Open-End Mutual Funds: For each account other than institutional accounts (covered in another section within these WSPs), or accounts in which investments are limited to transactions in open-end investment company shares that are not recommended, reasonable efforts must be made to obtain the following information (to the extent it is applicable to the account):

- Tax ID Number or Social Security Number (if a customer refuses to provide tax identification, IRS rules require a fund to withhold thirty-one percent - 31% - of all redemptions or distributions)
- Occupation
- Name and address of employer
- A determination as to whether customer is an associated person of another FINRA member firm.
- A determination as to whether customer is an associated person of FINRA or American Stock Exchange

Procedure

Each registered individual opening new accounts or undertaking securities transactions on behalf of an account must use due diligence and learn as many essential facts as possible concerning our customers.

Our CCO will ensure that ALL affiliated personnel are given copies of, or access to, FINRA Regulatory Notices 11-02 and 11-25 (the latter with valuable FAQs) to ensure their full understanding of the requirements under FINRA Rule 2111.

On any recommended transaction, we must take into consideration the relevant "essential facts" obtained for the client profile, in order to document our suitability determination. **SEE FURTHER WITHIN THIS DOCUMENT "SUITABILITY: Investment Recommendations".**

A new account form containing the signature of the registered individual who opened the account, the customer and a supervising principal, whose signature indicates approval, will evidence the appropriate gathering of all required information.

We will obtain and maintain information concerning any special circumstances appropriate to any unusual transactions with the new account forms.

The ongoing reviews will be on a daily basis when any new accounts are opened and upon the raising of suitability or other matters (i.e., switching, churning, etc.) and will otherwise be an annual internal audit event. However, should situations arise (i.e., concerns with particular registered representatives, AML issues or other concerns), such account reviews may be ongoing. Our CCO will make notes to the client files concerning any such reviews. For account openings, the principal signing off on the new account form will evidence such reviews.

We will maintain documentation of all training received by registered personnel on account opening procedures and suitability issues in the files and will include dates, copies of any training materials utilized, method of delivery (i.e., annual compliance meeting, CE, online training, etc.) and lists of all individuals (names and CRD #s) who received such training.

Updating and Periodic Affirmation

Responsibility

Our CCO will ensure that customer account information is updated, as required, and that we obtain the required periodic affirmation of such information from customers.

In addition, our designated supervisory principals are responsible for ongoing oversight of the registered individuals under their immediate supervision for all customer account information updating and verification.

Procedure

For Brokerage accounts:

Designated principals must ensure that the individuals under their direct supervision know, and comply with ,the requirement to update customer information whenever the customer informs them, or they become aware of changes. The supervisor must approve all changes to customer account information, and the customer must receive verification of such changes within 30-days. Changes in address and or suitability information requires the consent of the client - at least in electronic/email format.

Designated principals ensure that the customer is contacted by mail or telephone if we do not receive verification from the customer in a timely manner. We will document such efforts in the files. If brokerage account information is updated/changes, our clearing firms will automatically send out a Revised Account Profile ("RAP").

At least every 36 months, we (through our clearing firms) will provide customers with the new account information we have on record and ask them to advise us of any changes or updates. Exempted from this requirement are those accounts that have been inactive for 36 months or accounts for which no registered personnel of this firm have made any recommendations. Our clearing firm automatically generates reports showing those accounts scheduled to receive a 3-year RAP in the next 60 days. Those accounts that are updated in the interim will automatically have the clock reset beginning on the date on which the account was last changed.

Our CCO will ensure annual review of all customer account information verification requirements, documenting such review in the file, including dates, names of individuals undertaking the review, scope

of the review and findings, including corrective measures taken, if necessary, due to uncovered deficiencies.

For Direct business:

Our procedures call for a new NAF for all direct business, unless the registration is the same and we have a NAF on file that is less that 12 months old. Therefore and new suitability determination can be made with the new NAF. Since these are not brokerage accounts and are held directly with the sponsor company the same type of updating or 36 month letter is not generated.

Electronic Account Approval

Responsibility

Our CCO is responsible for ensuring that all accounts introduced to the firm are accepted in writing by a partner, member, officer or principal in accordance with NASD Rule 3010(d). The acceptance may be either manual or electronic signature.

In addtition, our CCO and or our designated supervising principals overseeing and accepting new account openings are responsible for ensuring that the appropriate safeguards for electronic signatures and electronic media are followed.

Procedure

NASD Rule 3110(c)(1)(C) requires members to maintain, for each customer account opened after January 1, 1991, a signature of the registered representative introducing the account and signature of the member or partner, officer, principal or manager who accepts the account.

Although FINRA Rules do not expressly provide for electronic review and signature, they believe that the use of electronic signature to satisfy the principal approval requirements under NASD Rules 3010(d) and 3110(c)(1)(C) is permissible as long as certain conditions are met. Therefore, Spire will ensure the following safeguards apply to its electronic media platform:

- Spire will allow FINRA examining staff immediate access to required records and documents;
- Spire will allow FINRA examining staff to download and print hard copies of required records and documents;
- SPIRE will allow FINRA examining staff to review copies of all relevant imaged documents and will provide an audit trail of principals who reviewed the customer accounts and orders;
- SPIRE will store all required records and documents on a secured server, which will operate in a redundant, multi-server environment to ensure the integrity of the data;
- SPIRE'S policies and procedures will allow the electronic media platform to be used only by those individuals who have been approved and only at the level of access for which those individuals have been approved;

- The platform can only be viewed through a password protected and encrypted web browser and it will instruct users to change their passwords periodically;
- SPIRE will maintain current written policies and procedures at each branch office that utilizes the platform that accurately describe the system, its safeguards and its operating procedures;
- SPIRE will review periodically the policies, procedures, and operations to ensure conformance with changes and enhancements in policies and procedures;
- The platform will be capable of indexing and cross-referencing stored information to ensure access to all relevant documents and records;
- The system will store documents in a non-rewriteable and non-erasable ("write once, read many" or "WORM") format;
- The system will allow for third-party, secured access.

Products and Services

Alternative Investments and Other Complex Products

Alternative Investments and other Complex Products

Introduction

A product which by its make-up and or features may make it difficult for retail investors to fully understand the potential risks of the product.

Spire has defined Alternative Investments as non-exchange traded, limited liquidity, or illiquid securities. The continued popularity of alternative investments has increased the investment opportunities available for retail investors to obtain favorable returns if the products are fully understood.

With the introduction and application of Regulation Best Interest (Reg BI), broker-dealers and their associated persons must affirm that securities recommendations, and recommendations of investment strategies involving securities, are in the best interest of the retail customers.

Complex Products: As outlined in FINRA Notice 22-08 regulatory concerns are increasing as investors trade these complex products without completely understanding their unique characteristics and risks.

FINRA has described a complex product as a product with features that may make it difficult for a retail investor to understand the essential characteristics of the product and its risks (including the payout structure and how the product may perform in different market and economic conditions). A product that combines features of multiple products and strategies also may be complex (*e.g.,* leveraged or inverse exchange-traded products (ETPs)—collectively, "geared" ETPs—that can employ futures contracts and other derivatives or may engage in short sales; structured products with embedded optionality; interval funds; and publicly or privately offered REITs. [FINRA Regulatory Notice 22-08]

Some of these investments include:

1. Alternative Investments ("Alts") are non-exchange traded and illiquid investments. Alts may include: publicly or privately offered Real Estate Investment Trusts ("REITS"), Direct Participation Programs, Private Placements and Public Offerings.
2. Leveraged and Inverse Mutual funds and ETFs that offer strategies employing cryptocurrency futures. In addition to their exposure to cryptocurrency, which could itself be considered complex, these funds track futures contracts rather than the underlying cryptocurrency.
3. Interval funds, or tender-offer funds that provide limited liquidity to investors. Unlike traditional mutual funds, which in most situations allow investors to redeem 100 percent of their holdings in a specific fund at the next determined daily net asset value, these registered investment companies present complexities in the redemption process and in the amount of holdings available for redemption during a given period.
4. Penny (Low-Priced Securities) Stocks are generally not permitted without prior review. There are a number of risks associated with these Low-Priced stocks (AML issues, Stock fraud schemes)

In light of the increased trading activity in these investments and the enhanced regulatory scrutiny, Spire Securities has implemented the following Policy and Supervisory Procedures to monitor these complex investments.

Policy

Careful consideration, review, and supervisory oversight will be required for purchases of Alternative Investments, Leveraged/Inverse ETFs, Interval Funds, Penny Stocks, and other speculative securities.

Supervisory Procedures

- All Alternative Investments ("Alts") will go through an examination process whereby Spire Securities' Due Diligence Committee (consisting of the CCO, Compliance Principal, Supervision Principal, and Designated Supervisors) will gather research and explore the potential risks of the offering prior to any representative soliciting or marketing the security. The coordination and gathering of due diligence materials for alts will be performed by the Compliance Principal.
- Appropriate due diligence on the product prior to it being offered may include, examination of: a) the liquidity of the product, b) the existence of a secondary market and the prospective transparency of pricing in any secondary market transactions, c) the creditworthiness of the issuer, d) the creditworthiness and value of any underlying collateral, e) the creditworthiness of any counterparties, where applicable, f) principal, return, and/or interest rate risks and the factors that determine those risks, g) the tax consequences of the product and h) the costs and fees associated with purchasing and selling the product.
- Alts will go through periodic reviews for continued access by representatives. Ongoing due diligence will be monitored by the Compliance Principal via the review of updated materials (i.e. quarterly reports/newsletters, updated prospectuses, PPMs, subscription documents, as well as updated third-party research) sent to Spire Securities by either the sponsor or by third-party research vendors and saving those materials in Laserfiche. Any information regarding a change in the approval of the product will immediately be communicated to all representatives so that they may take appropriate action.
- Representatives offering these types of products will be fully knowledgeable of the characteristics and risks of the product. To that end, Representatives are required to take and successfully complete educational courses specific to the alt he/she intends to utilize. These courses are provided on a third-party platform that is specifically tailored to alts.
- Representatives will only be permitted to recommend or otherwise participate in the purchase of alternative investments if the investment has been specifically approved by Spire.
- Each representative will be properly licensed for the business as well as with the regulators (i.e., states).
- Designated Supervisors will review with representatives who offer these products to customers to determine:
    - a) have undertaken appropriate due diligence with respect to the product
    - b) have performed a reasonable-basis suitability analysis and

    - c) undertaken customer-specific suitability analyses for recommended transactions.
- Registered personnel must examine specific customer suitability to include:
    - a) the customer's financial status,
    - b) the customer's tax status,
    - c) the customer's investment objectives and
    - d) such other information used or considered reasonable in making recommendations to the customer (pursuant to FINRA 2090 and 2111).
- The Compliance Principal and Designated Supervisors will also confirm:
    - a) all promotional material being utilized is fair, accurate and balanced,
    - b) appropriate internal controls have been implemented, and
    - c) all registered personnel engaged in the sale of these products have received adequate training.
- The Designated Supervisors will review all Spire paperwork for submission, specifically the Alternative Investment Disclosure and Speculative Securities Disclosure document.
    - The focus will be on Suitability and Best Interest Review.
- Spire Securities will limit the exposure in these types of investments to 30% of Liquid Net Worth.
- All paperwork must be submitted to Laserfiche prior to delivery to the carrier.
- All "Direct" Alt purchases require a Direct Trade Ticket to be entered into the Trade Blotter in Spire Access.
- Regulation Best Interest ("Reg BI") questions will be answered by the representative in Spire Access for those trades entered on our custodial brokerage accounts.
- The Supervision Department will monitor all funding sources for these investments to confirm Best Execution and Best Interest.

Complex Products

- All representatives will confirm that the product being used has been approved for solicitation by Spire Securities. Direct business will require the execution of a Selling Agreement with the sponsor company.
- The Designated Supervisors will monitor the Compliance and Trade Blotters in Spire Access for trading in these investments, requiring comments from representatives when trades are out of the firm's acceptable limits.

Trades in securities not approved by the firm or outside the acceptable limits or not suitable for the client will be canceled at the expense of the representative

Procedures for Non-Traditional ETFs

All solicited non-traditional ETF buys are required to be reviewed by a supervising principal to ensure that two "suitability" components have been met:

(1) the product itself is suitable for at least some customers (requiring a full understanding of the product and transaction being recommended)
(2) the product is suitable for the specific customer to whom it was recommended ("customer specific suitability" analysis required)

a) Investment Objectives should indicate either a growth, speculative, or some similar aggressive goal.

b) Investment knowledge should indicate frequent, extensive, or some similar experience.

A Disclosure document (eff. 2/11/2013) for solicited Speculative Securities transactions will be completed and submitted prior to the solicitation to purchase any such non-traditional ETF security. The receipt of this executed disclosure document would be required prior to the solicitation of any non-traditional ETF. It is intended that this disclosure document will cover all solicited non-traditional ETF purchases.

Using our Spire Access system, daily reports will flag any ETF transaction executed at one of our clearing firms. Our Trading Dept. Principal will then review the non-traditional solicited transactions for suitability and receipt of the disclosure document.

Should a violation occur, the transaction/trade may be cancelled and any loss will be charged to the representative.

Training with complex products

Our Supervision Principal and Designated Supervisors will make available to all individuals involved in the solicitation of non-traditional ETF transactions and other complex products, appropriate training (all such training being appropriately documented) as to the terms, features and risks as well as any factors which would make such products either suitable or unsuitable for certain investors. This training may be included in our annual continuing education program.

Product Approval: New Product Vetting for Public Offerings

Policy Requirements

Notice to Members 05-26 requires that broker-dealers have policies and procedures in place to ensure that no new product is introduced before it has been *"thoroughly vetted from a regulatory as well as a business perspective. At a minimum, procedures should identify what constitutes a new product, and ensure that the right questions are asked and answered before a new product is offered for sale."*

FINRA Rule 2111 calls for "Reasonable Basis Suitability" which requires firms to adhere to the following when recommending products:

There must be a *"reasonable basis to believe, based on reasonable diligence, that the recommendation [of the new product] is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the firm's or associated person's familiarity with the security or investment strategy. A firm's or associated person's reasonable diligence must provide the firm or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy."*

- Prior to adding a new product to our approved product list, our CCO will require that the Due Diligence Committee has documented at a minimum:
    - Is the new product a suitable recommendation for some investors?
    - Whether we are proposing to sell a product to retail investors, which has previously only been sold to institutional investors?
    - Whether the Designated Supervisors overseeing registered personnel who are selling the product will require additional training because they have no prior experience in such oversight?
    - Would the product require any material operational or system changes?
    - Would offering the product require new sales practices, or significant changes to current sales practices?
    - Would the product raise any conflicts that require identification and control?

Our CCO will see that we have a process in place for undertaking a formal product approval procedure. If there are any limitations in terms of which registered personnel may offer a specific new product, our CCO must clearly state such limitations, and ensure no potential confusion. These limitations may deal with the product only being available to a specific type of investor, such as those who qualify in terms of risk tolerance, net worth, etc.

Should representatives and/or supervisory personnel (i.e. the CCO, Compliance Principal, Director of Supervision and/or Designated Supervisors) require training of a particular type of product, we will arrange for the training either by a specific vendor, the fund company or during our annual continuing education program.

<u>Post-approval reviews/ongoing due diligence:</u>

Ongoing due diligence will be monitored by the Compliance Principal via the review of updated materials (i.e. quarterly reports/newsletters, updated prospectuses, PPMs, subscription documents, as well as updated third-party research) sent to Spire Securities by either the sponsor or by third-party research vendors and saving those materials in Laserfiche. We will at a minimum:

- Reassess the suitability issues surrounding the product;
- Track and monitor customer complaints and grievances relating to the new product;
- Reassess our training needs regarding the new product;
- Establish procedures to monitor ongoing, firm-wide compliance with any terms and/or conditions placed on the sale of the product; and

- Review the product to determine if any restrictions or conditions on its sale may be lifted, maintained, or, if circumstances warrant it, heightened.

Our CCO and Compliance Principal will maintain detailed documentation concerning all post-approval reviews in the product review files. Any information regarding a change in the approval of the product will immediately be communicated to all representatives so that they may take appropriate action.

Training of registered personnel engaged in Alt transactions will indicate that they cannot rely too heavily on a customer's financial status as the basis for recommending Alts, as net worth alone is not necessarily determinative of whether a particular product is suitable for a particular investor. Notice to Members 03-71 further states that, *"given the unique nature of NCIs, these products may present challenges when it comes to a member's duty to dispense its suitability obligation; however, the difficulty in meeting such challenges cannot be considered as a mitigating factor in determining whether members have met their suitability obligations. NCIs with particular risks may be suitable for recommendation to only a very narrow band of investors capable of evaluating and being financially able to bear those risks."*

To ensure suitability for a specific customer, our registered personnel must examine:

- The customer's financial status
- The customer's tax status
- The customer's investment objectives
- Such other information used or considered reasonable in making recommendations to the customer (pursuant to FINRAs 2090 and 2111)

We will document all training in the files, including dates, copies of training materials utilized, method of delivery (i.e., Annual Compliance Meeting, CE, compliance manual, online training, etc.), and names and CRD #s of individuals who received the training.

Background

Due diligence is essential to protecting our customers, this firm, and other broker-dealers from fraud on the part of the issuer. Furthermore, it is not possible for us to adequately assess the viability of an issuer's business plan, or the suitability of the securities for the member's customers, without undertaking an in-depth due diligence investigation, or by receiving written verification that such due diligence activities have been completed by a third-party such as another broker-dealer, attorney, public accountant, industry expert, etc.

Responsibility

Our CCO must ensure that all appropriate due diligence efforts on behalf of any private placement offering are undertaken and documented, or that we obtain sufficient documentation from a third-party indicating that they have undertaken appropriate due diligence.

Procedure

For each offering in which we consider participating, a set of minimum standards must be met for us to participate in the offering. Testing of the issue should minimally include

- Verification of important representations made in the offering documents or prospectus such as background of management personnel, FDA approval of products, etc.
- Investigation of the background of management, including education, experience, criminal history and credit history (the latter for possible bankruptcies or business failures), and;
- Thoroughly reviewing the offering document/prospectus and critically analyzing, for reasonableness, all representations made in the document.

Depending on the size of the firm and the nature of its business, we will establish minimum qualitative and quantitative standards that offerings and issuers must meet before we will consider signing an underwriting or selling agreement. DUE DILIGENCE EFFORTS WILL BE DOCUMENTED FOR EACH OFFERING, OUTLINING ALL RESULTS. If possible and when appropriate, a Principal other than the individual conducting the due diligence will review and approve the file before the firm accepts the engagement.

If we do not, ourselves, conduct the due diligence efforts, we will require documentation of all due diligence findings from the appropriate third-party, which we will retain in the files, evidencing review by initials and dates.

In addition, our due diligence efforts will also encompass those items listed below as deemed necessary and/or appropriate.

Due Diligence - General Information

- Forecasted monthly income statements, balance sheets and cash flow projections - as detailed as possible for the balance of the current and next three fiscal years, the assumptions upon which the forecasts are based, including *pro forma* assumptions
- Product brochures or similar information, sales forms, purchase orders and similar documents used by the company of its subsidiaries in the ordinary course of business

Due Diligence – Management

- Organizational chart
- Resume of all key executive employees and key employee job descriptions
- Schedule of any familial relationship among officers/directors of company/ subsidiaries
- Summary of management compensation for five principal officers (or less if there are not five), all directors and any significant affiliated parties of officers and directors

Due Diligence – Financials

- Audited financials for past three years
- **For public companies only** - most recent 10Ks, 10Qs, proxy statements, annual and quarterly reports to shareholders

- List of banking and credit relationships of the company and its subsidiaries, including name of financial institution, description of outstanding debt or loan or credit commitments, interest rate and payment terms
- Summary of material litigation, arbitration and governmental proceedings to which the company, its subsidiaries, or any of the directors or officers of each have been party to within the past three years or which are or have been threatened against any of them

Due Diligence – Miscellaneous

- Copies of any current studies, or analyses of the company, its products, services or prospects
- List (name, address, phone number and name of principal account representative) of law and accounting firms, advertising agencies and other professional organizations that have represented the company in any material matters in the past three years
- Summary of any material correspondence with federal or state regulatory agencies (OSHA, ERISA, etc.)
- Copies of Articles of Incorporation and By Laws of the company
- Schedule of all current insurance coverage for the company, including risk covered, carrier and expiration date

Due Diligence - Discussions/Questions

- Actual monthly performance (P+L) versus original unadjusted budget for the previous two fiscal years end;
- Discussion on significant contingent liabilities or encumbrances;
- Whether the offering itself is sold on a contingency basis;
- For public companies only - all SEC filings (including RECENT prospectus, registration statements, insider trading, 144, etc.) as well as annual reports for the past three year period and quarterly reports for the last four quarters.

The Compliance Principal is responsible for maintaining all appropriate due diligence files on every offering in which we are engaged, regardless of whether we conducted the due diligence ourselves, or obtained sufficient evidence of due diligence from an appropriate third-party.

Once the Compliance Principal has gathered all due diligence materials for the offering, the Compliance Principal will schedule a Due Diligence Committee meeting. During this meeting, the information contained in the due diligence materials for the offering, the merits and risks of the offering, and the potential for client suitability (i.e. whether the potential needs to be an Accredited Investor for private offerings) will be discussed by the CCO, Compliance Principal, Director of Supervision, and Designated Supervisors. A majority vote is needed for an offering to be approved for sale. If the Due Diligence Committee has further questions based upon the information gathered and the discussions held, the Compliance Principal will contact the firm sponsoring the offering with the Committee's questions, asking for responses to those questions in return. The responses will then be circulated to the Committee and a new meeting will be scheduled to discuss the responses. This process can repeat until the Committee feels its questions have been satisfactorily answered and can move to vote on whether to approve the offering.

Product Approval: New Product Vetting for Private Placements

Due Diligence

Policy Requirements

Notice to Members 05-26 requires that broker-dealers have policies and procedures in place to ensure that no new product is introduced before it has been *"thoroughly vetted from a regulatory as well as a business perspective. At a minimum, procedures should identify what constitutes a new product, and ensure that the right questions are asked and answered before a new product is offered for sale."*

FINRA Rule 2111 calls for "Reasonable Basis Suitability" which requires firms to adhere to the following when recommending products:

There must be a *"reasonable basis to believe, based on reasonable diligence, that the recommendation [of the new product] is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the firm's or associated person's familiarity with the security or investment strategy. A firm's or associated person's reasonable diligence must provide the firm or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy."*

- Prior to adding a new product to our approved product list, our CCO will require that the Due Diligence Committee has documented at a minimum:
    - Is the new product a suitable recommendation for some investors?
    - Whether we are proposing to sell a product to retail investors, which has previously only been sold to institutional investors?
    - Whether the Designated Supervisors overseeing registered personnel who are selling the product will require additional training because they have no prior experience in such oversight?
    - Would the product require any material operational or system changes?
    - Would offering the product require new sales practices, or significant changes to current sales practices?
    - Would the product raise any conflicts that require identification and control?

Our CCO will see that we have a process in place for undertaking a formal product approval procedure. If there are any limitations in terms of which registered personnel may offer a specific new product, our CCO must clearly state such limitations, and ensure no potential confusion. These limitations may deal with the product only being available to a specific type of investor, such as those who qualify in terms of risk tolerance, net worth, etc.

Should representatives and/or supervisory personnel (i.e. the CCO, Compliance Principal, Director of Supervision and/or Designated Supervisors) require training of a particular type of product, we will arrange for the training either by a specific vendor, the fund company or during our annual continuing education program.

Post-approval reviews/ongoing due diligence:

Ongoing due diligence will be monitored by the Compliance Principal via the review of updated materials (i.e. quarterly reports/newsletters, updated prospectuses, PPMs, subscription documents, as well as updated third-party research) sent to Spire Securities by either the sponsor or by third-party research vendors and saving those materials in Laserfiche. We will at a minimum:

- Reassess the suitability issues surrounding the product;
- Track and monitor customer complaints and grievances relating to the new product;
- Reassess our training needs regarding the new product;
- Establish procedures to monitor ongoing, firm-wide compliance with any terms and/or conditions placed on the sale of the product; and
- Review the product to determine if any restrictions or conditions on its sale may be lifted, maintained, or, if circumstances warrant it, heightened.

Our CCO and Compliance Principal will maintain detailed documentation concerning all post-approval reviews in the product review files. Any information regarding a change in the approval of the product will immediately be communicated to all representatives so that they may take appropriate action.

Training of registered personnel engaged in Alt transactions will indicate that they cannot rely too heavily on a customer's financial status as the basis for recommending Alts, as net worth alone is not necessarily determinative of whether a particular product is suitable for a particular investor. Notice to Members 03-71 further states that, *"given the unique nature of NCIs, these products may present challenges when it comes to a member's duty to dispense its suitability obligation; however, the difficulty in meeting such challenges cannot be considered as a mitigating factor in determining whether members have met their suitability obligations. NCIs with particular risks may be suitable for recommendation to only a very narrow band of investors capable of evaluating and being financially able to bear those risks."*

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We will document all training in the files, including dates, copies of training materials utilized, method of delivery (i.e., Annual Compliance Meeting, CE, compliance manual, online training, etc.), and names and CRD #s of individuals who received the training.

Background

Due diligence is essential to protecting our customers, this firm, and other broker-dealers from fraud on the part of the issuer. Furthermore, it is not possible for us to adequately assess the viability of an

issuer's business plan, or the suitability of the securities for the member's customers, without undertaking an in-depth due diligence investigation, or by receiving written verification that such due diligence activities have been completed by a third-party such as another broker-dealer, attorney, public accountant, industry expert, etc.

Responsibility

Our CCO must ensure that all appropriate due diligence efforts on behalf of any private placement offering are undertaken and documented, or that we obtain sufficient documentation from a third-party indicating that they have undertaken appropriate due diligence.

Procedure

For each offering in which we consider participating, a set of minimum standards must be met for us to participate in the offering. Testing of the issue should minimally include

- Verification of important representations made in the offering documents or prospectus such as background of management personnel, FDA approval of products, etc.
- Investigation of the background of management, including education, experience, criminal history and credit history (the latter for possible bankruptcies or business failures), and;
- Thoroughly reviewing the offering document/prospectus and critically analyzing, for reasonableness, all representations made in the document.

Depending on the size of the firm and the nature of its business, we will establish minimum qualitative and quantitative standards that offerings and issuers must meet before we will consider signing an underwriting or selling agreement. DUE DILIGENCE EFFORTS WILL BE DOCUMENTED FOR EACH OFFERING, OUTLINING ALL RESULTS. If possible and when appropriate, a Principal other than the individual conducting the due diligence will review and approve the file before the firm accepts the engagement.

If we do not, ourselves, conduct the due diligence efforts, we will require documentation of all due diligence findings from the appropriate third-party, which we will retain in the files, evidencing review by initials and dates.

In addition, our due diligence efforts will also encompass those items listed below as deemed necessary and/or appropriate.

Due Diligence - General Information

- Forecasted monthly income statements, balance sheets and cash flow projections - as detailed as possible for the balance of the current and next three fiscal years, the assumptions upon which the forecasts are based, including *pro forma* assumptions
- Product brochures or similar information, sales forms, purchase orders and similar documents used by the company of its subsidiaries in the ordinary course of business

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- Organizational chart
- Resume of all key executive employees and key employee job descriptions
- Schedule of any familial relationship among officers/directors of company/ subsidiaries
- Summary of management compensation for five principal officers (or less if there are not five), all directors and any significant affiliated parties of officers and directors

Due Diligence – Financials

- Audited financials for past three years
- List of banking and credit relationships of the company and its subsidiaries, including name of financial institution, description of outstanding debt or loan or credit commitments, interest rate and payment terms
- Summary of material litigation, arbitration and governmental proceedings to which the company, its subsidiaries, or any of the directors or officers of each have been party to within the past three years or which are or have been threatened against any of them

Due Diligence – Miscellaneous

- Copies of any current studies, or analyses of the company, its products, services or prospects
- List (name, address, phone number and name of principal account representative) of law and accounting firms, advertising agencies and other professional organizations that have represented the company in any material matters in the past three years
- Summary of any material correspondence with federal or state regulatory agencies (OSHA, ERISA, etc.)
- Copies of Articles of Incorporation and By Laws of the company
- Schedule of all current insurance coverage for the company, including risk covered, carrier and expiration date

Due Diligence - Discussions/Questions

- Actual monthly performance (P+L) versus original unadjusted budget for the previous two fiscal years end;
- Discussion on significant contingent liabilities or encumbrances;
- Whether the offering itself is sold on a contingency basis;
- For public companies only - all SEC filings (including RECENT prospectus, registration statements, insider trading, 144, etc.) as well as annual reports for the past three year period and quarterly reports for the last four quarters.

The Compliance Principal is responsible for maintaining all appropriate due diligence files on every offering in which we are engaged, regardless of whether we conducted the due diligence ourselves, or obtained sufficient evidence of due diligence from an appropriate third-party.

Once the Compliance Principal has gathered all due diligence materials for the offering, the Compliance Principal will schedule a Due Diligence Committee meeting. During this meeting, the information contained in the due diligence materials for the offering, the merits and risks of the offering, and the potential for client suitability (i.e. whether the potential needs to be an Accredited Investor for private

offerings) will be discussed by the CCO, Compliance Principal, Director of Supervision, and Designated Supervisors. A majority vote is needed for an offering to be approved for sale. If the Due Diligence Committee has further questions based upon the information gathered and the discussions held, the Compliance Principal will contact the firm sponsoring the offering with the Committee's questions, asking for responses to those questions in return. The responses will then be circulated to the Committee and a new meeting will be scheduled to discuss the responses. This process can repeat until the Committee feels its questions have been satisfactorily answered and can move to vote on whether to approve the offering.

Upon the favorable vote by the Due Diligence Committee to approve the product, the Compliance Principal will file a 5123 Notification Filing with FINRA for the offering.

Retail Communications

Policy Requirements

Many private placement offerings to retail investors include marketing or sales communications that meet the definition of retail communication in Rule 2210(a)(5). In addition, the adoption of Rule 506(c) under Reg D eliminated the prohibition against general solicitation and advertising for private placement offerings where all purchasers of the securities are verified accredited investors.

Third-Party Prepared Materials

FINRA disciplinary actions demonstrate that member firms can be liable for violations of Rule 2210 when distributing or using noncompliant retail communications prepared by a third party.

Balanced Presentation of Risks and Investment Benefits

Retail communications that discuss the potential benefits of investing in private placements should balance the discussion of risks with disclosures, such as the potential for private placement investments to lose value, their lack of liquidity and their speculative nature. Providing risk disclosure in a separate document, such as a PPM, or in a different section of a website does not substitute for disclosure contained in or integrated with retail communications governed by Rule 2210.

Distribution Rates

Presentations of distribution rates consistent with Rule 2210 must disclose:

- that distribution payments are not guaranteed and may be modified at the program's discretion;
- if the distribution rate consists of return of principal (including offering proceeds) or borrowings, a breakdown of the components of the distribution rate showing what portion of the quoted percentage represents cash flows from the program's investments or operations, what portion represents return of principal, and what portion represents borrowings;

- the time period during which the distributions have been funded from return of principal (including offering proceeds), borrowings or any sources other than cash flows from investment or operations;
- if the distributions include a return of principal, that by returning principal to investors, the program will have less money to invest, which may lower its overall return; and
- if the distributions include borrowed funds, that since borrowed funds were used to pay distributions, the distribution rate may not be sustainable.

Internal Rate of Return (IRR)

Internal Rate of Return (IRR) is a measure of performance commonly used in connection with marketing private placements of real estate, private equity and venture capital. IRR shows a return earned by investors over a particular period, calculated on the basis of cash flows to and from investors. IRR is calculated as the discount rate that makes the net present value of all cash flows from an investment equal to zero.

FINRA interprets Rule 2210 to permit retail communications to include IRR for completed investment programs. In addition, FINRA does not view as inconsistent with the rule retail communications that provide an IRR for a specific investment in a portfolio if the IRR represents the actual performance of that holding.

Investment programs such as private equity funds and REITs may have a combination of realized investments and unrealized holdings in their portfolios. Where the program has ongoing operations, FINRA interprets Rule 2210 to permit the inclusion of IRR if it is calculated in a manner consistent with the Global Investment Performance Standards (GIPS) adopted by the CFA Institute and includes additional GIPS-required metrics such as paid-in capital, committed capital and distributions paid to investors.

Procedures and Documentation

Our CCO ensures that adequate supervision is given to all retail communications.

For further guidance, please refer to the "Communications with the Public" section of this manual.

FINRA Filing Requirements

Background

Rule 5123 was adopted to provide FINRA with more timely and complete information about the private placement activities of firms on behalf of other issuers. Under the rule, each firm that sells a security in a private placement, subject to certain exemptions, must file a copy of the offering document with FINRA within 15 calendar days of the date of the first sale. According to the SEC guidance, ***"that the date of first sale is the date on which the investor is irrevocably contractually committed to invest, which depending on the terms and conditions of the contract, could be the date on which the issuer receives the***

investor's subscription agreement or check." *In certain real estate programs, that* ***irrevocably contractually committed date*** *is the closing date of the fund, when the escrowed funds are then released.* If a firm sells a private placement without using any offering documents, then the firm should indicate that it did not use any such offering documents. The rule requires firms to file any materially amended versions of the documents originally filed.

The rule exempts some private placements sold solely to qualified purchasers, institutional purchasers and other sophisticated investors.

The following private placements are exempt from the requirements of this Rule:

1. offerings sold by the member or person associated with the member solely to any one or more of the following:
    A. institutional accounts, as defined in Rule 4512(c);
    B. qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act;
    C. qualified institutional buyers, as defined in Securities Act Rule 144A;
    D. investment companies, as defined in Section 3 of the Investment Company Act;
    E. an entity composed exclusively of qualified institutional buyers, as defined in Securities Act Rule 144A;
    F. banks, as defined in Section 3(a)(2) of the Securities Act;
    G. employees and affiliates, as defined in Rule 5121, of the issuer;
    H. knowledgeable employees as defined in Investment Company Act Rule 3c-5;
    I. eligible contract participants, as defined in Section 3(a)(65) of the Exchange Act; and
    J. accredited investors described in Securities Act Rule 501(a)(1), (2), (3) or (7).
2. offerings of exempted securities, as defined in Section 3(a)(12) of the Exchange Act;
3. offerings made pursuant to Securities Act Rule 144A or SEC Regulation S;
4. offerings of exempt securities with short term maturities under Section 3(a)(3) of the Securities Act and debt securities sold by members pursuant to Section 4(2) of the Securities Act so long as the maturity does not exceed 397 days and the securities are issued in minimum denominations of $150,000 (or the equivalent thereof in another currency);
5. offerings of subordinated loans under SEA Rule 15c3-1, Appendix D (see NASD Notice to Members 02-32 (June 2002)); 11-01 January 2011 11-04
6. offerings of "variable contracts," as defined in Rule 2320(b)(2);
7. offerings of modified guaranteed annuity contracts and modified guaranteed life insurance policies, as referenced in Rule 5110(b)(8)(E);
8. offerings of non-convertible debt or preferred securities that meet the transaction eligibility criteria for registering primary offerings of non-convertible securities on Forms S-3 and F-3;
9. offerings of securities issued in conversions, stock splits and restructuring transactions that are executed by an already existing investor without the need for additional consideration or investments on the part of the investor;
10. offerings of securities of a commodity pool operated by a commodity pool operator, as defined under Section 1a(11) of the Commodity Exchange Act;
11. business combination transactions as defined in Securities Act Rule 165(f);
12. offerings of registered investment companies;

Responsibility

Our compliance principal, will ensure that we are adhering to all the requirements under FINRA Rule 5123, with a copy of the filed 5123 kept in our due diligence files.

Procedure

When we engage in selling a security in a non-public offering in reliance on an available exemption from registration under the Securities Act ("private placement") our Private Placement Principal will ensure that, within 15 (fifteen) calendar days of the date of first sale.

Once we have approved the offering for sale to our clients, we will at that time also file the required 5123 so as not to violate the 15 day from first sale requirement - unless the fund has not yet closed and no first sale date has been established (see above guidance). We are not required to wait for the filing of a Form D from the sponsor. We may also make any subsequent amendments to our 5123 filing.

Private Investment Funds

Policy Requirements

Most private investment funds (often called hedge funds) are unregistered investment companies pursuant to certain exemptions under the Investment Company Act of 1940. In most cases, the securities offered by hedge funds are exempt from registration under the Securities Act of 1933.

A hedge fund may be described as a private and unregistered investment pool that accepts investors' money and employs sophisticated hedging and arbitrage techniques using long and short positions, leverage and derivatives, and investments in many markets. Hedge funds vary in size and trading strategies, including categories such as relative value hedge funds, event driven hedge funds, equity hedge funds, global asset allocator hedge funds, short selling hedge funds, sectoral hedge funds, and market neutral hedge funds.

Because the protections for registered products are not provided, these products may only be offered privately to certain qualified investors who meet specific financial standards. Certain funds of hedge funds are registered under the Investment Company Act of 1940 and offerings of their securities are registered under the Securities Act. However, as the underlying investments are in unregistered hedge funds, regulators view these funds as posing many of the same risks to investors as the unregistered products.

Sales practices relating to the sale of direct interests in hedge funds and indirect interests through funds of hedge funds have become a regulatory concern given the recent surge in the popularity of the funds.

While FINRA does not regulate hedge funds, the sale of such products directly affects the investing public and FINRA will therefore carefully scrutinize our sales practices for hedge fund transactions. The most important issues are suitability and disclosure.

Review Procedures and Documentation

Our CCO or a specifically-designated individual must ensure that all obligations are met relative to the sale of hedge funds and funds of hedge funds, including, but not necessarily limited to, the following:

1. Ensure that balanced disclosure is provided in all promotional efforts

Our CCO, working with other appropriate Senior Management, will review all promotional materials and must give approval before any such materials can be submitted to FINRA, if required, or distributed in any manner.

Risks that must be disclosed in promotional materials include:

- Hedge funds often engage in leveraging and other speculative investment practices that may increase risk of investment loss.
- Hedge funds can be highly illiquid
- Hedge funds are not required to provide periodic pricing or valuation to investors
- Hedge funds may involve complex tax structures and delays in the distribution of important tax information
- Hedge funds are not subject to the same regulatory requirements as mutual funds
- Hedge funds may charge high fees

If exempt from registration under the Securities Act of 1933, Rule 502(c) prohibits such privately placed funds from being offered, or sold, by any form of general solicitation or general advertising, including but not limited to, the following:

- Any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, and
- Any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

Our CCO will maintain copies of all materials, including corrected materials if changes were made prior to use, with notations of: who reviewed the material; who verified that any corrected amendments had been made; who determined the need to file the material with FINRA; if applicable, a FINRA response letter; and the date of final approval, including the initials of the approving principal. The initials approving the promotional material will also indicate that all required risk disclosures have been appropriately included in the approved material.

CCO approval on a promotional piece also indicates that a review has been done to ensure that we have only discussed performance results to actual performance of the promoted fund. Any communications we disseminate are prohibited from attributing the performance of another product to a new fund that has either a limited operating history, or no operating history. We can only use promotional material that has been given final approval by our CCO.

2. Ensure that a reasonable-basis and customer-specific suitability determinations were performed prior to the approval of any transaction

A hedge fund transaction may not be finalized without a determination by the supervising principal that a reasonable-basis suitability and a customer-specific suitability have been done, and documentation of the basis of that determination is maintained in the client files.

3. Ensure (a) that the individuals charged with overseeing the activities of associated persons selling hedge funds and funds of hedge funds receive sufficient training to undertake such responsibilities, and that they carry out their responsibilities in a compliant manner, and (b) that all associated persons and their supervisors receive appropriate training regarding the features, risks and suitability issues related to hedge funds and funds of hedge funds.

Our CCO must ensure that we maintain a current list of all individuals and their immediate supervisors permitted to engage in hedge fund transactions. Our CCO will circulate this list quarterly to appropriate Senior Management and other principals of the firm for updating.

4. Qualified Investors

A hedge fund transaction may not be finalized without a review to determine that the transaction has been offered privately to a qualified investor who meets specific financial standards.

5. Due Diligence

Our CCO or a specifically-designated individual must ensure that appropriate due diligence is done prior to anyone associated with us can recommend a hedge fund including:

- Investigation into the background of the hedge fund manager
- Review of the offering memorandum
- Review of the subscription agreement
- Examination of references
- Examination of the relative performance of the fund

6. Annual Reviews

Annually , our CCO, or a specifically-designated individual, will conduct a review of all hedge fund transactions to ensure that all applicable rules, specifically FINRA Rules 2090 (Know Your Customer), Reg BI, and 2111 (Suitability), have been adhered to, that all information gathered on hedge fund offerings is accurate and complete, and that all suitability determinations have been appropriate and documented.

Our CCO will annually review all hedge fund material to ensure that:

- The material has been approved for use
- No material had been approved that includes prohibited language, such as stating or implying hedge funds or funds of hedge funds are appropriate for all investors or should be part of all investors' portfolios, or contains language embellishing the investment adviser's capabilities, or contains any improper forward-looking statements with respect to securities investments.

All supervising principals must ensure that individuals under their supervision engaged in selling hedge funds and registered products (closed-end funds) that invest in hedge funds (funds of hedge funds) fulfill all sales practice obligations especially regarding retail customers.

Our CCO or a specifically-designated individual must ensure that all obligations are met when selling hedge funds and funds of hedge funds. These obligations include, but are not necessarily limited to:

- Providing balanced disclosure in all promotional efforts
- Performing a reasonable-basis suitability determination
- Performing a customer-specific suitability determination
- Supervising associated persons selling hedge funds and funds of hedge funds

Annually , our CCO or a specifically-designated individual will review all hedge fund transactions to ensure that we only offer them privately to certain qualified investors. The designated principal who oversees advertising and sales materials is also responsible for approving all sales materials and oral presentations promoting hedge funds or funds of hedge funds to ensure that each presentation includes the risks and potential disadvantages of investing in hedge funds that must be disclosed including:

- Hedge funds often engage in leveraging and other speculative investment practices that may increase risk of investment loss.
- Hedge funds can be highly illiquid.
- Hedge funds are not required to provide periodic pricing or valuation to investors.
- Hedge funds may involve complex tax structures and delays in the distribution of important tax information.
- Hedge funds are not subject to the same regulatory requirements as mutual funds.
- Hedge funds may charge high fees.

Our review of advertising will also ensure compliance with the following:

1. **Misleading or Exaggerated Language** - We are prohibited from using sales literature on funds that misstate their investment objectives.

   In general, sales material for a specific offering should reflect the disclosure contained in the offering document.

   The designated principal will review all hedge fund materials to ensure they avoid language that states, or implies, that hedge funds or funds of hedge funds are appropriate for all investors or should be part of all investors' portfolios. In addition, the principal will ensure that these materials do not contain language that embellishes the investment adviser's capabilities.

2. **Performance** - FINRA has indicated concern about marketing materials that contain language stating or implying that an investor could expect a specific rate of return by investing in a fund. Such projections or predictions of investment results are prohibited, and all hedge fund marketing materials will be reviewed to ensure that they do not contain any improper forward-looking statements with respect to securities investments.

We will restrict discussions of performance results to actual performance of the fund being promoted. Any of our sales materials are prohibited from attributing the performance of another product to a new fund that has either a limited operating history or no operating history.

3. **General Solicitations** - Some hedge funds offered are exempt from registration under the Securities Act of 1933. In most instances, as stated in Rule 502(c) under that Act, such privately placed funds may not be offered or sold by any form of general solicitation or general advertising, including, but not limited to, the following:
    - Any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio; and
    - Any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

Escrow Accounts

Responsibility

Our CCO must ensure our compliance with all rules and regulations relating to any escrow agreements into which we may enter for best efforts offerings.

Procedure

Prior to entering into any escrow agreements, the designated principal will become familiar with Notices to Members 87-61 and 84-7 to ensure that we meet all the requirements under SEC Exchange Act Rules 10b-9 and 15c2-4 regarding best efforts offerings with contingencies that may result in the return of investors' funds if a contingency is not met. These rules cover both public and private offerings.

Generally, these escrow agreements are drawn up by issuer's counsel and only require that we review them for regulatory compliance. Should we have concerns not addressed by the issuer's counsel, we will seek assistance from separate counsel and document our concerns and findings in the file.

Each proposed escrow agreement will be individually reviewed against Notices to Members 87-61 and 84-7, with documentation indicating that it complies with the requirements, evidenced by initials and dates, kept in the files. If we determine that it does not comply, all non-compliant areas will be brought to the attention of issuer's counsel for rectification.

Our CCO must approve and sign off on an escrow agreement PRIOR to our soliciting investments for a best efforts offering or mini/maxi deal.

Escrow Bank Must Be Independent

Our CCO will determine that all escrow accounts are maintained at a bank (with a bank officer acting as escrow agent), that is independent of both this broker-dealer and the issuer. Counsel is not permitted to act as an escrow agent. We will maintain in our files documentation on how we determined the escrow bank was, in fact, independent.

Regulation D - Rule 506 "Bad Actor" Disqualification and Disclosure Requirements

Policy Requirements

On July 10, 2013, the SEC adopted bad actor disqualification provisions for Rule 506 of Regulation D under the Securities Act of 1933, to implement Section 926 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The disqualification and related disclosure provisions appear as paragraphs (d) and (e) of Rule 506 of Regulation D.

Because of Rule 506(d) bad actor disqualification, an offering is disqualified from relying on Rule 506(b) and 506(c) of Regulation D if the issuer or any other person covered by Rule 506(d) has a relevant criminal conviction, regulatory or court order, or other disqualifying event that occurred on or after September 23, 2013, the effective date of the rule amendments.

Under Rule 506(e), for disqualifying events that occurred before September 23, 2013, issuers may still rely on Rule 506, but will have to comply with the disclosure provisions of Rule 506(e).

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Private Securities Activities

Effective on October 1, 2018, principals solely responsible for supervising specified activities relating to private securities offerings may register as Private Securities Offerings Principals, instead of registering as General Securities Principals. Individuals can qualify for registration as a Private Securities Offerings

Principal in several ways. An individual who is registered with FINRA as a Private Securities Offerings Representative and a General Securities Principal prior to October 1, 2018, and who continues to maintain those registrations on October 1, 2018, will automatically be granted a Private Securities Offerings Principal registration on October 1, 2018. Further, an individual whose registrations as a Private Securities Offerings Representative and a General Securities Principal were terminated between October 1, 2016, and September 30, 2018, is qualified to register as a Private Securities Offerings Principal without having to take any additional examinations, provided he or she registers as a Private Securities Offerings Principal within two years from the date of terminating those registrations. All other individuals registering as Private Securities Offerings Principals on or after October 1, 2018, are required to satisfy the Private Securities Offerings Representative prerequisite registration, including passing the SIE, and passing the General Securities Principal (Series 24) qualification examination.

Procedures and Documentation

Our CCO ensures that adequate supervision is given to all private securities activities.

Prior to selling private securities, employees must provide written notice to the Compliance Department, describing in detail the proposed transactions; the individual's proposed role therein; and any compensation arrangements.

Our CCO will approve or deny the individual's participation in the proposed transaction.

All approved transactions will be recorded on our transaction books and records, and the individual's participation will be supervised as if the transaction or transactions had been executed on behalf of this firm. Annually our CCO will ensure that we conduct a review of all approved private securities transactions to ensure that we are maintaining appropriate books and records and appropriately supervising the activities of the individuals permitted to engage in the private securities transactions.

Security Futures

Procedures and Documentation

Although Spire maintains an NFA membership, we currently have no registered individual registered with NFA. We have maintained the registration as we do have some legacy accounts that we are servicing until they either liquidate or transfer.

Should we need to register an individual we will resume proper registration and procedures required of the NFA.

The Registered Options and Security Futures Principal is responsible for ensuring that individuals engaged in security futures transactions are making appropriate disclosures and acting in accordance with all other rules and regulations regarding security futures, including FINRA Rule 2370.

Our CCO will undertake appropriate oversight and surveillance activities to ensure that applicable individuals are in full compliance with all security futures transactions. Our CCO will also ensure that sufficient training and education has been offered to ensure such compliance.

Security futures are subject to regulation both as securities and as futures contracts and must therefore be traded on trading facilities and through intermediaries that are registered both with the SEC and an applicable SRO such as FINRA or NYSE and with the CFTC. CFTC registration as either a Futures Commission Merchant or CFTC Introducing Broker is required, along with broker-dealer registration. Representatives are prohibited from opening accounts or conducting transactions in commodity futures contracts with any non-member of NFA or suspended member unless specifically exempted from registration under NFA rules. (NFA Bylaw 1101)

Our CCO will ensure appropriate registration is in place for this firm prior to any associated individual transacting security futures business. Our CCO will also ensure that all registered personnel engaging in such business are appropriately licensed according to FINRA Membership, Registration and Qualification Requirements (FINRA Rule 1210). Note that FINRA Rule 1230 indicates in what circumstances an individual is exempt from such registration.

Our CCO will ensure that oversight of all security futures transactions is undertaken by a qualified "Registered Options and Security Futures Principal" and will maintain documentation evidencing that such individual has satisfied an appropriate Firm Element Continuing Education Program.

Further, our CCO will ensure that statements of account showing security and money positions, entries, interest charges, and any special charges that have been assessed against such account during the period covered by the statement shall be sent no less frequently than once every month to each customer in whose account there has been an entry during the preceding month with respect to a security futures contract and quarterly to all customers having an open security futures position or money balance.

Front-Running Policy

Our CCO will ensure that we adhere to FINRA's Rule 5270 (Front Running of Block Transactions) as it relates to security futures transactions.

Communications with the Public

The Options Principal must approve all advertising and sales literature on security futures. Our CCO will ensure that all security futures sales material has been approved by signature or initials. In addition, our CCO will ensure that this material has been filed with FINRA for review at least ten days prior to use.

Note that we are not required to file the material with FINRA if: (a) advertisements are submitted to another self-regulatory organization having comparable standards pertaining to such advertisements; or (b) they are advertisements in which the only reference to security futures is contained in a listing of the services of a member organization.

Designated principals must ensure that we have a reasonable basis for our recommendations and, if applicable, we disclose (a) that we make a market in the underlying security; and/or (b) will sell to or buy from customers on a principal basis; and/or (c) that our officers and/or partners own security futures of the issuer whose securities are recommended, unless the extent of such ownership is nominal.

Projections and historical performance may be utilized in sales literature as long as the requirements under FINRA Rule 2215(b)(3) and (4) are met.

Our CCO, in partnership with designated supervising principals, must ensure that all worksheets are uniform within the broker-dealer. If we utilize any standard forms or worksheets for security futures strategies, our CCO will review them quarterly to ensure that we are not utilizing any nonstandard worksheets for that strategy.

All communications concerning security futures will be accompanied or preceded by a risk disclosure document unless (a) the communications will be limited to general descriptions of the security futures offered, (b) the communications contain contact information on how to obtain a copy of the security futures risk disclosure statement, or (c) the communications do not contain recommendations or projected performance, including annualized rates of return.

Our CCO will review Rule 2215(b)(B) for risk disclosure statement requirements and will ensure that such a statement appropriately accompanies relevant communications. FINRA's Risk Statement may be found at
http://www.finra.org/sites/default/files/Security_Futures_Risk_Disclosure_Statement_2018.pdf.

FINRA will advise member firms if a new or revised security futures risk disclosure statement is made available on FINRA's website.

Our CCO will maintain a separate file of all advertisements and sales literature concerning security futures, including the names of the persons who prepared them and approved their use, for a period of three years from the date of each use. FINRA Rule 2215 specifies standards relating to security futures transactions or investment strategies.

Notice to Members 02-73 contains other areas of oversight that we must be aware of in terms of security futures transactions, such as opening of accounts, frequency of statement delivery to investors, 15-day verification of customer background and financial information, and the handling of security futures trading within a discretionary account.

Our CCO will review Notice to Members 02-73 and ensure that we have policies and procedures in place to ensure full compliance.

In addition, our CCO will review Regulatory Notice 10-51 to ensure that we adhere to the following requirements stated therein:

"Training and Supervision

Firms that sell commodity futures-linked securities must provide adequate training to ensure that their registered persons understand the products they recommend, and that they describe them in a manner that is fair, balanced and not misleading.

"Firms must also train registered personnel about the characteristics, risks and rewards of each product before they allow registered persons to sell that product to investors. Regarding such training, firms should train registered persons about how to make customers aware of the pertinent information regarding the products and train them about the factors that would make the products either suitable or unsuitable for certain investors.

"Training should not be limited to representatives selling such products. Firms should also provide appropriate training to supervisors of registered persons selling commodity futures-linked securities.

"Firms must also have adequate written supervisory procedures and supervisory controls that are reasonably designed to ensure that sales of commodity futures-linked securities comply with the federal securities laws and FINRA rules."

Mutual Funds

Advertising

Procedures and Documentation

Our Advertising Principal must ensure the preapproval of all mutual fund marketing materials used by this firm; their submission to FINRA when required; and our compliance with all related rules and regulations.

The designated supervising principal must ensure that we adhere to Rule 2210(c)1.

FINRA Rule 2210 requires that *"advertisements and sales literature concerning registered investment companies (including mutual funds, variable contracts and unit investment trusts) be filed with FINRA's Advertising/Investment Companies Regulation Department within ten (10) days of first use or publication"* by us. At the time of such filing with FINRA, we must provide the actual or anticipated date of first use.

We will also maintain files for advertisements we use that were initially drafted by the underwriter, including either a written verification from the underwriter that the specific piece has been filed with FINRA or proof that it was filed. Without such documentation we may not use the materials.

Where we receive written verification instead of proof, and the reviewing principal has questions concerning the material, we will not use such material until we have received hardcopy proof of FINRA filing.

Mutual Fund Performance Sales Materials

Any performance material produced and provided by the fund company for our use, must come with the FINRA approval letter or it will not be used. Our CCO will ensure that all performance sales materials comply with the following FINRA and SEC rules.

Certain disclosures and standardized performance presentation are required (as mandated by Securities Act Rule 482 and Investment Company Act Rule 34b-1) for all communications with the public other than institutional sales materials and public appearances, including:

1. Legends indicating that:
    - Quoted performance information reflects past performance and does not guarantee future results
    - Investment return and principal value will fluctuate so when shares are redeemed, they may be worth more or less than their original cost
    - Current performance may be lower or higher than the quoted performance data, and
    - More complete information about the mutual fund may be obtained by calling a toll-free number or accessing a publicly available web site where an investor may obtain performance data current to the most recent month-end (unless the sales material includes quotations of average annual total return for 1-, 4- and 10-year periods current to the most recent month ended seven business days prior to the date of use).
2. Maximum amount of front-end and back-end sales charges; and
3. Whether performance information reflects the deduction of such sales charges and, if not, a statement indicating that fact and that inclusion of sales charges would reduce the quoted performance.

In addition, performance sales material must include the total annual fund operating expense ratio, gross of fee waivers or expense reimbursements.

Annual Review

Policy Requirements

In January 2019, FINRA published its Annual Risk Monitoring and Examination Priorities Letter, where FINRA announced plans to evaluate whether firms are meeting their suitability obligations and risk disclosure obligations when recommending products such as leveraged and inverse exchange-traded funds (ETFs), floating-rate loan ETFs (also known as bank-loan or leveraged loan funds) and mutual funds that invest in loans extended to highly indebted companies of lower credit quality.

In January 2020, OCIE published its 2020 Examination Priorities, stating that it will continue to prioritize the examination of financial incentives provided to financial services firms and professionals that may influence the selection of particular mutual fund share classes. OCIE also will review for mutual fund fee discounts that should be provided to investors as a result of policies, contractual or disclosed breakpoints, such as discounts provided based on achieving managed investments of a specific size.

Procedures and Documentation

Our CCO must ensure a quarterly review of the adequacy of our policies and procedures regarding breakpoints, letters of intent and rights of accumulation.

We are required to provide customers with the lowest front-end sales charge percentage. Our policies and procedures include the following information:

- Customer's account and related and/or linked accounts
- The dollar size of pending transactions
- The dollar size of anticipated transactions
- The amounts previously invested in the specific fund and other related funds, valued as specified in the prospectus

Anti-Reciprocal Rule

Background

Execution of Investment Company Portfolio Transactions

FINRA Rule 2341 (formerly NASD Rule 2830(k)) prohibits any sort of reciprocal or *quid pro quo* arrangements regarding the sale of mutual funds. This firm may not favor or disfavor any particular investment company or family of funds on the basis of brokerage commissions received or expected to be received. We may not offer or promise to another broker-dealer any brokerage commissions from any source as a condition to the sale or distribution of shares of a mutual fund, and we may not request or arrange for the direction to any other broker-dealer of a specific amount or percentage of commissions conditioned upon that broker-dealer's sales or promise of sales of shares of an investment company. We may not circulate information regarding the amount of level of commissions received by us from any investment company or covered account to other than management personnel. As underwriters, broker-dealers may not suggest, encourage or sponsor any incentive campaign or special sales effort of another broker-dealer which incentive or sales efforts is, to the underwriter's knowledge, to be based upon or financed by commissions directed or arranged by the underwriter.

We may not

- Offer incentive or additional compensation for the sales of shares of specific investment companies based on the amount of brokerage commissions received or expected from any source, including bonuses, preferred compensation lists, sales incentive campaigns or contests or any other method of compensation that provided an incentive to favor or disfavor any one investment company or family of funds
- Create recommended, selected or preferred lists of investment companies if such companies are selected on the basis of brokerage commissions received or expected to be received
- Grant to any affiliated persons any participation in brokerage commissions received by us from portfolio transactions of a mutual fund whose shares are sold by us, or from any covered amount, if such commissions are directed by or identified with such investment company or any covered account
- Use sales of shares of a mutual fund in negotiating the price of or the amount of commissions to be paid on a portfolio transaction of an investment company or of any covered account, whether the transaction is executed in an OTC market or elsewhere

As long as provisions of Rule 3830(k) are not violated, there are no prohibitions against

- The execution of portfolio transactions of any investment company or covered account by members who also sell shares of the investment company
- This firm selling shares of or acting as underwriter for an investment company that follows a policy, disclosed in its prospectus, of considering sales of shares as a factor in the selection of broker-dealers to execute portfolio transactions, subject to the requirements of best execution
- Compensating our personnel based on total sales of investment company shares attributable to such personnel, provided that such compensation (i.e., overrides, accounting credits, other compensation methods) is not designed to favor or disfavor sales of shares of particular investment companies on a basis prohibited under FINRA Rule 2341.

Responsibility

Our CCO will ensure that we do not enter into any inappropriate arrangements regarding the sale of mutual funds.

Procedure

Our CCO will ensure that all special sales programs and promotions outside the standard commission schedule are reviewed at least annually to determine compliance with the anti-reciprocal rule.

All such reviews will be documented for the files, indicating the information used to determine which funds to offer, copies of signed selling agreements reviewed and records of special sales programs and promotions, the date of the review, the names of individuals conducting the review and any findings, including corrective measures taken, if applicable, due to deficiency findings.

Breakpoints/Rights of Accumulation, Letters of Intent/Splitting/Linking

Background

A breakpoint is defined as a *"reduction in the sales charge commensurate with the size and nature of the transaction."*

The terms for breakpoints vary from fund to fund and we must ensure that all registered representatives and their supervising principals receive sufficient training to be aware of the fact that they must know the terms set by each fund. For example, a fund might charge a front-end sales load of 5.75 percent for all purchases under $50,000 and reduce that to 4.50 percent for purchases aggregating at least $50,000 but less than $100,000. After $100,000, the fund may further reduce the sales charge or eliminate it altogether.

In addition to single-transaction breakpoints, investors may become entitled to receive breakpoints by using a letter of intent, a statement signed by the investor indicating an intent to purchase a certain amount of fund shares over a stated period of time, or through the right of accumulation, the discount or breakpoint received in a current mutual fund transaction based on the cumulative value of previous transactions.

Breakpoints/Rights of Accumulation/Letters of Intent

Registered personnel must alert clients close to a breakpoint that they can receive a reduced sales charge by either purchasing some additional shares or availing themselves of the benefits found under a letter of intent or rights of accumulation.

Splitting

Clients may miss mutual fund breakpoints and, therefore, not receive discounts that they would have received, if their entire investment were placed in only one mutual fund family when a representative recommends they purchase more than one mutual fund and the client's investment is split among the funds.

Linking

The most frequent causes for not providing breakpoint discounts result from the failure to link the following.

- Customer's ownership of different funds in the same mutual fund family
- Shares owned in a fund or fund family in all of a customer's accounts at the broker-dealer
- Failure to link shares owned in the same fund or fund family by persons related to the customer (e.g., spouse, children)

In its December 2002 Special Notice to Members 02-85, FINRA indicated that whether or not the terms of a dealer agreement with a mutual fund company or complex impose the obligation on the broker-dealer to assure that the broker-dealer provides the appropriate breakpoint in a given transaction or transactions, the broker-dealer must

> (a) Ensure that its registered personnel engaged in processing mutual fund transactions and those designated to oversee their activities understand the terms of offerings and reinstatements
> (b) Ascertain the information that should be recorded on the books and records of it and, if applicable, its clearing firm, necessary to determine the availability and appropriate level of breakpoints
> (c) Apprise the customer of the breakpoint opportunity and inquire whether the customer has positions or transactions away from the member that should be considered in connection with a pending transaction
> (d) Ensure the appropriate training of all personnel processing or reviewing these transactions to ensure the accurate transmission of information pertaining to all aspects of a mutual fund order, including any applicable breakpoint, in a manner retrievable by the fund company
> (e) Have in place appropriate and sufficient procedures including supervisory procedures with respect to breakpoint calculations

Absent a clearing arrangement in which a clearing broker expressly assumes the agency obligations in accordance with Rule 4311, introducing firms must ensure that they have the capacity and capability to ensure that customers receive the benefit of all applicable discounts.

In closing, Special Notice to Members 02-85 states, "*Determining the correct sales charge is an obligation held by members and requires a high degree of vigilance to ensure that customers receive the*

full benefit of available price discounts to which they are entitled. Such vigilance includes extensive product and customer knowledge on the part of registered personnel and requires appropriate training, policies and supervisory procedures."

Responsibility

Our CCO must ensure that all registered personnel receive full training to understand the importance of appropriately dealing with all breakpoint disclosure and documentation matters and must undertake annual reviews of mutual fund transactions (see Mutual Funds, Annual Review section in these WSPs).

In addition, on an ongoing basis, all designated supervising principals must monitor any mutual fund transactions undertaken by individuals under their direct supervision to ensure that they obtain all appropriate information, make all appropriate disclosures and prepare and retain all appropriate documentation.

Procedure

See *"Mutual Funds, Suitability and Training"* Section in these WSPs indicating that training in breakpoint and breakpoint related issues are part of our overall mutual fund training, as this is an inherent part of our supervisory activities relating to mutual fund breakpoint and matters relating to breakpoints.

We will determine (on an periodic basis, by review overseen by our CCO) dependent upon (a) issues which have arisen during our breakpoint reviews whether, (b) regulatory findings, (c) customer complaints and/or (d) recommendations received from supervising principals regarding certain registered personnel whether or not a greater level of training is required for all or some of our registered personnel. Documentation of items reviewed annually and the rationale utilized to determine if further training is or is not required, including who made such determination, will be retained in the files. (See also *"Mutual Funds, Annual Review"* Section within these WSPs.)

Supervising principals are responsible for ensuring that all registered personnel under their direct supervision are obtaining sufficient information and making all appropriate disclosures by reviewing each mutual fund transaction and by evidencing such review by initials and dates.

Any registered representative who does not appropriately advise clients or who knowingly recommends an investment amount just under the breakpoint in order to receive a higher commission will be subject to appropriate disciplinary action for failing to act in accordance with just and equitable trade principles, and may face termination. Documentation of any such instances will be retained in the files, indicating the specific situation warranting the action, the name and CRD number of the registered personnel involved and internal actions taken.

If the client insists on making the purchase below a breakpoint level, approval must be obtained from a supervising principal **prior** to order entry.

In instances where a client wishes to "split" a sum of money between two or more families of funds, registered representatives are required to inform their clients of the missed breakpoint before proceeding with a "split" transaction. Should the client wish to proceed with such a transaction, approval must be obtained from a supervising principal **prior** to order entry.

For clients to take advantage of the commission discounts available under a Letter of Intent or Rights of Accumulation, it is the obligation of registered personnel systematically link the related accounts. Accounts of an individual are not to be automatically linked to those of their spouse, minor children and/or IRAs unless the Fund Prospectus specifically allows such linking.

Procedures (and appropriate training) must also be in place to ensure that all appropriate individuals understand the proper steps for inputting correct information into automated processing and settlement systems (e.g. Fund/SERV).

Such systems may not disclose to the fund company the identity of our customer and we cannot therefore rely on the fund company to allocate the correct breakpoint to a transaction or to override our failure to do so.

Our CCO is responsible for ensuring that:

- All registered and non-registered personnel engaged in processing these transactions understand the terms of offerings and reinstatements
- The information which must be recorded on our books and records (or on the books and records of our clearing firm) is available to determine the availability and appropriate level of breakpoints
- The customer is being apprised of breakpoint opportunities and is being asked about positions or transactions away from this firm which should be considered in connection with a pending transaction
- The personnel processing these transactions are appropriately trained
- The information is transmitted in an accurate manner, retrievable by the mutual fund company
- There are appropriate and sufficient procedures in place, including supervisory procedures, with respect to breakpoint calculations

Regardless of services offered by a clearing firm, other systems utilized to effect mutual fund transactions, or a combination of both, we must have the capacity and capability to ensure that customers receive the benefit of all applicable discounts.

Backdated LOIs or ROAs - Should reviews (as indicated above) or review of the exception report for all front end loaded A share transactions over $20,000 determine that an LOI or ROA should have been obtained from a client but was not, our CCO will immediately ensure that the client is contacted and that we obtain the appropriate document.

Documentation of all such client contact will be maintained indicating who contacted the client, the date, notes regarding the discussion and resulting actions undertaken.

Identification of Same Day Transactions for ROA / LOI Purposes

On SpirePay commission platform trades are flagged for potential breakpoint violations on a daily basis, multiple same day transactions within one fund family would all appear. A Prinicpal reviews these transactions to determine if a breakpoint has been met, or if a Letter of Intent should be entered into by the client.

Documentation of reviews of this exception report will consist of initials, dates, notes concerning any findings and corrective measures taken.

Cash and Non-Cash Compensation

Policy Requirements

FINRA Rule 2341 states that, except as described below, associated persons will not accept compensation from anyone other than the broker-dealer with which they are registered.

A non-FINRA member firm may pay compensation directly to our associated personnel, provided that:

- We have agreed to the arrangement;
- We rely on an appropriate rule, regulation, interpretive release, interpretive letter or no-action letter issued by the SEC;
- The receipt by associated personnel of such compensation is treated as compensation received by us for purposes of FINRA Rules; and
- The recordkeeping requirement under FINRA Rule 2341 is satisfied.

Prospectus Disclosure Requirements

This broker-dealer may not accept cash compensation from an offeror unless it is described in a current prospectus of the investment company. When special cash compensation arrangements are made available by an offeror to a member, but not to all member firms that distribute the investment company securities of the offeror, we shall not enter into such arrangements unless the name of our firm and the details of the arrangements are disclosed in the prospectus. Such disclosure requirements do not apply to cash compensation arrangements between:

- Principal underwriters of the same securities; and
- The principal underwriter of a security and the sponsor of a unit investment trust that utilizes such security as its underlying investment.

Permitted are:

- Gifts that do not exceed an annual amount per person fixed periodically by FINRA (currently $100) and are not preconditioned on achievement of a sales target;
- An occasional meal, ticket to a sporting event/theater or comparable entertainment that is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target;
- Payment or reimbursement by offerors relating to meetings held by an offeror or by this firm for training or education, provided that the requirements of Rule 2341 are satisfied; and
- Noncash compensation arrangements between this firm and its associated persons or a nonmember company and its sales personnel who are associated persons or an affiliated member, provided we comply with the requirements of Rule 2341.

Procedures and Documentation

Our CCO will ensure that appropriate individuals receive the necessary training to understand the prohibitions in terms of cash or noncash compensation and will undertake appropriate reviews to ensure that these individuals adhere to the prohibitions.

Our designated supervising principals have the daily responsibility for deterring and detecting violations of Rule 2341. We will retain documentation of the following:

- All required formal requests for receipt of cash or noncash compensation, with the written response, maintained either in the individual's personnel/Form U-4 file or in another appropriate file.
- Any permitted cash and noncash compensation paid to our registered employees, monitoring such compensation at least quarterly. Evidence of such maintenance and review will indicate the date of any list updates, with the initials of the individual who updated the list and notes concerning any findings during the review that required follow-up actions.
- Reviews of any non-cash compensation arrangements to ensure consistency with the applicable requirements of Regulation Best Interest.
- All compensation received by the firm or its associated persons from offerors. Such records shall include the names of the offerors, the names of the associated individuals, the amount of cash, the nature, and, if known, the value of noncash compensation received.

This firm will also undertake prospectus reviews to ensure appropriate disclosures, evidenced by initials and dates.

Dealer-Use-Only Materials

Procedures and Documentation

Our designated supervising principals will ensure that the individuals under their immediate supervision appropriately handle all dealer-use-only mutual fund materials.

Correspondence review by designated principals will look for the inclusion of restricted materials.

Supervising principals will also ensure that areas accessible to the public are free of any dealer-use-only material and advise all individuals under their supervision not to have any such materials on their desks when speaking face-to-face with a customer or potential customer.

Each supervising principal will maintain copies of all dealer-use-only materials, indicating to whom the material was distributed. In addition, our Advertising Principal will maintain copies of all dealer-use-only materials distributed throughout the firm, indicating to whom it was distributed and the dates.

Deferred Sales Charge/Redemptions

Background

Deferred sales charges must be disclosed on the front of a customer's purchase confirmation. It is a violation to state, or imply, to an investor that an investment company with a contingent deferred sales charge is a no-load fund (see Notices to Members 89-35 and 91-40).

Investors purchasing a no-load or no-initial-load fund must be made aware of existing redemption sales charges.

It is an unfair sales practice and an omission of material information to state that there is no initial load without giving a complete explanation of the nature of any contingent deferred sales load (i.e., a sales load that is charged on redemption on a declining-percentage-basis annually, usually reduced to zero percent by the sixth or seventh year of share ownership).

It is our obligation to ensure that clients understand the nature of all various charges made by mutual funds to defray sales and sales-promotion expenses, regardless of whether those charges are deducted from the investor's initial purchase payment, charged upon redemption or levied against the net assets of the fund.

FINRA Rule 2341, Disclosure of Deferred Sales Charges, requires that, if the transaction involves the purchase of shares of an investment company that imposes a deferred sales charge on redemption, such written confirmation shall also include the following legend:

"On selling your shares, you may pay a sales charge. For the charge and other fees, see the Prospectus."

This legend must appear on the front of the confirmation and must be in at least 8-point type.

Responsibility

Our Mutual Funds Principal must ensure that all registered personnel are fully aware of their obligation to appropriately disclose all deferred sales charges when undertaking mutual fund transactions.

However, our designated supervisory principals have ongoing oversight responsibility for all mutual fund transactions engaged in by the individuals under their direct supervision and must ensure that those individuals adhere to all appropriate compliance and disclosure requirements.

Procedure

All registered personnel engaged in mutual fund transactions responsible for overseeing such activities undertaken by others, will receive training that makes it clear what disclosures must be made concerning deferred sales charges on redemptions, and that failure to make such disclosures violates FINRA rules and the policies of this firm.

Full Disclosure (Point of Sale)

Responsibility

Our designated supervising principals must ensure that all individuals under their direct supervision make appropriate point-of-sale disclosures including a complete, comprehensive description of share-

class characteristics to allow the investor to be sufficiently educated to choose the class that is most suited to his/her investment needs.

Procedure

Operations Principals will review all Direct mutual fund transactions to ensure that where such disclosures were made in writing, proof of such written disclosures (i.e. Direct Trade Ticket) are maintained in client files.

Late Trading/Market Timing

Background

After-Close Mutual Fund Purchase or Redemption (Late Trading)

Investment Company Act Rule 22c-1(a) generally requires that redeemable securities of investment companies be sold and redeemed at a price based on the New Asset Value (NAV) of the fund computed after the receipt of orders to purchase.

As found in Notice to Members 03-50, "*It is a violation of FINRA Rule 2010 (formerly NASD Rule 2110) and may be a violation of the federal securities laws and FINRA Rule 2020 (formerly NASD Rule 2120) for any affiliated individual of a broker-dealer to knowingly or recklessly effect mutual fund transactions that are priced based on NAV that is computed PRIOR to the time the order to purchase or redeem was given by the customer. Furthermore, it may be a violation of FINRA Rule 2010 (formerly NASD Rule 2110) and the federal securities laws to knowingly or recklessly facilitate certain mutual fund transactions, such as market timing transactions, in conjunction with, or with the acquiescence of, a mutual fund sponsor, fund administrator, investment adviser, underwriter, or any other affiliated person where those other parties acted contrary to a representation made in the prospectus or statement of additional information pursuant to which the mutual fund shares are offered.*"

In plain English, all affiliated individuals of this firm are expressly prohibited from circumventing any stated mutual fund prospectus/statement of additional information (SAI) prohibition.

Responsibility

Our Mutual Funds Principal must ensure the execution of all mutual fund orders in such a manner as to ensure they receive the appropriate day's NAV.

Procedure

The designated principal will work with operations and trading to ensure that a plan is in place to ensure that mutual fund orders are executed in such a manner as to ensure they receive the appropriate day's NAV.

To detect and prevent occurrences of late trading, the designated principal, or another specifically named and designated individual, will compare, on a monthly basis, the time of order receipt against the time of execution for a material sample of mutual fund transactions executed through our clearing firm

or via wire orders with the mutual fund. In conducting this review, we must pay particular attention to the following problematic scenarios:

- Instances regarding the entry of trades time stamped before or at the close but entered or executed after the close. Such transactions should receive the closing NAV on that trade date, not the next day's (T+1) closing NAV.
- Occurrences regarding the entry of trades time stamped after the close but entered or executed at that same day's NAV. Such transactions should receive the next day's closing NAV, not the current day's NAV.

For any above findings, or others which raise concerns, found during the monthly reviews, further investigation will be undertaken. **Documentation** concerning such investigations will be retained in the files indicating the reason for undertaking the investigation, details about what the investigation entailed, who conducted the investigation, dates, findings and appropriate corrective measures taken, where applicable.

The designated principal is also responsible for ensuring that the firm has taken steps reasonably designed to ensure that our systems to correct errors after the close cannot be subverted for the purposes of effecting late trading. **Documentation** indicating what procedures are in place, how often they are reviewed, who is responsible, etc. will be maintained in the files.
As many late trading abuses uncovered by the regulators have typically involved the following types of accounts / activity, when conducting "late trading" reviews, we will focus on these areas:

1. Institutional clients (hedge funds, in particular)
2. Mutual fund transactions exceeding $10,000
3. Spikes in transaction volume caused by "in & out" trading patterns (investors engaged in mutual fund trading are also likely to be those undertaking other prohibited activities). Mutual funds often, upon their discovery of in and out trading patterns, make notification that such practices are prohibited and indicate that a specific rep number, or account number, or other indicator will no longer be acceptable to the Fund.

Unfortunately, often such notification is made by e-mail directly to the offending registered person. Annual compliance and CE training will advise all personnel of the seriousness of keeping such notification from his or her supervising principal and/or from simply changing account or rep numbers to continue such patterns. Such activity will warrant severe sanctions, including possible termination. All individuals responsible for monitoring rep e-mail will also be given instructions to look for any such e-mails received by our personnel from a fund company.

The designated principal is responsible for ensuring that all registered personnel (managers, supervisors, reps, etc.) given sufficient training so as to understand that they must be aware of any polices that mutual fund companies represent in their prospectuses or Statements of Additional Information ("SAI") concerning fund practices designed to detect, prevent or control market timing transactions.

Documentation indicating all such training, including dates, copies of training materials, training delivery methods and names and CRD numbers of all individuals who received such training will be maintained.

Our designated principal is responsible for ensuring, by undertaking an annual review:

- maintenance for examination by the regulators, a record of all "late trading' reviews (indicating what was reviewed, how it was reviewed, etc.) and the results of all such reviews.
- maintenance of records documenting all remedial actions taken as a result of the reviews.
- supervising principals and registered reps (as well as any other personnel engaged in receiving and/or processing these transactions) have received sufficient training to understand the potential abuses and to identify suspect transactions. Such training will be given either through our CE, Annual Compliance Meeting, Compliance "alerts," one on one meetings with supervising principals, or any combination of the foregoing.
- appropriate and sufficient procedures in place, including supervisory procedures, with respect to processing all trade corrections.
- that it has been made clear, company-wide, that compliance and senior management requires all associated personnel to be fully aware of the policies that mutual fund companies represent in their prospectuses or SAIs concerning practices designed to detect, prevent or control market timing transactions, and that such policies are fully adhered to.

Documentation and evidence of this annual review will be maintained in the files, indicating who undertook the review, the finding for each issue raised, the dates of all such review activities and all findings, including corrective measures taken, where deemed necessary or appropriate.

Multi-Class Mutual Funds

Background

Suitability Issues for Multi-Class Mutual Funds

Investors often have the option of choosing from different classes of shares. In a multi-class structure, each class of shares invests in the same portfolio of securities but may be sold through different distribution arrangements and may entail different expense levels. Likewise, different classes of shares may result in different sales compensation paid to broker-dealers and their registered representatives.

Although the purchase of certain fund classes may allow an investor to avoid paying a front-end sales load, the cost imposed by a class's higher expenses may outweigh this benefit, particularly with respect to large dollar purchases.

The impact on an investor's long-term results that breakpoints, rights of accumulation and letters of intent may have when they reduce the sales charges paid on purchases of share classes that impose front-end sales charges must be taken into account whenever higher-expense classes of mutual fund shares are being discussed with a client.

Class A Shares - Broker-sold mutual funds often offer three classes of shares. One class, generally designated as Class A shares, may impose a front-end sales load but may impose no, or a low, ongoing fee to pay for sales and marketing expenses, referred to as a Rule 12b-1 fee. Often, breakpoints in the sales load structure will cause the front-end load percentage to decrease as the investment amount increases. Additionally, investors may take advantage of other methods to decrease the sales load paid on subsequent purchases, such as through rights of accumulation and letters of intent.

Class B Shares - A second class, often designated as Class B shares, may not impose a front-end sales charge. This may tend to make B shares more attractive to investors and therefore easier to sell.

However, B shares may impose a contingent deferred sales charge (CDS") on share redemptions and a relatively high 12b-1 fee , an asset-based fee. The amount of the CDSC normally declines the longer the shares are held. Furthermore, Class B shares often automatically convert to Class A shares and thus pay lower 12b-1 fees after a period of time, usually after the CDSC declines to zero.

Class C Shares - A third class, often designated as Class C shares, may impose neither a front-end nor a back-end sales load but may impose a relatively high 12b-1 fee. Additionally, some mutual funds offer classes that impose no front-end or back-end sales charges and a relatively low 12b-1 fee but only offer such classes to retirement plans or institutional investors.

Additional Class Designations - Fund sponsors also may choose class designations and expense structures other than those described above.

Various Classes and Their Impact on Breakpoints, Rights of Accumulation or Letters of Intent

All personnel engaged in mutual fund transactions are also trained and supervised not to recommend Class B or C shares to investors who seek to purchase in large amounts and who would incur significantly lower sales charges for Class A share purchases due to the availability of breakpoints, rights of accumulation or letters of intent.

In addition, our registered personnel receive training on the utilization of FINRA’s Mutual Fund Expense Analyzer and share results with their customers.

Regulatory Concerns

Notices to Members 94-16 and 95-80 provide further guidance with respect to mutual fund sales practices. These notices remind members that, in determining the suitability of a fund for an investor, a member should consider the fund's expense ratio and sales charges as well as its investment objectives.

Additionally, FINRA Rule 2341 (formerly the Interpretive Material under NASD Rule 2830, IM 2830-1), generally prohibits members from selling mutual fund shares in dollar amounts just below the sales charge breakpoint to increase a member's compensation. These principles apply equally to recommending a particular fund share class to an investor.

In December 2018, OCIE issued its 2019 Examination Priorities, which included mutual fund share classes. Specifically, OCIE will continue to evaluate financial incentives for financial professionals that may influence their selection of particular share classes.

Responsibility

Our Mutual Fund Principal must ensure that all registered personnel are aware of the importance of appropriately dealing with multi-class mutual funds and that all such transactions have been appropriately handled.

In addition, our designated supervising principals must conduct ongoing monitoring of any mutual fund transactions undertaken by individuals under their direct supervision to ensure that all appropriate disclosures are made and all appropriate documentation is prepared and retained.

Procedure

The designated principal must ensure that all registered personnel engaged directly in mutual fund transactions, or involved due to an oversight responsibility, receive sufficient training to consider the suitability of recommending certain higher-expense classes of mutual fund shares, particularly when an investor seeks a long-term investment. We will retain documentation of such training in the files indicating dates, copies of training materials utilized, the training delivery method and lists of individuals and CRD #s of all who received such training.

Day-to-day supervision will ensure that we receive sufficient information about an investor's investment goals and objectives, including the investor's time horizon.

NAV Transactions/NAV Transfer Programs

Responsibility

Our designated supervising principals must ensure that all individuals under their direct supervision appropriately and consistently handle NAV transactions.

Procedure

NAV Mutual Fund Transactions - A designated principal will, on a daily basis, review exception reports and or flagged EAI transactions to ensure that all mutual fund transactions offered to our clients at NAV were indeed purchased at NAV. Should there ever be an instance where a front end load sales charge was paid on a purchase which was to have been done at NAV, the transaction will be cancelled and corrected to reflect the proper price.

Documentation of all such exception report reviews and any resultant actions taken are maintained by our CCO, with dates and initials indicating exception report reviews.

NAV Transfer Programs - While many mutual funds have discontinued their NAV Transfer privileges, our CCO is responsible for knowing which of the funds offered by this broker/dealer do permit such privileges.

NAV transfers enable client dollars to be switched from one load-fund group to another at NAV, thereby avoiding an additional round of sales charges.

This matter is only of concern when we have undertaken a transaction in a front-end loaded A share for which we have not waived the commission. For any A share transaction for which we have received a commission, we will ensure that, should a determination be made to transfer a client's funds via NAV Transfer Program, the purchase is in fact made at NAV. This will be done by reviewing next-day transaction information received from our clearing firm or by reviewing commissions received from the mutual fund (for direct business) to determine that no commissions were paid on the transaction.

Documentation of all reviews undertaken regarding NAV transfer programs will be documented by our CCO, including date of reviews, names of individuals who conducted the reviews, scope of the review and an indication of any findings and appropriate remedial actions taken.

Principal-Protected Funds

Policy Requirements

Guaranteed Principal

Most principal-protected funds guarantee the initial investment minus any front-end sales charge even if the stock markets fall. In many cases, the guarantee is backed by an insurance policy.

Lock-Up Period

Should the investor sell any shares in the fund prior to the end of the guarantee period (i.e., a period of anywhere from 5 to 10 years), the investor loses the guarantee on those shares and could lose money if the share price has fallen since the initial investment.

A Mixture of Bonds and Stocks

Most principal-protected funds invest a portion of the fund in zero-coupon bonds and other debt securities and a portion in stocks and other equity investments during the guarantee period. To provide a guarantee, many funds may be almost entirely invested in zero-coupon bonds or other debt securities when interest rates are low and equity markets are volatile. While allocation provides less exposure to the markets, it may greatly reduce any potential gains from subsequent gains in the market, and may increase the risk of rising interest rates, which generally cause bond prices to fall.

Higher Fees

Total annual fees deducted from the investor's holdings (expense ratio) are typically higher than for non-protected funds, ranging from 1.5 percent to as high as 2.0 percent, of which .33 percent to .75 percent pays for the principal guarantee. Many also impose sales charges, plus redemption/penalty fees for early withdrawals, which could be significant.

Procedures and Documentation

Our designated supervisory principals, CCO and Mutual Fund Principal are responsible for ongoing monitoring of all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that we adhere to all appropriate compliance and disclosure requirements.

Before permitting any such transactions, all appropriate registered personnel will receive sufficient training utilizing, among other materials, the FINRA Investor Alert titled Principal-Protected Funds – Security Has a Price, dated March 27, 2003.

We will also review all principal-protected fund transactions, evidenced by initials and dates, to ensure that appropriate disclosures were made to the investor and to ensure suitability. Issues that we review will include the following.

- Is there a chance the investor will need the invested funds in the next 5 to 10 years? This could lead to loss of the principal guarantee, the imposition of a fee for an early withdrawal penalty and a loss of money due to a fallen share price.
- Does the investor require income from the investment? The guarantee is based on no redemptions during the guarantee period and reinvesting all dividends and distributions. While reinvested dividends and distributions will not add to the amount that is guaranteed, an investor's election to make redemptions or receive dividends or distributions in cash can reduce the guaranteed amount.
- For funds not held in a tax-deferred retirement account, was the investor made aware that annual income tax must be paid on the imputed interest from the fund's zero-coupon bond holdings as it accrues?
- Is the investor aware that in certain market conditions, the fund may be invested entirely in zero-coupon bonds and other debt securities, which could lead to a forfeiture of all potential gains should stock prices rise?
- Is the investor aware that there may be no gains beyond the initial investment, in which case the performance would trail that of Treasury bonds, which could have been purchased with no annual fees?
- Does the investor understand that they will only receive the benefit of the guarantee on the maturity date? Selling shares before or after maturity date can lead to a loss of capital if the share price has fallen.
- Has the investor been advised that the guarantee is only as good as the company that offers it? Registered representatives should advise clients how they can rate a company's financial strength.

We will retain copies of documents in the files, indicating that the above issues have been disclosed to, or discussed with investors. Where there is no hardcopy evidence of such disclosures, the designated principal will determine whether the transaction can be approved or whether client contact is required prior to proceeding.

Prompt Payment for Investment Company Shares

Procedures and Documentation

Our CCO will ensure that we have appropriate policies and procedures in place to comply with FINRA Rule 2341.

Our CCO will review our checks received and forwarded logs to ensure that we have transmitted payments received from customers for mutual fund sales to the appropriate payee (i.e., underwriter, investment company, transfer agent) by the end of the third business day following a receipt of a customer's order to purchase such shares, or by the end of one business day following receipt of a customer's payment for such shares, whichever is later.

Prospectus Delivery

Responsibility

Our designated supervising principals must ensure that the individuals under their direct supervision comply with the requirements regarding prospectus delivery.

At least annually, our CCO will review our policies and procedures to ensure that our prospectus delivery requirements are met.

Procedure

Point of Sale - A prospectus must be delivered to each customer buying shares of a mutual fund. The prospectus delivery (required to be accomplished before the transaction settles) is handled either directly by the registered individual dealing with the customer or by our clearing firm.

Our CCO is responsible for ensuring, minimally on an annual basis, that prospectus delivery is in fact being made to all customers in a timely manner. Documentation as to all such reviews undertaken will be maintained indicating the date of the review, the name of the individual who conducted the review, the scope of the review, and any findings and remedial actions taken.

Under SEC Rule 154 (Securities Exchange Act of 1933), prospectus delivery requirements are satisfied, with respect to two or more investors sharing the same address, by sending a single prospectus, subject to certain conditions, including investor consent to the delivery of one prospectus.

Our CCO is responsible for ensuring that Rule 154 requirements are adhered to when utilizing the "householding" method of prospectus deliveries.

Reinstatements

Policy Requirements

Many mutual funds have a reinstatement policy allowing investors to reinvest proceeds from sales of shares of the fund without paying a front-end sales charge. Generally, the reinstatement must occur within a specified period (e.g., 90-days) and must be in the same share class of that fund or another fund within the same fund family.

Procedures and Documentation

Supervising principals are specifically trained to ensure that when a client sells any of a mutual fund holding, he or she is advised of the fund's reinstatement policy.

Same-Day Transactions

Responsibility

Our CCO must undertake sufficient reviews to identify same-day mutual fund transactions for right of accumulation/letter of intent (ROA/LOI) purposes.

Procedure

On the SpirePay Compliance review on a daily basis, multiple same day transactions within one fund family would all appear. A Principal reviews these transactions to determine if a breakpoint has been met, or if a Letter of Intent should be entered into by the client.

Documentation of reviews of this system will consist the principal's electronic notes concerning any findings and corrective measures taken.

Selling on Dividends

Policy Requirements

FINRA's Conduct Rules prohibit the selling on dividends (i.e., a representation made to the client that an advantage would be gained in purchasing a mutual fund in anticipation of a dividend distribution).

Procedures and Documentation

Our CCO must ensure that all registered personnel understand the prohibition against selling on dividends.

Our designated supervisory principals are responsible for ongoing monitoring of all mutual fund transactions engaged in by the individuals under their direct supervision and to ensure that we adhere to all appropriate compliance and disclosure requirements.

Where it is suspected that a registered representative has used selling on dividends sales tactics, an appropriate principal will contact the client to ensure he or she was not given any misleading information.

Suitability and Training Overview

Procedures and Documentation

Our designated supervisory principals are responsible for ongoing monitoring of all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that they appropriately deal with all suitability issues.

Training and Training Documentation

Our CCO will ensure that all registered personnel engaged in mutual fund transactions, as well as those individuals charged with supervising such activities, receive appropriate suitability training including, but not necessarily be limited to, the following:

- When recommending mutual fund transactions, registered personnel must be aware of the information required for suitability purposes (FINRA Rule 2111) as well as obligations under Regulation Best Interest.
- When recommending mutual funds, registered personnel must ensure that investors understand the concept of total return.

- Registered personnel must make it clear that total return measures overall performance of a mutual fund, whereas current yield is based only on interest or dividend income received by the fund.
- They must offer a clear explanation of the difference between return of principal and return on principal.
- The starting point for any recommendation of a mutual fund to a customer is the investor's objectives and financial situation.
- Prospectuses and approved materials should be shared with the public.
- Suitability must be the final determining factor of what investment vehicles are appropriate for a client.

Key Points Regarding Mutual Funds

All registered personnel engaged in mutual fund transactions, or those responsible for overseeing individuals engaged in such activities, must ensure the following:

- A complete and balanced disclosure is made to investors regarding the distinctions among classes of a multi-class fund or feeders of a master-feeder fund.
- When presenting an expense ratio as an advantage of a fund, the customer is told the ratio in the context of, and compared with, other mutual fund expense ratios.
- Registered personnel adhere to the prohibition against representing an investment company as being no-load or having no sales charges if the investment company has a front-end or deferred sales charge or whose total charges against net assets to provide for sales-related expenses and/or service fees exceed .25 of one percent of average net assets per annum.
- Registered personnel do not make an offer or sale of securities of an investment company with an asset-based sales charge unless the prospectus discloses that long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted (FINRA Rule 2341). Such disclosure shall be adjacent to the fee table in the front section of the prospectus.
- Derivatives included in a fund must be fully disclosed, and all potential risks clearly explained.
- When presenting performance information, the concepts of total return, yield and distribution rates must be explained to the investor.
- All suitability training will also include the following, which may, or may not, be directly tied to suitability but are important matters surrounding mutual fund transactions:
    - Breakpoints
    - Letters of intent
    - Rights of accumulation
    - Linking
    - Switch letters
    - Unauthorized switching
    - Issues surrounding various mutual fund classes
    - Selling on dividends
    - Gifts and gratuities
    - Prospectus delivery requirements
    - Maintaining current prospectus

- Awareness of all discount scenarios offered by each fund
- Materials designed for internal or dealer-only use must not distributed in any manner to the public, either orally or in writing

When reviewing mutual fund transactions, supervising principals must be sensitive to the patterns of purchases and solicitations that may indicate potential suitability problems.

All appropriate individuals will receive the required training to ensure that they understand the proper steps for inputting correct information into automated processing and settlement systems. Such systems may not disclose the identity of our customer, so we cannot rely on the fund company to allocate the correct breakpoint to a transaction or to override our failure to do so.

In March 2021, the SEC's Division of Examinations released its exam priorities for the year. The Division will continue to prioritize the examination of incentives provided to financial services firms and professionals that may influence the selection of particular higher cost mutual fund share classes when lower cost classes are available.

Switching

Background

A mutual fund switch is the sale and subsequent purchase of a mutual fund within a specified time period. Generally speaking, mutual funds are designed as long-term investments. Short-term, in-and-out trading, or switching, between families of funds (i.e., many funds under a single management company) that result, or could result, in additional commission charges or that could establish new required holding periods is strictly prohibited, both under this firm's internal policies and under regulatory standards.

Responsibility

Our Mutual Fund Principal, working in conjunction with our CCO, must ensure that all registered personnel understand switching prohibitions.

In addition, our designated supervising principals are responsible for ongoing monitoring of any mutual fund transactions undertaken by individuals under their direct supervision to ensure that those individuals obtain all appropriate information, make all appropriate disclosures and prepare and retain all appropriate documentation.

Procedure

Whereas switching is unsuitable for most investors, under certain circumstances, a switch may be reasonable and justifiable. A designated principal will monitor switching by reviewing the transaction exceptions. Flagged transactions will be reviewed and actioned by a notation attached to the trade evidencing approval or further investigation.

In the event a mutual fund switch has been identified, the principal will retrieve the Mutual Fund Switch Letter to confirm the details of the transaction and complete further investigation. Representatives are

required to complete a Mutual Fund Switch Letter and review the details of the transaction with the client prior to the execution of the trade. This form must be reviewed with the client and subsequently initialed and signed by the purchaser. All Letters must be submitted for review and approval by the principal.

When a trade is flagged in the blotter, the principal will confirm the details of the switch outlined in the form and compare it to the flagged transaction.

Unit Investment Trusts

Background

Unit Investment Trusts (UITs) that charge initial sales charges sometimes offer discounts in the sales charge based on the dollar amount or number of units of the investment. The thresholds at which the discounts are offered in the sale of UITs generally are called price breaks, and are substantially similar to breakpoint discounts in the sale of mutual fund shares.

Notice to Members 04-26 cautions firms that *"the same duties [that apply to correctly applying breakpoint discounts in the sale of mutual fund shares] extend to the sale of UITs that offer price breaks, and firms should develop and implement the same type of procedures for ensuring the proper application of such discounts in connection with the sale of UITs.."*

Responsibility

Our CCO will ensure that we have adequate policies and procedures in place concerning transactions involving Unit Investment Trusts (UITs) and that appropriate surveillance is undertaken to detect any areas of non-compliance.

Our designated supervising principals are responsible for ongoing oversight of all securities activities undertaken by individuals under their immediate supervisions.

Procedure

While Notice to Members 02-85, and the recommendations of the Joint Task Force and the training materials and forms developed by FINRA in response to those recommendations are specific to mutual funds, FINRA suggests in Notice to Members 04-26 that firms look to both sources for guidance in designing appropriate procedures with respect to the sale of UITs.

Our CCO must ensure that all registered personnel engaged in UIT transactions receive sufficient training regarding the fact that customers must be informed about existing price breaks, and that the price breaks are made available to customers in connection with UIT purchases.

Equities

Control/Restricted Securities (144 Stock)

Procedures and Documentation

Rule 144 imposes a one-year holding period prior to any public resale on restricted securities of companies that are not subject to the Exchange Act reporting requirements.

Before reselling restricted securities, firms must take reasonable steps to ensure that the transaction complies with Rule 144 or another available exemption. The factors set forth in the Notes to Rule 144(g) serve as a pragmatic guideline in determining what questions firms should ask their customers before engaging in an unregistered resale of securities:

- How long has the customer held the security?
- How did the customer acquire the securities?

- Does the customer intend to sell additional shares of the same class of securities through other means?
- Has the customer solicited or made any arrangement for the solicitation of buy orders in connection with the proposed resale of unregistered securities?
- Has the customer made any payment to any other person in connection with the proposed resale of the securities?
- How many shares or other units of the class are outstanding, and what is the relevant trading volume?

Firms should also try to physically inspect share certificates, if possible, as an opportunity to identify red flags and deter risks from forgery and fraudulent certificates.

Further, we must:

- Determine whether the client is, or ever was, an officer, director or similar official of the issuer whose certificates are deposited with the firm.
- Ask the client whether he or she has a contractual, or other, arrangement with the issuer.
- Inquire into how, and from whom, the client acquired the securities.
- Obtain complete background information for any new account, including current business connections, as well as any long-term prior business activities. The supervising principal will not approve new accounts without adequate business-related client information.
- Refuse a client order to sell control or restricted securities without prior approval from a designated supervising principal, who will evidence review of the appropriateness of the transaction by initials and date.

Our CCO will oversee periodic, at least quarterly, customer account reviews. This review will ascertain that orders involving the sale of unregistered stock or the purchase or sale of stock in a company in which the customer or a close relative of the customer has a control position have not been effected by a registered representative without prior approval from his/her supervising principal. If any of these involve options, approval must have been obtained from an appropriately licensed Options Principal.

It is the policy of this firm to not do a sell order for a stock without having the stock in-hand, or in an account with our clearing firm. At the time the certificate is received, the back and front of the stock will be examined for any endorsements regarding restrictions and/or controls of the stock.

In addition, registered personnel are required to have completed and in hand - prior to the trade - a signed and completed New Account Form for that client. The designated principal will review this New Account Form and either approve or return it for clarification prior to, or within two days following, the initial transaction.

Approval for the sale will be given only after our CCO, or a specifically designated principal, determines that the sale follows each provision of Rule 144 under the Securities Act of 1933. This determination will consider, among other things, the availability of current public information regarding the issuer, limitations on the amount of securities sold and holding period requirements.

Debt Securities

Bonds and Bond Funds

Procedures and Documentation

Our CCO must ensure that all registered personnel are fully aware of suitability issues related to debt security transactions. Our designated supervising principals are responsible for ongoing monitoring of all securities-related activities to ensure compliance with all regulatory matters.

Notice to Members 04-30 addresses the obligations we have in connection with bonds and bond funds. We must:

- Understand the terms, conditions, risks and rewards of bonds and bond funds we sell (i.e., performing a reasonable-basis suitability analysis);
- Make certain that a bond or bond fund is appropriate for a customer before recommending it (i.e., performing a customer-specific suitability analysis);
- Provide a balanced disclosure of the risks, costs and rewards associated with a bond or bond fund, especially when selling to retail investors;
- Adequately train and supervise employees who sell bonds and bond funds; and
- Implement adequate supervisory controls to reasonably ensure compliance with FINRA and SEC sales practice rules for bonds and bond funds.

Our CCO will ensure that all designated supervising principals receive copies of Information Notices 11-02 and 11-25 detailing Know Your Customer and Suitability requirements and Notice to Members 04-30, dealing with sales practice concerns surrounding debt securities. These Notices fully inform supervising principals of the issues about which they should be diligent when overseeing debt security transactions.

Prior to approving a debt security transaction, designated supervising principals must be satisfied that all appropriate disclosures have been made and that all information required to ensure a determination of suitability has been obtained. Approval of the new-account form or order ticket will indicate the principal's satisfaction that the transaction was suitable.

Government Securities

Responsibility

In addition, our designated supervising principals are responsible for ongoing monitoring of all securities-related activities engaged in by individuals under their direct supervision to ensure that all such activities are conducted in a compliant manner and in the best interests of our customers.

Procedure

The Government Securities Act Amendments of 1993 (GSAA) eliminated the statutory limitations on FINRA to apply sales-practice rules to transactions in exempted securities, including government

securities, other than municipals. In 1996, the SEC approved amendments implementing the expanded sales-practice authority granted to FINRA pursuant to the GSAA.

We adhere to all FINRA sales-practice requirements and conduct rules as they apply to all securities transactions undertaken by us, including government securities.

In particular, we will ensure that all registered employees of this firm are familiar with FINRA Rule 2010 (formerly NASD Rule 2110) regarding Standards of Commercial Honor and Principles of Trade.

Furthermore, in accordance with FINRA Board of Governors' interpretation regarding Suitability Obligations to Institutional Customers, we are aware of, and in compliance with, the portion of the Interpretation that indicates that suitability requirements are in place for all debt and equity securities, except municipals (which are subject to separate rules promulgated by the MSRB).

High-Yield Investments

Background

Recommended high-yield bonds, which may have speculative characteristics and carry a risk premium in the form of a higher current yield, require heightened supervisory oversight. While investors often find the higher yield attractive, such investments can present significant risks and, therefore, suitability is a key issue. We will also include other high-yield investments such as high-yield mutual funds and real estate investment trusts (REITs) in any training received by appropriate registered personnel.

Responsibility

Our CCO ensures that all registered personnel are aware of suitability issues related to high-yield investment opportunities.

In addition, individual designated supervising principals are responsible for ongoing monitoring of all securities-related activities engaged in by the individuals under their direct supervision.

Procedure

Our CCO and our designated supervising principals must ensure that all registered personnel engaged in the high-yield investment transactions are aware of the importance that customers understand the special risks presented by high-yield bonds, and possess the risk tolerance to justify such investments. Registered representatives must also be aware of the customer account information they must obtain and utilize as a basis for approving any such recommendations.

Trade Reporting and Compliance Engine (TRACE)

Background

Background

The Trade Reporting and Compliance Engine ("TRACE") is the FINRA-developed vehicle that facilitates the mandatory trade reporting of such securities, as well as the public dissemination of market data, subject to

certain restrictions. All broker-dealers who are FINRA member firms have an obligation (under relevant SEC rules) to report transactions in "TRACE-eligible securities" to TRACE.

TRACE-eligible Securities - Under FINRA Rule 6710 (formerly NASD Rule 6210), the term "TRACE-eligible security" shall mean a debt security that is United States ("U.S.") dollar-denominated and issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). "TRACE Eligible Security" does not include a debt security that is:

1. Issued by a foreign sovereign or is a U.S. Treasury Security as defined in paragraph (p);

2. A Money Market Instrument as defined in paragraph (o); or

3. An Asset-Backed Security as defined in paragraph (m).

The term "Reportable TRACE transaction" shall mean:

Any secondary market transaction in a TRACE-eligible security except transactions exempt from reporting as specified in Rule 6730(e).

"Time of execution" shall be the time when the parties to the transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade.

The time for execution for transactions that are trading "when issued" on a yield basis is when the yield for the transaction has been agreed to by the parties to the transaction.

All reported execution times must be in Eastern Standard Time and must be entered in military time format, HHMMSS (except that seconds may be entered as "00" if our system is not capable of reporting seconds).

For transactions in which the actual yield for the transaction is established by determining the yield from one or more designated securities (a "benchmark security" such as a U.S. Treasury security maturing in 5 years, or a combination of such benchmark securities) and adding the agreed upon "yield spread" (e.g., 150 basis points above the benchmark security), the time of execution occurs when the yield has been agreed to by the parties to the transaction.

The term "party to the transaction" means the introducing broker-dealer (if any), an executing broker-dealer, or a customer.

TRACE Participant: Whether reporting transactions to the TRACE system directly (as an executing broker dealer) or indirectly (as an introducing broker-dealer with an agreement that the clearing firm undertake TRACE reporting on its behalf), we are a TRACE participant and must adhere to the "Mandatory Member Participation" requirements, under which we are obligated to submit transaction reports in conformity with FINRA Rule 6700.

Effective March, 2010, FINRA Rule amendments have expanded the term TRACE-Eligible Security to include a debt security that is issued or guaranteed by an Agency or a GSE. For purposes of FINRA Rule 6710(k), "Agency" will be defined by incorporating a broad statutory term, "executive agency," from 5 U.S.C. 105. Although the U.S. Department of the Treasury is defined as an executive agency under this federal statutory provision, for purposes of TRACE, the term "Agency" will not include the U.S. Treasury in the exercise of its authority to issue U.S. Treasury Securities.

GSEs were created at different times and for different purposes, do not present uniform structures and, prior to and after the market events in 2008, have not been treated uniformly under various federal regulatory schemes. In FINRA Rule 6710(n), FINRA has defined an issuer or guarantor that is a GSE for purposes of TRACE by reference to the statutory definition in 2 U.S.C. 622(8).6 FannieMae and FreddieMac are examples of issuers or guarantors that are GSEs.

Under new FINRA Rule 6710(l), the securities of both types of issuers (or guarantors of issues) will be defined collectively as "Agency Debt Securities," which reflects industry convention. Specifically, under FINRA Rule 6710 (l) "Agency Debt Security" will be defined as a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a GSE as defined in paragraph (n). The definition also explicitly excludes U.S. Treasury Securities.
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Several of the institutions that are defined as Agencies or GSEs, such as GinnieMae,8 FreddieMac and FannieMae, are well-known issuers or guarantors of mortgage-backed and other structured securities. However, for purposes of TRACE, such securities, which are Asset-Backed Securities as broadly defined in FINRA Rule 6710(m), will not be included in the definition of TRACE-Eligible Security, as amended.
With the foregoing parameters included, FINRA Regulatory Notice 09-57 states how a TRACE-Eligible Security will be defined in amended FINRA Rule 6710(a).

Responsibility

Our VP/Operations must ensure that we are in full compliance with all rules relating to TRACE reporting requirements.

Our VP/Operations will utilize the "TRACE Quality of Markets Report Card" to review exceptions.

Procedure

The designated principal will ensure that our TRACE participation is conditioned upon initial and continuing compliance with the following:

(a) Execution of and continuing compliance with a TRACE Participant application agreement and all applicable rules and operating procedures of FINRA and the SEC; and
(b) Maintaining the physical security of the equipment located on the premises of the TRACE Participant to prevent unauthorized entry of information into TRACE.

The designated principal will immediately notify FINRA of any non-compliance with, or changes to, the above participation requirements.

Our designated principal will ensure that, in any instance where a clearing firm is undertaking TRACE Reporting on our behalf, such arrangement is clearly indicated in the clearing agreement. The clearing agreement must clearly indicate which party is responsible for which required actions under FINRA Rule 6730 (formerly NASD Rule 6230). We will maintain documentation of such review, evidenced by initials and dates on any clearing agreements.

While the clearing firm may appropriately undertake such reporting responsibilities on our behalf, it remains our responsibility in such instances to ensure that such reporting is correctly undertaken and that all reports are submitted in a timely manner. This firm retains the ultimate responsibility for all reporting requirements.

Our designated principal is responsible for obtaining sufficient information and documentation from our clearing firm to ensure:

(a) appropriate reports are filed on our behalf
(b) the reported information is accurate
(c) the reports are submitted in a timely manner
(d) any discrepancies are noted and dealt with in a timely and appropriate manner

The above, and all other due diligence efforts undertaken by this firm to ensure full compliance with all TRACE rules and requirements, will be documented (evidenced by dates, names of individuals who reviewed the materials, copies of documents reviewed, etc.) and maintained as part of our books and records under SEC Exchange Act Rules 17a-3 and 17a-4.

TRACE Reporting for Trace Eligible Underwritings: Should we at any time act in the capacity of a managing underwriter, underwriter as part of a group of underwriters, or as an initial purchaser if no underwriters are appointed of a distribution of a debt offering, excluding a secondary distribution or offering of a debt security that upon issuance will be a TRACE-Eligible Security ("New issue"), the designated principal will ensure that we obtain and provide information (by facsimile or email) to the

FINRA Operations Center as required below. If a managing underwriter (or lead initial purchaser) is not appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice containing the required information to FINRA Operations.

For such new issues, the managing underwriter, group of underwriters, or initial purchasers must provide to the FINRA Operations Center descriptive information about the offering as detailed in Rule 6730. Examples of such information include, but are not limited to: (1) the CUSIP number; (2) the issuer name; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering is executed, (7)a brief description of the issue (e.g., senior subordinated note, senior note) and (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number will not be assigned, such other information as FINRA deems necessary.

The managing underwriter or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a FINRA symbol or a similar numeric identifier)and provide it and the information listed as (2) through (8) prior to the execution of the first transaction in the distribution or offering.

For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-Eligible Security before submitting the information to FINRA Operations.

At least annually, our CCO will undertake a complete review of all TRACE reporting activities to ensure that

- all appropriate Rule 6730 information was filed with TRACE Operations
- the reported information was accurate
- the information was submitted to the TRACE Operations in a timely manner
- any discrepancies were noted and dealt with in a timely and appropriate manner

We will maintain documentation of all such reviews in the files, indicating dates, names of individuals who conducted the review, scope of the review and all findings, including, where applicable, corrective measures taken due to deficiency findings.

TRACE Quality of Markets Report Card: The designated principal and our CCO will obtain the "TRACE Quality of Markets Report Card" which will provide us with information relating to certain potential exceptions identified in our transaction reports to TRACE.

This report will be used to monitor and review certain aspects of our TRACE reporting in relation to industry and peer group statistics. In addition, a separate available file, providing detail of each trade

report identified as a potential exception, will be reviewed. We will document evidence of such reviews with initials and dates, and any actions taken based on these reviews.

Municipal Securities

Books and Records (MSRB Rule G-8)

Policy Requirements

Municipal Advisor Records. Every municipal advisor that is registered or required to be registered under section 15B of the Act shall create and keep current the following books and records:

i. *General Business Records*. All books and records described in Rule 15Ba1-8(a)(1)-(8) under the Act.
ii. *Records Concerning Compliance with Rule G-20*.
    A. a separate record of any gift or gratuity subject to the general limitation of Rule G-20(c); and
    B. all agreements referred to in Rule G-20(f) and records of all compensation paid as a result of those agreements.
iii. *Records Concerning Political Contributions and Prohibitions on Municipal Advisory Business Pursuant to Rule G-37*.
iv. *Records Concerning Duties of Non-Solicitor Municipal Advisors pursuant to Rule G-42*.
v. *Records Concerning Compliance with Rule G-44*.
    A. The written supervisory procedures required by Rule G-44(a)(i);
    B. A record of all designations of persons responsible for supervision as required by Rule G-44(a)(ii);
    C. Records of the reviews of written compliance policies and written supervisory procedures as required by Rule G-44(a) and (b);
    D. A record of all designations of persons as chief compliance officer as required by Rule G-44(c);
    E. The annual certifications as to compliance processes required by Rule G-44(d); and
    F. Any certifications made as to substantially equivalent supervisory and compliance obligations and books and records requirements pursuant to Rule G-44(e).
vi. *Municipal Advisory Client Complaints.* A record of all written complaints of municipal advisory clients or persons acting on behalf of municipal advisory clients that are received by the municipal advisor. This record must include the complainant's name, address, and municipal advisory client number or code, if any; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the municipal advisor identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such municipal advisor in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

    The term "written," for the purposes of this paragraph, shall include electronic correspondence. The term "complaint" shall mean any written statement alleging a grievance involving the

municipal advisory activities of the municipal advisor or any associated person of such municipal advisor.

vii. *Records Concerning Compliance with Continuing Education Requirements.*
   A. Copies of the municipal advisor's needs analysis and written training plan as required by subparagraphs (i)(ii)(B)(1) and (i)(ii)(E)(1) of Rule G-3; and
   B. Records documenting the content of the training programs and completion of the programs by each covered person as required by Rule G-3(i)(ii)(B)(3).

viii. *Customer Account Information.* Pursuant to Regulation Best Interest, for a retail customer to whom a recommendation of any securities transaction or investment strategy involving municipal securities is or will be provided, a record of all information collected from and provided to the retail customer, as well as the identity of each natural person who is an associated person, if any, responsible for the account.

Further, a record of the date that each Form CRS was provided to each retail investor, including any Form CRS provided before such retail investor opens an account.

Procedures

Our MSRB Principal(s), working with our CCO, will ensure that all books and records required under G-8 are appropriately and accurately maintained.

Annual MSRB Fees (MSRB Rules A-11 and A-12)

Policies

In addition to any other fees prescribed by the rules of the MSRB, we are required to pay an annual MSRB fee of $1000 each fiscal year in which we conduct municipal securities activities.

This fee must be received at the office of the MSRB no later than October 31 of the fiscal year for which the fee is paid, accompanied by the invoice sent to us by the MSRB.

On October 15th of each year, our CCO will ensure that our FINOP is aware that we are required to submit our annual registration payment, as required by MSRB Rule A-12.

We will use our Compliance Calendar to note the date of these required activities (Oct. 15th and Jan 15).

Annually during the Affirmation Period (Effective 1/1/2023 this is due by Jan 31st of each year) Spire will review, update as necessary, and affirm the information submitted in Form A-12 during the Annual Affirmation Period. This process must be completed by Spire's primary regulatory contact, or the Compliance contact designated by the firm.

A copy of the affirmation and any updates will be retained in firm Books & Records.

Beginning in 2023, a copy of the invoice and payment will also be retained by both our CCO as well as the FINOP.

Best Execution (MSRB Rule G-18)

Background

Background

MSRB Rule G-18, establishing the first best-execution rule for transactions in municipal securities went into effect in March of 2016. The best-execution rule requires brokers, dealers and municipal securities dealers (dealers) to use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

The rule applies to all broker-dealer customer trades in municipal securities, whether unsolicited or recommended, that are originating directly through a municipal dealer. The rule does not apply to trades executed on behalf of a customer through an electronic trading platform such as Bond Trader Pro or Bond Central offered by our clearing firms. Also exempt are trades executed on behalf of a customer in a managed account where the IAR is charging a fee instead of a commission.

Designated Supervising Principal

Our Municipal Securities Principal is responsible for ensuring that all municipal securities transactions executed away from our clearing firms will have documentation on corresponding trade tickets evidencing multiple municipal dealer quotes.

Supervisory Review Procedures and Documentation

Our Municipal Securities Principal will ensure that all trades in municipal securities, whether unsolicited or recommended, that are originating directly through a municipal dealer will have an indication of multiple municipal dealer quotes indicated on the trade tickets. All such trade tickets reviews will be documented by dates and Municipal Securities Principal initials.

Responsibility

Our MSRB Principal, and all principals overseeing municipal transactions undertaken by anyone they are responsible for overseeing, will ensure that all requirements of MSRB Rule G-18 are adhered to.

All appropriate senior management, working with appropriate MSRB Principals, will review FINRA's Regulatory Notice 15-46, "Guidance on Best Execution Obligations in Equity, Options and Fixed income Markets," in order to implement all appropriate suggested procedures for overseeing best execution practices of this firm.

Procedure

Our CCO is responsible for ensuring, by undertaking an annual review, that in any transaction in a municipal security for or with a customer or a customer of another broker, dealer, or municipal securities dealer ("dealer"), we have implemented reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

The annual review will determine if the following factors were considered in determining whether our MSRB Principals have considered when determining whether we have used "reasonable diligence," with no single factor being determinative:

(1) the character of the market for the security (*e.g.,* price, volatility, and relative liquidity);

(2) the size and type of transaction;

(3) the number of markets checked;

(4) the information reviewed to determine the current market for the subject security or similar securities;

(5) the accessibility of quotations; and

(6) the terms and conditions of the customer's inquiry or order, including any bids or offers, that result in the transaction, as communicated to the dealer.

In transactions for or with a customer or a customer of another dealer, we cannot interject a third party between us and the best market for the subject security in a manner inconsistent with paragraph (a) of this rule.

In MSRB Rule G-18, Supplemental Material .08 requires firms to conduct annual reviews of its policies and procedures for determining the best available market for the executions of its customers' transactions. Although a more frequent review is not specifically required, a dealer must conduct these reviews at a frequency reasonably related to the nature of its municipal securities business, including but not limited to its level of sales and trading activity. In conducting its periodic reviews, a dealer must assess whether its policies and procedures are reasonably designed to achieve best execution, taking into account the quality of the executions the dealer is obtaining under its current policies and procedures, changes in market structure, new entrants, the availability of additional pre-trade and post-trade data, and the availability of new technologies, and to make promptly any necessary modifications to such policies and procedures as may be appropriate in light of such reviews.

In addition, a dealer that routes its customers' transactions to another dealer that has agreed to handle those transactions as agent or riskless principal for the customer (e.g., a clearing firm or other executing dealer) may rely on that other dealer's periodic reviews as long as the results and rationale of the review are fully disclosed to the dealer and the dealer periodically reviews how the other dealer's review is conducted and the results of the review.

The obligations described above apply to transactions in which we are acting as agent and transactions in which we are acting as principal. (These obligations are distinct from the fairness and reasonableness of commissions, markups or markdowns, which are governed by Rule G-30.)

Complaints

Procedures and Documentation

Our designated Municipal Securities Principal ensures that all municipal-securities-related complaints are appropriately handled, both in terms of MSRB Rule G-10 (Investor and Municipal Advisory Client Education and Protection) and attendant FINRA rules.

Our Municipal Securities Principal must make certain, in accordance with MSRB Rule G-10, that once every calendar year, provide in writing (which may be electronic) to each customer:

- A statement that the firm is registered with the SEC and the MSRB
- The website address for the MSRB; and
- A statement to the customer that an investor brochure is available on the website of the MSRB that describes the protection that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

MSRB Investor Brochures can be obtained using the MSRB Publications Order Form, available in the MSRB Manual, in MSRB Reports, by phone or downloaded off the Internet (www.msrb.org).

In addition, our Municipal Securities Principal must ensure that all complaint information is made available to the individual responsible for filing complaints with FINRA and document all such notification for the file.

All records relating to the complaint must be maintained, including:

- the complainant's name, address and municipal advisory client number or code, if any;
- the date the complaint was received;
- the date of the activity that gave rise to the complaint;
- the name of the associated person identified in the complaint;
- a description of the nature of the complaint; and
- the action that has been taken by the municipal advisor in response to such complaint.

These records must be kept in an electronic format using the complaint product and problem codes that have been set forth by the MSRB in Rule G-8.

Confirmation Disclosures (MSRB Rule G-15)

Background

MRSB Rule G-15 requires that at or before the completion of a transaction in municipal securities with or for the account of a customer, each broker, dealer or municipal securities dealer shall give or send to the customer a written confirmation that complies with the requirements outlined in G-15.

Responsibility

Our Municipal Securities Principal is responsible for ensuring that all confirms relating to municipal securities transactions are fully compliant with MSRB Rule G-15.

On an annual basis, our CCO will review a relevant sampling of client files which have involved municipal securities transactions to determine that we are complying with the confirm disclosure requirements. Documentation of all such reviews, and any findings, will be maintained.

Procedure

Our Municipal Securities Principal will ensure that any individuals reviewing municipal securities confirms (which are generated either by us or by our clearing firm and which we will review for compliance on a quarterly basis) have available a full copy of MSRB Rule G-15, so as to ensure appropriate reviews are undertaken to ensure compliance. All such confirm reviews will be documented by dates and initials.

In short, G-15 requires that, at or before the completion of a transaction in municipal securities with or for the account of a customer, we must give or send to the customer a written confirmation that complies with the requirements of the rule.

Required disclosures include, but are not necessarily limited to:

> Transaction information (including, but not necessarily limited to, the parties, their capacities, and any remuneration from other parties; trade date and time of execution; par value; settlement date; yield and dollar price; final monies; and delivery of securities).
>
> In addition to the transaction information required, other information that may be necessary to ensure that the parties agree to details of the transaction must also be disclosed, such as securities identification information; CUSIP number, if any, assigned to the securities; maturity date, if any; interest rate, if any; the dated date if it affects the price or interest calculation, securities descriptive information; information on status of securities; and tax information.
>
> In addition to ensuring that all disclosure requirements are met, the format of the confirm will be reviewed to ensure that all of the disclosures are clearly and specifically indicated on the front of the confirmation (with several specific exceptions contained in Rule G-15 which can be made on the reverse side of the confirmation).
>
> Separate confirmations are required for each transaction. Multiple confirmations may be printed on one page, provided that each transaction is clearly segregated and the information provided for each transaction complies with the requirements of Rule G-15.

Timing for providing information. Information requested by a customer pursuant to statements required on the confirmation shall be given or sent to the customer within five business days following the date of receipt of a request for such information; provided however, that in the case of information relating to a transaction executed more than 30 calendar days prior to the date of receipt of a request, the information shall be given or sent to the customer within 15 business days following the date of receipt of the request.

Control Relationships (MSRB Rule G-22)

Policy Requirements

Rule G-22.

a. *Control Relationship*. For purposes of this rule, a control relationship with respect to a municipal security shall be deemed to exist if a broker, dealer or municipal securities dealer (or a bank or other person of which the broker, dealer or municipal securities dealer is a department or division) controls, is controlled by or is under common control with the issuer of the security or a person other than the issuer who is obligated, directly or indirectly, with respect to debt service on the security.
b. *Discretionary Accounts*. THIS PORTION OF MSRB RULE G-22 IS NOT APPLICABLE AS BROKER-DEALERS ARE NOT PERMITTED TO MAINTAIN DISCRETIONARY ACCOUNTS.
c. *Disclosure*. No broker, dealer or municipal securities dealer shall affect a transaction in a municipal security with or for a customer if it has a control relationship with respect to the security unless, before entering into a contract with or for the customer for the purchase, sale or exchange of such security, the broker, dealer or municipal securities dealer discloses to the customer the nature of the control relationship. If such disclosure is not made in writing, it must be supplemented by sending written disclosure concerning the control relationship at or before the completion of the transaction.

Procedures and Documentation

Our Municipal Securities Principal must ensure that all control relationships are known prior to effecting a municipal security transaction, and that all individuals engaged in municipal securities transactions are aware of the control-relationship disclosure requirements.

Annually, our CCO must ensure that a review is undertaken to verify that all control-relationship transactions generated a timely disclosure.

Customer Account Transfers (MSRB Rule G-26)

Background

Rule G-26 requires dealers to cooperate in the transfer of customer accounts and specifies procedures for carrying out the transfer process. The MSRB adopted Rule G-26 in 1986 as part of an industry-wide initiative to create a uniform customer account transfer standard by applying a customer account transfer procedure to all dealers that are engaged in municipal securities activities. The uniform standard for all customer account transfers is largely driven by the National Securities Clearing Corporation's (NSCC) Automated Customer Account Transfer Service (ACATS). The MSRB adopted Rule G-26 in conjunction with the adoption of similar rules by other self-regulatory organizations (SROs). Rule G-26 governs the municipal security-only customer account transfers performed by those dealers to ensure that all customer account transfers are subject to regulation that is consistent with the uniform industry standard. Thus, in order to maintain consistency and the uniform standard, the MSRB has, from time to time, modified the requirements of Rule G-26 to conform to certain provisions of the parallel customer account transfer rules of other SROs, as well as to enhancements made to the ACATS process by NSCC, that had relevance to municipal securities. Therefore, in July 2017, the MSRB amended Rule G-26 to modernize the rule and promote a uniform customer account transfer standard for all dealers.

Responsibility

Our MSRB, working with other associated personnel as appropriate (i.e., Operations, Compliance, etc.) must ensure that when a customer with a municipal securities account wishes to transfer its entire account to another broker-dealer and has given us written notice, such wishes are promptly submitted for processing, following either MSRB Rule G-26 or appropriate FINRA Rule procedures.

Our Municipal Securities Principal must ensure that all individuals engaged in municipal securities activities are aware of account transfer rules, requirements and procedures.

Disclosure via MSRB's Electronic Municipal Market Assess (EMMA) System

Background

While SEC Rule 15c2-12 regarding municipal securities disclosure, mainly addresses disclosure obligations required of municipal securities issuers, any broker-dealer who makes municipal purchase or sale recommendations must adhere to paragraph (c) of Rule 15c2-12 which requires a broker or dealer to have procedures in place to provide reasonable assurance that it will receive prompt notice of any disclosure events.

The MSRB established EMMA, an electronic system for free public access to, among other things, primary market disclosure documents for the municipal securities market. All applicable disclosures required under 15c2-12 must be made through EMMA.

EMMA has been established as a permanent primary market disclosure service for electronic submission and public availability on EMMA's internet portal ("the EMMA portal") of official statements, advance refunding documents and related primary market documents and information.

Responsibility

Our Municipal Securities Principal must ensure that in the event we participate in a primary offering or underwriting that we are in full compliance with EMMA submissions. The Municipal Securities Principal will ensure that when acting as a broker or dealer we have sufficient information to comply with SEC Rule 15c2-12(c) when recommending the purchase or sale of a municipal security.

Procedure

Our Municipal Securities Principal will not sign off on a recommended municipal transaction without having an assurance that we have adhered to our procedures concerning receipt of prompt notice of any material event.

If necessary, we will access EMMA and other publicly available databases (e.g., Bloomberg) to determine where to find relevant information on a particular municipal bond. For municipal securities transactions for which we access a publicly available database, we will distribute information about EMMA and what other databases can be accessed when recommending that bond.

Primary Offering EMMA Submissions (Not currently a business activity of Spire Securities, LLC.)

Pursuant to amended G-32 (effective 10/13/2017), our CCO, working with our Municipal Securities Principal, will ensure that in any primary offering for which a document or information is required to be

submitted to EMMA, shall submit Form G-32 with such information submission with respect to a primary offering be

- initiated on or prior to the date of first execution with the submission of CUSIP numbers (except if such CUSIP numbers are not required under Rule G-34 and have not been assigned), initial offering prices or yields (including prices or yields for maturities designated as not reoffered), if applicable, the expected closing date, whether the issuer or other obligated persons have agreed to undertake to provide continuing disclosure information as contemplated by Securities Exchange Act Rule 15c2-12, and if there was a retail order period (as defined in Rule G-11(a)(vii)) as part of a primary offering, information indicating whether a retail order period was conducted, each date and each time (beginning and end) it was conducted, together with such other items of information as set forth in Form G-32 and the EMMA Dataport Manual

Financial Adviser Activities (MSRB Rule G-23)

Policy Requirements

The purpose and intent of MSRB Rule G-23 is to establish ethical standards and disclosure requirements for brokers, dealers and municipal securities dealers who act as financial advisors to issuers of municipal securities.

Under G-23 a financial advisory relationship shall be deemed to exist when we enter into an agreement to provide financial advisory or consultant services to or on behalf of an issuer on a new issue or issues of municipal securities, including advice on the structure, timing, terms and other similar matters, for a fee or other compensation or in expectation of such compensation for the rendering of such services. A financial advisory relationship shall not be deemed to exist when, while acting as an underwriter, we render advice to an issuer, including advice with respect to the structure, timing, terms and other similar matters concerning a new issue of municipal securities.

Each financial advisory relationship shall be evidenced in writing, either prior to, upon or promptly after the inception of the financial advisory relationship, setting forth the compensation for the financial advisory services, including provisions for the deposit of funds with or the use of fiduciary or agency services offered by such broker, dealer, or municipal securities dealer or by a person controlling, controlled by, or under common control with such broker, dealer, or municipal securities dealer in connection with the rendering of such financial advisory services.

No broker, dealer, or municipal securities dealer that has a financial advisory relationship with respect to a new issue of municipal securities shall acquire as principal either alone or as a participant in a syndicate or other similar account formed for purchasing, directly or indirectly, from the issuer all or any portion of such issue, or act as agent for the issuer in arranging the placement of such issue, unless:

i. if such issue is to be sold by the issuer on a negotiated basis,
    A. the financial advisory relationship for the issue has been terminated in writing and at or after such termination the issuer has expressly consented in writing to such acquisition

or participation, as principal or agent, in the purchase of the securities on a negotiated basis;

B. the broker, dealer, or municipal securities dealer has expressly disclosed in writing to the issuer at or before such termination that there may be a conflict of interest in changing from the capacity of financial advisor to purchaser of or placement agent for the securities for which the financial advisory relationship exists and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipt of such disclosure; and

C. the broker, dealer, or municipal securities dealer has expressly disclosed in writing to the issuer at or before such termination the source and anticipated amount of all remuneration to the broker, dealer, or municipal securities dealer in addition to the compensation referred to in section (c) of this rule, and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipt of such disclosure.

ii. if such issue is to be sold by the issuer at competitive bid, the issuer has expressly consented in writing prior to the bid to such acquisition or participation.

The limitations and requirements set forth shall also apply to any broker, dealer, or municipal securities dealer controlling, controlled by, or under common control with the broker, dealer, or municipal securities dealer having a financial advisory relationship. The use of the term "indirectly" shall not preclude a broker, dealer, or municipal securities dealer who has a financial advisory relationship with a new issue of municipal securities from purchasing such securities from an underwriter, either for its own trading account or for the account of customers, except to the extent that such purchase is made to contravene the purpose and intent of this rule.

No broker, dealer, or municipal securities dealer that has a financial advisory relationship with an issuer shall act as agent for the issuer in remarketing the issue, unless the broker, dealer, or municipal securities dealer has expressly disclosed in writing to the issuer:

i. that there may be a conflict of interest in acting as both financial advisor and remarketing agent for the securities for which the financial advisory relationship exists; and
ii. the source and basis of the remuneration to the broker, dealer or municipal securities dealer could earn as remarketing agent on such issue.

This written disclosure to the issuer may be included either in a separate writing provided to the issuer prior to the execution of the remarketing agreement or in the remarketing agreement. The issuer must expressly acknowledge in writing to the broker, dealer, or municipal securities dealer receipt of such disclosure and consent to the financial advisor acting in both capacities and to the source and basis of the remuneration.

If the financial advisor for the issue is not a broker, dealer or municipal securities dealer, and the broker, dealer or municipal securities dealer that acquires the issue or arranges for such acquisition pursuant to section (d) of this rule is controlling, controlled by, or under common control with such financial advisor, the broker, dealer or municipal securities dealer must disclose this affiliation in writing to the issuer

prior to the acquisition and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipts of such disclosure.

Each broker, dealer, and municipal securities dealer subject to the provisions of sections (d), (e) or (f) of this rule shall maintain a copy of the written disclosures, acknowledgments and consents required by these sections in a separate file and in accordance with the provisions of MSRB Rule G-9.

If a broker, dealer, or municipal securities dealer acquires new issue municipal securities or participates in a syndicate or other account that acquires new issue municipal securities in accordance with section (d) of this rule, such broker, dealer, or municipal securities dealer shall disclose the existence of the financial advisory relationship in writing to each customer who purchases such securities from such broker, dealer, or municipal securities dealer, at or before the completion of the transaction with the customer.

Nothing contained in this rule shall be deemed to supersede any more restrictive provision of state or local law applicable to the activities of financial advisors.

Procedures and Documentation

Our Municipal Securities Principal will determine instances where a financial advisory relationship, according to MSRB Rule G-23, is deemed to exist and maintain a log of all such relationships to ensure our full compliance with the requirements under Rule G-23.

Our CCO will ensure that we undertake an annual review of all activities in which we have engaged where we acted in a financial advisory capacity, or offered consultant services to, or on behalf of, an issuer with respect to a new issue or issues of municipal securities, including advice on the structure, timing, terms and other similar matters concerning such issue or issues, for a fee or other compensation or in expectation of such compensation for the rendering of such services. Such review will be undertaken to ensure that all G-23 compensation, written agreements and disclosure requirements have been met and documented. We will maintain documentation of such review, including dates, names of individuals conducting the review, findings, etc.

Professional Qualification Requirements (MSRB Rule G-3)

Policy Requirements

The MSRB's Professional Qualification Program sets standards of competency for associated persons of municipal securities brokers, dealers, municipal securities dealers (collectively dealers) and municipal advisors. Professional qualification requirements foster compliance with MSRB rules and other regulatory requirements through required examinations and continuing education.

Municipal Securities Principals and Representatives

The MSRB imposes qualification requirements on certain associated persons of dealers based on their activities.

- *Municipal securities representatives (Series 52) perform fundamental activities such as selling, trading and underwriting municipal securities.*
- *Municipal securities sales limited representatives (Series 7) perform activities limited exclusively to sales to and purchases from customers of municipal securities.*
- *Limited representative – investment company and variable contracts products (Series 6) performs activities with respect to municipal securities that are limited exclusively to sales to and purchases from customers of municipal fund securities.*
- *Municipal securities principals (Series 53) manage, direct or supervise the municipal securities activities of a securities firm or bank dealer.*
- *Municipal fund securities limited principals (Series 51) manage, direct or supervise municipal securities activities that are limited exclusively to municipal fund securities.*
- *Municipal securities sales principals (Series 9/10) are associated with securities firms and perform supervisory activities with respect to municipal securities that are limited to sales to and purchases from customers of municipal securities.*
- *Municipal advisor principals (Series 54) engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.*

Municipal Advisor Representatives and Principals

The MSRB imposes qualification requirements on certain associated persons of municipal advisors based on their activities.

- Municipal advisor representatives engage in municipal advisory activities, as defined in Section 15B(e)(4)(A)(i) and (ii) of the Securities Exchange Act of 1934, on the municipal advisor's behalf.
- Municipal advisor principals directly engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

Qualification Requirements

Associated persons of dealers and municipal advisors engaged in such functions must satisfy the professional qualification requirements as outlined in MSRB Rule G-3.

The MSRB provides content outlines for its qualification examinations.

- Series 50 – Municipal Advisor Representative Examination
- Series 51 - Municipal Fund Securities Limited Principal Qualification Examination
- Series 52 - Municipal Securities Representative Qualification Examination
- Series 53 - Municipal Securities Principal Qualification Examination

FINRA administers qualification examinations for the other categories of municipal securities professionals.

- Series 6 – The Investment Company Products/Variable Contracts Limited Representative Examination
- Series 7 – The General Securities Representative Examination qualifies an individual as a municipal securities sales limited representative.

- Series 9/10 – The General Securities Sales Supervisor's Examination qualifies a municipal securities sales supervisor.
- SIE – The Securities Industry Essentials examination as a prerequisite to a more specialized Series 52 knowledge examination in order to qualify as a municipal securities representative.

In Regulatory Notice 2018-11, the MSRB stated its intended plan to revise the Series 52 into a specialized knowledge examination and recognize FINRA's Securities Industry Essentials (SIE) Examination as a prerequisite for the Series 52 examination.

Effective beginning October 1, 2018, the amendments to Rule G-3, among other things: (i) require the SIE examination as a prerequisite for the Series 52 examination; (ii) restructure the Series 52 examination into a specialized knowledge examination; (iii) provide for permissive qualifications to be made and maintained for associated persons; and (iv) afford relief to individuals from having to requalify by examination by recognizing the financial services affiliates (FSA) waiver program.

Further, the amendments to Rule G-3(a)(ii) require an individual to pass both the SIE exam and the revised Series 52 exam in order to become qualified as a municipal securities representative.

Effective beginning December 20, 2018, the amendments to Rule G-3: (i) require municipal advisor principals to pass the new Municipal Advisor Principal Qualification Examination ("Series 54 examination") to become appropriately qualified as a municipal advisor principal; (ii) require individuals who cease to be associated with a municipal advisor for two or more years, at any time after having been qualified as a municipal advisor principal, to requalify by examination unless a waiver is granted; (iii) add the Series 54 examination to the list of qualification examinations for which an individual can seek a waiver; and (iv) provide that municipal advisor representatives may function as a principal for 120 calendar days without being qualified with the Series 54 examination.

The MSRB conducted a pilot for the Series 54 examination from February 2019 through June 2019. In the fall of 2019, after the pilot period concludes and the passing score is determined, the MSRB will announce in an MSRB Notice the date the permanent Series 54 examination will become available and the score required to pass the Series 54 examination. Once the permanent Series 54 examination becomes available, persons who engage in the management, direction or supervision of the municipal advisory activities of a municipal advisor and its associated persons will have a one-year grace period to become appropriately qualified as a municipal advisor principal.

On April 9, 2020, the MSRB filed a proposed rule change to reduce operational challenges related to the COVID-19 pandemic. Under this rule change, which became effective immediately, the MSRB proposed to extend the time to complete certain professional qualifications.

Supplementary Materials .06, .07, and .08 granted municipal securities principals, municipal securities limited principals, and municipal securities sales principals an extension of 120 days from the time the MSRB announced the expiration date of the temporary period to complete the applicable MSRB-owned principal qualification examination.

Supplementary Materials .09 extended the grace period for individuals to pass the Series 54 examination from November 12, 2020 was extended until March 31, 2021. Therefore, individuals qualified with the Municipal Advisor Representative Qualification Examination (Series 50) could continue to engage in principal-level activities without passing the Series 54 until March 31, 2021.

Supplementary Material .10 permitted individuals an extension of 120 days from the time the MSRB announced the expiration date of the temporary period to complete their Regulatory Element component of continuing education training.

Supplementary Material .11 established that, for calendar year 2020, the annual needs analysis and the delivery of continuing education is timely completed when both requirements are completed on or before March 31, 2021.

Supplementary Material .12 provided an extension for municipal advisors to complete their continuing education requirements. Municipal advisors fulfilled their calendar year 2020 continuing education requirements by completing the requirements on or before March 31, 2021.

On December 2, 2020, the MSRB filed a proposed rule change with the SEC, effective immediately, to provide additional regulatory relief on a temporary basis to broker-dealers in light of operational difficulties caused by COVID-19.

The proposed rule change amends Supplementary Material .09, Temporary Relief for Municipal Advisor Principals, of Rule G-3 to further extend the date by which a person acting in the capacity of a municipal advisor principal is required to become duly qualified with the Series 54 examination to November 12, 2021.

On August 20, 2021, a proposed rule change again extended the time within which individuals were required to pass the Series 54 examination. The deadline was extended from November 12, 2021 to November 30, 2021.

A proposed rule change filed on August 30, 2022 aligned the MSRB's Rule G-3 with changes in FINRA Rules 1210 and 1240. Rule G-3's proposed rule change, which became operative on September 30, 2022, made substantive changes to dealer's obligations regarding the Regulatory Element, the Firm Element, and the maintenance of qualifications.

The MSRB made completing the Regulatory Element component of continuing education an annual requirement. As of September 30, 2022, associated persons of a dealer must complete the Regulatory Element component of continuing education annually by December 31 of each calendar year. To satisfy this rule's requirements, municipal securities representatives and municipal securities principals must also complete Regulatory Element content relevant to each qualification held. Previously, to comply with Rule G-3, each registered person needed to complete the Regulatory Element component of CE on the occurrence of their second registration anniversary date and every three years thereafter.

Under older versions of Rule G-3, failing to complete the Regulatory Element component of continuing education in the required time frames would result an individual's registrations becoming inactive until

he satisfied the program requirements. Since the rule change, however, dealers may provide supporting documentation and make a written request to extend the time to complete the continuing education.

As of September 30, 2022, MSRB Rule G–3(i)(i)(A)(3) expressly exempts Financial Services Industry Affiliate-eligible persons (i.e., those individuals eligible for a waiver, pursuant to Supplementary Material .04 of MSRB Rule G–3) from the provision's requirements that a registered person must complete assigned continuing education as prescribed by the appropriate enforcement authority when he becomes subject to a stated disciplinary action.

MSRB Rule G–3(i)(i)(A)(4) previously required any registered person who terminated association with a dealer and then became reassociated in a registered capacity with a dealer, within two years, to participate in the Regulatory Element at the required intervals that applied based on the person's initial registration anniversary date, not the date of reassociation. As of September 30, 2022, no matter when the reassociation occurs, individuals re-registering with the appropriate examining authority must complete the Regulatory Element component of continuing education for the registration category annually by December 31 of each calendar year.

The proposed rule change amends the Firm Element component of continuing education. All registered persons, including individuals with permissive registration, must receive Firm Element training. With this rule change, the MSRB has extended the Firm Element component of continuing education requirement from "covered registered persons" to "all registered persons".

Rule G– 3(i)(i)(B)(2)(b) was altered to reduce the minimum topics that dealers must cover in their dealers' training programs. Dealers' training programs must now, at a minimum, cover training topics related to professional responsibility and the role, activities or responsibilities of the registered person. Dealers need not address specific subject matter contained in previous versions of this rule. Moreover, MSRB Rule G–3(i)(i)(B)(2) now permits dealers to count their AML compliance program training towards satisfying registered persons' Firm Element requirement. In addition, the annual compliance meeting, to the extent appropriate, may satisfy Firm Element requirements for persons associated with a member of a registered securities association.

The MSRB also facilitated maintaining qualifications through continuing education for previously registered persons. With the proposed rule change, individuals whose registrations are terminated may maintain their qualifications by participating in FINRA's continuing education program, subject to conditions specified in MSRB Rule G–3(i)(i)(C) having been met.

Finally, the MSRB facilitated the eligibility of persons enrolled in the financial services industry affiliate program to transition to proposed continuing education program. Previously, Supplementary Material .04 of MSRB Rule G–3 permitted individuals working for a financial services industry affiliate of a dealer to obtain a waiver from the examination requirements for requalification. As of September 30, 2022, FINRA has stopped accepting new individuals into its waiver program. Instead, those individuals may maintain their qualifications, subject to meeting certain specified requirements, by completing annual continuing education requirements.

On November 16, 2022, the MSRB filed a proposed rule change to Rule G-3. As of January 1, 2023, Supplementary Materials .10 through .16, which pertained to COVID-19-related relief related to professional qualifications, are deleted because the relief expired. By the terms of Supplementary Material .10 through .16. The relief provided for in Supplementary Materials .10, .11, .12 and .14 expired on August 29, 2022, the relief provided for in Supplementary Material .13 expired on November 30, 2021, and the relief provided for in Supplementary Materials .15 and .16 expired on March 31, 2021.

Procedures and Documentation

Minimally on an annual basis, our CCO will require that all individuals registered as MSRB principals review the registration category of those individuals under their supervision to ensure that all are appropriately licensed, submitting written documentation to that effect.

In addition, our CCO will also, on an annual basis, review the license categories of all MSRB principals to ensure their appropriate registrations, maintaining documentation of such reviews and any actions taken.

Improper Use of Assets (MSRB Rule G-25)

Background

Rule G-25.

(a) Improper Use. No broker, dealer or municipal securities dealer shall make improper use of municipal securities or funds held on behalf of another person.

(b) Guaranties. No broker, dealer or municipal securities dealer shall guarantee or offer to guarantee a customer against loss in

> (i) an account carried or introduced by such broker, dealer or municipal securities dealer in which municipal securities are held or for which municipal securities are purchased, sold or exchanged or
>
> (ii) a transaction in municipal securities with or for a customer.

Put options and repurchase agreements shall not be deemed to be guaranties against loss if their terms are provided in writing to the customer with or on the confirmation of the transaction and recorded in accordance with rule G-8(a)(v).

(c) Sharing Account. No broker, dealer or municipal securities dealer shall share, directly or indirectly, in the profits or losses of

> (i) an account of a customer carried or introduced by such broker, dealer or municipal securities dealer in which municipal securities are held or for which municipal securities are purchased or sold or

(ii) a transaction in municipal securities with or for a customer.

Nothing herein contained shall be construed to prohibit an associated person of a broker, dealer or municipal securities dealer from participating in his or her private capacity in an investment partnership or joint account, provided that such participation is solely in direct proportion to the financial contribution made by such person to the partnership or account.

Responsibility

Our MSRB Principal will review all activities to ensure that no prohibited guarantees are being made by any individuals affiliated with this broker/dealer, and that no sharing in customer profits or losses is occurring.

Procedure

Our MSRB Principal will conduct reviews of all municipal securities activities, to determine that prohibited guarantees were not made, and that we have not entered into any inappropriate sharing in customer profits or losses arrangements. The Compliance Department will periodically review electronic communication between customers and associated persons of the firm to further determine that prohibited guarantees were not made, and that we have not entered into any inappropriate sharing in customer profit or loss arrangements.

Markups/Markdowns

Background

Agency Transactions

Broker-dealers are prohibited from purchasing or selling municipal securities as agent for a customer for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the availability of the securities involved in the transaction; the expense of executing or filling the customer's order; the value of the services rendered by the broker, dealer or municipal securities dealer; and the amount of any other compensation received or to be received by the broker, dealer or municipal securities dealer in connection with the transaction.

Principal Transactions

Broker-dealers are prohibited from purchasing or selling securities for their own accounts from a customer or sell municipal securities for their own accounts to a customer except at an aggregate price, including any markdown or markup, that is fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer about the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction.

Markup Disclosure Requirements

On November 17, 2016, the MSRB received approval from the SEC for proposed rule changes to Rules G-15 and G-30.

The new mark-up disclosure requirements under Rule G-15 will require a dealer to disclose its mark-up (or mark-down) on a transaction where the dealer buys or sells a municipal security on a principal basis from (or to) a non-institutional customer and engages in one or more offsetting principal trade(s) on the same trading day in the same security, where the size of the dealer's offsetting principal trade(s), in the aggregate, equals or exceeds the size of the customer trade.

The amendments to Rule G-30 add new supplementary material (paragraph .06 entitled "Mark-Up Policy") and amend existing supplementary material to provide guidance on establishing the prevailing market price and determining mark-ups and mark-downs for principal transactions in municipal securities.

Revisions to Supplementary Material .01(a) clarifies that a dealer must exercise "reasonable" diligence in establishing the market value of a security and the reasonableness of the compensation received.

Under new Supplementary Material .06, the prevailing market price of a municipal security generally will be presumptively established by referring to the dealer's contemporaneous cost as incurred, or contemporaneous proceeds as obtained.

These rule changes became effective on May 14, 2018.

Responsibility

Our Municipal Securities Principal must ensure that we are in full compliance with MSRB Rules G-15 and G-30 at all times.

Procedure

Our Municipal Securities Principal will review all municipal securities transactions to ensure that the rationale of all markups and markdowns is appropriately documented that such rationale is appropriate. Questionable markups or markdowns will be investigated, with steps taken to modify any if deemed appropriate. Our Municipal Securities Principal will maintain documentation of all such questionable transactions.

New Accounts

Procedures and Documentation

Our designated Municipal Securities Principal will ensure that we are in full compliance with all applicable MSRB Rules and all FINRA rules applicable to municipal securities transactions.

In addition, our designated supervising principals are responsible for ongoing supervision of all individuals under their immediate supervision to ensure that they are aware of, and act in compliance with, all rules and regulations governing municipal securities transactions.

An appropriate supervising principal must sign off on, and approve, any new account that intends to transact business in municipals. If the new account belongs to a retail customer, we must provide them with our Form CRS.

Our Municipal Securities Principal will conduct a monthly review of all new accounts transacting business in municipal securities to ensure they have been handled appropriately in terms of:

- The opening of each municipal securities account;
- Each transaction in municipal securities;
- The handling of customer complaints involving municipal securities;
- All correspondence pertaining to the solicitation or execution of transactions in municipal securities; and
- Delivering a Form CRS to prospective retail clients at the beginning of the relationship.

All customer accounts will be reviewed quarterly to detect irregularities and possible abuses, particularly to ensure that the commission rates and service charges established are fair and reasonable (either agency or principal transactions). The reviews will also include a best execution review.

Written notice must be provided for accounts known to be employed by another broker-dealer or municipal securities dealers, and duplicate copies of confirms will be sent to the employers of these customers.

A separate Municipal Securities Advertising file will document all advertisements and sales literature, each of which must be approved by our Municipal Securities Principal prior to use, pursuant to MSRB Rule G-21 and Rule G-40, to ensure that such advertisements and sales literature are free of false or misleading information. Any advertisements of new issues must properly reflect the availability of the securities. Approval will be evidenced by initials and dates.

Annually, our Municipal Securities Principal will review all files to verify that all clients have been sent in writing or electronically the following as required by MSRB Rule G-10:

i. a statement that it is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board;
ii. the website address for the Municipal Securities Rulemaking Board; and
iii. a statement as to the availability to the customer of an investor brochure that is posted on the website of the Municipal Securities Rulemaking Board that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate regulatory authority.

Annually, our Municipal Securities Principal will review our compliance for the following:

- If applicable, confirms disclose yield and call information;
- Comparison and verification procedures are followed on all municipal securities transactions;
- We comply with procedures for rejection and reclamation of municipal securities;
- MSRB close-out procedures are followed, where appropriate;

- Interdealer comparisons and book-entry settlement are effected in conformity with MSRB Rule G-12; and
- For institutional customers, the facilities of a depository for comparison, acknowledgement and settlement of transactions are utilized.

Ownership Information Obtained in Fiduciary or Agency Capacity (MSRB Rule G-24)

Policy Requirements

Broker-dealers acting in a fiduciary or agency capacity for an issuer of municipal securities or for another broker, dealer or municipal securities dealer, including, but not limited to, acting as a paying agent, transfer agent, registrar or indenture trustee for an issuer or as clearing agent, safekeeping agent or correspondent of another broker, dealer or municipal securities dealer, must comply with MSRB Rule G-24.

Procedures and Documentation

Our Municipal Securities Principal must ensure that we comply with MSRB Rule G-24 and oversee all individuals engaged in municipal securities transactions to detect any G-24 violations.

Our Municipal Securities Principal will document any confidential, nonpublic information concerning the ownership of municipal securities we obtain while we act as fiduciaries or in an agency capacity for an issuer of municipal securities or for another broker, dealer or municipal securities dealer.

Annually we will review the log of any confidential, nonpublic information - relative to our municipal transactions - to detect any instances where it appears that such information was utilized for the purpose of soliciting purchases, sales or exchanges of municipal securities; or where it may have been used for financial gain except with the consent of such issuer or such broker, dealer or municipal securities dealer or the person on whose behalf the information was given.

We will maintain documentation of all suspect activities, indicating all appropriate individual and issuer information, relevant dates and the results of investigatory actions and findings, as well as follow-up actions taken.

Political Contributions (MSRB Rule G-37)

Policy Requirements

MSRB Rule G-37 generally bars municipal broker-dealers who contribute to issuer-clients from doing any negotiated business with those clients for a two year period following such contribution. Municipal finance professionals may, however, contribute up to two hundred-fifty dollars ($250) to a political candidate for whom they can vote, regardless of whether the candidate is affiliated with an issuer-client.

MSRB Rule G-38 prohibits municipal dealers from paying, directly or indirectly, any person who is not an affiliated person of the broker-dealer for a solicitation of municipal securities business on behalf of the broker-dealer.

Although municipal dealers are now prohibited from using consultants to solicit municipal securities, they may be required to file Form G-38t for a calendar quarter if one or more transitional payments to consultants remain pending or are paid during the reporting period under Rule G-38(c) for solicitation activities undertaken on, or prior to, August 29, 2005.

To define a "Municipal Financial Professional" we first need to determine who falls within the definition of "associated person."

Associated Persons

For broker-dealers, associated persons are:

- Any partner, officer, director or branch manager, or any person occupying a similar status or performing similar functions;
- Any person directly or indirectly controlling, controlled by, or under common control with the broker or dealer; or
- Any employee of the broker or dealer, except those whose functions are solely clerical or ministerial.

For a municipal securities dealer which is a bank or a division of a department of a bank, associated persons are:

- Any person directly engaged in the management, direction, supervision, or performance of any of the municipal securities dealer's activities with respect to municipal securities; and
- Any person directly or indirectly controlling such activities or controlled by the municipal securities dealer relating to such activities.

Municipal Finance Professionals

Upon determining that an individual is an "associated person," the "Municipal Finance Professional" definition is:

1. Any associated person primarily engaged in municipal representative activities pursuant to MSRB Rule G-3(a)(1) including, underwriting, trading, sales, financial advisory and consultant services, research or investment advice on municipal securities, or any other activities which involve communication, directly or indirectly, with public investors relating to the activities listed herein, provided, however, that sales activities with natural persons shall not be considered to be municipal securities representative activities for purposes of Rule G-37 (g)(iv);
2. Any associated person who solicits "municipal securities business" as defined in Rule G-37, which includes negotiated underwriting activities, private placement activities, negotiated remarketing services, financial advisory and consultant services;
3. Any associated person who is both (a) a municipal securities principal or a municipal securities sales principal and (b) a supervisor of any persons described in 1 or 2 above;
4. Any associated person who is a supervisor of the associated persons described in 3 above, up through and including (i) for dealers that are not bank dealers, the CEO or similarly situated

official and (ii) for bank dealers, the officer or officers designated by the bank's board of directors as responsible for the day-to-day conducts of the bank's dealer activities;

5. For broker-dealers other than bank dealers, any associated person who is a member of the executive or management committee, or similarly situated officials, if any. For bank dealers, any member of the executive or management committee of the separately identifiable department or division, if any, of the bank, as defined in Rule G-1.
6. However, if the only associated persons meeting the definition of municipal financial professionals are those described in Paragraph 5, the broker, dealer or municipal securities dealer shall be deemed to have no municipal finance professionals.

The definition of Municipal Finance Professional excludes sales activities with natural persons.

Soliciting

Even if an associated person is not "primarily engaged in municipal representative activities," he/she is considered a municipal finance professional if he or she solicits municipal securities business, as defined in Rule G-37. Such business includes negotiated underwriting activities, private placement activities, negotiated remarketing services, financial advisory and consultant services.

"Soliciting" activities include, but are not necessarily limited to, responding to issuer Requests for Proposals, making presentations of public finance and/or municipal securities marketing capabilities to issuer officials, and engaging in other activities calculated to appeal to issuer officials for municipal securities business, or which effectively do so.

MSRB Notice 2003-41 (October 30, 2003) offers comprehensive Q&As regarding all the issues surrounding G-37 which our Municipal Securities Principal and our CCO have available to address any concerns they may have in appropriately overseeing and complying with all G-37 requirements.

Filing Requirements

Form G-37 must be submitted to the MSRB if any one of the following occurred:

1. Reportable political contributions were made during the reporting period, unless a Form G-37x has previously been submitted and the submission remains effective
2. Municipal securities business [as defined in G-37(g)(xii)] was engaged in during the reporting period. The term "municipal securities business" means:
    - The purchase of a primary offering [as defined in rule A-13(d)] of municipal securities from the issuer on other than a competitive bid basis (i.e. negotiated underwriting); or
    - The offer or sale of a primary offering of municipal securities on behalf of any issuer (i.e., private placement); or
    - The provision of financial advisory or consultant services to or on behalf of an issuer with respect to a primary offering of municipal securities on other than a competitive bid basis; or
    - The provision of remarketing agent services to or on behalf of an issuer with respect to a primary offering of municipal securities on other than a competitive bid basis.

There is no need to file Form G-37 only if none of the above have occurred. For exemptions regarding MSRB Rule G-37(b), refer to NASD Notice to Members 95-103.

Filing Deadlines

Form G-37 and Form G-38t must be submitted to the MSRB by the last day of the month following the end of each calendar quarter (January 31, April 30, July 31 and October 31 of each year).

G-37 Exemption

If we are exempt from G-37 filing requirements (a determination made and documented in the files by our Municipal Securities Principal), no further action regarding G-37 filings is required once we have filed a G-37x unless the business changes and the exemption is no longer applicable. There is no fixed timeframe for submission of Form G-37x. The Form must be submitted no later than the G-37 submission deadline for the quarter during which such determination is made.

Pursuant to Rule G-37(e)(ii)(A)(2), we are not required to submit a Form G-37 for a calendar quarter if both of the following are true:

- The dealer has submitted a Form G-37x to the MSRB on, or prior to, the deadline for submission of Form G-37 for that calendar quarter
- The Form G-37x submission remains in effect as of the end of that calendar quarter

However, as described further herein, even if Form G-37x is in effect, a dealer is required to submit a Form G-37/G-38 for any calendar quarter in which the dealer uses a consultant.

G-37x Filings

We may submit Form G-37X to the MSRB if we did not engage in municipal securities business during the eight full consecutive calendar quarters ending immediately on, or prior to, the date of the submission.

A Form G-37x submission remains effective for so long as the firm does not engage in municipal securities business; thus, there is no need to submit any additional Form G-37x to the MSRB unless the original Form G-37x submission has become ineffective and the dealer subsequently re-qualifies to file Form G-37x.

Lapse of Effectiveness of Form G-37x Submission: A Form G-37x submitted to the MSRB becomes ineffective when the firm becomes engaged in municipal securities business. We would be obligated to submit Form G-37 to the MSRB beginning with the report for the calendar quarter in which such municipal securities business occurred.

Pursuant to MSRB Rule G-37(e)(iii), the first Form G-37 submitted after the lapse of Form G-37x must include information regarding any contributions to issuer officials or payments to state or local political parties that would have been reportable, but had not been reported, on Form G-37 during the two-year period preceding such calendar quarter.

The existence of political contributions to issuer officials or payments to political parties that would otherwise be reportable on Form G-37 does not result in the lapse of effectiveness of a Form G-37x. However, as noted above, such contributions and payments may become reportable upon the lapse of effectiveness of Form G-37x if made less than two years prior to such lapse.

Form Submissions

Forms G-37 and G-37x must be submitted to the MSRB electronically through the EMMA Dataport. Form G-38t may be submitted to the MSRB in paper form only.

Electronic Submission

Dealers who want to submit Forms G-37 or G-37x electronically do so via the EMMA Dataport.

Electronic submissions may be made to the eG-37 System through the MSRB's secured, password-protected Internet website. Each dealer must submit an e-mail address for purposes of receiving electronic records of submissions through the EMMA Dataport.

Form G-37 and Form G-37x submitted electronically may be completed using an on-line data-entry form. The data-entry form for Form G-37 permits certain items of information to be incorporated into the form by means of file uploading. In addition, a dealer is permitted to upload its entire Form G-37 rather than completing the form by means of data-entry. All documents up-loaded through the EMMA Dataport must be in portable document format (PDF).

Paper Submission

Paper submissions of Form G-38t must be sent to the MSRB by certified or registered mail, or some other equally prompt means that provides a record of sending. Rule G-38 requires two copies of completed Form G-38t be sent to the MSRB. At least one copy of Form G38-t submitted on paper must contain an original signature.

Submissions by fax will not be accepted.

Viewing Forms Submitted to MSRB

The Forms G-37, Forms G-37x and G-38t submitted to the MSRB may be viewed at the MSRB's website (www.msrb.org). In addition, the forms are available for review and photocopying at the MSRB's Public Access Facility in Alexandria, Virginia.

Procedures and Documentation

Our Municipal Securities Principal ensures that we are in full compliance at all times with MSRB Rules G-37 and G-38, including the requirement to disclose contributions to bond ballot campaigns (other than a contribution made by a municipal financial professional or a non-MFP officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if all contributions by such persons to such bond ballot campaign, in total, do not exceed $250 per ballot initiative) made by:

- The broker, dealer or municipal securities dealer;
- Each municipal finance professional;
- Each non-MFP executive officer; and
- Each political action committee controlled by the broker, dealer or municipal securities dealer or by any municipal finance professional.

Our Municipal Securities Principal will maintain a current list of all Municipal Finance Professionals to ensure that any political contributions (including contributions made to bond ballot campaigns) required to be reported are disclosed. On a quarterly basis, all municipal finance professionals will be reminded of their requirement to disclose all political contributions. We will maintain copies of all such reminders and responses in the files, along with copies of all G-37 filings.

MSRB Rule G-37 Books and Records will be carefully maintained and, if deemed necessary, further steps will be taken by checking state and local records of campaign contributions to determine that individuals have reported what they should report.

For any period during which we have a G-37x on file with the MSRB, our Municipal Securities Principal will review all municipal activities on a quarterly basis to determine if the exemption has lapsed.

Our Municipal Securities Principal will review all G-37 and G-38t filings on an annual basis to determine whether we have complied.

MSRB Rule G-8 Recordkeeping Requirements

MSRB Rule G-8 on books and records requires a very specific list of items to be maintained regarding MSRB Rule G-37.

Our Municipal Securities Principal is responsible for making certain that all records required under MSRB G-8 are maintained in a complete and current manner.

Any payments/contributions, direct or indirect, to officials of an issuer and payments, direct or indirect, made to political parties of states and political subdivisions, by the broker, dealer or municipal securities dealer and each political action committee controlled by the broker, dealer or municipal securities dealer (or by any municipal finance professional or such broker, dealer or municipal securities dealer) must be disclosed to Senior Management. Such disclosure must indicate:

- The identity of the contributors;
- The names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions and payments; and
- The amounts and dates of such contributions and payments.

Any contributions, direct or indirect, to officials of an issuer made by each municipal financial professional and executive officer must immediately be disclosed to the designated Municipal Securities Principal, our CCO or Senior Management. Such disclosure must indicate:

- The names, titles, city/county and state of residence of contributors;

- The names and titles of the recipients of such contributions, including any city/county/state or other political subdivision; and
- The amounts and dates of such contributions.

Such disclosure does not have to be made for any contribution to officials of an issuer for whom the contributor is entitled to vote if the contributions by such individual, in total, are not more than two hundred fifty dollars ($250) to any official of an issuer, per election.

Any payments, direct or indirect, to political parties of states and political subdivisions made by any municipal finance professionals and executive officers for the current year and for each of the previous two calendar years, must be disclosed to our MSRB Principal or other appropriate management-level principal of the firm. Such information must indicate:

- The names, titles, city/county and state of residence of contributors;
- The names and titles, including any city/county/state or other political subdivision, of the recipients of such payments; and
- The amounts and dates of such payments, provided, however, that such records need not reflect those payments made by any municipal finance professional or executive officer to a political party of a state or political subdivision in which such persons are entitled to vote if the payments by such person, in total, are not more than two hundred fifty dollars ($250) per political party, per year.

Our Municipal Securities Principal will maintain (under MSRB Rule G-37 and G-8 requirements) a list of all de minimis exceptions from the bond ballot campaign contributions which need to be reported on G-37, i.e. those contributions made by an MFP or non-MFP executive officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if all contributions by such person to such bond ballot campaign, in total, do not exceed $250 per ballot initiative.

MSRB Rule G-9 requires that all records maintained concerning political contributions and prohibitions on municipal securities business and solicitation of municipal securities business pursuant to Rules G-37 and G-38 be preserved for at least six years; however, copies of Forms G-37x must be preserved for the period during which such Forms G-37x are effective and for at least six years following the end of such effectiveness.

At least annually, our Municipal Securities Principal will ensure that we undertake a review to confirm that we are maintaining appropriate books and records relating to MSRB Rules G-37 and G38, as required by MSRB Rule G-8.

Real-Time Transaction Reporting System (MSRB Rule G-14)

Background

The RTRS Users Manual located at http://www.msrb.org/msrb1/RTRS/RTRSWeb-Users-Manual.pdf comprises the specifications for real-time reporting of municipal securities transactions, the RTRS Web User Manual, Testing Procedures, guidance on how to report specific types of transactions and other information relevant to transaction reporting under Rule G-14.

Definitions

- RTRS, or Real-time Transaction Reporting System, is a facility operated by the MSRB. RTRS receives municipal securities transaction reports submitted by dealers pursuant to Rule G-14, disseminates price and volume information in real time for transparency purposes and otherwise processes information pursuant to Rule G-14.
- The RTRS Business Day is 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday, on each business day as defined in MSRB Rule G-12(b)(i)(B).
- Time of trade is the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.
- Submitter means a dealer, or service bureau acting on behalf of a dealer, that has been authorized to interface with RTRS for the purposes of entering transaction data into the system.
- Interdealer Transaction Eligible for Automated Comparison by a Clearing Agency Registered with the Commission is defined in MSRB Rule G-12(f)(iv).
- Municipal Fund Securities is defined in MSRB Rule D-12.

The following transactions are not required to be reported under Rule G-14.

- Transactions in securities without assigned CUSIP numbers
- Transactions in municipal fund securities
- Interdealer transactions for principal movement of securities between dealers that are not interdealer transactions eligible for comparison in a clearing agency registered with the SEC

Responsibility

Our Municipal Securities Principal must ensure that we comply fully with MSRB Rule G-14, and that all reporting is done promptly, accurately and completely.

Procedure

Our Municipal Securities Principal will do the following.

- Ensure that we report required information about each purchase and sale transaction effected in municipal securities to the Real-time Transaction Reporting System (RTRS) in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual.
- Ensure that, if at any time we employ an agent for the purpose of submitting transaction information, we are fully aware that timely and accurate submissions are made.
- Maintain our unique broker symbol, received from FINRA, which is utilized to identify our transactions for reporting purposes.
- Provide to the MSRB on Form RTRS all information necessary to ensure that our trade reports can be processed correctly (i.e. the manner in which transactions will be reported, the broker symbol used, the identity of and information on any intermediary to be used as a Submitter, information on personnel that can be contacted if there are problems in RTRS submissions, and information necessary for systems testing with RTRS).
- Ensure that information provided on Form RTRS is current by notifying the MSRB when contact or other information provided on the form changes.
- Ensure that transactions effected with a time-of-trade during the hours of the RTRS business day are reported within 15 minutes of time of trade to an RTRS Portal, except in certain situations

where end-of-day or within-three-hours is the required reporting time, as listed in Rule G-14, RTRS Procedures (a)(ii).

- Ensure that transactions effected with a time of trade outside the hours of the RTRS business day are reported no later than 15 minutes after the beginning of the next RTRS Business Day.
- Ensure that transaction data not submitted in a timely and accurate manner in accordance with MSRB G-14 procedures is submitted or corrected as soon as possible.
- Review information on the status of trade reports in RTRS (available through the Message Portal, through the RTRS Web Portal, or via electronic mail) in order to promptly address any problem or potential problem with reported trade data, addressing the matter promptly to ensure that the information being disseminated by RTRS is as accurate and timely as possible.
- Understand all reporting requirement for specific types of transactions, and act accordingly.
- Maintain appropriate records documenting how we have complied with all of the above actions, including dates, names of individuals undertaking the action, remedial actions taken, etc.
- Should adjustments or corrections need to be made to the reported trade, a STRAIGHT cancel will be entered and a new trade reported. The cancelled trade ticket along with the new trade ticket will be maintained in the file.

Destination Codes

Our Municipal Securities Principal will ensure that all destination codes are accurately reported. This includes destination codes entered by us, as well as codes provided by the other side of the trade (i.e., another broker-dealer). In addition, our Municipal Securities Principal is responsible for detecting, and appropriately reporting, errors regarding incorrect codes made by either this firm or another.

Secondary Market Sales

Background

From FINRA Regulatory Notice 10-41, "*Brokers, dealers and municipal securities dealers (dealers) must fully understand the municipal securities they sell in order to meet their disclosure, suitability and pricing obligations under the rules of the Municipal Securities Rulemaking Board (MSRB) and federal securities laws. These obligations are not limited to firms involved in primary offerings.*

Dealers must also obtain, analyze and disclose all material facts about secondary market transactions that are known to the dealer, or that are reasonably accessible to the market through established industry sources.

Those sources include, among other things, official statements, continuing disclosures, trade data and other information made available through the MSRB's Electronic Municipal Market Access system (EMMA).

Firms may also have a duty to obtain and disclose information that is not available through EMMA, if it is material and available through other public sources. The public availability of material information, through EMMA or otherwise, does not relieve a firm of its duty to disclose that information.

Firms must also have reasonable grounds for determining that a recommendation is suitable based on information available from the issuer of the security or otherwise. Firms must use this information to determine the prevailing market price of a security as the basis for establishing a fair price in a

transaction with a customer. To meet these requirements, firms must perform an independent analysis of the securities they sell, and may not rely solely on a security's credit rating.

Continuing disclosures made by issuers to the MSRB via EMMA are part of the information that dealers must obtain, disclose and consider in meeting their regulatory obligations. The Securities and Exchange Commission (SEC) has recently approved amendments to Securities Exchange Act Rule 15c2-12, governing continuing disclosures."

Responsibility

Our MSRB Principal must supervise all muni transactions to ensure that MSRB Rule G-17, which provides that, in the conduct of its municipal securities activities, each dealer must deal fairly with all persons and may not engage in any deceptive, dishonest or unfair practice, is adhered to.

The MSRB has interpreted its Rule G-17 to require a dealer, in connection with any transaction in municipal securities, to disclose to its customer, at or prior to the sale, all material facts about the transaction known by the dealer, as well as material facts about the security that are reasonably accessible to the market. This includes the obligation to give customers a complete description of the security, including a description of the features that likely would be considered significant by a reasonable investor and facts that are material to assessing the potential risks of the investment.

Our MSRB Principal must ensure that such disclosures are made at the "time of trade," which the MSRB defines as at or before the point at which the investor and the dealer agree to make the trade. This is applicable regardless of whether or not the transaction was recommended.

Credit Ratings

In order to meet their obligations under MSRB Rules G-17 and G-19, firms must analyze and disclose to customers the risks associated with the securities they sell, including, but not limited to, the security's credit risk. A credit rating is a third-party opinion of the credit quality of a municipal security. While the MSRB generally considers credit ratings and rating changes to be material information for purposes of disclosure, suitability and pricing, they are only one factor to be considered, and dealers should not solely rely on credit ratings as a substitute for their own assessment of a security's credit risk.

Other Material Information

In addition to a security's credit quality, firms must obtain, analyze and disclose other material information about a security, including but not limited to whether the security may be redeemed prior to maturity in-whole, in-part or in extraordinary circumstances, whether the security has non-standard features that may affect price or yield calculations, whether the security was issued with original issue discount or has other features that would affect its tax status, and other key features likely to be considered significant by a reasonable investor. For example, for variable rate demand obligations, auction rate securities or other securities for which interest payments may fluctuate, firms should explain to customers the basis on which periodic interest rate resets are determined.

Procedure

Our Municipal Securities Principal must ensure that our municipal securities activities are being adequately supervised to ensure compliance with all MSRB rules, the Exchange Act and the rules there under.

MSRB Rule G-27 requires that our procedures provide for the regular and frequent review and approval by a designated principal of customer accounts introduced or carried by the dealer in which transactions in municipal securities are effected, with such review being designed to ensure that transactions are in accordance with all applicable rules and to detect and prevent irregularities and abuses. Although the rule does not establish a specific procedure for ensuring compliance with the requirement to provide disclosures to customers pursuant to MSRB Rule G-17, our MSRB Principal will review accounts and transactions to ensure that specific processes are being utilized to document that such disclosures have been made. Any discrepancies to be reported to the CCO.

Our Municipal Securities Principal will ensure that individuals engaged in the secondary sale of municipal bonds utilize the Spire ***Municipal Bond Trade Ticket***. This ticket has been designed to capture not only the details of the trade, and time and date stamp of the order, it will also highlight the material disclosures made to the client. This document will need to be completed by the sales staff on all municipal bond orders. Once completed, it will be reviewed by a municipal principal, signed off on and maintained in our trade file in Laserfiche.

Section 529 College Plan Customer Protection Obligations

Policy Requirements

The MSRB has interpreted Rule G-17 to *"require a broker-dealer, in connection with any transaction in municipal securities, to disclose to its customer, at or prior to the sale of the securities ("the time of trade"), all material facts about the transaction known by the broker/dealer, as well as material facts about the security that are reasonably accessible to the market." The MRSB has stated that "this duty applies to any transaction in a 529 college savings plan interest regardless of whether the transaction has been recommended by the broker-dealer."*

Procedures and Documentation

Our Municipal Securities Principal must ensure that each individual engaged in 529 transactions receives a copy of the MSRB Interpretation available online at http://msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-17.aspx.

Reviews of 529 transactions will be undertaken at least quarterly by our CCO or by a specifically designated individual. Specifically, these reviews will ensure that we adhere to the requirements outlined in the MSRB's August 7, 2006, Interpretation.

Section 529 College Savings Plans

Background

Because Section 529 College Savings Plans are municipal security funds, even broker-dealers dealing solely in 529 Plans must be Municipal Securities Rulemaking Board (MSRB) members under MSRB Rule

A-12. While a large majority of MSRB rules are not applicable to firms dealing solely with 529 Plans, such firms must adhere to certain specific MSRB regulatory responsibilities and requirements.

Designation of Appropriate Municipal Securities Principal (Rules G-2/G-3)

An individual with EITHER a Series 24 license, OR with a Series 26 license **AND** a Series 51, OR with a Series 53 must be designated as the individual to supervise all activities relative to all Section 529 activities. Registered representatives dealing with 529 Plan transactions must be minimally licensed with a Series 6.

Our Municipal Securities Principal must ensure that an appropriately trained individual is available to act on his or her behalf, as a designee, should the Municipal Securities Principal be unavailable for supervision for any reason.

MSRB Rule G-17

In the conduct of its municipal securities activities, each broker, dealer and municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice. Our Municipal Securities Principal will ensure strict compliance with both the spirit and letter of the law under MSRB Rule G-17 by all individuals engaged in the sale of 529 Plans.

Suitability of Recommendations and Transactions; Discretionary Accounts (MSRB Rule G-19)

Account Information

Each broker, dealer and municipal securities dealer shall obtain at or before the completion of a transaction in municipal securities with or for the account of a customer, a record of the information required by Rule G-8(a)(xi). (See further below, MSRB Rule G-8 is satisfied by a broker-dealer adhering to Exchange Act Rule 17a-3.)

Discretionary Accounts

No discretionary transactions in Section 529 municipal fund securities are permitted without written client approval and a principal sign-off on a discretionary account.

Non-institutional Accounts

Prior to recommending a municipal security transaction to a non-institutional account, we must make reasonable efforts to obtain the following information (in addition to information required under FINRA Rule 2111).

- The customer's financial status
- The customer's tax status
- The customer's investment objectives
- Such other information used or considered to be reasonable and necessary by such broker, dealer or municipal securities dealer in making recommendations to the customer

The term institutional account, for the purposes of this section, shall have the same meaning as in MSRB Rule G-8(a)(xi).

Suitability of Recommendations

In recommending any municipal security transaction to a customer, we must have reasonable grounds for such recommendation

- Based upon information available from the issuer of the security, or otherwise.
- Based upon the facts disclosed by such customer or otherwise known about such customer for believing that the recommendation is suitable. FINRA Rule 2111 states the specific requirements of information required to be obtained, and considered, when recommending transactions of any sort.

Customer Account Review Procedures

Our Municipal Securities Principal, and any individuals designated to undertake 529 customer account activity reviews, will review all such transactions to ensure that they comply with MSRB Rule G-8 and Exchange Act Rule 17a-3.

Such reviews will be evidenced by the initialing of all reviewed documents and by maintaining notes in the files concerning any deficiencies found, and any follow-up measures taken.

MSRB Rule G-8 and G-9

Our Municipal Securities Principal will ensure our compliance with Rules G-8 and G-9 which call for books and records preservation, by verifying that the firm is in full compliance with Exchange Act Rules 17a-3 and 17a-4.

MSRB Rule G-10 Customer Complaints

Our Municipal Securities Principal must make certain that in accordance with MSRB Rule G-10, upon receipt of any customer complaint concerning municipal securities, an investor brochure is promptly sent to the customer.

MSRB Rule G-14

MSRB Rule G-14 states that *"a transaction in a municipal fund security"* shall not be required to be reported under Rule G-14 regarding Municipal Securities Transaction Reporting Requirements. Therefore, broker-dealers limiting their municipal securities transactions to Section 529s (i.e., municipal fund securities) have no reporting requirements under MSRB Rule G-14.

MSRB Rule G-16

At least once every four years, our Municipal Securities Principal will ensure that we adhere to all applicable MSRB rules, maintaining documentation of the review with all findings, including any necessary corrective measures taken, if applicable. We will also document and maintain the testing

methods for ensuring compliance and all other procedures utilized to determine that we are adhering to all compliance rules surrounding 529 Plans as part of this written record.

MSRB Rule G-37 Exemption

Rule G-37 requires broker-dealers that engage in municipal securities business to report quarterly filings. Rule G-37 defines municipal securities business as *"(1) negotiated underwriting; (2) private placement; (3) financial advisor to an issuer and (4) remarketing agent."* As we are not engaged in any of the activities that define municipal securities business, we are therefore exempt from the requirements under Rule G-37 and have filed a Form G-37X with the MSRB.

Form G-37X Required Form Filing

Based on the foregoing definition and on the facts that this firm does not deal with any municipal security issuers, engages no consultants (under MSRB Rule G-38) and has no municipal finance professionals (based on the MSRB's definition of such), we have determined that we are exempt from G-37 filing requirements and have therefore filed a G-37X Form with the MSRB.

Form G-37X does not require re-filing. The initial filing remains in effect for so long as we continue to qualify for the exemption. Our Municipal Securities Principal is responsible for ensuring that we do not act in any manner to negate our G-37 exemption. If for any reason we are unable to maintain our G-37 exemption, our Municipal Securities Principal will recall the exemption filing from the MSRB and immediately put into place procedures for filing the requisite G-37 quarterly reports.

MSRB Rule A-14 Annual Renewal Fees

We are required to maintain membership in the MSRB, and our Municipal Securities Principal must ensure that such membership is kept current.

MSRB sends out renewal invoices to its members toward the end of September or early in October of every year. This invoice is required to be returned, with the $200 annual membership fee, no later than October 31 of each year. If, for some reason, the invoice is not returned with the check, a written statement must accompany the check setting forth our BD's name, address and SEC registration number. This statement is not required if the invoice is returned to the MSRB with the check.

Our Municipal Securities Principal must contact the MSRB to request an invoice if one has not been received in sufficient time for the payment to meet the October 31 deadline.

MSRB Rule A-15 Termination/Change of Name or Address

If we cease involvement in municipal securities activities (e.g., Section 529s), our Municipal Securities Principal must immediately notify the MSRB, giving our name, address, SEC registration and the effective date of the cessation of municipal securities business.

If we change our name or address, such information is to be submitted immediately to the MSRB. Our Municipal Securities Principal must review information on file with the MSRB at least annually, making any required amendments to such information.

MSRB Rule G-21 Section 529 Advertisements

Municipal Securities Rulemaking Board requirements for 529 savings program advertisements are as follows.

- An ad with historical data must disclose that past performance is not indicative of future performance.
- An ad must clearly identify the issuer (e.g., the state), while not implying that the issuer will guarantee investments against losses unless it has, in fact, provided such a guarantee
- An ad that describes Program services must clearly identify the service providers
- An ad for a Program with a multiclass structure must disclose the existence of all available classes
- An ad that discloses state or federal tax benefits must also disclose certain limitations on those benefits. For example, an advertisement that includes statements regarding state tax exemption must make clear that the availability of such exemption may be limited based on residency, income or other factors. MSRB further provides, in a May 14, 2002, Interpretive Guidance Memo, that certain disclosures regarding the availability of favorable state tax treatment must be disclosed by dealers, if not in their advertisements, in other documents.

Our Municipal Securities Principal must obtain a copy of the May 14, 2002, Interpretive Guidance Memo, Application of Fair Practice and Advertising Rules to Municipal Fund Securities, understand all the issues raised therein and ensure that we are in compliance with these and all other applicable MSRB Rules and later Interpretive Guidance Memos.

MSRB G-30 Agency Transactions/Compensation

We are prohibited from purchasing or selling municipal securities as agent for a customer for a commission or service charge in excess of a fair and reasonable amount.

MSRB Rule G-32 Customer Disclosure Requirements

We are prohibited from selling any new-issue municipal securities to a customer without delivering to the customer, no later than the settlement date of the transaction, the following:

(i) a copy of the official statement in final form prepared by or on behalf of the issuer or, if an official statement in final form is not being prepared by or on behalf of the issuer, a written notice to that effect together with a copy of an official statement in preliminary form, if any; provided, however, that:

> (A) if a customer who participates in a periodic municipal fund security plan or a nonperiodic municipal fund security program has previously received a copy of the official statement in final form in connection with the purchase of municipal fund securities under such plan or program, a broker, dealer or municipal securities dealer may sell additional shares or units of the municipal fund securities under such plan or program to the customer if such broker, dealer or municipal securities dealer sends to the customer a copy of any new, supplemented, amended or "stickered" official statement in final form, by first class mail or other equally prompt means, promptly upon receipt thereof; provided that, if the broker, dealer or municipal securities dealer sends a supplement, amendment or sticker without including the remaining portions of the

official statement in final form, such broker, dealer or municipal securities dealer includes a written statement describing which documents constitute the complete official statement in final form and stating that the complete official statement in final form is available upon request.

If two or more customers share the same address, we can satisfy the delivery obligations set forth in this section by complying with the requirements set forth in Rule 154 of the Securities Act of 1933 on delivery of prospectuses to investors at the same address.

In addition, we must comply with paragraph (c) of Rule 154 on revocation of consent if subject to the delivery requirements in this rule concerning a customer who participates in a periodic municipal fund security plan or a non-periodic municipal fund security program.

MSRB Rule G-40 Electronic Mail Contacts

Our Municipal Securities Principal must ensure that we appoint a primary electronic mail contact to serve as the official contact person for purposes of electronic mail communication between the MSRB and us. This individual contact person must be a registered municipal securities principal (i.e., either a Series 51 or Series 53 qualified individual).

We must submit to the MSRB by mail a completed Form G-4, that includes

- The name of this broker-dealer
- Our MSRB registration number
- The name of our primary electronic mail contact name, electronic mail address, CRD # and telephone number
- If desired, the name, electronic mail address, CRD # and telephone number of an optional electronic mail contact
- The name, title, signature and telephone number of the individual who prepared the Form G-40

if appropriate, we may change the name of our electronic mail contacts or other information previously submitted by electronically submitting an amended Form G-40 to the MSRB. Our Municipal Securities Principal must ensure that the appropriate information is on file with the MSRB and that amendments are made as required. This individual is also responsible for responding to any MSRB requests for additional or amendment information.

Copies of all such filings made to the MSRB are maintained by our Municipal Securities Principal.

MSRB Rule G-6 Fidelity Bonding Requirement

The MSRB requirement that we retain a fidelity bond is satisfied by our requirement under FINRA, SEC and SIPC rules to maintain such fidelity bond for the lifetime of our FINRA membership. Therefore, broker-dealers engaged in municipal securities transactions have no separate responsibility to comply with MSRB Rule G-6.

Responsibility

Our designated Municipal Securities Principal must ensure that we adhere to all applicable MSRB rules regarding 529 transactions.

In addition, on an ongoing basis, our designated supervising principals are responsible for ensuring that all the individuals under their direct supervision are aware of, and in compliance with, all rules and regulations covering 529 college savings plan transactions.

Sophisticated Municipal Market Professionals (SMMPs) Transactions

Background

The term "sophisticated municipal market professional" or "SMMP" is defined by three essential requirements:

(a) Nature of the Customer. The customer must be:

(1) a bank, savings and loan association, insurance company, or registered investment company;

(2) an investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or

(3) any other person or entity with total assets of at least $50 million.

(b) *Dealer Determination of Customer Sophistication.* The dealer must have a reasonable basis to believe that the customer is capable of evaluating investment risks and market value independently, both in general and with regard to particular transactions and investment strategies in municipal securities.

(c) *Customer Affirmation.* The customer must affirmatively indicate that it:

(1) is exercising independent judgment in evaluating:

(A) the recommendations of the dealer;

(B) the quality of execution of the customer's transactions by the dealer; and

(C) the transaction price for non-recommended secondary market agency transactions as to which (i) the dealer's services have been explicitly limited to providing anonymity, communication, order matching and/or clearance functions and (ii) the dealer does not exercise discretion as to how or when the transactions are executed; and

(2) has timely access to material information that is available publicly through established industry sources as defined in Rule G-47(b)(i) and (ii).

As part of the reasonable basis analysis required by clause (1), the dealer should consider the amount and type of municipal securities owned or under management by the institutional customer. The MSRB notes that, while receipt by a dealer of the FINRA Rule 2111 affirmation would satisfy clause (2) of the

revised SMMP definition, a written statement from an institutional customer would not satisfy the dealer's reasonable basis obligation under clause (1) of the revised SMMP definition.

MSRB Rule G-48:
A broker, dealer, or municipal securities dealer's obligations to a customer that it reasonably concludes is a Sophisticated Municipal Market Professional, or SMMP, shall be modified as follows:

(a) *Time of Trade Disclosure*. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-47 to ensure disclosure of material information that is reasonably accessible to the market.
(b) *Transaction Pricing*. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-30(b)(i) to take action to ensure that transactions meeting all of the following conditions are effected at fair and reasonable prices:

> (i) the transactions are non-recommended secondary market agency transactions;
> (ii) the broker, dealer, or municipal securities dealer's services with respect to the transactions have been explicitly limited to providing anonymity, communication, order matching, and/or clearance functions; and
> (iii) the broker, dealer, or municipal securities dealer does not exercise discretion as to how or when the transactions are executed.

(c) *Suitability*. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-19 to perform a customer-specific suitability analysis.

(d) *Bona Fide Quotations*. The broker, dealer, or municipal securities dealer disseminating an SMMP's "quotation" as defined in Rule G-13, which is labeled as such, shall apply the same standards regarding quotations described in Rule G-13(b) as if such quotations were made by another broker, dealer, or municipal securities dealer.

(e) Best Execution. The broker, dealer or municipal securities dealer shall not have any obligation under Rule G-18 to use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the SMMP is as favorable as possible under prevailing market conditions.

Responsibility

Our MSRB principal, and any other principals supervising/overseeing municipal securities transactions, is responsible for determining which clients fall under the definition of "Sophisticated Municipal Market Professionals."

Municipal securities principals and other principals responsible for overseeing/supervising municipal securities transactions will ensure that all such client transactions are readily identifiable as "SMMP" investors.

Procedure

SMMP's will be identified as such on the Spire New Account form for DVP Accounts, and a Municipal Securities Principal will update any instances where an SMMP informs the firm that it no longer meets the requirements of an SMMP.

Prior to the creation of any DVP account for a new Institutional DVP relationship, the Spire New Account form for DVP accounts must be approved by a Spire Principal. DVP accounts will be established via. the Pershing Netx360 platform for the purpose of facilitating transactions with these institutional relationships. These accounts will be kept up to date with any changes in the institutional relationship by submitting a new account form to update any changes in these relationships.

For operating efficiency; DVP accounts and their corresponding customer account will be tracked via. spreadsheet. Both the spreadsheet, and the DVP account records at Pershing will be updated promptly upon receiving notification of changes in the institutional customer relationship. A quarterly review conducted by a Spire Principal will also check to confirm DVP account relationships are kept up to date.

Suitability of Recommendations and Transactions (MSRB Rule G-19)

Procedures and Documentation

Our Municipal Securities Principal will ensure that we adhere to all suitability requirements concerning municipal securities transactions.

Going forward from June 30, 2020, Rule G-19 will not apply to recommendations subject to Regulation Best Interest. A proposed rule change on April 29, 2022, further extended this exception.

MSRB Rule G-48(c) makes the following suitability exception when dealing with SMMPs: the broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-19 to perform a customer-specific suitability analysis, provided that the recommendation is subject to Rule G-19 and not Regulation Best Interest. Moreover, the broker, dealer, or municipal securities dealer will not need to perform a quantitative suitability analysis unless the broker, dealer, or municipal securities dealer has actual control or de facto control of the SMMP's account.

FINRA and MSRB rules require that a firm establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable laws and regulations, including suitability rules.

- Prior to approving a municipal securities transaction, our Municipal Securities Principal will ensure that we obtain all the information required under FINRA Rule 2111 and Regulation Best Interest.
- Our Municipal Securities Principal will review and keep records of all recommended municipal securities transactions to ensure there are reasonable grounds for the recommendation based upon information available from the issuer of the security or otherwise. These reviews will be checked on a regular basis.
- Based upon the facts disclosed by such customer or otherwise known about such customer for believing that the recommendation is suitable.

- We will provide training and guidance to registered representatives regarding factors to consider regarding suitability. Our Municipal Securities Principal will document these trainings.

Supervision (MSRB Rule G-27)

Procedures and Documentation

On December 2, 2020, the MSRB filed a proposed rule change with the SEC, effective immediately, to provide additional regulatory relief on a temporary basis to broker-dealers in light of the operational difficulties caused by COVID-19.

The proposed rule change amends Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB Rule G-27, to permit broker-dealers to conduct inspections of municipal offices of supervisory jurisdiction, branch offices or non-branch locations remotely, subject to certain conditions, for the calendar year 2020 and 2021, without the need to conduct an on-site visit to such offices or locations.

In October 2021, the MSRB filed a proposed rule change, effective immediately, amending Supplementary Material .01. The MSRB allowed dealers to satisfy their office inspection obligations for calendar year 2022 by conducting office inspections remotely until June 30, 2022. The MSRB filed a proposed rule change on March 1, 2022 that again amended Supplementary Material .01 by extending the timeline within which dealers may conduct remote office inspections. Under this proposed rule change, dealers could conduct calendar year 2022 office inspections remotely through December 31, 2022.

On November 16, 2022, the MSRB again filed an immediately-effective proposed rule change to Supplementary Material .01, and permitted dealers to conduct calendar year 2023 office inspections remotely for the until June 30, 2023. Any office inspection for calendar year 2023 not completed by June 30, 2023 must be conducted on-site.

On April 27, 2023, the MSRB amended the Rule G-27 to permit broker-dealers an additional twelve months to conduct remote office inspections. Under this immediately-effective rule change, broker-dealers could conduct inspections of municipal offices of supervisory jurisdictions, branch offices, or non-branch offices remotely for the remainder of calendar year 2023, and for calendar year 2024 through June 30, 2024.

Our firm plans to conduct remote inspections for calendar year 2023. Our CCO will ensure that our remote inspections are reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable Board rules.

Our remote inspections shall include:

- a description of the methodology, including technologies permitted by our firm, that may be used to conduct remote inspections; and

- the use of other risk-based systems employed generally by our firm to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations.

In addition, our CCO will make and maintain centralized records for each of calendar year in which a remote inspection was conducted that identify:

- all offices or locations that were inspected remotely; and
- any offices or locations for which our firm determined to impose additional supervisory procedures or more frequent monitoring.

Our Municipal Securities Principal, working with our CCO, must ensure that we are in full compliance with MSRB Rule G-27 requirements.

Rule G-27 requires that we:

- Supervise the conduct of municipal securities business and related activities to ensure compliance with MSRB rules. The majority of MSRB supervision rules are met by our compliance with the FINRA rules governing supervision.
- Designate one or more associated individuals qualified as municipal securities principals, municipal securities sales principals, or as general securities principals to be responsible for the supervision of our municipal securities business and the activities of our associated personnel. Such designations have been made and are maintained by our Licensing and Registration Department.
- Designate a Municipal Securities Principal responsible for ensuring compliance under MSRB G-27.
- Designate a FINOP for financial reporting responsibilities.
- Adopt, maintain and enforce written supervisory policies and procedures reasonably designed to ensure that the conduct of our municipal securities business and all related activities complies.
  - Include in the WSPs sections addressing, but not necessarily limited to:
    - How specifically designated individuals will monitor compliance
    - Policies and procedures to be followed by specifically designated principals concerning customer complaints (both municipal- and non-municipal-related)
    - How and when review activity is undertaken
    - Required Municipal Securities Principal review of customer accounts
    - Audit schedule for each office engaged in the securities business (including municipals)
    - Books and records to be maintained, indicating whose responsibility it is to maintain which books and records
    - Review of all discretionary accounts, including those with municipal securities transactions
    - Review procedures for incoming and outgoing correspondence, including those relating to municipal securities transactions
- Revise and update our WSPs as necessary in response to new or altered rules and/or regulations and, also review annually our supervisory system and WSPs.

Our Municipal Securities Principal will annually review all the above for municipal securities transactions to ensure that we are in full supervisory compliance with all MSRB and attendant FINRA rules.

Supervision - General Overview

Responsibility

Our Municipal Securities Principal must ensure our full compliance with all applicable MSRB rules and all FINRA rules applicable to municipal securities transactions.

In addition, our designated supervising principals are responsible for ongoing assurance that all individuals under their immediate supervision are aware of, and act in compliance with, all rules and regulations governing municipal securities transactions.

Procedure

As required by MSRB Rule G-29, our Municipal Securities Principal must ensure that all appropriate individuals either have a hardcopy of the MSRB Manual, or have access to the Manual on the Internet. If a hardcopy is utilized, the Municipal Securities Principal must ensure that it is updated appropriately as rules are amended or as new rules are issued. Documentation of all such updates must be maintained in the files, including dates, names and CRD #s of the individuals to whom the updated information was distributed.

Our Municipal Securities Principal must further ascertain that we are in compliance with all applicable SEC recordkeeping rules (i.e., Exchange Act Rules 17a-4 and 17a-5) as well as MSRB Rules G-8 and G-9, which contain recordkeeping requirements beyond those of the SEC. Specifically, inter-office communicaitons regarding the purchase and/or sale of municipal securities for clients (i.e. Indications of Interest) must be captured when there is change made to the document. The individual making the change to the document should be identified on the document. At the end of each day where a change to this document has been made, that revised document must then be stored as a .TIF file within Laserfiche, according to our requirement to maintain documents in electronic format.

At least annually, our Municipal Securities Principal will undertake a full review to determine that our recordkeeping requirements have been met. We will maintain documentation of all such reviews in the files, including dates, names of individuals conducting the review, scope of the review, findings and any corrective measures taken due to findings, if applicable.

Our Municipal Securities Principal must also immediately bring any MSRB rule changes or new rules to the attention of all individuals involved in municipal transactions. Our Municipal Securities Principal must also review our internal policies and procedures to determine whether changes are required. For any changes, documentation is maintained in the files about to whom the revised policies and procedures were distributed and the corresponding dates.

Restriction of Municipal Sales Personnel

Any individual associated with this broker-dealer in a registered representative capacity who has not been previously qualified as either a general securities or municipal securities representative must wait

for a period of 90-days following the date of his first association with us before being permitted to transact any municipal securities business with any other broker-dealer or the public or before being compensated for such transactions.

Our Municipal Securities Principal ensures that all supervising principals are aware of the above restriction and that any restricted individuals under their immediate supervision are not engaging in municipal transactions until the 90-day time period has passed. We will maintain documentation of all such training in the files, indicating dates, method of delivery (i.e., Annual Compliance Meeting, CE, compliance manual, compliance alerts, online training, etc.) and names and CRD #s of all individuals who received such training.

Time of Trade Disclosure

Background

Rule G-47: No broker, dealer, or municipal securities dealer shall sell a municipal security to a customer, or purchase a municipal security from a customer, whether unsolicited or recommended, and whether in a primary offering or secondary market transaction, without disclosing to the customer, orally or in writing, at or prior to the time of trade all material information known about the transaction, as well as material information about the security that is reasonably accessible to the market.

New MSRB Rule G-48 contains the following Time of Trade Disclosure exception when the firm is dealing with SMMPs:

(a) *Time of Trade Disclosure*. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-47 to ensure disclosure of material information that is reasonably accessible to the market.

Responsibility

All principals designated as overseeing municipal securities transactions are required to ensure that all disclosures required at time of sale have been made and that documentation of compliance with G-47 has been maintained.

Procedure

An MSRB principal, working with our CCO, is responsible for ensuring G-47 compliance by all applicable personnel. Training of all such personnel will be required so that all disclosure items called for under G-47 Supplemental Material .01 through .04 are fully understood and complied with.

.01 Manner and Scope of Disclosure.

a. The disclosure obligation includes a duty to give a customer a complete description of the security, including a description of the features that likely would be considered significant by a reasonable investor, and facts that are material to assessing the potential risks of the investment.

b. The public availability of material information through EMMA, or other established industry sources, does not relieve brokers, dealers, and municipal securities dealers of their obligation to make the required time of trade disclosures to a customer.

c. A broker, dealer, or municipal securities dealer may not satisfy its disclosure obligation by directing a customer to an established industry source or through disclosure in general advertising materials.

d. Whether the customer is purchasing or selling the municipal securities may be a consideration in determining what information is material.

.02 Electronic Trading Systems. Brokers, dealers, and municipal securities dealers operating electronic trading or brokerage systems have the same time of trade disclosure obligations as other brokers, dealers, and municipal securities dealers.

.03 Disclosure Obligations in Specific Scenarios. The following non-exhaustive examples describe information that may be material in specific scenarios and require time of trade disclosures to a customer.

a. **Variable rate demand obligations**. A description of the basis on which periodic interest rate resets are determined and the role of the remarketing agent.
b. **Auction rate securities**. Features of the auction process that likely would be considered significant by a reasonable investor and the basis on which periodic interest rate resets are determined. Additional facts that may also be considered material are the duration of the interest rate reset period, information on how the "all hold" and maximum rates are determined, any recent auction failures, and other features of the security found in the official documents of the issue.
c. **Credit risks and ratings**. The credit rating or lack thereof, credit rating changes, credit risk of the municipal security, and any underlying credit rating or lack thereof.
d. **Credit or liquidity enhanced securities**. The identity of any credit enhancer or liquidity provider, terms of the credit facility or liquidity facility, and the credit rating of the credit provider or liquidity provider, including potential rating actions (e.g., downgrade).
e. **Insured securities**. The fact that a security has been insured or arrangements for insurance have been initiated, the credit rating of the insurance company, and information about potential rating actions with respect to the bond insurance company.
f. **Original issue discount bonds**. The fact that a security bears an original issue discount since it may affect the tax treatment of a municipal security.
g. **Securities sold below the minimum denomination**. The fact that a sale of a quantity of municipal securities is below the minimum denomination authorized by the bond documents and the potential adverse effect on liquidity of a customer position below the minimum denomination. See also Rule G-15(f).

If applicable, all individuals responsible for overseeing and approving municipal securities transactions are given training to ensure they understand the prohibition against our effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

> This prohibition does not apply to the purchase of securities from a customer in an amount below the minimum denomination if we determine that the customer's position in the issue

already is below the minimum denomination and that the entire position would be liquidated by the transaction. In determining whether this is the case, we may rely either upon customer account information in its possession or upon a written statement by the customer as to its position in an issue.

The prohibition shall not apply to the sale of securities to a customer in an amount below the minimum denomination if we determine that the securities position being sold is the result of a customer liquidating a position below the minimum denomination, as described above. In determining whether this is the case, we will rely upon customer account records in our possession or upon a written statement provided by the party from which the securities are purchased. When effecting a sale to a customer under this subsection of G-15 we must, at or before the completion of the transaction, give or send to the customer a written statement informing the customer that the quantity of securities being sold is below the minimum denomination for the issue and that this may adversely affect the liquidity of the position unless the customer has other securities from the issue that can be combined to reach the minimum denomination. Such written statement may be included on the customer's confirmation or may be provided on a document separate from the confirmation.

.04 Processes and Procedures. Brokers, dealers, and municipal securities dealers must implement processes and procedures reasonably designed to ensure that material information regarding municipal securities is disseminated to registered representatives who are engaged in sales to and purchases from a customer.

Our MSRB Principal and CCO will determine if there are additional applicable disclosure requirements.

Transaction Reporting

Procedures and Documentation

Our Municipal Securities Principal must ensure accurate and timely reporting of both interdealer municipal transactions and customer municipal transactions, as applicable.

MSRB Rules G-12 and G-14 require the reporting of municipal securities transactions within 15 minutes (i.e., real-time reporting), immediate dissemination of such transaction information (i.e., real-time dissemination) and automated comparison of interdealer transactions in such securities.

Close-outs

Per MSRB Rule G-12, transactions which have been compared or otherwise agreed upon by both parties but which have not been completed shall be closed out in accordance with G-12(h), which allows a close-out notice to be issued the day after the purchaser's original settlement date, with the last day by which the purchasing dealer must complete a close-out on an open transaction being 10 calendar days and permits the buyer to grant the seller a one-time 10 calendar day extension.

The rule also allows for the close-out process to provide three options to the purchasing dealer:

1. purchase ("buy-in") at the current market all or any part of the securities necessary to complete the transaction for the account and liability of the seller;

2. accept from the seller in satisfaction of the seller's obligation under the original contract (which shall be concurrently cancelled) the delivery of municipal securities that are comparable to those originally bought in quantity, quality, yield or price, and maturity, with any additional expenses or any additional cost of acquiring such substituted securities being borne by the seller; or
3. require the seller to repurchase the securities on terms which provide that the seller pay an amount which includes accrued interest and bear the burden of any change in market price or yield.

Our responsibility to ensure timely and accurate reporting exists in transactions being reported by a third party (e.g., clearing firm or other service bureau) on our behalf. The regulatory responsibility for all transaction reporting rests with this firm, and our Municipal Securities Principal receives and reviews documented evidence of any third-party reporting on our behalf.

If a third-party is causing us to fail to be in reporting compliance, the Municipal Securities Principal will immediately bring the matter to the attention of our CCO and Senior Management so that remedial actions can be taken.

At least quarterly, our Municipal Securities Principal will review and verify all municipal securities transaction reporting compliance to determine that such reporting is in with the MSRB and FINRA requirements.

Firm Short Positions and Fails-to-Receive

Recent FINRA examinations have found that, as a result of trading errors and inadequate firm controls, some customers who purchased tax-exempt municipal securities have been paid substitute interest, which is not tax-exempt under the Internal Revenue Code. FINRA identified a number of instances where firms have effected sales of municipal securities to customers where either the firm's trading activity inadvertently resulted in the firm creating a firm short position, or the firm failed to receive the securities it purchased to fill a customer's municipal securities order, collectively referred to as municipal short positions.

Our MSRB Principal and CCO will ensure:

- Communications provided to the customer, including confirmations, account statements and tax forms, do not contain false or misleading information regarding the tax status of paid or accrued interest payments in connection with municipal securities;
- In the event of inaccurate or misleading communications, we will immediately correct the communications and inform our customers;
- Taking the following remedial actions to resolve a short position and avoid the risk of paying substitute interest to a customer:
    - cancelling the trade, consistent with instructions from a customer;
    - cancelling the trade and, consistent with instructions from a customer, purchasing a comparable bond;

- purchasing the bond from the market or another customer on a shortened settlement basis; or
- [if our firm is an introducing firm] requesting the assistance of our clearing firm to identify other correspondents' customers who are long the security and may be willing to sell it to us.

In the event that our firm, through a self-review process, becomes aware that the activity described in this section has taken place, we will evaluate the conduct to determine if a filing pursuant to FINRA Rule 4530 is required. In addition, our firm will consider consulting legal counsel and the appropriate taxing authorities, such as the IRS or appropriate regulatory bodies of the states in which affected customers reside, to resolve tax reporting or underpayment issues, if any.

Advertising (MSRB Rule G-21)

Policy Requirements

Rule G-21 sets forth general provisions, addresses professional advertisements and requires principal approval in writing for advertisements by brokers, dealers or municipal securities dealers before their first use and also for a record of all such advertisements to be kept.

On May 7, 2018, the MSRB received approval from the SEC to amend Rule G-21. The amendments to Rule G-21 (i) provide more specific content standards for advertisements by brokers, dealers or municipal securities dealers, (ii) revise the rule's general standards for advertisements, and (iii) reconcile analogous provisions relating to the definition of "form letter" in Rule G-21 with the definition of correspondence in FINRA Rule 2210, on communications.

The new content standards state:

- All advertisements by a broker, dealer or municipal securities dealer (collectively, dealers) must be based on the principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular municipal security or type of municipal security, industry or service. No broker, dealer or municipal securities dealer may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the advertisements to be misleading.
- No dealers may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any advertisement.
- Dealers may place information in a legend or footnote only in the event that such placement would not inhibit a customer's or a potential customer's understanding of the advertisement.
- Dealers must ensure that statements are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits. An advertisement must be consistent with the risks inherent to the investment.
- Dealers must consider the nature of the audience to which the advertisement will be directed and must provide details and explanations appropriate to the audience.
    - An advertisement may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast; provided,

however, that this does not prohibit: A hypothetical illustration of mathematical principles, provided that it does not predict or project the performance of an investment; and
    - An investment analysis tool, or a written report produced by an investment analysis tool.
- If an advertisement contains a testimonial about a technical aspect of investing, the person making the testimonial must have the knowledge and experience to form a valid opinion.
- If an advertisement contains a testimonial about the investment advice or investment performance of a broker, dealer or municipal securities dealer or its products, that advertisement must prominently disclose the following:
    - The fact that the testimonial may not be representative of the experience of other customers.
    - The fact that the testimonial is no guarantee of future performance or success.
    - If more than $100 in value is paid for the testimonial, the fact that it is a paid testimonial.

Dealers may indicate registration with the Municipal Securities Rulemaking Board in any advertisement that complies with the applicable standards of all other Board rules and that neither states nor implies that the Municipal Securities Rulemaking Board or any other corporate name or facility owned by the Municipal Securities Rulemaking Board, or any other regulatory organization endorses, indemnifies, or guarantees the broker, dealer or municipal securities dealer's business practices, selling methods, the class or type of securities offered, or any specific security.

On February 26, 2019, the MSRB provided social media guidance and related rule amendments to Rule G-21. Rule 21(g) exempts interactive content that is an advertisement and that is posted or disseminated in an interactive electronic forum from the requirement for principal approval. Interactive content refers to content that is posted or disseminated for direct, real-time interaction with the audience. Examples of interactive content include, but are not limited to, chats and messaging.

To address the supervision and review of interactive content, the MSRB added supplementary material to amended Rules G-21. Amended Rule G-21 includes Supplementary Material .04 that provides that notwithstanding Rule G-21(g), a dealer must supervise and review interactive content in the same manner in which that dealer supervises and reviews correspondence under Rule G-27(e), on review of correspondence.

The effective date for the amendments to G-21 is August 23, 2019.

Procedures and Documentation

Our CCO ensures the distribution of Rule G-21 to all individuals engaged in activities that require compliance under this rule. Our CCO will review all advertisements before their first use and will keep a record of all such advertisements.

Our CCO ensures compliance with Rule G-21 and performs a written review of every advertisement before first use to ensure the ads:

- Are drafted on the principles of good faith and fair dealing, are fair and balanced, provide a sound basis for evaluating the municipal security or type of municipal security, industry or service, and that no material facts are omitted which would cause the ad to be misleading;
- Do not contain false, exaggerated, unwarranted, promissory or misleading statements or claims;
- Containing a testimonial about a technical aspect of investing, that the person making the testimonial must have the knowledge and experience to form a valid opinion;
- Containing a testimonial about investment advice or investment performance of a broker, dealer or municipal securities dealer or its products, that the advertisement must prominently disclose the following:
    - The fact that the testimonial may not be representative of the experience of other customers.
    - The fact that the testimonial is no guarantee of future performance or success.
    - If more than $100 in value is paid for the testimonial, the fact that it is a paid testimonial.
- Provide statements that are clear and not misleading within the context that they are made, that the advertisement provides a balanced treatment of risks and potential benefits, and that the advertisement is consistent with the risks inherent to the investment;
- Provide details and explanations appropriate to the audience to which the ad is directed toward;
- Do not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast;
- Limit information in any legends or footnotes so as to not inhibit a client or potential client's understanding of the ad; and
- May indicate that the firm is MSRB registered, and if so, the advertisement must comply with the applicable standards of all other Board rules and that the ad neither states nor implies that the Municipal Securities Rulemaking Board or any other corporate name or facility owned by the Municipal Securities Rulemaking Board, or any other regulatory organization endorses, indemnifies, or guarantees the broker, dealer or municipal securities dealer's business practices, selling methods, the class or type of securities offered, or any specific security.

In addition, a record of all ads will be maintained by the firm.

Our CCO will undertake a review annually of all advertisements to determine that the correct procedures were followed. We will maintain documentation of the review, indicating date of review, names of individuals undertaking the review, scope of the review and any findings.

Options

Advertising and Sales Literature

Procedures and Documentation

A designated ROSFP will ensure that all options advertising, sales literature, and marketing materials adhere to all rules and regulations, including FINRA Rule 2220.

At least quarterly, the designated ROSFP will review all the materials we use, to ensure that we do not use unapproved sales literature or advertising.

The designated ROSFP will maintain all options advertising/sales literature material for at least three years, indicating date of approval, name of individual who approved, and date of first use.

In addition, the designated ROSFP will determine, prior to final approval and utilization, whether the material requires submission to FINRA's Advertising Department.

Allocation Procedures

Background

The requirements of this subparagraph shall not apply to allocation procedures submitted to, and approved by, another self-regulatory organization having comparable standards pertaining to methods or allocation.

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) will ensure our compliance with FINRA Rule 2360 (formerly NASD Rule 2860(b)23(C)), regarding the allocation of exercise assignment notices.

From FINRA Regulatory Notice 11-35, *"Effective August 8, 2011, FINRA member firms initiating an options business, or changing their allocation method, must use the application form in Attachment A of this Notice. FINRA also has updated the designated random selection allocation procedures, which are described in Attachment B."*

Procedure

Allocations are handled by each custodian

Approval of Uncovered Option Accounts

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) must ensure thorough reviews of all new options account applications and attendant documents to ensure compliance with the rules and with the items stated in FINRA's Interpretation of the Board of Governors.

Procedure

In addition to determining sufficient net worth, supervising principals must pay specific attention to the customer's age, number of dependents, investment objectives, prior investment experience in securities (including options) and anticipated amount of funds to be approved for in options.

All accounts shall be approved by the appropriate designated ROSFP(s) of any uncovered option order.

All orders marked "SELL TO OPEN" shall be reviewed by the appropriate ROSFP, or an appropriately designated individual.

The ROSFP will also

- maintain written records of the reason(s) for the exception approval for any new account that is approved for uncovered options but does not meet the set standards.
- be responsible for ensuring that each account opened for uncovered options has on file an executed “Special Disclosure Statement for Uncovered Option Writers, as required by FINRA Rule 2860(16)(E) (sample follows herewith); and
- be responsible for ensuring that a copy of each new or revised Special Disclosure Statement is distributed to each customer having an account approved not later than the time a confirmation of a transaction is delivered to each customer who enters into a transaction in options issues by the Options Clearing Corporation.

All accounts which have traded in uncovered options will be reviewed, minimally on an annual basis, by our CCO or a specifically designated ROSFP, to ensure that all required letters have been executed. Documentation as to all such review findings, any corrective measures taken if deemed necessary, will be maintained in the files.

All uncovered option trades shall be reviewed NO LATER THAN THE DAY AFTER TRADE DATE by the appropriate ROSFP, as required by FINRA Rule 2860(16)(E).

SPECIAL DISCLOSURE STATEMENT
FOR UNCOVERED OPTION WRITERS

It is important that you understand that there are special risks associated with uncovered option writing that may expose you to potentially significant losses. This type of strategy, therefore, may not be appropriate for all clients approved with this broker/dealer for option transactions.

It is important that you be aware of the following.

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risk position and may incur large losses if the value of the underlying instrument increases above the exercise price.

As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

Uncovered option writing is therefore suitable ONLY for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses and has sufficient liquid assets to meet applicable margin requirements.

In regard to margin requirements, if the value of the underlying instrument moves against an uncovered writer's options position, significant additional margin payments may be requested. If you do not make such margin payments, the stock of options positions in your account may be liquidated with little or no prior notice, in accordance with your margin agreement.

For combination writing, where you write both a put and a call for the same underlying instrument, the potential risk is unlimited. If a secondary market in options were to become unavailable, you could not engage in losing transactions and would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after s/he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

It is important that you know that this statement is not intended to enumerate all of the risks entailed in writing uncovered options. We suggest that you also read the booklet titled "Characteristics and Risks of Standardized Options" given to you upon the opening of your options account with this firm. We specifically direct your attention to the chapter that discusses risks associated with uncovered options.

_____Date: _____
(customer's signature)

_____
(customer's typed/printed name)

original in customer file
copy to client

Books and Records

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) must ensure that all required options books and records are appropriately maintained.

Procedure

The designated ROSFP will undertake periodically a review of all options accounts to:

- Make certain that confirmations have been sent to each customer engaged in options transactions, and that they contain all required information (i.e. complete description of transactions, identifying "opening" or "closing" transactions)

- Verify that specific customer approvals for options trading and written acknowledgments of the applicability of both Options Clearing Corporation (OCC) and Self-Regulatory Organization (SRO) rules have been obtained for the files
- Verify the procedures for sending monthly and quarterly statements to customers, including the required information, are appropriate and are being adhered to
- Review the file or ledger for all options-related customer complaints
- Ensure work papers (etc.) relating to the allocation of exercise assignment and notices are being maintained
- Ensure for any options transactions cleared P/D (Principally Disclosed) through another Broker, that we have received, or are in the process of receiving, copies of customer account statements for a period of at least six months

All such reviews will be evidenced by initials and dates, and any deficiency findings will be noted in the file, including steps taken to follow up on and correct any deficiencies.

Complaints

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) is responsible for the appropriate handling of any options-related complaints.

Procedure

The designated ROSFP will maintain a separate Options Complaint file, in which all activities related to a received complaint will be maintained and left "open" until a final resolution has been reached.

The ROSFP responsible for overseeing all options-related complaints will notify our CCO or the individual specifically designated as making all regulatory complaint filings to ensure that no options-related complaints are overlooked. Notations to such communications will be retained in the Options Complaint file.

Working with our CCO, the ROSFP will determine if complaint trends indicate specific individuals who require some follow up actions or if the trend indicates that our policies and procedures need to be enhanced. Notations as to any such findings, and corrective measures taken, will be maintained in the files.

Discretionary Accounts

Responsibility

Specifically-designated ROSFPs (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) are responsible for ensuring that all requirements relating to Discretionary Options Accounts are adhered to.

Procedure

We do not permit discretionary Options Accounts. Should this change at any time, we will put appropriate oversight and supervisory policies and procedures into effect.

Time and Price Discretionary Authority
Absent specific written authorization from the customer to the contrary. Paragraph(h)(18) of NASD Rule 2860 (and paragraph (d) of NASD Rule 2510) requires that the duration of the time and price discretionary authority be limited to the day such authority is granted.

Margin Procedures

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) will ensure that all options margin accounts are appropriately handled, monitored and reviewed.

Procedure

The designated ROSFP is responsible for the following, on a monthly basis:

- Reviewing customer accounts and / or exception repors to make certain options purchases have been paid in full.
- Ascertaining compliance with appropriate margin maintenance requirements for uncovered short options, option straddles, short options covered by exchangeable or convertible securities and conventional options.
- Ensuring that securities restricted, unregistered or in any manner not saleable under the Securities Act of 1933 have not been accepted for satisfying margin requirements.

Documentation of all such reviews, including dates and findings, will be maintained in the files, along with any corrective measures deemed necessary as the result of any review findings.

New Account Procedures

Procedures and Documentation

All options accounts must receive prior approval from the ROSFP before opening and all suitability information must be completed. Further, the obligations of Regulation Best Interest must be met for any recommendations. Review of all information obtained prior to account opening will be evidenced by initials, dates, and approval of the new account form indicating that all information and materials have been obtained and all appropriate disclosures made.

An options agreement, including a section for customer verification of financial information, pertinent to customer suitability, must be completed.

We will not permit any option or listed index warrant transaction unless the designated principal has a reasonable basis for believing that the client:

- Has knowledge and experience in financial matters sufficient to make him/her reasonably capable of evaluating the risks of the recommended transaction
- Is financially able to bear the risks of the recommended transaction

Factors that we will consider include, but are not necessarily limited to

- Age
- Marital status
- Number of dependents
- Employment status
- Income
- Total net worth
- Investment experience
- Knowledge of markets
- Investment objectives
- Ability to undertake potential financial risks of transactions involved

Before approving an investment partnership for option trading, we will obtain a written document designating the person, or persons, authorized to sign each agreement on behalf of the partnership and stating that such authority specifically includes option trading.

- The ROSFP will ensure that the customer receives the appropriate options prospectus/applicable booklets at, or prior to, the time the account is approved for option transactions. Proof that the prospectus was sent must be attached to the new account information, represented either by a cover letter or a note, dated and signed by the individual who supplied the prospectus.
- Additionally, we must ascertain that options risk disclosure forms are appropriately supplied to customers, with a signed form maintained in the customer's file.
- At the time of opening a new options account, the file must note the level of options activity approved for the account (i.e., buying, covered writing, spreading, naked writing, etc.).
- The ROSFP must determine that the customer receives a Characteristics and Risks of Standardized Options booklet (a joint publication of various SROs) at, or prior to, approval of the account for option transactions. We will attach proof of such to the new account information, with a signed form signifying receipt maintained in the customer file, in the form of either a cover letter or a note, dated and signed by the individual who supplied the document.
- The ROSFP must also ensure that each customer to whom we previously delivered the disclosure document receives a copy of each amendment of the disclosure booklet not later than when the customer receives a confirmation of a transaction in the category of options to which the amendment pertains.
- Additionally, should a client request it, we must make available an options prospectus, available from the Options Clearing Corporation.
- If applicable, our ROSFP must ensure that we adhere to FINRA Rule 2360 (formerly NASD Rule 2860(b)(20)) as that rule relates to options business transacted at a branch office.
- No branch office may transact any options business unless the principal supervisors of such branch accepting options transactions are qualified as either Registered Options Security Futures Principals or a General Securities Sales Supervisors.

- The above registration requirements do not apply to branches with three or fewer representatives, if either a Registered Options Security Futures Principal or a General Securities Sales Supervisor supervises the options activities of the branch.

The ROSFP must also ensure that each principal supervisory office with jurisdiction over any branch servicing customer accounts has, or has readily accessible and promptly retrievable, sufficient information to permit review of each customer's options account on a timely basis to determine:

- The compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved
- The size and frequency of options transactions
- Commission activity in the account
- Profit or loss in the account
- Undue concentration in any options class or classes
- Compliance with the provisions of Regulation T of the Federal Reserve Board

The ROSFP will review all branch office review/audit reports to ensure the prior review of appropriate materials and to ensure that any deficiencies have been uncovered. We will maintain these reports, with any findings and corrective measures taken, in the files.

We will maintain appropriate books and records under the oversight of the designated ROSFP, or our CCO, as required, and as documentation that we have complied with FINRA Rule 2360.

All order tickets must be initialed by an ROSFP or other appropriately designated individual.

The appropriately designated ROSFP will ensure that we follow the exercise assignment procedure prescribed by the clearing broker-dealer that executes the transaction, with steps taken to make such assurance maintained in the files.

Our CCO will review all options accounts at least a monthly to ensure that we adhere to all required procedures. We will document such review for the file, including dates, names of individuals conducting the review, scope of the review and findings, with details of any corrective measures taken if applicable.

Position Limits

Policy Requirements

Except in highly unusual circumstances, and with the prior written approval by FINRA pursuant to the Rule 9600 Series for good cause shown in each instance, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, non-member broker, or non-member dealer, an opening transaction through the over-the-counter market or on any exchange in a stock option contract of any class of stock options if the member has reason to believe that as a result of such transaction the member or partner, officer, director or employee thereof, or customer, non-member broker, or non-member dealer would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate equity options position in excess of (see further FINRA Rule 2360).

Procedures and Documentation

A designated ROSFP must ensure full compliance with FINRA Rule 2360 concerning options position limits.

Utilizing Interpretive Material IM-2860-1, Position Limits, our CCO will ensure that this firm undertakes at least quarterly a review to ensure that we are in full compliance with FINRA Rule 2360.

Position Reporting

Responsibility

A specifically-designated ROSFP (a list of all ROSFPs and their individual responsibilities is maintained by our CCO) will ensure that we report all options position in a correct and timely fashion.

Procedure

The designated ROSFP will ensure that we submit reports in the manner proscribed by FINRA to FINRA Regulation, if our account, a customer's account or an associated person's account, establishes an aggregate options position of 200 or more option contracts of the put class and the call class on the same side of the market, covering the same underlying security or index.

We must file a position report in each of the following situations.

- The account has established a long and/or short position of 200 or more contracts of the put class and the call class on the same side of the market.
- A previously reported position has increased (e.g., from 250 contracts to 275 contracts).
- A previously reported position has decreased to one of less than 200 contracts (e.g., from 250 contracts to 199 contracts). Once a position has been reduced to less than 200 contracts, we need not file subsequent position reports until the account once again establishes a long and/or short position of 200 or more reportable contracts.

Designated supervising principals must advise the designated ROSFP of any large option positions to enable the appropriate reports to be filed in a timely manner.

Regulation T

Procedures and Documentation

A designated ROSFP ensures our full compliance with Regulation T.

For purposes of Regulation T, exchange traded options have no long value. Although such options may be purchased either in a special cash account or in a margin account, full payment must be made within the time required by Regulation T, unless the account has available funds to cover the purchase.

While Regulation T requires deposits of cash or securities to meet commitments for exchange-traded options made in a margin account within five business days, it should be noted that settlement by clearing firms and the Options Clearing Corporation are on the next-business-day basis.

When applicable, ROSFPs work with our FINOP and Senior Management to ensure that the firm pays out cash for options purchased on behalf of a customer several days before the required deposit due date pursuant to Regulation T. Because this could be a serious drain on our cash reserves creating possible net capital issues, we may require a deposit from the customer earlier than the date mandated by Regulation T.

The appropriately designated ROSFP must ensure that we adhere to all Regulation T requirements and must review all Regulation T compliance efforts at least quarterly.

Supervision Requirements and Principal Designations

Responsibility

Our CCO maintains a list of all ROSFPs affiliated with this broker-dealer, indicating the responsibilities of each in terms of our fulfillment of options transactions supervisory functions.

Uncovered Short Option Contracts

Procedures and Documentation

Our designated Registered Options Principal will ensure that we adhere to the requirements under FINRA Rule 2360 when approving a customer account for uncovered short options.

Our ROP will ensure that prior to transacting business with the public in writing uncovered short option contracts, we have appropriate written procedures governing the conduct of such business, which shall include, at least, the following:

(i) Specific criteria and standards to be used in evaluating the suitability of a customer for writing uncovered short option transactions;

_____

_____

_____

_____

_____

(ii) Specific procedures for approval of accounts engaged in writing uncovered short option contracts, including written approval of such accounts by a Registered Options Principal;

_____

_____

_____

(iii) Designation of a specific Registered Options Principal(s) as responsible for approving customer accounts that do not meet the specific criteria and standards for writing uncovered short option transactions and for maintaining written records of the reasons for every account so approved;

(iv) Establishment of specific minimum net equity requirements for initial approval and maintenance of customer accounts writing uncovered short option transactions; and

(v) Requirements that customers approved for writing uncovered short options transactions be provided with a special written statement for uncovered option writers approved by FINRA that describes the risks inherent in writing uncovered short option transactions, at or prior to the initial writing of an uncovered short option transaction.

Variable Products

Registered Index-Linked Annuities (RILAs)

Policy Requirements

Registered index-linked annuities (RILAs) use a stock market index to determine gains and losses. RILAs provide the ability to set the maximum loss that a client can tolerate, setting it apart from other types of annuities.

Under current SEC rules, RILAs must be registered using forms designed primarily for equity offerings; however, a bill has been introduced for the SEC to develop a form that is custom-tailored to RILAs.

In addition to SEC regulation, RILAs are also subject to state insurance regulation.

Procedures and Documentation

Our CCO must ensure that our Continuing Education and Firm Element Training Program offers sufficient education concerning issues surrounding the sale of RILAs to those who may be involved in such transactions.

All recommended RILAs must be reviewed, with the reviewing principal employing the highest level of suitability review. Prior to approval, we must have a reasonable basis to believe all of the following:

1. The customer has been informed, in general terms, of various features of registered index-linked annuities, such as
    - Potential surrender period and surrender charge
    - Expense fees
    - Payout options
    - Investment advisory fees
    - Potential charges for and features of riders
    - Insurance and investment components
    - Market risk
2. The customer would benefit from certain features of the product such as
    - Tax deferred growth, or
    - Annuitization

Our Advertising Principal must ensure that all advertisements and sales literature are reviewed internally and complies with requirements set forth under FINRA Rule 2210. We may not use advertisements or sales literature prior to approval by an appropriate principal. The designated principal will maintain a file of all approved advertisements and sales literature.

Our CCO will undertake appropriate surveillance activities to ensure that all RILA transactions are suitable and in compliance with all relevant rules and regulations, and to detect and deter any transactions that are not in compliance.

Our designated supervising principals are responsible for the ongoing oversight of the day-to-day activities of the individuals for whom they have immediate supervision and for overseeing all activities related RILA transactions, including that all individuals are fully aware of the rules, regulations and regulatory concerns surrounding this product.

It is the responsibility, of our CCO and all designated supervising principals, to ensure that each individual involved in RILA transactions thoroughly understands the tax-deferral features and benefits with the product.

All RILA transactions are supervised for marketing materials, suitability analyses and other sales practice issues associated with the recommendation of RILAs in the same manner as all other securities transactions are supervised and overseen.

Annually, our CCO will ensure that all RILA transactions are reviewed to verify that we adhere to our policies and procedures and that there is a complete understanding of the issues surrounding RILAs.

Market Timing

Procedures and Documentation

Our CCO and supervising principals are responsible for detecting any instances of market timing through variable annuities being facilitated by any of our associated personnel.

On a quarterly basis, all VA transactions will be reviewed to detect any instances of sub-account changes and rapid purchases and sales of shares in variable annuities.

All accounts which share beneficial owners with a hedge fund or other market timers will be reviewed to determine if any VA transactions have occurred in one or more of their accounts, thereby facilitating market timing.

Issuers of variable annuity products with which we do business are requested to send notices concerning their desire to block or restrict certain clients from further market timing activities.

Advertising

Responsibility

Our Advertising Principal must ensure that all variable product advertisements and sales literature are reviewed internally.

In addition, designated supervising principals are responsible for ensuring that those individuals for whom they have immediate supervision are aware of the requirement to use ONLY principal-approved advertisements and sales literature.

Procedure

- We may not use variable product advertisements or sales literature prior to approval by an appropriate principal. The designated principal will maintain a file of all approved advertisements and sales literature. Individuals who are found using materials that have not been approved will face internal disciplinary actions, and possible termination. We will maintain documentation of any such instances in the files, indicating the individual involved, the non-approved materials being utilized, corrective measures taken and any other information that is relevant to the individual's non-compliance.
- The designated principal will ensure that any communication discussing the tax-deferral benefits of variable life insurance does not obscure or diminish the importance of the life insurance features of the product. Any variable life insurance communication that overemphasizes the investment aspects of the policy or potential performance of the subaccounts may be misleading and will not be approved or permitted to be used.
- In addition, the designated principal will ensure that all advertising and sales materials are reviewed to ensure that they adhere to all requirements as listed below. We will not advertise products directly, however, if we are using any sales materials in our discussions with clients, we will only use the carrier provided materials, which should be provided along with the FINRA review letter

Product Identification

Annuities - When offering an annuity product, the material must CLEARLY describe the product as such. The presentation MAY NOT represent or imply that the product being offered, or its underlying account, is a mutual fund.

Variable Life Insurance - When offering a variable life insurance product, materials must CLEARLY indicate that this is a life insurance product. Any variable life insurance communications that overemphasize the investment aspects of the policy or potential performance of the sub-accounts may be misleading.

Liquidity

Materials may not represent or imply that variable life/annuity products are short-term, liquid investments. Presentations concerning liquidity or ease-of-access to investment values must be balanced by clearly describing the implications of early redemptions.

Guarantees

While insurance companies make a number of specific guarantees about the variable life/annuity products they issue (i.e., guaranteeing a minimum death benefit for a variable life insurance policy or a variable annuity owner), advertisements and sales materials about these products are prohibited from making any representation that any such guarantee applies to the investment return or the principal value of the separate account. In addition, we may not make a representation or implication that an insurance company's financial ratings apply to the separate account.

Fund Performance Predating Inclusion in the Variable Product

Historical performance included in communications may only be used provided that no significant changes have occurred to the fund at the time, or after it became part of a variable product. However,

the performance of an existing fund may not be included for the purposes of promoting investment in a similar but new investment option (i.e., clone fund or model fund) available in a variable contract. Particular attention must be given to including all elements of return and deducting applicable charges and expenses.

Product Comparisons

Comparisons of investment products may be used only if the comparison complies with requirements set forth under FINRA Rule 2210 (which replaced NASD Rule 2210), with particular attention being paid to the standards regarding comparisons in Rule 2210(d)(2)(M).

Use of Rankings

Rankings reflecting the relative performance of the separate accounts or underlying investment options may be included in advertisements and sales literature, providing all such use is consistent with standards contained in Interpretive Material IM-2210-3.

Insurance and Investment Features of Variable Life Insurance

As long as adequate explanations of the life insurance features is given, communications on behalf of single premium variable life insurance may be emphasized. Sales materials for other types of variable life insurance must also provide a balanced discussion of these features.

- **Hypothetical Illustrations of Rates of Return in Variable Life Insurance Sales Literature and Personalized Illustrations**

  Hypothetical illustrations may be used to demonstrate the way a variable life insurance policy operates. These illustrations MAY NOT be used to project or predict investment results as such forecasts are expressly prohibited by the Rules.
- **Hypothetical Tax-Deferral Illustrations in Variable Annuity Communications**

  Rule 2210(d)(1) requires that all member communications with the public provide a sound basis for evaluating the facts regarding a particular security and that they include material disclosures necessary to ensure the communications are fair, balanced, and not misleading. The Member Alert dated May 10, 2004, offers guidelines to assist members in developing compliant illustrations that depict the impact of taxes upon investment returns in a variable annuity as compared to a non-specific taxable account. FINRA is concerned that these hypothetical illustrations rely upon assumptions that are not based upon current tax law or other reasonable factors.

  Generally, variable annuities have two phases: the accumulation phase, when customer contributions are allocated among the underlying investment options, and the distribution phase, when the customer withdraws money through various annuity payment options. One of the principal features of variable annuities is the tax-deferred treatment of earnings during the accumulation phase.

  Attempts to illustrate the benefits of the tax-deferral feature are often made with a hypothetical comparison of a variable annuity investment to a generic taxable account. Current tax laws

provide that earnings from a variable annuity are taxable only upon withdrawal as ordinary income. In contrast, earnings from a taxable account are generally taxed annually and at rates that vary depending upon the nature of the earnings and the individual's tax bracket. For example, capital gains and dividends may be taxed at different tax rates depending upon various factors, including the individual's tax bracket.

- When preparing hypothetical illustrations designed to depict the tax-deferral feature of variable annuities, or utilizing materials prepared by others, our Advertising Principal must consider the following factors:
    - Public communications must use identical gross investment rates of return for the hypothetical taxable account and variable annuity. The variable annuity portion of the illustration must reflect the charges associated with the annuity. Alternatively, the disclosure accompanying the illustration must specifically identify the applicable charges, state that the charges have not been reflected in the illustration, and explain that had they been reflected, the return of the variable annuity would be lower.
    - The materials must use and identify the actual federal tax rates applied in the hypothetical taxable illustration. The illustration may also reflect an actual state tax rate for communications used in that state only. If federal or state tax rates change, members may need to update their illustrations to be accurate and not misleading.
    - Tax rates that reasonably reflect the tax brackets of the likely recipients of the communication must be used. Consideration must also be given to whether it is reasonable to assume that a customer would remain in the same tax bracket for extended periods of time (e.g., thirty years).
    - Disclosure must be made that lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown. Customers should also be advised to consider their personal investment horizon and income tax brackets, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

      Our Advertising Principal will routinely review marketing communications to verify that (1) illustrations designed to show the comparative tax benefits of variable annuities are based upon tax rate and investment return assumptions that are consistent, fair and reasonable at all times while the communication is in use, and (2) the tax rate assumptions in such illustrations are accurate in all respects as of both the date the material is prepared and throughout the period during which the material is in use. Such illustrations must also fully and fairly disclose all underlying assumptions as well as the fact that changes in tax rates and tax treatment of investment earnings may impact the comparative results.
    - Under Rule 2210, we are required to file with FINRA's Advertising/Investment Companies Regulation Department all variable life insurance advertisements and sales literature within 10 days of first use or publication. We will retain copies of all materials submitted to FINRA in a "Pending FINRA Comment" file. Upon receipt of the FINRA comment letter, it will be reviewed, and if no changes are required it will be attached to the appropriate advertising or sales material piece. If changes are required, we will include documentation of the changes in the "Approved Advertising/Sales Material" file, with the FINRA comment letter attached.
    - We are also required to file the format for any hypothetical illustrations used in the promotion of variable life insurance policies, since these formats qualify as sales

literature. Copies of all materials submitted to FINRA will be retained in a "Pending FINRA Comment" file. Upon receipt of FINRA comment letter, it will be reviewed and if no changes are required, it will be attached to the appropriate advertising or sales material piece. If changes are required, we will include documentation of such changes in the "Approved Advertising/Sales Material" file, with the FINRA comment letter attached.

- The designated principal must ensure that no advertising material approved - either internally or by a third-party - PRIOR to March 31, 2004 is utilized without undergoing a new review to ensure it complies with all the requirements under Securities Act Rule 482.
- The designated principal will ensure that all personnel are advised, in writing, that any advertisements approved PRIOR to March 31, 2004 may NOT currently be used unless they have been specifically advised differently.
- Supervising principals will also be advised on the requirements to ensure that they become aware of any inappropriate advertising material utilized by the representatives under their supervision.
- All internal and off-site audits and reviews will ensure that this matter is covered and that any inappropriate advertising material is removed and no longer available for distribution.
- The designated principal must ensure that we have in place appropriate procedures to ensure compliance with the rule's filing requirements.

Bonus Annuities

Procedures and Documentation

Our CCO will undertake sufficient surveillance activities to ensure that all transactions of variable products are suitable and in compliance with all relevant rules and regulations.

Our designated supervising principals are responsible for ongoing oversight of all individuals for whom they have direct supervision relating to variable product transaction activities, and monitoring these individuals to ensure they are fully aware of the rules, regulations, and regulatory concerns, surrounding this product.

In addition to overseeing that all appropriate registered personnel receive sufficient training, our CCO will ensure that sufficient surveillance and review activities are undertaken to enforce compliance in all areas.

Bonus annuity transactions, if not prohibited, should only occur occasionally. If we permit bonus annuity transactions, all supervising principals must carefully review all such transactions to verify that all appropriate disclosures were clearly made and that customers were advised of all fees and charges which may ultimately negate the up-front bonus. A written acknowledgement of understanding must be signed by the client, the registered individual servicing the account and the supervising principal. In signing the document, the principal indicates that his or her review found the transaction appropriate and suitable. Individuals who excessively engage in bonus annuity transactions will be called in for a discussion and will have all their customer files reviewed in-depth, under the supervision of our CCO.

Cash and Non-Cash Compensation

Background

FINRA Rule 2320 (previously NASD Rule 2820), "Variable Contracts of an Insurance Company" reads *"In connection with the sale and distribution of variable contracts…no associated person of a member firm shall accept any compensation from anyone other than the member with which the person is associated."*

This rule does not prohibit arrangements where a non-member company pays compensation directly to associated persons of this firm, provided that

- This firm has agreed to the arrangement
- This firm relies on an appropriate rule, regulation, interpretive release, interpretive letter, or no-action letter issued by the SEC that applies to the specific situation of the arrangement
- The receipt by associated persons of such compensation is treated as compensation received by the this firm for purposes of the rules
- The recordkeeping requirement (under FINRA Rule 2320) is satisfied

Permitted are

- Gifts that do not exceed an annual amount per person fixed periodically by FINRA (currently $100) and are not preconditioned on achieving a sales target
- An occasional meal, ticket to a sporting event/theatre, or comparable entertainment that is neither so frequent nor so extensive to raise any question of impropriety and is not preconditioned on achieving a sales target
- Payment or reimbursement by offerors in connection with meetings held by an offeror or by this firm for the purpose of training or education provided that the requirements of FINRA Rule 2320 are satisfied
- Non-cash compensation arrangements between this broker-dealer and its associated persons or a non-member company and its sales personnel who are associated persons or an affiliated member, provided that we comply with the requirements of FINRA Rule 2320.

Responsibility

Our CCO must ensure that we undertake reviews to uncover any inappropriate cash or non-cash compensation received by our registered personnel.

Our AML Principal is responsible for ensuring, that the individuals directly assigned to them are fully aware of the prohibitions and are not accepting any prohibited compensation.

Procedure

- Appropriate personnel will receive training (i.e., through our Annual Compliance Meetings, Continuing Education Firm Element Training, internal memorandums, face-to-face discussions, etc.) regarding cash and non-cash compensation prohibitions. We will maintain documentation

of all such training and/or communication, including names and CRD #s of those who received such training, copies of any handout materials, agenda items, etc.

- We will maintain copies of all required formal requests for receipt of cash or non-cash compensation, with the written response, either in the individual's personnel/Form U4 file or in another appropriate file.
- We maintain documentation of any permitted cash and non-cash compensation paid to our registered employees. At least quarterly we review this documentation, indicating the dates of review, the date of any list updates, with the initials of the individual who updated the list, and notes concerning any findings during the review which required follow-up actions. Such follow-up actions will also be documented, indicating the outcome of any investigation, who undertook the investigation, the dates of such investigation and any steps that were taken.
- We will maintain records of all compensation received by this firm or our associated persons from offerors. These records will include the names of the offerors, the names of the associated individuals, the amount of cash, the nature, and the value of non-cash compensation received.
- We are permitted under Rule 2320 to estimate the actual value of non-cash compensation for which a receipt (or other similar documentation) assigning a value is not available.
- Per 2320(c), we are not permitted to participate in the offering or in the sale of a variable contract on any basis other than at a value to be determined following receipt of payment therefore in accordance with the provisions of the contract, and, if applicable, the prospectus, the Investment Company Act and applicable rules thereunder. Payments need not be considered as received until the contract application has been accepted by the insurance company, except that by mutual agreement it may be considered to have been received for the risk of the purchaser when actually received.
- Per 2320(d), upon receipt of applications and/or purchase payments for variable contracts we are required to transmit promptly to the issuer all such applications and at least that portion of the purchase payment required to be credited to the contract.

Life Settlements

Procedures and Documentation

Our CCO is responsible for sufficient surveillance to ensure that all transactions of variable products are suitable and in compliance with all the relevant rules and regulations and will review those quarterly.

Supervising principals overseeing life settlement transactions must ensure that risks such as (a) unexpected tax liabilities, (b) decreased access to insurance coverage, if needed, (c) the release of the individual's private medical information and (d) inclusion of all transaction-related costs are monitored.

Our CCO will ensure that all life settlements involving variable insurance policies have been handled as a securities transaction for documentation, indicating efforts to ensure suitability, due diligence, supervision and training.

Best execution will also be a focus of these reviews to ensure that reasonable diligence was utilized to ascertain the best market for the security and that the most favorable price possible was obtained, by reasonable efforts to gather bids from multiple licensed providers either directly, or through a life settlement broker. Any indication that there appears to be an exclusivity arrangement between an

associated person and a life settlement provider will be investigated as it would be inconsistent with our firm's best execution obligations.

Prospectus and Contract Delivery

Responsibility

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision have the prospectuses available to them and are providing them to variable product investors.

Procedure

As a prospectus provides information on the features, risks, investment options and structure of an investment, delivery of the prospectus is mandatory prior to, or at the time of, soliciting a specific investment. Clients should be advised to retain the prospectus for future reference.

Prior to the application being submitted to the insurance company, it is required that we obtain, in writing, documentation verifying the customer's receipt of the prospectus and their understanding of early redemptions and the associated tax consequences and penalties thereof. This is performed by the use of the Variable Annuity Disclosure form, which will require the disclosure of the version of the Prospectus that was provided to the client as well as other features and considerations of the policy. The client is responsible for reviewing and confirming these disclosures in writing.

The supervising principal will review the customer verification (indicated by initials and date), ensuring that all appropriate disclosures have been made.

In addition to supplying customers with a current prospectus and contract, discussions should take place which are balanced and cover potential risks as well as possible rewards. A client's understanding of information contained in the prospectus should be increased; associated costs must be discussed and clients should be reminded that when investments are sold, contract values may be either higher or lower than when purchased.

Recommended Transactions

Responsibility

All principals given responsibility for reviewing, and approving or rejecting, variable annuity purchases and exchanges are designated for having responsibility for adherence to FINRA Rule 2330 requirements.

Procedure

For all recommended transactions (i.e., purchase and exchanges) we will retain documentation in each client file indicating the date when the appropriate principal received the complete and correct application package.

We are permitted to hold the application and the customer's non-negotiable check, payable to an insurance company, for seven (7) business days without being in violation of any FINRA or SEC rules so long as the following conditions are present and sufficiently documented:

1. The reason that the firm is holding the application for a deferred variable annuity and/or a customer's non-negotiated check payable to a third party is to allow completion of principal review of the transaction pursuant to FINRA Rule 2330
2. The associated person who recommended the purchase or exchange of the deferred variable annuity makes reasonable efforts to safeguard the check and to promptly prepare and forward a complete and correct copy of the application package to an OSJ.
3. The firm has policies and procedures in place that are reasonably designed to ensure that the check is safeguarded and that reasonable efforts are made to promptly prepare and forward a complete and correct copy of the application package to an OSJ.
4. By signing the VA Disclosure Document, A principal has made the determination to approve or reject the purchase or exchange of the deferred variable annuity in accordance with the provisions of FINRA Rule 2330.
5. The firm holds the application and/or check no longer than seven business days from the date an OSJ receives a complete and correct copy of the application package.
6. The firm maintains a copy of each such check and creates a record of the date the check was received from the customer and the date the check was transmitted to the insurance company or returned to the customer.
7. The firm creates a record of the date when the OSJ receives a complete and correct copy of the application package.

All individuals tasked with reviewing variable annuity transactions have been given sufficient training to understand that if any one or more of the above seven (7) conditions are absent, our ability to hold customer checks for the seven (7) day period no longer apply and doing so may place us in net capital or other rule violation

Checks accompanying applications will be logged onto a separate Variable Annuity Checks Received/Disbursed Log, as these are the only checks that may be held by this broker-dealer for longer than noon of the following business day. All checks must go to the issuer (in instances where principal approval is given) or be returned to the client (in case of rejected transactions) no later than noon of the seventh business day after receipt of logged date of receipt of the complete and correct application at the appropriate OSJ. (PLEASE SEE FURTHER IN THESE WSPs THE SECTION TITLED "RECEIPT OF CHECKS: PAYABLE TO A THIRD PARTY" REGARDING THE HANDLING OF CHECKS RECEIVED FOR RECOMMENDED VARIABLE TRANSACTIONS.)

Although permitted by FINRA, our normal practice is to review and approve or NIGO same day so that the policy and check may be delivered off to the insurance company within 24 hours.

All recommended variable annuity transactions must be reviewed, with the reviewing principal employing the highest level of suitability review. Prior to approval, we must have a reasonable basis to believe all of the following:

- The customer has been informed by the representative, in general terms, of various features of deferred variable annuities, such as:
  -Potential surrender period and surrender charge

-Potential tax penalty if customers sell or redeem before reaching 59 1/2 years of age
-Mortality and expense fees
-Potential charges for and features of riders
-Insurance and investment components
-Market risk

- The customer would benefit from certain features of the product such as:
  -Tax deferred growth, or
  -Annuitization, or
  -A death or living benefit

- The particular deferred variable annuity (purchase or exchange) as a whole, the underlying sub accounts to which funds are allocated at the time of the purchase or exchange, and riders and similar product enhancements (if any) are all suitable.

Variable Exchanges

In the case of an exchange, there must be a reasonable basis to believe that it is consistent with the foregoing suitability determinations, also taking into account whether

1. The customer would incur a surrender charge, to be subject to the commencement of a new surrender period, lost existing benefits (such as death, living, or other contractual benefits), or be subject to increased fees or charges (such as mortality and expense fees, investment advisory fees, or charges for riders and similar product enhancements)
2. The customer would benefit from product enhancements and improvements, and
3. The customer's account has had another deferred variable annuity exchange within the preceding 36 months,
4. All exchange/replacement submissions must have a contract/policy statement showing the most recent updates in the annuity.

The determinations required by the foregoing must be documented and signed by the associated person recommending the transaction.

Designated supervisors are sufficiently trained (both in the respective features of these products and in our supervisory protocols) to understand the necessity to closely monitor sales of the product and the riders selected.

All multi-class VA transactions are captured on our internal exception reports and will require immediate review to ascertain that the documentation indicates the appropriate level of suitability along with client disclosures.

Principal Deems Transaction Not Suitable

In instances where a principal determines that a recommended variable annuity transaction is not suitable, he or she may authorize the processing of the transaction if it can be determined the transaction was not recommended (Unsolicited) and if, after being informed of the reason why the principal has not approved the transaction, the customer will provide a written affirmation that he or she wants to proceed with the purchase or exchange.

The customer's affirmation must be obtained in writing.

Documentation

Records must be maintained indicating

In the case of a rejection, written proof that client was advised why the transaction was deemed to be unsuitable, signed by the principal

In instances where a rejected transaction was processed, proof of client affirmation that they wanted to proceed, signed by the client

Rebalancing/Reallocations

In the case of rebalancing or reallocations of existing sub accounts within an already existing variable product, Spire has approved the use of a limited discretionary trading authority. This does not in any way impact the suitability requirements of Rule 2111 for each of these transactions. A special Limited Discretionary Trading Authority Agreement must be signed by the client/owner of the policy. This discretionary approval was deemed appropriate in these limited cases in order to more efficiently process and execute client pre-existing instructions.

Sales in Tax-Qualified Plans

Responsibility

Our designated supervising principals are responsible for the ongoing oversight of the day-to-day activities of the individuals for whom they have immediate supervision and for overseeing all activities related to variable product transactions, including that all individuals are fully aware of the rules, regulations and regulatory concerns surrounding this product.

Procedure

Variable products sold in tax-qualified plans, such as an IRA account or 401(k) plan, do not provide any additional tax-deferred benefits beyond the tax treatment provided by the tax-qualified retirement plan itself.

Disclosure must be made to any client purchasing a variable product in a tax-qualified plan that tax-deferral feature is provided by the retirement plan and that the tax-deferral feature provided by the variable product is unnecessary.

Such disclosure must be in writing, signed by the client and the appropriate registered individual, and approved by the designated supervising principal, before such transaction can be approved.

Switching/Replacements/Twisting

Procedures and Documentation

Our CCO must ensure that sufficient surveillance activities are in place to detect any transactions of variable products which are unsuitable and not in compliance with all the relevant rules and regulations.

The replacement of variable life insurance and annuity contracts, especially within the same company, is an issue of great concern with the regulators.

Replacements may only occur after careful review by an appropriate supervising principal to ensure that the proposed transaction is in the best interest of the customer.

Generally, replacements occur where a new policy is funded, either totally or in part, from another life or annuity policy through a lapse, surrender, use of non-forfeiture options or an insurance policy loan or financing (i.e., the use of an existing policy's cash value to purchase a new contract). Replacements also vary in definition from state-to-state, and it is up to the individual servicing the account and his or her supervising principal to know the replacement rules in the state in which it occurs. In each case, should a replacement occur, the replacement box on the application must be marked "Yes," regardless of whether the particular state requires a replacement form.

Twisting is another term for churning, exchanging, etc., indicating a fraudulent activity where a client is pressured to sell out of one insurance product and buy into another solely for the purpose of the representative receiving an additional commission. An example of twisting is convincing a client to use a portion of the cash value in an existing policy to purchase another policy. Another example would be convincing an individual to surrender an old policy in exchange for a new policy by providing misleading information on the new policy, such as neglecting to note that the new policy may not be as beneficial to the customer as the old policy, or that the customer may lose benefits such as cash values that have accrued under the old policy. Such activity is fraudulent and is not tolerated by this firm. All variable exchanges will be reviewed for twisting, in addition to, suitability and appropriateness of the transaction.

Employees may not conduct any sales activities involving contacting former or current clients for the purpose of having them replace their existing coverage, unless the transactions are clearly advantageous to the client, in which case appropriate due diligence and analytic notes must be made and retained in the file to document the rationale to go forward. If a complaint is received by this firm regarding a replacement or a switch, documentation of a thorough analysis of the client's needs, an appropriately documented suitability determination and proof that the customer understood the costs and risks of the change must be made.

Failure to appropriately document all replacements/switches will result in the forfeiture of all related commissions, and may result in additional internal disciplinary actions. If any policy-value adjustments are required, all such adjustment costs will be charged to the representative. We will maintain documentation regarding any such instances in the files, including client name and account number,

registered personnel involved, corrective measures undertaken, and documentation concerning any internal disciplinary actions taken.

Supervisors will monitor all switches/replacements closely, on a case-by-case basis, and unless all the documentation and appropriate rationale exists (as required under FINRA Rule 2330), the transaction will undergo an in-depth review to determine suitability.

Switching transactions are difficult to justify if the financial gain or investment objective to be achieved by the transaction is undermined by sales charges, surrender charges and/or potential tax consequences. All such sales charges, new investment charges and potential tax consequences must be brought to the attention of the client by the representative, as required under Rule 2330.

Annuity Exchange Trend Report

This report will track the exchange and replacement activity ratios of reps in the firm. Every quarter, reps with exchange/replacement ratios over 35%, but below 50%, will be issued a "Letter of Advice" providing guidance on why being above this level is not allowed by the firm. Reps with repeated ratios over 50% will be issued a "Letter of Caution" and placed on heightened supervision for this business line. If the ratio persists above 50% the next quarter, the rep will be required to provide a letter of explanation outlining why this ratio is so high and what steps will be taken to reduce this ratio. Finally, heightened supervision will continue with supervisory review of all direct way applications with discussion on case prep and client purchase review. If the rep does not reduce the ratio in 2 consecutive quarters, the rep will be restricted from doing business in this line.

Exceptions can be made if the ratio is over 35% when the volume of applications submitted is low. For example, if the rep has only cumulatively submitted 2 cases, with one of them being an exchange, this 50% ratio will not automatically qualify them for heightened supervision. The ratio will be examined with the overall business the rep is submitting and reviewed by the CCO or his/her delegate.

Who: A Compliance associate will on a monthly basis review the Direct Trade Tickets and the approved Annuity Disclosure forms to accumulate the data for the Annuity Exchange Trend Report by rep. This data will then be reviewed on a quarterly basis by the CCO for adherence to the established guidelines.

What: The Annuity Exchange Trend Report will provide a roadmap to examine exchange rates for the products outlined. It is also only a guide as there may be clear benefits to the client of an exchange, such as lower fees, better rates, etc., that may make an exchange logical and therefore make the rep's rate of exchange high.

Where: This process will be documented in the Compliance Folder on the S Drive by rep and then by firm by the Compliance associate creating the forms. The CCO will monitor the addition of these reports.

When: The reports will be generated on a monthly basis but reviewed by the CCO for action on a quarterly basis. Following the end of the quarter, the CCO must review the reports for accuracy and then communicate with the reps who are in violation of the above established limits.

Training Overview

Background

FINRA Rule 2330 requires that broker-dealers develop training which will ensure that all associated personnel engaged in the purchase or exchange of deferred variable annuity transactions, and the supervisory principal who will review and either accept or reject such transactions, are aware of the requirements of that Rule, that they fully understand the products being sold or exchanged, and understand how to determine suitability.

Responsibility

Our supervising principals will determine if any associated persons may require training if engaging in deferred variable products. Our continuing education program will provide for a review and develop a training program to address.

Procedure

Principals responsible for our continuing education program has made available an online course (Annuity Training Platform) through RegEd to deliver the VA required training. In addition, our regular Firm Element/CE may include suitability training. Depending on the need, this program may be an annual requirement. Alternative methods of training may be submitted for approval to qualify for the annual training.

Certifications will need to be provided to assure completion of the required training.

Unregistered Equity-Indexed Annuities

Responsibility

Our due diligence committee will determine if an EIA is a security or insurance product. If it is determined to be an insurance product, and not a security, our representatives/agents must have an approved OBA to sell this product. If determined to be a security it will be supervised as noted below and occur through this broker-dealer.

Procedure

Our supervising principal must ensure that our Continuing Education, Firm Element Training Program offers sufficient education concerning issues surrounding the sale of equity indexed annuities to those who may be involved in such transactions.

In addition, where appropriate, our Annual Compliance Meeting will address the matter of equity indexed annuities.

Training will include advising associated personnel that holding a license as an insurance agent does not qualify an individual to understand the features of an EIA or the extent to which an EIA meets the needs of a particular customer.

Our CCO must maintain a list of all acceptable unregistered EIAs and distribute the list of to all appropriate personnel. In addition, all registered personnel and their immediate supervisors must be advised that they are prohibited from selling any EIA not on the list unless they notify Compliance, in writing, of the desire to recommend an unregistered EIA that is not on the list, and receive written confirmation from Compliance that the sale of the requested unregistered EIA is acceptable.

All EIA transactions are supervised in terms of marketing materials, suitability analyses (including possible surrender charges and the combination of caps and participation rates associated with a particular product) and other sales practice issues associated with the recommendation of unregistered EIAs in the same manner as all other securities transactions are supervised and overseen.

Retirement Products

IRA Rollovers

Policy Requirements

From Regulatory Notice 13-45: *A plan participant leaving an employer has four options (and may engage in a combination of these options): (1) leave the money in his former employer's plan, if permitted; (2) roll over the assets to his new employer's plan, if one is available and rollovers are permitted; (3) roll over to an IRA; or (4) cash out the account value.*

Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from a financial adviser, including a broker-dealer. Investors also may be solicited by financial services firms, including broker-dealers, regarding IRAs and retirement services.

A broker-dealer's recommendation that an investor roll over retirement plan assets to an IRA typically involves securities recommendations subject to FINRA rules, as are a firm's marketing of its IRA services. Any recommendation to sell, purchase or hold securities must be suitable for the customer and the information that investors receive must be fair, balanced and not misleading. This Notice provides guidance on these activities and is intended to help firms ensure that they have policies and procedures in place that are reasonably designed to achieve compliance with FINRA rules.

DOL Prohibited Transaction Exemption 2020-02

Prohibited Transaction Exemption (PTE) 2020-02, which governs conduct by ERISA fiduciaries, took effect on February 16, 2021. Broker-dealers, IRAs and their employees, agents, and representatives that are investment advice fiduciaries are eligible for this exemption.

An ERISA fiduciary is determined by applying a five-part test:

- Render advice as to the value of securities or other property, or make recommendations as to the advisability of investing in, purchasing, or selling securities or other property;
- On a regular basis;
- Pursuant to a mutual agreement, arrangement, or understanding;
- That the advice will serve as a primary basis for investment decisions; and
- The advice is individualized to the needs of the plan (or retirement investor).

PTE 2020-02 requires that the investment professional and its supervisory financial institution provide a written acknowledgment that they are fiduciaries under ERISA and the Code, as applicable, with respect to fiduciary investment advice provided to the retirement investor. The written acknowledgement must be unambiguous.

The DOL has provided model language, which would have a fiduciary state:

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

The PTE allows investment advice fiduciaries to receive compensation by providing fiduciary investment advice, including advice to roll over a participant's account from an employee benefit plan to an IRA or from one IRA to another.

The PTE would also allow financial institutions to enter into certain principal transactions with retirement investors where the institution purchases or sells certain investments from its own account. The exemption would extend to both riskless principal transactions and Covered Principal Transactions, as defined in the PTE. Principal transactions that do not fall into one of these categories are not covered:

1. Riskless principal transactions, which include transactions where a financial institution, after having received an order from a retirement investor to buy or sell an investment product, purchases or sells the same product for the financial institution's own account to offset the contemporaneous transaction with the retirement investor.

2. Covered principal transactions, which are defined in the Exemption as principal transactions involving certain types of investment:
    - For purchases by the financial institution from a retirement plan or IRA, the term is broadly defined to include any securities or other investment property.
    - For sales from the financial institution to a retirement plan or IRA, the PTE would provide more limited relief and would only apply to transactions involving:
        - corporate debt securities offered pursuant to a registration statement under the Securities Act of 1933,
        - U.S. Treasury securities,
        - debt securities issued or guaranteed by a U.S. federal government agency other than the Department of Treasury,
        - debt securities issued or guaranteed by a government-sponsored enterprise,
        - municipal bonds,
        - certificates of deposit, and
        - interests in Unit Investment Trusts.

Procedures and Documentation

All principals responsible for reviewing/approving IRA rollovers must ensure that all suitability requirements are met when recommending roll overs of investment plan assets.

Our CCO is responsible for ensuring that an annual review of all IRA roll over transactions is undertaken to ensure that appropriate suitability documentation has been obtained, documented and considered.

If a fiduciary adviser chooses to rely on the Prohibited Transactions Exemption, include the following:

- apply the DOL's Impartial Conduct Standards.
    - Recommendations must:
        - be subject to ERISA's prudence standard;
        - not place the financial or other interests of the firm, its representative, or any affiliate or other party ahead of the interests of the retirement investor, or subordinate the retirement investor's interests to their own.
    - In addition, the firm must:
        - charge reasonable compensation;
        - obtain (or provide) best execution (if applicable); and
        - not make materially misleading statements.
- ensure our incentive practices are prudently designed to avoid misalignment of the interests of Spire Securities, LLC and our investment professionals with the interests of the retirement investors in connection with covered fiduciary advice and transactions;
- for rollover transactions, document the specific reasons why a recommendation to roll over assets from a retirement plan to another plan or IRA, from an IRA to a plan, from an IRA to another IRA, or from one type of account to another would be in the best interest of the retirement investor;
- Disclose reasons for rollover advice to clients.

- From plan to IRA or IRA to plan:
    - Alternatives to a rollover, such as leaving funds in the current plan or offering a cash distribution
    - Fees and expenses associated with plan and IRA
    - If employer pays for some or all administrative expenses
    - Different levels of service available through plan and IRA
- From IRA to IRA or one type of account to another:
    - Describe services to be provided under a new arrangement
- Other rollover factors to consider:
    - Distribution alternatives such as installments
    - Required minimum distribution rules
    - Protection from creditors and legal judgments
    - Employer stock and NUA treatment
    - Quality of customer support via phone, app, website, in-person, etc.
    - Vested balances under $5,000 could have a "force-out"provision
    - Account consolidation

- maintain, for a period of six years, records demonstrating compliance with the Exemption and make such records available, to:
    - any authorized DOL employee;
    - any fiduciary of a retirement plan that engaged in an investment transaction pursuant to the Exemption;
    - any contributing employer and any employee organization whose members are covered by a retirement plan that engaged in an investment transaction pursuant to the Exemption; or
    - any participant or beneficiary of a retirement plan, or IRA owner that engaged in an investment transaction pursuant to the Exemption;
- make disclosures to the retirement investor prior to engaging in a transaction in reliance on the PTE, including:
    - a written acknowledgment that Spire Securities, LLC and our investment professionals are fiduciaries under ERISA and the Code, as applicable, with respect to any fiduciary investment advice provided to the retirement investor; and
    - a written description of the services to be provided and Spire Securities, LLC and our investment professional's material conflicts of interest that is in all material respects accurate and not misleading.

- Conduct a retrospective review, at least annually, that is reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, the impartial conduct standards and the policies and procedures governing compliance with the PTE.
    - The methodology and results of the retrospective review must be detailed in a written report provided to the David Blisk (or equivalent officer) and Feisal Malik ["CCO"] (or equivalent officer).
    - David Blisk would then have to certify:
        - He/She has reviewed the report of the retrospective review;
        - Our firm has in place policies and procedures prudently designed to achieve compliance with the conditions of the Exemption; and
        - Our firm has a prudent process in place to modify such policies and procedures as business, regulatory, and legislative changes and events dictate, and to test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which are reasonably designed to ensure continuing compliance with the conditions of the exemption.
        - This review, report, and certification would have to be completed no later than six months following the end of the period covered by the review.

Retirement Plans: Communications with the Public (ERISA Rule 405a-5)

Procedures and Documentation

Our Advertising Principal (working with our CCO and all individuals engaged in creating advertising material) is responsible for ensuring that our disclosure requirements (under DOL Rule 408(b)(2)) do not violate any FINRA rules.

Our CCO will meet with our Advertising Principal at least semi-annually, to review all disclosures we have made (under DOL Rule 408(b)(2)) to Retirement Plan Administrators, which will, in turn, be disseminated by the Plans (as required under DOL Rule 405a-b) to all Plan Participants to ensure that:

- If more than the 408(b)(2) required disclosures are included (i.e. an advertisement or item of sales literature content that promotes a product or service of the firm, that is in addition to what is required), the non required content was appropriately handled as subject to the content and filing requirements of FINRA Rule 2210.
- Brochures, mailings and other materials containing only the DOL-required disclosures are not required to be filed with FINRA pursuant to FINRA Rule 2210, nor is the information subject to the content requirements of FINRA Rule 2210.

Retirement Plans: Disclosure Requirements (ERISA Rule 408(b)(2))

Responsibility

Our CCO, working with appropriate members of Senior Management, is responsible for determining whether or not we are a "Covered Service Provider," as that term is defined under ERISA Rule 408(b)(2). August 30, 2012 is the date by which we must be in full compliance.

We have determined that Spire Securities, LLC is a "Covered Service Provider" and we do have disclosure responsibilities to Plan Administrators under 408(b)(2). Therefore, the following supervisory / oversight policies and procedures are in effect.

Procedure

Our CCO is responsible for ensuring that we meet our disclosure requirements to Plan Administrators allowing them to meet their obligations under ERISA Rule 408(b)(2).

Our CCO will maintain a list of all the covered Plans for which we are a Covered Service Provider ("CSP") to ensure that required disclosures are made to each.

Information required to be disclosed by us, to all covered Plans for which we act as a CSP must be furnished in writing (to a responsible plan fiduciary for the plan). The rule does not require a formal written contract delineating the disclosure obligations.

We are required to describe the services which are, or will be, provided and all direct and indirect compensation to be received by a CSP, its affiliates, or subcontractors.

"Direct compensation" is compensation received directly from the covered plan.

"Indirect compensation" generally is compensation received from any source other than the plan sponsor, the CSP, an affiliate, or subcontractor.

In order to enable a responsible plan fiduciary to assess potential conflicts of interest, in instances where we disclose "indirect compensation". We must also describe the arrangement between the payer and this firm pursuant to which indirect compensation is paid.

We must identify the sources for indirect compensation, plus services to which such compensation relates.

Compensation disclosures by CSPs will include allocations of compensation made among related parties (i.e., among any affiliates or subcontractors) when such allocations occur as a result of charges made against a plan's investment or are set on a transaction basis.

As a CSP, we must also disclose whether we are providing recordkeeping services and the compensation attributable to such services, even when no explicit charge for recordkeeping is identified as part of the service "package" or contract.

Some CSPs must disclose an investment's annual operating expenses (e.g., expense ratio) and any ongoing operating expenses in addition to annual operating expenses. For participant-directed individual account plans, such disclosures must include "total annual operating expenses" as required under the DOL's participant-level disclosure regulation at 29 CFR §2550.404a-5.

The Rule contains a "pass-through" for investment-related disclosures furnished by recordkeepers or brokers. A CSP may provide current disclosure materials of an unaffiliated issuer of a designated investment alternative, or information replicated from such materials, provided that the issuer is a registered investment company (i.e., mutual fund), an insurance company qualified to do business in a State, an issuer of a publicly-traded security, or a financial institution supervised by a State or Federal agency.

We may use electronic means to disclose information under the 408(b)(2) regulation to plan fiduciaries provided that our disclosures on a website or other electronic medium are readily accessible to the responsible plan fiduciary, and the fiduciary has clear notification on how to access the information.

Receipt of Customer Funds and Securities

Policy

Spire will not take custody of any client funds or securities. Spire will not accept cash from anyone.

Regulation

FINRA's general books and records requirements (Rule 4511) will require a Check Blotter to be maintained with the name of the client, the account number, the amount, when it was received and when it was delivered to the proper custodian or sponsor.

Procedure

Receipt of funds or securities is permitted only if:

- Funds/checks are made payable to the sponsor or custodian for deposit.
- Spire representative will "book" the check or security certificate to the blotter and maintain a copy of the document within Laserfiche.
- Checks and securities cannot be made payable to Spire or the representative or the representative's DBA.
- After the check/security is entered into the blotter, it must be delivered off, via trackable means (i.e. FedEx or UPS) to the sponsor company, insurance company or custodian. Checks/Securities are not to be held over for more than overnight (by noon of the next business day).
- Custodian deposits should be made via ***Remote Check Deposit (RCD***) when available. In this case, the deposit can be made remotely. The check must then be safely stored in a secure location for 30 days and then shredded/destroyed.

Supervision

Designated supervisors will have access to each representatives/branch's check blotter. A review should be performed periodically to check that the checks/securities are made out properly (i.e. not to spire). During branch exams/audits a review should be done to confirm that checks/securities had been deposited timely into the client accounts or that the products were purchased in a timely manner (i.e. insurance policies, mutual funds, etc.).

Violations of these procedures will be met with disciplinary measures - from no longer allowing the representative/branch to handle client checks to fines and possible termination.

Trading and Markets

Confirmations

Procedures and Documentation

Confirmation disclosures are regulated under FINRA Rule 2232 and Rule 10b-10 under the Securities Exchange Act of 1934.

Both FINRA Rule 2232 and Rule 10b-10 require that we, or someone acting on our behalf, send to a customer, at or before the completion of each transaction, notification that discloses the following:

We must disclose whether we are acting as: a broker for the customer; a dealer for our own account; a broker for some other person; a broker for both the customer and some other person - AND - in any case in which we act as a broker for the customer, or for both the customer or some other person, we must ALSO disclose:

- Either the name of the person from whom the security was purchased, ***or***
- To whom the security was sold for such customer, ***and***
- The date and time of such transaction, expressed to the second,
- The fact that such information will be furnished upon customer request,
- The source and amount of any commission or other remuneration received or to be received by such member about the transaction, and
- A reference, and a hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains publicly available trading data for the specific security that was traded.

FINRA Rule 2232 requires member firms to disclose additional transaction-related information to retail customers for trades in certain fixed income securities. Specifically, amended Rule 2232 requires a member to disclose the amount of mark-up or mark-down it applies to trades with retail customers in corporate or agency debt securities if the member also executes an offsetting principal trade in the same security on the same trading day.

Also, members are required to disclose two additional items on all retail customer confirmations for corporate and agency debt security trades: (1) a reference, and a hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains publicly available trading data for the specific security that was traded, and (2) the execution time of the transaction, expressed to the second.

In addition, a confirmation shall include the mark-up or mark-down for the transaction, to be calculated in compliance with Rule 2121, expressed as a total dollar amount and as a percentage of the prevailing market price if:

1. we are effecting a transaction in a principal capacity in a corporate or agency debt security with a non-institutional customer, and
2. we purchased (sold) the security in one or more offsetting transactions in an aggregate trading size meeting or exceeding the size of such sale to (purchase from) the non-institutional

customer on the same trading day as the non-institutional customer transaction. If any such transaction occurs with an affiliate of ours and is not an arms-length transaction, we are required to "look through" to the time and terms of the affiliate's transaction with a third party in the security in determining whether the conditions of this paragraph have been met.

We shall not be required to include the disclosure specified in the paragraph above if:

1. the non-institutional customer transaction was executed by a principal trading desk that is functionally separate from the principal trading desk that executed the purchase (in the case of a sale to a customer) or our sale (in the case of a purchase from a customer) of the security, and we had in place policies and procedures reasonably designed to ensure that the functionally separate principal trading desk through which the purchase or sale was executed had no knowledge of the customer transaction; or
2. we acquired the security in a fixed-price offering and sold the security to non-institutional customers at the fixed price offering price on the day the securities were acquired.

For all transactions in corporate or agency debt securities with non-institutional customers, we shall also provide on the confirmation: (1) a reference, and hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains Trade Reporting And Compliance Engine (TRACE) publicly available trading data for the specific security that was traded, in a format specified by FINRA, along with a brief description of the type of information available on that page; and (2) the execution time of the customer transaction, expressed to the second.

Our CCO ensures that all confirmations generated for securities transactions undertaken by us contain the appropriate information. This is the case whether we generate the confirmations or another broker-dealer, such as a clearing firm, generates them on our behalf.

Our CCO will ensure that we adhere to all the requirements of FINRA Rule 2232, Rule 2121, and SEC Exchange Act Rule 10b-10, even in those instances where our clearing firm sends confirmations out on our behalf (in which case, duplicate copies are sent to this firm).

Payment for Order Flow

Disclosure regarding any payment for order flow received by this broker-dealer is also required on confirmations. In instances where we have such arrangements, we must review all confirmations for compliance, evidenced by initials and dates.

Under the supervision of our CCO, we will review confirmations at least semi-annually for all required content, including a comparison to order tickets.

Error Accounts

Responsibility

A Trading Principal and FinOP are responsible for ensuring appropriate handling and review of trade errors and corrections and transactions within our “error account(s).”

In addition, on an ongoing basis, a principal review will be undertaken to ensure that no transaction is added to our "error account(s)" to cover up an unethical or illegal action and to ensure that all policies and procedures concerning our error account are complied with.

Procedure

A supervisory principal is responsible for reviewing our Error Account records (minimally on a quarterly basis) to ensure that no so-called "round trips" (a buy and sell of the same security) have occurred and that there have been no instances of moving one transaction resulting in a long or short securities position being carried in this account for a period of time. The placement of one-sided transactions and securities positions in an Error Account may subject our capital funds to market risk, and may result in our being found to be in net capital violation. Our FINOP will be responsible for reviewing our Error Account statements from our NFS and Pershing custodians.

(Any such concerns will be taken up with our FINOP to determine if a net capital violation has occurred.)

Representatives are to immediately notify Spire's trading desk (703-657-6060) of any trade error, correction, or cancel/rebill as soon as it is discovered. This is done by calling the operations department to notify them of the error and then submitted the Spire Trade Correction form via Laserfiche. The template will be completed as follows:

- AcctType = Custodian
- RegType = Other
- DocType = Trade Error / Correction
- LastName = Rep last name
- FirstName = Rep first name

The error form is reviewed by a principal and a determination made as to best handle the error. Once the error has been resolved, the Form will be signed and dated by a principal and saved to Laserfiche (Trade Error File).

Any gains or losses generated as a result of an error or correction will be documented and appended to the correction form so as to appropriately cover losses at the expense of the rep or write off gains.

All reviews will be evidenced by initials and dates, and detailed notes concerning any discussions, and resultant determinations with the FINOP will be maintained in the files. The FINOP will be responsible for debiting the commissions statement of any representative responsible for the loss.

A Spire Principal is responsible for determining that all transactions transferred by any means from a customer account to an Error Account have not been done so to further, or cover any violation, as those are not permitted to be considered bona fide corrections, cancellations or errors.

Extended Hours Trading: Risk Disclosure

Policy Requirements

If we allow retail clients to trade stocks after regular market hours in what is known as extended hours trading, we must adhere to the applicable risk disclosure requirements and advertising rules (required by FINRA Rule 2265).

Procedures and Documentation

Our designated supervising principals are responsible for ongoing oversight of any extended hours trading activities and that quarterly we conduct reviews of client files to ensure that clients using extended hours trading have received a disclosure statement concerning risks involved in such extended trading capabilities.

Our CCO reviews the required risk disclosure statement annually to ensure that it discloses all possible risk factors.

The following is our firm's disclosure statement, which will be amended from time to time by our CCO as different products/trading strategies are offered (i.e. options trading, options exercises, the effect of stock splits, dividend payments or any other additional risks that may arise in the future).

Extended Hours Trading Risk Disclosure Statement

- **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. With greater liquidity, it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.
- **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.
- **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.
- **Risk of Unlinked Markets.** Depending upon the extended hours trading system or the time of day, the prices displayed on an extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.
- **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity

and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

- **Risk of Wider Spreads.** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a security.

Fair Prices and Commissions: FINRA Rule 2121

Background

In securities transactions, whether in "listed" or "unlisted" securities, if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit; and if he acts as agent for his customer in any such transaction, he shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and the market therefor.

Responsibility

Our CCO will ensure our compliance with Rule 2121, including that appropriate personnel receive all necessary training. Part of that training is to ensure that all appropriate individuals have access to Rule 2121 “Mark Up Policy” Supplementary Materials .01 and .02

In addition, designated supervising principals will oversee all securities-related activities engaged in by the individuals under their direct supervision and will ensure that they comply with Rule 2121.

The SEC's approval of an amendment to FINRA Rule 0150 codified the application of FINRA Rule 2121 and its Supplementary Material .01 and .02 (which govern mark-ups and commissions), to transactions in exempted securities that are government securities.

Procedure

All training efforts will be documented, including dates, copies of training materials utilized, method of delivery (i.e. annual compliance meeting, CE, on-line training, etc., and names and CRD #s of individuals who received the training).

FINRA’s “5% policy” regarding equity markups (as discussed further in the *“Markups / Markdowns”* section of these WSPs) will be utilized as a guideline (along with other factors) in all reviews to determine that we are not in violation of Rule 2440. The EAI Compliance Engine Flags will be reviewed to determine that we have not violated Rule 2440. Our CCO will determine if an exception report should be utilized to review for compliance with Rule 2440. The results of such reviews will be maintained in the files, indicating dates, name(s) of individual(s) who undertook the review, scope of review, findings, and any required corrective measures taken.

Markups/Markdowns

Background

FINRA's 5% Guideline, the traditional analysis for equity transactions, is found in FINRA Rule 2121. While the 5% Guideline is not as applicable to other products where industry standards must also be considered, Rule 2121 should still be taken into consideration.

The SEC states that the antifraud provisions of the federal securities laws prohibit charging excessive markups to retail customers without proper disclosure to the customers, and that rules of the SROs prohibit excessive markups on the sale of securities in a principal transaction, regardless of whether the markup is disclosed. The SEC further states that it has consistently held that markups in excess of five percent above the prevailing market price are fraudulent in the sale of equity securities, and that markups in the sale of debt securities generally are expected to be lower than those on equities. For further information and a detailed discussion of case law in the area of markups, background and application of the FINRA's MarkUp Policy and MSRB Rules G-17 and G-30, obtain a copy of SEC Release No. 34-24368 (April 21, 1987).

The Guideline, with which all registered employees of this firm should be familiar, states that commissions and markups in excess of five percent over the prevailing market price of the security are generally considered unfair, absent justified and documented circumstances. Markups over five percent may be considered excessive by regulators, but markups over 10 percent are, more often than not, considered fraudulent. Furthermore, there are instances where markups of less than five percent may be deemed excessive upon consideration of all relevant factors.

A number of factors affect the five percent guideline.

- The type of security - stocks generally carry higher markups than bonds where the industry standard test should carry greater weight than the 5% guideline
- Availability of a security in the marketplace - thinly traded stocks requiring more effort to acquire may carry a justifiably higher markup than readily available stocks
- The price of a security - most lower priced securities may reasonably carry higher percentage markups than higher priced securities due to the added expense involved in trading and handling smaller capitalized, less-liquid securities
- The amount of money being invested - investments limited to small principal amounts will generally involve higher markups to cover handling, clearance and settlement costs
- Disclosure - while disclosure to a customer of the amount of commission or markup charged will not necessarily justify charging an unfair price, it will generally be considered by FINRA as a relevant factor when assessing the fairness of a price
- Markup patterns - unfair pricing will more likely be deemed unfair pricing by regulators than high markups on isolated transactions
- The nature of securities business - variances of facilities and services are relevant factors taken into account by regulators when determining price fairness)

All registered personnel are advised that, if there is ever a question whether a commission/markup charged to a client on an equity transaction violates FINRA's 5% Guideline, the matter should IMMEDIATELY be brought to the attention of a principal of the firm. Furthermore, any markups on

products other than equities should be cleared with a supervising principal. Our review of customer account files will include looking for justifications on any markups deemed to be out-of-the-ordinary.

Principal vs. Agency Transactions

Broker-dealers can act either as a broker-agent, executing orders on an agency basis for customers on an exchange or in the OTC market, or as a dealer-principal, actually buying securities in the name of the broker-dealer and selling securities to customers from its own inventory.

At, or before completion of, a securities transaction, customers must be advised of the broker-dealer's role in the transaction (i.e., agent or principal). In addition, the broker-dealer must disclose whether it acted as agent for the parties on both sides of a transaction due to the potential conflict of interest.

Agent broker-dealers typically charge commissions that are disclosed on the confirmations. As an agent, a broker-dealer may purchase a security in the appropriate market on behalf of its client, or it may, alternatively, execute a riskless principal transaction whereby the firm purchases the security from another firm or customer after it has received an order from a customer. It then sells the security to the customer.

A riskless principal transaction is similar to an agency trade because the broker-dealer acts as an intermediary only and assumes no market risk. For the broker-dealer's limited role in the transaction, it is compensated by a markup or markdown from its cost, based on the price paid to acquire the shares.

In neither the agency nor the riskless principal transaction may a broker-dealer include its profit as part of a net price. For agency transactions, the commission must be indicated on the client confirm; for riskless principal transactions, the markup or markdown must be indicated on internal records.

When a broker-dealer acts as a principal, the firm is permitted to markup or markdown the price of a security, including the markup or markdown in the total price of the security.

The computation of a markup on the sale to a customer or a markdown on a purchase from the customer is effected by various factors, including, but not limited to

- The type of security
- The level of difficulty in obtaining the security
- The size of the transaction

When a broker-dealer sells a security from its own inventory (i.e., a security that the broker-dealer owns), the price must be based on the current market price for the security rather than the original cost of the security when the broker-dealer initially purchased it.

Additional Transaction-Related Disclosures

In February 2017, the SEC approved amendments to FINRA Rule 2232 that require member firms to disclose additional transaction-related information to retail customers for trades in certain fixed income securities. Specifically, amended Rule 2232 requires a member to disclose the amount of mark-up or

mark-down it applies to trades with retail customers in corporate or agency debt securities if the member also executes an offsetting principal trade in the same security on the same trading day.

Where mark-up disclosure is provided on customer confirmations, Rule 2232(c) requires firms to express the disclosed mark-up as both a dollar amount and a percentage of the prevailing market price.

In January 2019, FINRA released its 2019 Annual Risk Monitoring and Examination Priorities Letter, where FINRA stated its priority to review for any changes in firms' behavior that might be undertaken to avoid their mark-up and mark-down disclosure obligations.

Responsibility

Our CCO must ensure that all registered personnel are aware of our responsibilities regarding the determination of appropriate markups or markdowns and that appropriate surveillance tools and activities are in place to detect whether any inappropriate markups or markdowns have been charged.

In addition, our designated supervising principals are responsible for ongoing oversight of all markup or markdowns charged to clients by individuals under their direct supervision.

G-48(b) Transaction Pricing. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-30(b)(i), when dealing with SMMPs, to take action to ensure that transactions meeting all of the following conditions are effected at fair and reasonable prices:

> (i) the transactions are non-recommended secondary market agency transactions;
> (ii) the broker, dealer, or municipal securities dealer's services with respect to the transactions have been explicitly limited to providing anonymity, communication, order matching, and/or clearance functions; and
> (iii) the broker, dealer, or municipal securities dealer does not exercise discretion as to how or when the transactions are executed.

Procedure

- Our CCO must ensure that all appropriate personnel receive adequate training concerning the regulations and our internal policies on markups/markdowns at our Annual Compliance Meeting, in our continuing education materials, compliance alerts, etc. Our CCO will maintain documentation of all such training.
- Designated supervisory principals must review all principal transactions DAILY to determine the appropriateness of the markup or markdown.
- Markups/Markdowns in excess of 5% require approval by a designated supervising principal to such charges being made.
- Supplemental Material .01 under Rule 2121 states: "*The question of fair mark-ups or spreads is one which has been raised from the earliest days of the National Association of Securities Dealers ("Association"). No definitive answer can be given and no interpretation can be all-inclusive for the obvious reason that what might be considered fair in one transaction could be unfair in another transaction because of different circumstances. In 1943, the Association's Board adopted what has become known as the "5% Policy" to be applied to transactions executed for customers. It was based upon studies demonstrating that the large majority of customer transactions were effected at a mark-up of 5% or less. The Policy has been reviewed by*

the Board of Governors on numerous occasions and each time the Board has reaffirmed the philosophy expressed in 1943. Pursuant thereto, and in accordance with Article VII, Section 1(a)(ii) of the By-Laws, the Board adopted the following interpretation." Annually, our CCO will undertake reviews to ensure that, for all such contemporaneous trades, the commission for the sale and the commission for the purchase did not violate Rule 2121.

Markups/Markdowns: Debt Securities Transaction (Except Municipal Securities)

Background

Supplementary Materials to FINRA Rule 2121 apply to debt securities transactions except municipal securities.

In February 2017, the SEC approved amendments to FINRA Rule 2232 that require member firms to disclose additional transaction-related information to retail customers for trades in certain fixed income securities. Specifically, amended Rule 2232 requires a member to disclose the amount of mark-up or mark-down it applies to trades with retail customers in corporate or agency debt securities if the member also executes an offsetting principal trade in the same security on the same trading day.

Where mark-up disclosure is provided on customer confirmations, Rule 2232(c) requires firms to express the disclosed mark-up as both a dollar amount and a percentage of the prevailing market price.

Responsibility

Our CCO must ensure that all appropriate supervising principals have a full awareness and understanding of Rule 2121 Supplementary Materials 01 and 02 and Rule 2232 in terms of policies covering markups/markdowns on debt securities.

Our Director of Operations has implemented procedures to confirm proper mark-up/down disclosures.

Procedure

Our CCO or designated principal will ensure that a review is undertaken to determine that all mark ups/mark downs have been calculated based on appropriate factors (as outlined in IM-2440-2) and to take steps to investigate transactions where it is not clear all factors were taken into account and that an inappropriate mark up/mark down may have been charged.

The Spire Access Compliance tool will flag transactions that exceed a specified markup / markdown threshold. A principal will investigate flagged transactions for appropriateness. Documentation of all such reviews will be maintained by our CCO, including dates, name(s) of person(s) who conducted the review, scope of review and any findings and subsequent actions.

False or Artificial Entries

Procedures and Documentation

Direct supervising principals will oversee all activities and detect and deter any false or artificial entries to our books and records.

Initial account approvals, and routine and scheduled client file reviews undertaken under the oversight of our CCO, will look for cases of false or artificial entry violations. Such reviews must:

- Ensure that all accounts have a legible signature; and
- Require that a principal of this firm call clients to verify any transactions that appear suspicious, highly volatile or large compared to the client's net worth.

Margin Accounts

Background

FINRA Rule 2341 states that no margin account may be opened for a non-institutional customer "unless, prior to or at the time of opening the account, the broker/dealer has furnished to the customer, individually, in writing or electronically, and in a separate document the margin disclosure statement specified."

In addition, Rule 2341 requires that we must "with a frequency of not less than once a calendar year, deliver individually, in writing or electronically, the disclosure language" as described above.

Responsibility

Our CCO must ensure that all registered personnel are aware of their obligations when handling a margin account, and that appropriate surveillance activities are undertaken to ensure compliance, including initial and annual delivery of margin disclosure statements.

In addition, our designated supervising principals must conduct ongoing oversight of all margin account transactions dealt with by the individuals under their direct supervision and must ensure that we adhere to all appropriate compliance and disclosure requirements.

Extensions of credit in excess of $10,000, except in instances where the extension of credit is secured by an interest in real property, must be maintained separately and reviewed by our AML Principal quarterly to ensure no structuring or other money laundering activities are involved, and must include

- The name and address of the person to whom the extension is made
- The amount
- The nature or purpose
- The date

These records may be maintained in connection with our other margin and Regulation T records, but must be available for our AML Principal's directed quarterly review. Such AML-related quarterly reviews will be documented by initials of the individual conducting the review, the date, notes about any instances that required further investigation and documentation of any findings, including why a determination not to file a SAR-SF was made upon finalization of an investigation.

Procedure

- The margin agreement (among other things) gives the entity extending the credit the right to pledge (or hypothecate) the customer's securities. CLEAR CONSENT must also be obtained from

the customer before lending the customer's securities to this firm or to others. Based on reports and information received by our clearing firm, ALL activity deemed to be unusual or questionable concerning margin extensions filed, sell-outs, buy-ins, margin calls, etc. will be thoroughly and immediately investigated. Such investigations to be evidenced by initials and dates, indicating any findings and resultant actions, will be documented and maintained in the files.

- PRIOR TO OPENING a margin account, registered representatives MUST BE FAMILIAR with the complete text of Regulation T. Supervising principals are responsible for ensuring that individuals know how to access Reg T on the SEC's web site (www.sec.gov).
- FINRA Notice to Members 03-66 offers information and guidance on certain amendments to FINRA Rule 2520 which (a) reduces the customer maintenance margin requirements for certain non-equity securities, (b) redefines "exempt account" and permits the extension of good faith margin treatment to certain non-equity securities held in "exempt accounts," and (c) limits the amount of capital charges a broker/dealer may take in lieu of collecting marked to the market losses. Supervising principals will ensure that they and the individuals under their direct supervision have access to FINRA Notice to Members 03-66 and FINRA Rule 2520.
- Upon OPENING a margin account, all non-institutional clients must sign a "Margin Disclosure Document" (see sample at end of this section), which agreement states all the rules with which the client must abide, giving this firm the right to hypothecate the customer's securities at the bank to secure the call loan. Should an initial order be executed in a margin account and a margin agreement not be received, the account will be placed on a cash basis. The designated principal is responsible for ensuring compliance with this and all other margin-related matters, and for maintaining sufficient documentation of all actions taken, including dates and names of individuals taking such action, in the files.
- Our CCO is responsible for ensuring that all required annual disclosure statements are appropriately delivered to all non-institutional margin account customers.
- If a customer does not pay in the prescribed time and an extension is not granted, we must sell out the account, selling the securities to cover the margin call and the account must be FROZEN. Once an account is frozen, it must remain so for a period of ninety (90) days.
- If a customer with a frozen account wishes to purchase securities in that account, she or he must deposit the FULL PURCHASE PRICE in the account BEFORE the order may be entered.
- If a customer wishes to sell securities in a frozen account, we must HAVE POSSESSION of the securities PRIOR to executing the transaction.
- **Interest charges:** Exchange Act Rule 10b-16 (1934 Act) prohibits extension of credit unless disclosure of the terms on which interest will be charged is offered to the customer PRIOR TO THE OPENING of a margin account. Each margin customer must be provided with a Statement of Credit Policy. Such credit policy may be given orally so long as the written statement is sent to the customer IMMEDIATELY thereafter. No margin account may be opened by telephone without PRIOR WRITTEN CONSENT of an appropriate designated principal, such approval evidencing review of all required disclosure.
- ANY DEVIATIONS from the strict procedures covering margin account treatment will result in an in depth investigation, and may warrant internal disciplinary actions, and in severe instances may lead to termination. Documentation of all such investigations, finding and disciplinary actions taken will be documented for the files.
- The designated principal will, if we offer on-line account opening and/or trading services, check our web site (minimally on a biannual basis) to ensure that the appropriate disclosure is being made available, in an appropriate, conspicuous manner. Corrective measures will be required

should the site fail to operate sufficiently to ensure compliance, with such measures documented in the files, including dates and manner of correction.

FINRA Margin Disclosure Statement

Your brokerage firm is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your firm. Consult your firm regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity in the account. **It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:**

- You can lose more funds than you deposit in the margin account
- A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities in your account
- The firm can force the sale of securities in your account
- If the equity in your account falls below the maintenance margin requirements under the law, or the firm's higher "house" requirements, the firm can sell the securities in your account to cover the margin deficiency
- You will be responsible for any shortfall in the account after such a sale
- The firm can sell your securities without contacting you

Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call.

Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.

The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account.

You are not entitled to an extension of time on a margin call.

While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

Regulation NMS

Policy Requirements

Regulation NMS establishes rules designed to modernize and strengthen the regulatory structure of the U.S. equities markets. The Rules establish requirements for “trading centers” to reduce the likelihood of “trade-throughs” and realign the relationships among markets. Regulation NMS addresses four main topics: (1) order protection (or prohibitions on "trade-through"); (2) intermarket access; (3) sub-penny pricing; and (4) market data.

On November 2, 2018, the SEC announced that they will adopt amendments to Rule 606 of Regulation NMS, which requires broker-dealers to disclose to investors new and enhanced information about the way they handle investors’ orders.

The Commission has amended the Rule to require a broker-dealer, upon a request of a customer who places a “not held” order, to provide the customer with a standardized set of individualized disclosures concerning the firm’s handling of the customer’s orders. The new disclosures will, among other things, provide the customer with information about the average rebates the broker received from, and fees the broker paid to, trading venues.

These amendments became effective on November 13, 2018.

Order Protection Rules (SEC Rule 611 and FINRA Rule 6380A) require trading centers to establish, maintain and enforce written policies and procedures that are reasonably designed to prevent trade-throughs of protected quotations and ensure compliance with the rule’s exceptions. Trading centers include national securities exchanges, national securities associations that operate SRO trading facilities, alternative trading systems, exchange market-makers, OTC market-makers and any other broker-dealers that execute orders internally by trading as principal or crossing orders as agent. Trade-throughs are defined as the execution of trades at prices inferior to protected quotations.

The quotations protected by SEC Rule 611 include the best immediately accessible automated bids and offers in NMS stocks of each national securities exchange, Nasdaq, FINRA’s ADF, or other national securities association that is displayed by an automated trading center (no manual quotations). Automated quotations in a trading center that repeatedly do not respond to bids or offers within one second will not be protected under the Order Protection Rule. Only automated trading centers are eligible to have their quotations protected. To qualify as an automated trading center, a trading center must have implemented the systems, procedures, and rules necessary to render it capable of displaying quotations meeting the action, response, and updating requirements set forth in the automated quotation definition. A trading center must identify all quotations other than automated quotations as manual quotations, and must immediately identify its quotations as manual quotations whenever it has

reason to believe that it is not capable of displaying automated quotations. The trading center also must adopt reasonable standards limiting when its quotations change status from automated to manual, and vice-versa, to specifically defined circumstances that promote fair and efficient access to automated quotations and are consistent with the maintenance of fair and orderly markets.

There are several exceptions to Rule 611 that apply when it would be harmful to the investor to wait for a better priced quotation from another market including, among others:

- *Intermarket sweep orders* – A trading center may execute immediately any order identified as an intermarket sweep order without regard for better-priced protected quotations displayed at one or more other trading centers. The exception also authorizes a trading center to route intermarket sweep orders and thereby clear the way for immediate internal executions at a price inferior to a protected quotation at another trading center. The trading center, broker, or dealer responsible for routing an intermarket sweep order (whether it routes through its own systems or sponsors access through a third-party vendor's systems) must take reasonable steps to establish that orders are properly routed to execute against all applicable protected quotations.
- *Single Price Openings, re-openings and closing transactions* – A single-priced opening, reopening, or closing transaction that constituted a trade-through is exempted from the Order Protection Rule. This exception applies only to single-priced reopenings and therefore requires a trading center to conduct a formalized and transparent process (pursuant to its rules or written procedures) for executing orders during reopening after a trading halt that involves the queuing and ultimate execution of multiple orders at a single equilibrium price. In addition, the trading center must have formally declared a trading halt pursuant to its rules or written procedures.
- *Rapidly changing (flickering) quotations* – This exception is available if the trading center displaying the protected quotation that was traded-through had displayed, within one second prior to execution of the trade-through, a best bid or offer, as applicable, for the NMS stock with a price that was equal or inferior to the price of the trade-through transaction. This exception provides a window to address false indications of trade-throughs that are attributable to rapidly moving quotations.
- *Self-help with respect to systems failures* - A trading center may use this exception if another trading center experiences a failure, material delay, or malfunction of its systems or equipment. This sort of material delay occurs when the trading center repeatedly fails to provide an immediate response, within one second, to incoming orders attempting to access its quotes. A trading center making use of the exception must notify the non-responding trading center immediately after, or at the same time as, electing self-help pursuant to reasonable and objective standards contained in its policies and procedures. The trading center invoking the self-help remedy need not provide the non-responding trading center prior notice, but must assess whether the problem lies with its own systems and appropriately address any such problems.
- *Benchmark transactions (i.e., VWAP transactions)* – Trading centers may execute volume-weighted average price ("VWAP") orders, as well as other types of orders that are not priced with reference to the quoted price of the NMS stock at the time of execution and for which the

material terms were not reasonably available at the time the commitment to execute the order was made.

- *Stopped order*s – This exception applies to the execution by a trading center of a stopped order for the account of a customer when the price of the execution of the order was lower, for a buy order, than the national best bid at the time of execution, or was higher for a sell order than the national best offer at the time of execution. The customer must have agreed to the stop price on an order-by-order basis.
- *Transactions other than regular way contracts* - Transactions that are executed in a manner other than standardized terms and conditions, such as transactions that have extended settlement terms, also are excepted from the Order Protection Rule.
- *Crossed transactions* – Transactions executed at a time when protected quotations were crossed are excepted from the Order Protection Rule. This exception does not apply when a protected quotation crosses a non-protected (e.g., manual) quotation.

Access Rule (SEC Rule 610)

The access rule promotes fair and nondiscriminatory access to quotations through a private linkage; establishes a limit on access fees; and requires each national securities exchange and national securities association to enforce rules that prohibit their members from engaging in a pattern or practice of displaying quotations that lock or cross-automated quotations.

In addition, all trading centers that choose to display quotations in an SRO display-only quotation facility (which currently means only the ADF) must "provide a level and cost of access to such quotations that is substantially equivalent to the level and cost of access to quotations displayed by SRO trading facilities in that stock." These additional connectivity requirements arise only if a trading center displays its quotations in the consolidated data stream and does not provide access through an SRO trading facility. FINRA affirmatively must determine prior to implementation of the access rule that existing ADF participants follow the Rule's requirements, and will be responsible for halting publication of the participant's quotations until the participant comes into compliance. In addition, quotations displayed through an SRO display-only facility are subject to the same fair and non-discriminatory access requirements as are quotations of SRO trading facilities.

The access rule limits the fees any trading center can charge, or allow to be charged, for accessing its protected quotations, both displayed and reserve size, to no more than $0.003 per share (securities quoted at $1.00 or more) or 3% on securities quoted at less than $1.00. The Rule also requires FINRA and the exchanges to establish, maintain and enforce written rules that prohibit their members from engaging in a pattern or practice of displaying any quotation that locks or crosses a protected quotation, or a manual quotation that locks or crosses a quotation disseminated pursuant to an effective National Market System Plan (NMS Plan).

Sub-Penny Rule (Rule 612)

Rule 612 of Regulation NMS prohibits market participants from displaying, ranking, or accepting quotations, orders or indications of interest in any NMS stock priced in an increment smaller than $0.01 if the quotation, order or indication of interest is priced greater than or equal to $1.00 per share.

Market Data Rules (Rules 601 and 603)

The market data rules update the requirements for consolidating, distributing, and displaying market information, as well as amendments to the joint industry plans for disseminating market information that modify the formulas for allocating plan revenues and broaden participation in plan governance.

Procedures and Documentation

Our Senior Trader and CCO must oversee all required activities and ensure that we maintain appropriate documentation.

To comply with the requirements of Regulation NMS, we will do the following as deemed necessary by our role in the financial industry (fully-disclosed introducing firm, trading center, market maker, etc.).

- Use an order routing system that can dynamically and intelligently route orders to venues that will fulfill best execution obligations
- Ensure that a third-party vendor system establishes connection with a wider set of execution venues and that the messaging infrastructure can handle both increase in volume and additional data reporting requirements
- Employ a technology structure that supports Regulation NMS performance requirements, that is, retain the appropriate market data, order status and execution report elements to reconstruct its decision making process for order routing to satisfy future regulatory inquiries
- Employ transaction cost analyzers to predict the venue that offers the least cost execution
- Document and demonstrate how best execution is achieved and justify which venues are included/excluded for client business
- Demonstrate how the firm facilitates participation in and connectivity to all protected liquidity sources directly or indirectly
- Demonstrate how the firm determines the number and size of the required ISOs
- Ability of the system to capture market data quotes at the time of ISO and internal execution
- Ability of the system to append and interpret trade identifiers for Regulation NMS exceptions
- Ability of the system to store and retrieve snapped market data/orders for audit purposes (i.e., access to comparative market data tick database based on SIP data)
- System capability for latency monitoring and clock synchronization
- Ensure connectivity to execution venues is robust and redundant
- Ensure order entry systems will reject sub-penny orders
- Train operational staff on meaning of new trade modifiers
- Ensure system integrates market data into block trading systems, crossing engines, and best bid routing engines
- Conduct post trade reviews to ensure the system is capturing and storing accurate market data quotes and execution reports (order routing decisions are made based on accurate data)

Short Sales: Regulation SHO

Background

Regulation SHO was adopted to update short sale regulation in response to numerous market developments since short sale regulation was first adopted in 1938. Regulation SHO is intended to curb increased instances of abusive “naked” short selling, (*i.e.,* selling short without borrowing the necessary securities to make delivery) and includes provisions to:

- Establish uniform "locate" and "close-out" requirements in order to address problems associated with failures to deliver, including potentially abusive "naked" short selling
- Create uniform order marking requirements for sales of all equity securities

In January 2019, FINRA published its Annual Risk Monitoring and Examination Priorities Letter, where FINRA announced plans to focus on short sales, including whether firms have structured their aggregation units in a manner that is consistent with the requirements of Rule 200(f) of Regulation SHO and can demonstrate the independence of the units through measures such as separate management structures, location, business purpose, and profit and loss treatment.

Responsibility

Our CCO must ensure that we have appropriate policies and procedures in place regarding short sales, that we test these policies and procedures and take corrective measures when we do not adequately adhere to the rules, including amending our policies and procedures as appropriate.

Our designated supervising principals will ensure that the individuals under their direct supervision are aware of the requirements surrounding short sales and that they remain in compliance with the requirements.

Procedure

Our CCO must ensure that all appropriate registered personnel receive sufficient training concerning FINRA short-sale rules and SEC Regulation SHO. Such training may take the form of face-to-face meetings, our Annual Compliance Meetings, our continuing education Firm Element Training Program, or other means as deemed most effective and useful. Compliance will maintain records of the training, including the materials utilized, attendance records and any other information documenting the training.

We must mark all equity sell order tickets must as “long” or “short” as required by Exchange Act Rule 242.200(g), under SEC Regulation SHO.

Locate and Delivery Requirements: Short sale orders in an equity security may not be accepted from another person or firm unless we:

• Borrowed the security, or entered into a arrangement to borrow the security; or

• Have reasonable grounds to believe that the security can be borrowed so that it can be delivered on the date delivery is due; and

• Have documented compliance with the above provisions

To facilitate meeting the borrowing requirements indicated above, the SEC stated in a “Frequently

Asked Questions on SHO" that broker-dealers may use "easy to borrow" reports, or other similar reports, showing securities available for loan.

There are a number of exemptions from the above requirements as follows:

• Orders from another registered broker or dealer that is required to comply with the above requirements (i.e., Regulation SHO Rule 242.203(b)(1));

• Any sale of a security that a person is deemed to own, provided that, in the case of restricted securities, reasonable information has been obtained that the person intends to deliver such security as soon as all restrictions on delivery have been removed. If the person has not delivered such security within 35 days after the trade date, we must borrow securities or close out the short position by purchasing securities of like kind and quantity;

• Short sales effected by a market maker in connection with bona-fide market making activities in the security for which this exception is claimed; and

• Transactions in security futures.

The designated principal will make appropriate dated notations to the files regarding how determinations were made that the "locate and delivery" requirements were met.

Threshold Securities Fail to Deliver

Rule 242.203(b) under Regulation SHO of the Exchange Act covers requirements concerning threshold security fails to deliver buy-ins.

A threshold security is defined as any equity security of an issuer that is registered under Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act where for five consecutive settlement days: (1) there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more per security; (2) the level of fails is equal to at least one-half of one percent of the issuer's total shares outstanding; and (3) the security is included on a list published by a self regulatory organization.

Fail to deliver positions in a threshold security, open for thirteen settlement days, or for ten settlement days plus T-3 for the total of thirteen days, must be closed out by our purchase of securities of like kind and quantity.

Until a position is closed out, registered representatives may not affect further short sales in a threshold security without first borrowing or entering into a bona fide arrangement to borrow the security.

The designated Short Sale Principal will review Regulation SHO Rule 242.203(b)(3) for certain close out exceptions.

The designated principal must ensure that all representatives are made aware of all open fails to deliver subject to this rule, as it impacts their ability to affect further short sale orders in a particular security. The designated principal will ensure that:

- All order tickets are reviewed to ensure appropriate marking of all short sale information. The review will be evidenced by initials and dates.
- To comply with the locate and delivery requirements, all short sale orders: will be reviewed against the “easy to borrow list” or other similar source to determine that the securities can be borrowed for delivery, evidenced by dates and initials, or we will receive a verbal confirmation from Operations that the security can be borrowed, evidenced by a dated and initialed note to the file indicating the name of the person (and the firm name) from whom the affirmation is obtained and the number of shares to be borrowed.
- We will review all short sale order tickets daily against the most recent list of threshold securities issued by FINRA, NYSE or other SRO to ensure that any fail to deliver position open for thirteen settlement days is closed out. We will maintain documentation of this review, evidenced by initials and dates. Until it is closed out, all registered representatives and their supervisors are advised that no further short sales will be permitted in that certain security without our first having borrowed or entered into a bona fide “borrow” arrangement.

Compliance or the supervising principal will maintain documentation of all above supervisory review activities, including any remedial efforts taken upon finding any areas of non-compliance. The documentation will indicate the review either in writing or by the initialing of appropriate materials.

Circuit Breaker

Procedures and Documentation

Our head trader, working with Compliance, is responsible for ensuring that when Regulation SHO's circuit breaker for an NMS stock kicks in, appropriate procedures are in place to prevent the execution or display of short sale orders at a price that is less than or equal to the current national best bid (NBB) for the remainder of the day and the following day, unless an exemption applies ("short sale price test restriction").

Circuit breakers are triggered by a 10 percent or more decrease in the price of the security from the security's closing price at the end of regular trading hours on the prior trading day).

Oversight of our circuit breaker procedures includes the following:

On-going review to ensure that trade reports submitted to a FINRA facility indicate if a transaction is "short exempt" consistent with Regulation SHO. FINRA Regulatory Notice 10-48 will also be reviewed to ensure complete understanding of what is short exempt and what is required under the "short sale price test" restriction). Also, if applicable, the price at which the order is routed and a short exempt identified must be included on route reports.

Naked Short Selling Anti-Fraud Rule (Rule 10b-21)

Policy Requirements

In Release 34-58774 adopting Exchange Act Rule 10b-21, the SEC states, *“A primary goal of Rule 10b-21 is to address abusive naked short selling. While naked short selling as part of a manipulative scheme is always illegal under the general anti-fraud provisions of the federal securities laws, Rule 10b-21 specifies*

that it is a fraud for any person to submit an order to sell an equity security if such person deceives a broker-dealer participant of a registered clearing agency, or purchaser about its intention or ability to deliver the security on the date delivery is due and such person fails to deliver the security on or before the date delivery is due. Rule 10b-21 is aimed at short sellers, including broker-dealers acting or their own accounts, who deceive specified persons, such as a broker or dealer, about their intention or ability to deliver securities in time for settlement and who do not deliver securities by settlement date."

Exchange Act Rule 10b-21 applies to all sellers of equity securities, including long sales and a firm acting for its own account, but contains one bona fide market maker exception due to the fact market makers are excepted from the locate requirement of Regulation SHO.

Procedures and Documentation

Our CCO will work with appropriate Trading and Operations personnel to institute policies and procedures to ensure that we are not involved in, or abetting in any manner, abusive naked short selling or other deceptive selling activities.

Our CCO will ensure that we utilize the locate and delivery requirements of Regulation SHO and FINRA Rule 4320 in the most stringent manner possible to ensure that we do not inadvertently aid any individual or institution in abusive naked short selling practices.

We will monitor the performance of locates or pre-borrows, including locates or pre-borrows provided by customers, to assess future reliability and to detect instances of abusive naked short selling. Using SEC guidance found in *"Regulators Provide Tips for Broker-Dealers on Avoiding Failures to Deliver Securities"*, (available at http://www.sec.gov/about/offices/ocie/bdguidance.htm), we will develop appropriate supervisory oversight that may include one or more of the following policies and procedures, among others:

- Document the source of located or pre-borrowed shares when a short sale transaction is entered via a direct market access and/or other sponsored access arrangements
- Work with institutional clients to encourage the development of efficient systems for confirmation and affirmation of trades, to assure timely delivery of DVP trades
- Document the source of the customer's locate or pre-borrow
- Review Fail to Deliver reports for indications of abusive naked short selling

Any abusive naked short selling detected must be reported to the CCO. Our CCO will ensure that the abusive practice is investigated, that appropriate corrective measures are taken, and proper documentation is maintained.

Short Sale Rule 204

Policy Requirements

The SEC Rule 204 of Regulation SHO under the Securities Exchange Act of 1934 (Exchange Act) imposes close-out requirements on short sales.

Procedures and Documentation

Our CCO will work with appropriate Trading and Operations personnel to institute appropriate policies and procedures to ensure that we are in full compliance with Rule 204.

Continuing to access guidance found in the SEC document, "Regulators Provide Tips for Broker-Dealers on Avoiding Failures to Deliver Securities" (available at http://www.sec.gov/about/offices/ocie/bdguidance.htm), as well as Rule 204, our CCO and appropriate Trading and Operations personnel will implement internal controls to comply with Rule 204 requirements.

Rule 204 requires broker-dealers to close out most fail positions at the beginning of the first settlement day following the Settlement Date, generally T+3.

If we do not close out fail positions in accordance with Rule 204 we will become subject to a "borrowing penalty" until we purchase securities to close out the fail position and the purchase clears and settles at a registered clearing agency.

We have until the third settlement day following settlement date (T+5) to close out the fail position without becoming subject to the borrowing penalty if (1) we can demonstrate on our books and records that a fail position resulted from a long sale or (2) the fail position is attributable to bona fide market-making activities by registered market makers, options market makers, or other market makers obligated to quote in the over-the-counter market.

Our CCO and other applicable principals of the firm will ensure that we are adhering to the following as well and that we have appropriate oversight procedures and documentary measures in place:

- **Early Close Outs Using Pre-Fail Credits**. Rule 204 continues to permit early close outs using "Pre-Fail Credits." Rule 204 also provides that we may use either purchases or borrows to obtain the Pre-Fail Credits, rather than being limited to purchases. In addition, Rule 204 provides that we are only required to obtain Pre-Fail Credits to cover our open fail position, rather than having to cover the entire amount of our open short position.
- **Using Borrowed Shares to Close Out Fail Positions**. As noted above, Rule 204 allows us until T+5 to close out a fail position without becoming subject to the borrowing penalty if the fail position results from long sales or from bona fide market-making activity. However, we may either borrow or purchase securities to close out those fail positions, rather than being limited to purchases.
- **Allowing Extended Close Out Period for All "Deemed to Own" Securities**. Rule 204 incorporates the provision of Rule 204T stating that fail positions resulting from sales of securities pursuant to Rule 144 under the Securities Act of 1933 must be closed out by no later than the beginning of regular trading hours on the 35th consecutive calendar day following Settlement Date. However, Rule 204 extends the application of that time frame beyond Rule 144 securities to all securities that a person is "deemed to own" pursuant to Rule 200 of Regulation SHO and that such person intends to deliver as soon as all restrictions on delivery have been removed.

- **Explicit Prohibition on Sham Close Outs**. Rule 204 includes specific language that we will not be deemed to have fulfilled the requirements of Rule 204 where we enter into an arrangement with another person to purchase or borrow securities as required by Rule 204, and we knew, or had reason to know, that the other person would not deliver securities to settle the purchase or borrow.
- **Increased Disclosure of Short Sale Activity.** The SEC neither extended nor permanently approved interim Rule 10a-3T under the Exchange Act, which required disclosure of certain short selling activity on Form SH. Instead, the SEC stated that it, along with its staff, is working with the SROs to increase the public availability of short sale–related information.
- **Daily Publication of Short Sale Volume Information**. The SEC stated that the SROs are expected to begin publishing on their websites the aggregate short selling volume in each individual equity security for that day.
- **Disclosure of Short Sale Transaction Information**. The SEC stated that the SROs are expected to begin publishing on their websites, on a one-month delayed basis, information on individual short sale transactions in all exchange-listed equity securities.
- **Twice Monthly Disclosure of Fail Position Data**. The SEC stated that it will enhance the publication on its own website of fails-to-deliver data so that fails-to-deliver information is provided twice per month and for all equity securities, regardless of the fails level. Current fail-to-deliver information is available on the SEC's website at http://www.sec.gov/foia/docs/failsdata.htm.

We will continue to:

- Track all fail to deliver positions (unsettled trades) resulting from both long and short sales and then borrow or buy-in sufficient securities to close out those fails at the beginning of regular trading on T+3 (in the case of short sales), T+5 (in the case of long sales), and T+39 for securities sold pursuant to Rule 144
- Monitor fail to deliver positions; until the firm has closed out the fail to deliver position by purchasing securities of like kind and quantity, the firm may not engage in short sales in that security without borrowing, or entering into a bona fide arrangement to borrow the security
- Work with our clearing firm to ensure it makes prompt delivery of any equity securities sold
- If the customer provides assurance that it has access to shares to settle their transaction, the firm will document the source of the customer's locate or pre-borrow
- Monitor the performance of locates or pre-borrows, including locates or pre-borrows provided by customers, to assess future reliability

Short Sales

Nasdaq market makers who have maintained quotations in a Nasdaq National Market security for twenty (20) consecutive business days without interruption are EXEMPT from the rule for short sales in that security, provided all exempted short sales are made in bona fide market making activity.

A market maker will be deemed to have maintained quotations without interruption if the market maker is registered in the security and has continued publication of quotations in the security through Nasdaq on a continuous basis; provided, however, that if a market maker is granted an excused

withdrawal pursuant to the requirements of FINRA Rule 6275, the twenty (20) business day standard will be considered uninterrupted and will be calculated without regard to the period of the excused withdrawal.

"Qualified market maker" means a registered Nasdaq market maker that meets the criteria for a Primary Nasdaq Market Maker.

Primary Market Maker Exemption: Market makers can claim an exemption from short sale rule restrictions if they qualify as a Primary Market Maker (PMM) by meeting certain quantitative criteria.

All Market Makers registered in and quoting a Nasdaq National Market security were deemed to be a PMM in that security. Accordingly, all Market Makers registered in and quoting a Nasdaq National Market security are deemed to be "qualified" Market Makers and eligible to rely on the Market Maker exemption from FINRA short-sale rule (for transactions that are made with bona fide market activity) prohibiting FINRA member firms from effecting short sales at or below the current inside bid as disseminated by Nasdaq whenever that bid is lower than the previous inside bid.

All Market Makers must mark their ACT Reports to denote when they have relied on the Market Maker exemption to FINRA Short-Sale rule.

The PMM rule also has provisions applicable to initial public offerings (IPOs), secondary offerings and merger and acquisition situations.

TRADE REPORTING: OTC EQUITY SECURITIES

Policy Requirements

Reportable OTC Equity Securities Transactions: FINRA member firms are required to report transactions (other than transactions executed on or through an exchange) in OTC equity securities, including secondary market transactions in non-exchange-listed Direct Participation Program securities, and Restricted Equity Securities to the OTC Reporting Facility (ORF) in compliance with the Rule 6600 and 7300 Series, as well as all other applicable rules and regulations.

Pursuant to FINRA Rule 2114, in recommending that a customer purchase or sell short any OTC equity security, the member firm must have reviewed the current financial statements of the issuer, current material business information about the issuer, and made a determination that such information, and any other information available, provides a reasonable basis under the circumstances for making the recommendation.

Procedures and Documentation

Our Head Trader is responsible for ensuring that we are in full compliance with all our responsibilities with reporting OTC equity securities transactions.

Our CCO is responsible for undertaking an annual review of our OTC reporting policies and procedures and for testing them to ensure compliance.

The designated principal will ensure that, as soon as practicable but no later than 10 seconds after execution, we will transmit to the OTC Reporting Facility, or if the OTC Reporting Facility is unavailable due to system or transmission failure, by telephone to the Operations Department, last sale reports of transactions in OTC Equity Securities executed during normal market hours.

Which Party Reports the Transaction?

1. In transactions between two members, the executing party shall report the transaction.
2. In transactions between a member and a non-member or customer, the member shall report the transaction.

The designated principal shall ensure that each last sale report contains the following information:

- Symbol of the OTC Equity Security or Restricted Equity Security;
- Number of shares;
- Price of the transaction;
- A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short; and
- The time of execution expressed in hours, minutes, and seconds based on Eastern Time, unless another provision of FINRA rules requires that a different time must be included on the report.

All OTC reporting is reviewed on an on-going basis, ensuring compliance (such reviews evidenced by initials and dates).

The designated principal will ensure that all OTC transaction processing meets all requirements of Rules 7240A and 7340, understanding that stop orders has been replaced with FINRA Rule 5350.

Our CCO will ensure that an annual review is undertaken of all OTC reporting and related requirements.

Quotations

Policy Requirements

Rule 15c2-11 requires broker-dealers to review key, basic issuer information before initiating or resuming quotations for the issuer's security in the OTC market. On September 16, 2020, the SEC adopted amendments to Rule 15c2-11, which modernized the rule by ensuring that broker-dealers do not publish quotations for an issuer's security when current issuer information is not publicly available, subject to certain exceptions.

The amendments improved transparency by:

- Requiring certain documents and information that a broker-dealer must obtain and review in order to commence a quoted market in an OTC issuer's security to be current and publicly available;
- Allowing broker-dealers to rely on the quotations of another broker-dealer that initially complied with the information review requirement; and
- Requiring that issuer information be current and publicly available for a broker-dealer to rely on the unsolicited quotation exception to publish quotations on behalf of company insiders and affiliates of the issuer.

Further, the amendments updated the piggyback exception by:

- Requiring at least a one-way priced quotation;
- Prohibiting reliance on the exception during the first 60 calendar days following the termination of a Commission trading suspension; and
- Providing a time-limited window of 18 months during which broker-dealers may quote the securities of shell companies.

These amendments also:

- Allow broker-dealers to initiate a quoted market for a security if a qualified IDQS complies with the information review requirement and makes a publicly available determination of such compliance; and
- Allow broker-dealers to quote actively traded securities of well-capitalized issuers, quote securities issued in an underwritten offering if the broker-dealer is named as an underwriter in the registration statement or offering statement for the underwritten offering, and rely on certain third-party publicly available determinations that the requirements of certain exceptions are met.

Following adoption of the amendments on September 16, 2020, certain market participants began requesting additional time to comply with the Rule. Accordingly, the SEC offered a phase-in approach in a no-action letter published on December 21, 2021,which has since been withdrawn and replaced with a no-action letter published in November 2022 stating that the Division will not recommend enforcement action to the Commission under the Amended Rule for brokers or dealers that publish or submit quotations, including continuous quotations, in a quotation medium, for fixed income securities if the broker or dealer has determined that the fixed income security or its issuer meets one of the criteria in Appendix A, or that there is current and publicly available financial information (consistent with Rule 15c2-11(b)) about the issuer.

This position of the Division is temporary and shall expire on January 4, 2025.

In addition to the position expressed above, the Division will not recommend enforcement action to the Commission under the Amended Rule for brokers or dealers that publish or submit quotations, including continuous quotations, in a quotation medium, for any fixed income security if the broker or dealer

reasonably has determined that the fixed income security is foreign sovereign debt or a debt security guaranteed by a foreign government.

Procedures and Documentation

Our CCO and our FINOP will ensure that all quotations comply with Rule 15c2-11 and ensure that we document all quotation reviews.

The designated principal is responsible for remaining current regarding Rule 15c2-11, along with any new SEC no-action letters or guidance.

Foreign Securities

Policy Requirements

From FINRA Notice to Members 07-25:

"The definition of OTC EQUITY SECURITY is broad and includes foreign equity securities, even those that trade exclusively outside the United States" and "A foreign equity security is any OTC Equity Security that is issued by a corporation or other organization incorporated or organized under the laws of any foreign country."

Procedures and Documentation

Our Trade Reporting Principal must ensure that all applicable foreign equity securities are included in our trade reporting as required by FINRA Rule 6622 (formerly NASD Rule 6620).

Our CCO will ensure that we undertake monthly review of all foreign securities transactions to ensure that only those that meet Rule 6622 trade reporting exclusion parameters have been excluded from our trade reporting.

Rule 6622 reporting requirements do not apply if:

- the transaction is executed on and reported to a foreign securities exchange, or
- the transaction is executed over the counter in a foreign country and is reported to the regulator of securities markets for that country.

Price and Volume Reporting (Non-Nasdaq Securities Principal Transactions)

Procedures and Documentation

Our Head Trader must ensure our compliance with FINRA Rule 5320 relating to price and volume reporting on non-Nasdaq securities.

The designated principal will ensure that the following information on all principal transactions in non-Nasdaq is reported through the Non-Nasdaq Reporting System:

- the highest price at which we sold, and the lowest price at which we purchased, each non-Nasdaq security;
- the total volume of purchases and sales executed in each non-Nasdaq security; and
- whether the trades establishing the highest price at which we sold, and the lowest price at which we purchased, the security represented an execution with a customer or with another broker-dealer.

The price we report for principal sales and purchases from customers shall include the mark-up or mark-down.

The designated principal will ensure that the price and volume information required by FINRA Rule 5320 is reported through the Non-Nasdaq Reporting System between the hours of 4 p.m. and 6:30 p.m. Eastern Time on the trade date or between 7:30 a.m. and 9 a.m. Eastern Time on the next business day, or at such other time as determined by FINRA.

These reporting requirements in Rule 5320 do not apply to any non-Nasdaq security for which we are required to report individual transactions pursuant to the Rule 6600 Series.

At least monthly, our CCO will ensure that we undertake a review to determine compliance with FINRA Rule 5320.

The designated principal is responsible for remaining current regarding any Rule 5320 amendments, as well as any new requirements for reporting non-Nasdaq securities principal transactions.

Third Party Reporting Activities

Procedures and Documentation

Our CCO and our FINOP have joint responsibility for ensuring that we follow all trade reporting activities undertaken on our behalf by a third-party.

At least quarterly, our FINOP and CCO will ensure that we undertake a review of the reporting being done on our behalf, verifying that such reporting is performed on a timely and accurate basis.

Verification will be accomplished by reviewing a sampling of the third-party's trade reporting records against our purchase and sale blotter. Any discrepancies will be brought to the attention of the third-party for their review and, if appropriate, the submission of corrected trade reports.

Net Transactions

Policy Requirements

FINRA Rule 2124 defines a "net" transaction as a principal transaction in which a market maker, after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price (from (to) another broker-dealer or another customer) and then sells to (buys from) the customer at a different price.

Prior to executing a transaction for or with a customer on a "net" basis, firms must provide disclosure to and obtain consent from the customer.

For non-institutional customers, member firms must obtain the customer's written consent on an order-by-order basis prior to executing a transaction for or with the customer on a "net" basis and such consent must evidence the customer's understanding of the terms and conditions of the order.

For institutional customers, member firms must obtain the customer's consent prior to executing a transaction for or with the customer on a "net" basis in accordance with one of the following methods:

- a negative consent letter that clearly discloses to the institutional customer in writing the terms and conditions for handling the customer order(s) and provides the institutional customer with a meaningful opportunity to object to the execution of transactions on a net basis. If the customer does not object, then the member may reasonably conclude that the institutional customer has consented to the member trading on a "net" basis with the customer and the member may rely on such letter for all or a portion of the customer's orders (as instructed by the customer);
- oral disclosure to and consent from the customer on an order-by-order basis. Such oral disclosure and consent must clearly explain the terms and conditions for handling the customer order and provide the institutional customer with a meaningful opportunity to object to the execution of the transaction on a net basis; or
- written consent on an order-by-order basis prior to executing a transaction for or with the customer on a "net" basis and such consent must evidence the customer's understanding of the terms and conditions of the order.

Procedures and Documentation

Our CCO and FINOP will ensure that all net transactions, in addition to complying with the FINRA trade reporting rules, also adheres with all other applicable FINRA and SEC rules, including:

- *SEC Rule 10b-10(a)*. For non-market makers, firms must disclose to customers the difference between the price to the customer and the contemporaneous purchase (sale) price, where the firm purchases (sells) the security from another person to offset a contemporaneous sale to (purchase from) such customer.
- *SEC Rule 611 (Order Protection Rule)*. Firms trading on a net basis must comply with the Order Protection Rule, which requires trading centers to establish, maintain and enforce written policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by automated trading centers, subject to applicable exceptions and exemptions.
- *Rule 2121 (Fair Prices and Commissions)*. If a firm buys (sells) for its own account from (to) its customer, the firm shall do so at a price that is fair, taking into consideration all relevant circumstances.
- *Rule 5310 (Best Execution and Interpositioning)*. Firms must use “reasonable diligence” to ascertain the best market for a security and to buy and sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

- *Rule 5320 (Prohibition Against Trading Ahead of Customer Orders)*. A firm that accepts and holds an order in an equity security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

At least [monthly/quarterly/annually], our CCO will review our net transactions to ensure that the correct consent has been documented for each transaction.

Orders

Limit Orders

Responsibility

The CCO must review our limit order policies and procedures to ensure that we adhere to them companywide.

Open Order Adjustments

Responsibility

Our CCO must ensure the appropriate handling of all open orders based on FINRA Rule 5330 (formerly NASD Rule 3220).

Designated supervising principals have an ongoing responsibility to ensure that the individuals under their direct supervision are aware of the requirements, and to undertake sufficient monitoring to ensure compliance.

Procedure

Designated principals will monitor and review all open order treatments, appropriately evidencing all such reviews for the files, based on the following.

When we hold an open order from a customer or another broker-dealer, prior to executing or permitting the order to be executed, we reduce, increase or adjust the price and/or number of shares of such order by an amount equal to the dividend, payment or distribution on the day that the security is quoted ex-dividend, ex-rights, ex-distribution or ex-interest, except where a cash dividend or distribution is less than one cent ($.01), as follows:

1. In the case of a cash dividend or distribution, the price of the order shall be reduced by subtracting the dollar amount of the dividend or distribution from the price of the order and rounding the result to the next lower minimum quotation variation used in the primary market, provided that if there is more than one minimum quotation variation in the primary market, then the greater of the variations shall be used (e.g., if a market has minimum quotation variations of 1/16 or 1/32 of a dollar for securities trading in fractions, depending on the price of the security, or $.01 for securities trading in decimals, then the adjustment to open orders shall

be in increments of 1/16 of a dollar for issues trading in fractions and $.01 for issues trading in decimals).

2. In the case of a stock dividend or split, the price of the order shall be reduced by rounding the dollar value of the stock dividend or split to the next higher minimum quotation variation used in the primary market as specified in paragraph (a)(1) of NASD Rule 3220 and subtracting that amount from the price of the order; provided further, that the size of the order shall be increased by (a) multiplying the size of the original order by the numerator of the ratio of the dividend or split, (b) dividing the result by the denominator of the ratio of the dividend or split and (c) rounding the result to the next lower round lot.
3. In the case of a dividend payable in either cash or securities at the option of the stockholder, the price of the order shall be reduced by the dollar value of the cash or securities, whichever is greater, according to the formulas in subparagraph (1) or (2), above; provided, that if the stockholder opts for securities, the size of the order shall be increased pursuant to the formula in subparagraph (2), above.

If the value of the distribution cannot be determined, the member shall not execute or permit such order to be executed without reconfirming the order with the customer.

If a security is the subject of a reverse split, all open orders will be canceled.

The term "open order" means an order to buy or an open stop order to sell, including but not limited to good-till-canceled, limit or stop-limit orders that remain in effect for a definite or indefinite period until executed, canceled or expired.

The provisions of the rule do not apply to:

- Orders governed by the rules of a registered national securities exchange
- Orders marked "do not reduce" where the dividend is payable in cash
- Orders marked "do not increase" where the dividend is payable in stock, provided that the price of such orders shall be adjusted as required by this rule
- Open stop orders to buy
- Open sell orders
- Orders for the purchase or sale of securities where the issuer of the securities has not reported a dividend, payment or distribution pursuant to Exchange Act Rule 10b-17.

Order Routing Disclosures: Introducing Broker-Dealers

Background

On November 2, 2018, the SEC announced that they will adopt amendments to Rule 606 of Regulation NMS, which requires broker-dealers to disclose to investors new and enhanced information about the way they handle investors' orders.

The Commission has amended the Rule to require a broker-dealer, upon a request of a customer who places a "not held" order, to provide the customer with a standardized set of individualized disclosures concerning the firm's handling of the customer's orders. The new disclosures will, among other things,

provide the customer with information about the average rebates the broker received from, and fees the broker paid to, trading venues.

These amendments became effective on November 13, 2018.

Rule 606 requires all broker-dealers that route orders in equity and option securities to make available quarterly reports that present a general overview of their routing practices. The reports must identify the significant venues to which customer orders were routed for execution during the applicable quarter and disclose the material aspects of the broker-dealer's relationship with such venues. The amended Rule includes enhancements to the quarterly public reports, which must now describe any terms of payment for order flow arrangements and profit-sharing relationships, among other things.

In addition, the Rule requires broker-dealers to provide customers on request, a written copy of the report of the venues to which the customer's individual orders were routed.

Newly adopted Rule 606(b)(3) will also require broker-dealers to provide a customer, upon request, a report on the broker-dealer’s handling of the customer’s NMS stock orders submitted on a not held basis for the prior six months, divided into separate sections for a customer’s directed orders and non-directed orders.

The requirement to provide a report on the handling of not held orders to customers will be subject to two de minimis exceptions, one at the firm-level and the other at the customer-level. Specifically, a broker-dealer is not obligated to provide the report to any customer if not held NMS stock orders constitute less than 5% of the total shares of NMS stock orders that the broker-dealer receives from its customers over the prior six months. In addition, a broker-dealer is not obligated to provide the report to a particular customer if that customer trades through the broker-dealer on average each month for the prior six months less than $1,000,000 of notional value of not held orders in NMS stock. Under the firm-level de minimis rule, the first time a broker-dealer meets or exceeds the firm-level de minimis threshold, there is a grace period of three months before the broker-dealer becomes subject to Rule 606(b)(3).

For purposes of the Rule, the term "customer order" is defined as any order that is not for the account of a broker-dealer.

The definition of "customer order" excludes any order for a quantity of a security having a market value of at least $50,000 for options orders.

The Term "covered securities" includes exchange-listed equities and NASDAQ National Market securities as well as NASDAQ Small-Cap equities and listed options.

Large orders are excluded in recognition of the fact that a general overview of order routing practices is more useful for smaller orders that tend to be homogeneous.

Rule 606 applies to all types of orders (e.g., pre-opening orders and short sale orders), but broker-dealers must give an overview of their routing practices only for non-directed orders.

We must post our quarterly reports on a free web site within one month after the end of a calendar quarter and furnish written copies upon customer request.

As all of our order flow is routed to our clearing firm, our CCO must obtain an electronic file containing the required disclosures from the clearing firm and each market center if we route orders to both our clearing firm and various market centers for posting to the appropriate web site (i.e., the clearing firm's website, our website, a third-party website, etc.).

Required Market Center Disclosures

All quarterly reports must be divided into four separate sections for each type of covered security and provide certain descriptive data described in detail in Rules 600 through 612 (Regulation NMS). The four required sections of the report are as follows.

- NYSE listed equities
- Nasdaq
- American Stock Exchange or other regional exchange-listed equities
- Listed options

Responsibility

Our CCO ensures our full compliance with the order routing disclosure requirements under Regulation NMS (specifically herein Rule 606).

Procedure

Our CCO must ensure that annually, we notify customers (or ensure that such notification is made on our behalf) of their option to request additional order routing data relating to the identity of the venues to which their orders were routed for the prior six-month period. We must also furnish written copies of the quarterly disclosures upon customer request.

Our CCO must ensure that we meet our disclosure obligations under Rule 606 (and other rules under Regulation NMS) and determine whether an exemption exists for certain venues.

The CCO will oversee the undertaking of a annual review to determine whether we have posted all required trading data to the appropriate website.

Annually, the CCO will ensure that we have made all required customer disclosures and annual notifications in a timely manner.

We will document all reviews for appropriate and timely disclosures for the files, indicating dates, names of individuals conducting the review, scope of review and findings, including corrective measures taken, if applicable.

Order Tickets/Investor Questionnaires/Subscription Agreements/Applications

Responsibility

Our designated supervising principals will ensure that the individuals under their immediate supervision have placed all required information on their order tickets, or other similar documents such as subscription agreements, investor questionnaires, applications, etc.

Procedure

Brokeraage account trading;

Broker/dealers are required to maintain a memorandum of each brokerage order, and of any other instruction, given or received, for the purchase or sale of securities, whether executed or unexecuted, which document must disclose, as appropriate:

1. the terms and conditions of the order or instructions, as well as any modification thereof to the account for which it was entered
2. the time the order was received, the time the order was entered and the time the order was executed - all three times must appear even if the time of any two actions are the same
3. the identity of each associated person assigned responsibility for the account
4. the identity of any other associated person who entered or accepted the order on behalf of the customer
5. the price at which executed and, to whatever extent feasible, the time of execution or cancellation
6. if applicable, solicited orders are to be so designated
7. if applicable, discretionary orders are to be so designated
8. the appropriate account name / designation must be placed on each order ticket, per FINRA amendment to Rule 3110. **Any required changes to the account name and/or designation given on an order ticket cannot be made without prior initialed approval and rationale for change made by an appropriately licensed principal**
9. any exercise of time and price discretion must be reflected on the order ticket, per FINRA Rule 2510(d)(1)

Subscription / Application basis orders (i.e. private placements, mutual funds, etc.) are exempt from (2), (3), (4) and (9) above.

All order tickets or other documents utilized when order tickets are not applicable (i.e. private placement transactions, mutual fund purchases, etc) will be reviewed by a supervising principal (such review evidenced by signature or initials, and date).

In addition, transactions involving non-Nasdaq securities will be reviewed to ensure the order ticket contains an indication as to the name of each dealer contacted and the quotations received to determine the best inter-dealer market. (such review evidenced by signature or initials and date).

Direct (application way) Trade Tickets ("DTT")

Who; Representatives are required to submit all required application way documents to supervisory principals for review and approval through our Laserfiche electronica submission process. All required documents will be reviewed as to suitability and best interest of the client. If not in good order the application will be NIGO back to the representative with rationale as to why this application was not approved.

If approved, the application will be marked as approved and signed and dated by the supervising principal. At that point the representative is authorized to deliver the application to the sponsor for investment/processing.

What: Our direct, application way products include Alternative Investments (Private Placements, Public Offerings,) Variable Annuity and Variable Universal Life insurance products, B/D 529 Plans and Mutual Funds. These products must have been previously approved by a supervising principal, for solicitation by our representation to our retail clients.

There may be some restrictions on who these products may be offered to and/or how much of these products may be offering to our retail clients. This will take place during the supervisory review process.

When the application has been approved, our operations team will be sure that the client account is active in our Spire Access system. If a new client, the operations team will create the account using the submitted Client Account form submitted with this product application.

With the client account established, the representative must enter the transaction details into Spire Access (I.e. Direct Trade Ticket ("DTT")). This entry of this DTT will flow through to the Direct Trade Blotter.

When: No direct, application way transaction may be executed prior to the submission, review and approval by a supervising principal.

Where: Once the above transactions are properly completed, the representative will then be required to file the approved application's paperwork properly into the client files within Laserfiche.

How: These direct, application way applications may be executed either in original form with "wet" signatures, Spire will accept applications executed using Docusign. Spire has not approved any other electronic signature. The same submission, approval and filing requirements remain the same.

Once the representative enters the DTT into Spire Access a "Pending" review blotter is available to principals (within Spire Access) where they are able to review the accuracy of the trade entry data. If all is in good order, the principal will approve the DTT, if not in good order, the representative will be contacted to correct the entry - and once corrected and in good order, the DTT can be approved. This assures that our Direct Trade Blotter is accurate from the application process. For variable annuity, fixed/fixed index annuity and variable life insurance purchases, the supervising principals will confirm that the source of the purchase is accurately reflected on the paperwork and the DTT. In cases of exchanges or replacements, the "Action" source must not be "BUY/INITIAL" but rather "EXCHANGE".

This direct trade listing is available in Spire Access which will indicate all DTT that has been approved, rejected or still pending by a particular principal.

On a monthly basis, the DTT listing within Spire Access will be reviewed by Compliance to confirm that all transactions have been reviewed for accuracy and approved, or review any pending or cancelled transactions. In addition, for variable annuity and variable life insurance purchases, Compliance

will review the DTTs entered into Spire Access and compare the data to the "Annuity Exchange Trend Report" for activity review.

Order Tickets: Short Sale Indications

Procedures and Documentation

Our designated supervising principals will ensure that order tickets, or other similar documents such as subscription agreements, investor questionnaires, applications, etc., contain all appropriate information.

Our CCO will ensure our full compliance with all Regulation SHO (short sale) requirements.

- We will indicate on the memorandum for the sale of any security whether the order is long, or short.
- An order may be marked long if the account is long the security involved, or the client owns the security and agrees to deliver same as soon as possible without undue inconvenience or expense.
- The criteria for accepting long or short sales is found in the SEC Regulation SHO Locate and Delivery provision.
- To adhere to this provision, we must indicate on the order ticket at the time the order is taken, documentation of the conversation with the customer about (a) the present location of the securities in question, (b) whether they are in good deliverable form, and (c) the client's ability to deliver them to us within three business days.

Review procedures utilized for the above and other Regulation SHO requirements can be found in other Short Sale sections within these WSPs.

Payment for Order Flow

Policy Requirements

"Payment for Order Flow" is defined as: *"Any monetary or non-monetary compensation, remuneration or consideration in return for routing customer orders to a particular market or dealer, for research, clearance, products or services or reciprocal order swapping arrangements, as well as credits, rebates or discounts against execution fees that exceed the fees charged for executing the order."*

Procedures and Documentation

Our CCO must ensure full compliance with Exchange Act Rules 10b-10 and Regulation NMS Rule 607.

Exchange Act Rule 10b-10 requires an indication on confirms whether a broker-dealer receives payment for order flow and the availability of further information on request. This is true whether the disclosure is ours (in cases where we do receive payment for order flow) or our clearing firm's (relating to their payment for order flow disclosure if there is no such disclosure required to be made by us).

We will undertake an annual review of confirms to ensure that all appropriate payment for order flow disclosures have been made.

Under Regulation NMS Rule 607, we are required to make written customer notification, at the time of opening a new account including:

- Our policies and order routing practices for the receipt of payment for order flow, including whether it is received and a detailed description of the nature of compensation received;
- Information on order-routing decisions, including whether market orders are subject to price improvement opportunities; and
- Notice that an account is NOT permitted to be opened without an originally-executed New Account Form.

All customers must receive an annual updating of the above information. Documentation of such annual updating will be verified, either by reviewing the files on an annual to ensure that such updating has occurred, or by verifying that our clearing firm has sent out such annual notification.

Time and Price Discretion (Retail Clients)

Policy Requirements

These requirements are solely for retail orders. Institutional accounts are exempt.

When a client orally grants time and price discretion, such discretion is limited to the day it is granted, unless we have received from the customer a signed and dated written authorization allowing us to carry the order forward to completion.

Procedures and Documentation

Our CCO must ensure that we have appropriate policies and procedures in place to comply with time and price discretion granted to registered personnel by their customers.

In addition, our designated supervising principals are responsible for ongoing oversight of all individuals under their immediate supervision to ensure that all time and price discretion transactions are in compliance with all rules, regulations and requirements.

All open orders subject to time and price discretion (which must be indicated on the order tickets) will be reviewed to ensure that appropriate written authorization is retained in the client file, such review evidenced by initials and dates.

When an open order exists for which appropriate written authorization cannot be located, we will do the following:

- Require registered personnel to immediately obtain oral approval for the following day, to be able to continue to fill the order; and
- Require registered personnel to obtain, by the following day, the requisite written authorization.

When registered individuals continue to fail to have appropriate documentation when carrying an order over to the following day, additional steps may be warranted, ranging from requiring the supervising principal to have a discussion with the registered individual who failed to comply, a requirement for additional training, withholding of commissions, internal fines, etc.

Trade Shredding

Policy Requirements

"Trade Shredding" is the practice of splitting customer orders for securities into multiple smaller orders (e.g., a 1,000 share order is split into ten 100-share orders) for the primary purpose of maximizing payments or rebates to the broker-dealer.

FINRA indicated in Notice to Members 06-19 that *"concerns have been raised about market participants increasingly engaging in the practice of trade shredding to increase their share of market date revenues under the joint industry plans where a plan participant has adopted a practice of sharing its plan revenues with market participants that send it orders."*

To address these concerns, the SEC adopted Regulation NMS, which contains amendments to the current plan formula used to allocate plan income. Notice to Members 06-19 continues, *"Although these (Regulation NMS) modifications in plan formulas reduce the incentives for trade shredding, FINRA Rule 5290 (previously NASD Rule 3308) was proposed and approved to prohibit such practices."*

Procedures and Documentation

Our CCO must ensure that sufficient monitoring and oversight procedures are in effect to uncover any instances of trade shredding.

Our CCO will ensure that an appropriate principal reviews our daily Purchase and Sales blotters each following day to detect instances of trade shredding. Any blotter entries suspected of indicating trade shredding will be brought to the attention of the supervising principal of the individual who was involved in the possible shredding. If, after an appropriate investigation, shredding was found to have occurred, the individual responsible will be sanctioned, including the possibility of termination.

Trading Systems / Order Entry Integrity

Policy Requirements

Notice to Members 04-66 advises FINRA member firms of the regulatory concern when firms "inadvertently have entered, or permitted customers or non-members to enter, the incorrect quantity of shares or prices into the handling, routing, and execution services of a vendor, automated trading system, electronic communications network, or other market center (collectively 'trading systems')."

Procedures and Documentation

Our Head Trader and CCO will ensure that we have a supervisory system and written supervisory procedures reasonably designed to ensure that orders placed into trading systems are not entered in error or in a manner inconsistent with FINRA rules, including FINRA Rule 5210 "Publication of Transactions and Quotations" and "Manipulative and Deceptive Quotations".

Rule 3110 (Supervision) requires us to have in place a supervisory system and written supervisory procedures reasonably designed to ensure that such orders placed into trading systems are not entered in error or in a manner inconsistent with FINRA rules, including Rule 5210. Our CCO will work with applicable associated personnel to ensure that we have such a supervisory system and written procedures in place.

Notice to Members 04-66 reminds firms that supervisory systems should promote compliance with the subscriber agreements of such trading systems. Our CCO will review all such subscriber agreements (evidenced by initials and dates) and maintain them in the files.

Our CCO must ensure that when we enter (through our clearing firm, another broker-dealer or an ECN), or permit customers or non-members to enter, orders into trading systems procedures and oversight are in effect so that orders are free of errors and representative of bona fide transaction and quotation activity.

The ultimate responsibility for data entry errors, or errors caused by defective or malfunctioning software operated either by us or a vendor, is ours.

While trading systems enhance our ability to route and execute orders and enable us to execute multiple orders as quickly and efficiently as possible, speed and efficiency must be balanced against the safeguards needed to protect against errors or mistakes that can result in increased market volatility and confusion, as well as significant financial risk and exposure to firms and the investing public.

Our CCO will review FINRA Regulatory Notice 09-72 and NASD Notice to Members 04-66 (referring to Notices to Members 88-84, 89-34, 98-96 and 99-45, as needed) regarding our responsibilities and supervisory requirements in this matter.

- Our Head Trader must ensure that we have in place systems that include controls that limit the use of such systems to authorized persons, undertake reviews for order accuracy, prevent orders that exceed preset credit- and order-size parameters from being transmitted to a trading system, and prevent the unwanted generation, cancellation, repricing, resizing, duplication, or re-transmission of orders.
- Our Head Trader will also ensure that the operation, testing, or maintenance of a trading system does not result in the inadvertent disabling of the applicable trading system, mistaken executions, errors, or other trading problems.
- We must ensure that we do not test our systems' connectivity to the applicable trading system by sending orders that are not executable, such as by sending orders during normal market hours that are priced far outside a security's current price. Our Trading Principal must ensure that we test pursuant to established protocols and that our test messages are clearly denoted as such.

- Our Head Trader must ensure that our supervisory system and written supervisory procedures are in place and have been reasonably designed to ensure that such orders are not entered in error or in a manner inconsistent with FINRA rules (including, but not limited to, Rule 5210) or with the subscriber agreements of such trading systems to the extent necessary to ensure compliance with applicable FINRA rules.
- Our Head Trader has been given instructions noting that procedures available to adjudicate clearly erroneous transactions are to be used only in cases of clear or obvious errors; these procedures are not appropriate to be used as a proxy for proper system use or trading procedures. Other errors, whether as a result of a system problem or human error, are also prohibited from being dealt with through the rules applicable to clearly erroneous transactions.

Failure on the part of our Head Trader to enforce all written supervisory policies and procedures with respect to the review and detection of potential order-entry errors may result in FINRA initiating disciplinary action against this firm and our supervisory personnel for failure to adopt, implement, and enforce appropriate supervisory procedures.

Exception Reports

Introducing Firm

Background

Exchange Act Rule 17a-4 regarding books and records requires that broker-dealers retain *"all reports generated to review unusual activity in customer accounts,"* generally known as exception reports.

Responsibility

Our CCO ensures that we generate all appropriate exception reports to undertake sufficient surveillance of account activity to detect and deter regulatory violations.

Procedure

- **Clearing Firm Exception Reports:** Our Operations Principal, working with senior management operations and other appropriate departments or individuals, is responsible for ensuring that we receive, from our clearing firm, all available assistance in monitoring activities and ensuring compliance.

FINRA Rule 3230 requires that our clearing firm submit to us a list of all exception reports which it issues, or which it is able to issue, on an annual basis, to which notification we must respond each year, indicating those reports we wish to have supplied. We must ensure that the reports requested are sufficient to undertake appropriate surveillance activities to detect and deter fraudulent or non-compliant activities (including, but not necessarily limited to, address changes, sudden increased activity in an account, transactions over a certain monetary amount, large debt balances, cancelled and rebill reports, churning, etc.).

- **Internally Generated Exception Reports:** For securities transactions not through our clearing firm, our Operations Principal is responsible for ensuring that we utilize whatever systems possible to run in-house "exception" reports to enable us to have appropriate tools to assist in compliance efforts. Such exception reports are to include, senior investors, UGMA/UTMA accounts, licensing reports, trading activity, etc.
- Rule 17a-3 permits the use of vendors where perhaps reports are stored off site and are not maintained on premises at the broker/dealer. Should we not maintain any exception reports, our Operations Principal is responsible for ensuring that the reports can be duplicated "on demand" by a regulator, or can be reconstructed so as to accurately show the information utilized on any given date for any specific oversight activity.

CAT (Consolidated Audit Trail)

Policy Requirements

In 2012, the SEC adopted SEC Rule 613 to create the Consolidated Audit Trail (CAT), intending to allow regulators to monitor activity in National Market System (NMS) securities. In November 2016, the SEC approved the CAT NMS Plan, which was submitted by the Self-Regulatory Organizations (SROs), which outlines a broad framework for the creation, implementation, and maintenance of the CAT.

The CAT will allow regulators to track all trades from their inception, pinpointing buyers, sellers, exchanges and brokers involved. The CAT will collect information on quotes, orders, routes, and trade execution for exchange-listed equities and options throughout the NMS, including related events such as cancellations, modifications and acceptances of an order or route.

The CAT applies to all US exchanges and firms, including Alternative Trading Systems (ATSs), registered with an SRO and unlike the Order Audit Trail System (OATS), there are no broker-dealer exemptions from reporting requirements. Any broker-dealer that is a member of a national securities exchange or FINRA and handles orders in NMS Securities, which includes NMS stocks and listed Options, and OTC equity securities, must report to CAT. The CAT NMS Plan requires each SRO to adopt rules requiring its members to comply with Rule 613 and the CAT NMS Plan, and to enforce compliance by its members in accordance with these governing regulations.

The CAT is more than an evolution of FINRA's Order Audit Trail System (OATS). It includes substantial additional requirements, including new events, options data, allocations, and linkage. Options reporting is a significant change for Firms as they implement solutions to generate the reports for the options quotes, orders, and executions. Under Rule 613, market makers will be required to submit quotation activity in addition to execution information.

There will be a period of parallel reporting to both OATS and CAT. The CAT will need to accumulate information before a retirement of OATS can be initiated.

Phased Reporting

On April 20, 2020, the SEC issued an exemptive order establishing a phased CAT reporting timeline.

Phase 2a

Phase 2a Industry Member Data would include all events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations, and executions.

Phase 2a Industry Member Data would include Reportable Events for:

- Proprietary orders, including market maker orders, for eligible securities that are equities;
- Electronic quotes in listed equity eligible securities (i.e., NMS stocks) sent to a national securities exchange or FINRA's Alternative Display Facility;
- Electronic quotes in unlisted eligible securities (i.e., OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (IDQS); and
- Electronic quotes in unlisted eligible securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member.

Large firms and small firms that already report to OATS are required to begin reporting Phase 2a Industry Member Data to the CAT by June 22, 2020. Non-OATS reporting small firms are required to begin reporting Phase 2a Industry Member Data to the CAT by December 13, 2021.

Phase 2b

Phase 2b Industry Member Data would include data related to eligible securities that are options and related to simple electronic option orders, excluding electronic paired option orders.

Large firms are required to begin reporting Phase 2b Industry Member Data to the CAT by July 20, 2020, whereas small firms are required to begin by December 13, 2021.

Phase 2c

Phase 2c Industry Member Data would include data that is related to eligible securities that are equities and that is related to:

- Allocation Reports as required to be recorded and reported to the Central Repository;
- Quotes in unlisted eligible securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes);
- Electronic quotes in listed equity eligible securities (i.e., NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility;
- Reporting changes to client instructions regarding modifications to algorithms;
- Marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP;
- Flagging rejected external routes to indicate a route was not accepted by the receiving destination;
- Linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route;
- Special handling instructions on order route reports;

- Quote identifier on trade events;
- Reporting of large trader identifiers (LTIDs) (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c;
- Reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship;
- Order effective time for orders that are received by an Industry Member and do not become effective until a later time;
- The modification or cancellation of an internal route of an order; and
- Linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System–Execution Management System scenarios, as required in the Industry Member Technical Specifications.

Large firms are required to report Phase 2c Industry Member Data by April 26, 2021 and small firms by December 13, 2021.

Phase 2d

Phase 2d Industry Member Data includes with respect to the eligible securities that are options:

- Simple manual orders;
- Electronic and manual paired orders;
- All complex orders with linkages to all CAT-reportable legs;
- LTIDs (if applicable) for accounts with Reportable Events for Phase 2d;
- Date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts;
- Allocation reports as required to be recorded and reported to the Central Repository;
- The modification or cancellation of an internal route of an order; and
- Linkage between a combined order and the original customer orders.

Both large and small firms are required to report Phase 2d Industry Member Data by December 13, 2021.

Phase 2e

Phase 2e Industry Member Data includes Customer Account Information and Customer Identifying Information, other than LTIDs, date account opened/Account Effective Date and Firm Designated ID type flag previously reported to the CAT.

Both large and small firms are required to report Phase 2e Industry Member Data by July 11, 2022.

Procedures and Documentation

The designated principal (Our Head Trader, or CCO) ensures our compliance with all requirements under CAT.

( ) We are self-reporting and assume complete responsibility for all CAT reporting requirements, recordkeeping, etc., as overseen by the designated principal.

OR

( ) We have verified our clearing firm's CAT reporting capabilities and have entered into a written agreement on the responsibilities of this firm and of the clearing firm regarding CAT reporting. The designated principal conducts continuing due diligence of our clearing firm's capabilities and ensures that all required reporting is effected in a timely manner. (Reporting through our clearing firm does not absolve us from our responsibilities as the reporting firm.)

OR

( ) We have verified the CAT reporting capabilities of a third-party vendor and have entered into a written agreement on the responsibilities of this firm and of the vendor for CAT reporting. The designated principal conducts continuing due diligence of the vendor's capabilities and ensures that all required reporting is effected in a timely manner. (Reporting through a vendor firm does not absolve us from our responsibilities as the reporting firm.)

CAT Reporting

CAT is not a real-time reporting system and does not change any other FINRA trade reporting rule (i.e., the 10-second rule), nor do the CAT rules impact the amount of time allowed to write a customer order ticket or perform order processing. For each day's transactions, CAT trade data can be transmitted during or after market hours but not later than 8:00 a.m. on the following business day. Available mechanisms to report to CAT include SFTP and the CAT Reporter Portal.

CAT Reporting Verification

Whether we self-report, use the services of a third party (i.e., clearing firm) or report via any combination thereof, we will access the CAT NMS website at www.catnmsplan.com to perform daily reviews of all reported data and verify such data against our transaction blotters, evidencing such review by initials and dates. Any exception uncovered by these reviews, such as a rejected transaction or late submission, will be brought to the attention of our Head Trader or CCO for appropriate action. We will maintain appropriate documentation of any such action.

Our Head Trader, or an appropriate designee will conduct daily reviews of all reported data, available on the website, as detailed in the following reports.

- Firm Order Report FORE Status Notification
- Reporting Statistics
- Order/Trade Match Statistics
- Route/NMC Match Statistics
- Interfirm Route Match Statistics
- All reportable order entry ROE-related reports

- All unmatched execution/routing reports

Rejected Transactions

Our Head Trader, or our CCO, will periodically (no less than quarterly) review rejected transactions, documenting that all applicable repairs have been made to the rejections.

FINRA's CAT Report Card will be reviewed monthly, as discussed in the following section.

In instances where we direct transactions elsewhere than our clearing firm (i.e., an ECN), we will go to the CAT website, pull up the reported data and verify it against our confirms or transaction blotter, evidencing such review by initials and dates.

CAT Report Cards

A CAT Compliance Monthly Report Card is available through the CAT Reporter Portal.

The CAT Compliance report card is a monthly status report on the number and percentage of (a) late CAT submissions, (b) unmatched execution reports, (c) unmatched NASDAQ Execution System route reports, and (d) unrepaired repairable rejected order events.

Our designated principal will obtain our CAT compliance report card each month.

Clock Synchronization Supervisory Procedures

CAT rules require that all computer and mechanical clocks (i.e., time-stamping devices) be synchronized.

Firms are required to synchronize Business Clocks, at a minimum, to within 50 milliseconds of the time maintained by the National Institute of Standards and Technology (NIST) and to maintain such synchronization. Business clocks that are solely used for manual CAT events or for the time of allocation on allocation reports must be synchronized, at a minimum, to within a one second tolerance.

Our designated principal checks all clocks daily, documents and maintains our synchronization procedures for Business Clocks, and keeps a log of the time when our Business Clocks are synchronized as well as the results of the synchronization process. This log also notes occurrences when our Business Clock misses the applicable tolerances.

The log must include results for a period of not less than five years ending on the then current date, or for the entire period for which we have been required to comply, if less than five years. We must also certify our compliance with these clock synchronization requirements and report violations according to the requirements that will be established by CAT.

We must record and report the actual time that an order is received from a customer or another member firm, even if the order is received outside of the main office by a registered representative or an independent contractor. An order is received when all the specific details of the orders are understood and the order arrives at a place where it can be handled or executed.

Registered representatives and independent contractors who immediately, electronically or otherwise, transmit their orders to the main office may use the time they transmitted the order, as recorded by the person who receives the order, as order receipt time; thus, they would not have to maintain a synchronized clock that displays or records time in seconds at their location.

However, if any delay occurred in transmitting the order to us or if we did not agree to maintain the proper times, the independent contractor or the registered representative in the branch office would have to maintain a synchronized clock for recording the times required under the CAT rules.

Where we use a third party (i.e., another broker-dealer or a financial service bureau) to report on our behalf, we must have our own synchronized source of time when orders are not immediately transmitted to the third party or when temporary technical breakdowns occur.

Clock Synchronization Process

For manual synchronization, our logs will reflect each time during a day that our clocks are synchronized, indicating any clocks with synchronization problems and what was done to address such problems. Under the supervision of our CCO, we will review these logs quarterly to determine that they are appropriately maintained and that all problems are addressed and corrected.

CAT Recordkeeping Compliance

Information required to be reported to the CAT must be maintained in accordance with SEC Rule 17a-4(b), which states that these records must be preserved for at least three years, the first two years in an accessible place.

The information to be maintained includes the following:

- An identification of each registered person who receives an order from a customer;
- An identification of each registered person who executes the order; and
- When we originate an order that is transmitted manually to another department within this broker-dealer, an identification of the department that originated the order.

Records may be retained in either electronic or paper format. SEC Rule 17a-4 also allows for a lesser retention period for reported information if the firm has the ability to reproduce the submission upon request from the regulator.

Annually our CCO will undertake a review to determine whether we appropriately maintain all required information for CAT Order Events data.

Our CCO or designated principal will oversee our compliance with CAT and ensure the maintenance of all associated records. Record maintenance also includes all records generated by our clearing firm or third-party vendor. Our CCO must know how to obtain such records (i.e., downloading) from each appropriate party and maintain them in the files.

CAT Announcements (CAT NMS Plan Website)

The designated principal must ensure that we receive important messages posted to CAT website and that the information is disseminated as required. Such notices include information on outages, processing delays, reminders and new publication disclosures.

Daily review of the website https://www.catnmsplan.com is required. We will maintain a CAT Announcement Log of such website review, which is reviewed monthly by our CCO.

In addition, our CCO will maintain and appropriately distribute materials found on the website.

Resources for CAT Information: the FINRA CAT Helpdesk is available by phone at 888-696-3348 or email at help@finracat.com.

Data Security

Procedures and Documentation

Our Head Trader, or our CCO in lieu of our having a designated Head Trader, will ensure that we appropriately maintain all required CAT data.

Our CCO will ensure that we maintain appropriate records of the CAT Order Events recorded under FINRA Rule 7440, in accordance with SEC Rule 17a-4(b) for three years, either on micrographic media or by means of electronic storage media in accordance with the conditions set forth in SEC Rule 17a-4(f). The information to be maintained includes the following:

- An identification of each registered person who receives an order from a customer;
- An identification of each registered person who executes the order; and
- When we originate an order that is transmitted manually to another department within this broker-dealer, an identification of the department that originated the order.

Annually our CCO will undertake a review to determine whether we appropriately maintain all required information for CAT Order Events data.

Our Cybersecurity Committee, in addition to our Cybersecurity and Incident Response procedures, will consider the following when developing procedures for data security as it pertains to CAT reporting:

- Establish controls to ensure only required and appropriate data is reported to the Plan Processor or service providers, including methods for identifying breaches of data and defining required procedures if data leakages do occur;
- Consideration in relation to the error handling and corrections processes, such as which staff may be required to access information to address remediation;
- Monitor for data breaches, including internal and external incidents;
- Define which roles require access for critical path reporting and error handling and corrections;
- Mandatory training across all staff that are part of the CAT submission process for security procedures and data handling; and
- Test CAT reporting systems for process integrity, protection of data transmission, and storage.

Eligible Securities

Firms will be required to report to the CAT reportable events involving an eligible security. Under the CAT NMS Plan, "eligible security" includes all equities and options that are NMS securities and OTC equity securities.

For eligible securities, the types of events that will need to be reported will include:

- All proprietary orders, including market maker orders;
- All street side representative orders (both agency and proprietary);
- Electronic listed quotes sent to an exchange or the Alternative Display Facility;
- Unlisted quotes received by a broker-dealer operating an inter-dealer quotation system;
- Unlisted quotes that meet the definition of bid or offer under the Plan sent by a broker-dealer to a quotation venue not operated by an SRO or broker-dealer;
- Orders to buy or sell a single option that are not related to or dependent on any other transaction for pricing or timing of execution that are either received or routed electronically by an Industry Member CAT Reporter;
- Electronic option orders that contain both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange;
- Electronic receipt of an order; and
- Electronic routing of an order.

Large Trader Reporting (Exchange Act Rule 13h-1)

Policy Requirements

Large traders, defined as a person whose transactions in NMS securities in aggregate equal to or exceed two million shares or $20 million during any calendar day, or 20 million shares or $200 million during any calendar month, will be required to identify themselves to the SEC through the filing of Form 13H on the EDGAR system.

Our policy and practice is to monitor: 1) the volume of trading conducted to determine if and when we become subject to filing Form 13H; and 2) our customers' accounts for activity that may trigger the large trader identification requirements of Rule 13h-1.

Upon the determination that Spire Securities, LLC is a large trader subject to the large trading reporting requirements, the firm will submit its initial Form 13H filing (i.e., within 10 days of first effecting transactions in an aggregate amount equal to or greater than the identifying activity level).

Once designated as a large trader, Spire Securities, LLC will effect the annual filing of Form 13H within 45 days of our fiscal year end and ensure that any amendments to Form 13H are timely filed. Large traders may complete an annual filing and also designate it as an amended filing. Doing so allows a large trader to satisfy both the amended 4th quarter filing as well as the annual update, as long as the submission is made within the period permitted for the 4th quarter amendment.

Upon the determination that a customer is a large trader subject to the large trading reporting requirements, Spire Securities, LLC is responsible for certain recordkeeping, reporting, and monitoring duties.

Unidentified Large Trader

The SEC has defined "Unidentified Large Trader" as "each person who has not complied with the identification requirements of Rule 13h-1 that a registered broker-dealer knows or has reason to know is a large trader."

In considering whether the broker-dealer has "reason to know" that a person is a large trader, the broker-dealer only needs to take into account transactions in NMS securities effected by or through the broker-dealer. Moreover, a broker-dealer may determine that it has no "reason to know" that a person is a large trader through two methods. First, the broker-dealer may simply conclude, based on its knowledge of the nature of its customers and their trading activity with the broker-dealer, that it has no reason to expect that any of these customers' transactions approach the identifying activity level. Second, the broker-dealer may rely on the safe harbor provision in Rule 13h-1(f). Under the safe harbor, a registered broker-dealer would be deemed not to know or have reason to know that a person is a large trader if it does not have actual knowledge that a person is a large trader and it establishes policies and procedures reasonably designed to identify customers whose transactions at the broker-dealer equal or exceed the identifying activity level and, if so, to treat such persons as Unidentified Large Traders and notify them of their potential reporting obligations under the Rule.

Under either approach, the broker-dealer would not be required to cease trading or take other action with respect to that Unidentified Large Trader.

Consolidated Audit Trail Reporting Obligations

Broker-dealers are required to report to the CAT certain account information regarding account holders with a LTID or an Unidentified Large Trader Identification number. The reporting requirements and guidance for such reporting are set forth in the CAT Reporting Customer and Account Information Technical Specifications for Industry Members.

Procedures and Documentation

Under Exchange Act Rule 13h-1, our FINOP is responsible for the following:

If we have clients who are large traders:

- daily monitoring of the volume of clients' transactions in NMS securities to determine if and when the client is subject to large trader reporting obligations;
- maintain records for all transactions effected directly or indirectly by or through an account Spire Securities, LLC carries for a large trader or an Unidentified Large Trader;

- maintain information required by Rule 13h-1(d)(2) on Unidentified Large Traders, in addition to the Unidentified Large Trader's name, address, date the account was opened, and tax identification number(s), and reporting it to the SEC on request;
- notify any Unidentified Large Traders of their potential reporting obligations and advising them to request their LTID;
- obtain and report LTIDs to the CAT for accounts with Reportable Events;
- report large trader transaction information to the Commission upon request through the Electronic Blue Sheets systems; and
- annually, FINOP or designated principal will review a sample of transactions effected and required information to be maintained, documenting and evidencing such review by initials and dates.

If Spire Securities, LLC is a large trader:

- trading reviews and reconciliations of any and all securities transactions;
- ensure timely filing of the annual update to Form 13H as well as quarterly amendment updates when necessary, to correct information previously disclosed that has become inaccurate;
- establish threshold reporting levels that require the trader to report to a member of senior management whenever a position loses value beyond a defined limit or begins to lose value in an unanticipated manner;
- monitor defined criteria that will trigger additional or heightened scrutiny of trading activity, including but not limited to, (i) unusual or high volume of trade error account activity; (ii) frequency of risk limit breaches; (iii) frequent requests for trade limit increases for the same counterparty; (iv) concentration of profitable or unprofitable trades, or patterns of trades and offsetting trades with the same counterparty; and (v) reasons for and patterns in remote access trading accounts;
- maintain the records required by Rule 13h-1(d)(2) for all transactions effected directly or indirectly by or through any proprietary or other account over which we exercise investment discretion; and
- Spire Securities, LLC will conduct annual supervisory reviews of the firm's trading practices, including the monitoring of trading and maintenance of records kept. Such review will be evidenced by initials and dates.

MUNICIPAL SECURITIES: Identifying and Resolving Firm Short Positions

Background

From FINRA Regulatory Notice 15-27, FINRA has observed that most municipal short positions are inadvertent and may result from branch or trading errors, duplicate transactions, the sale of a security in the process of a partial redemption or a partial call, or a delay in delivery of the securities from a counterparty. In addition to the scenarios explained above, two common situations that may cause short positions are described below.

- A firm may sell an incorrect CUSIP from a customer’s account and subsequently cancel the trade after settlement date. However, the firm has already delivered the security to the counterparty

and it is no longer available in the market to effect a buy-in, leaving the customer with a long position that identifies to a firm short position.

- A firm may sell a security after the record date for a partial redemption or partial call, causing the firm to be short when completing the redemption process with the issuer.

Responsibility

Our MSRB Principal must supervise all muni transactions to facilitate Identifying and Resolving Firm Short Positions which provides that, in the conduct of its municipal securities activities, each dealer must deal fairly with all persons and may not engage in any deceptive, dishonest or unfair practice, is adhered to. We will reduce the impact of short positions by detecting municipal securities trading activity that inadvertently creates firm short positions as early as trade date, and at a minimum by T+1. Remedial actions to resolve a municipal securities firm short position and avoid the risk of paying substitute interest to a customer include, for example:

- cancelling the trade, consistent with instructions from a customer;
- cancelling the trade and, consistent with instructions from a customer, purchasing a comparable bond;
- purchasing the bond from the market or another customer on a shortened settlement basis; or
- an introducing firm requesting the assistance of its clearing firm to identify other correspondents' customers who are long the security and may be willing to sell it to the introducing firm.

Procedure

Our CCO must ensure that our municipal securities activities are being adequately supervised to ensure compliance with all MSRB rules, the Exchange Act and the rules there under.

Relevant MSRB rules include:

- MSRB Rule G-8, including G-8(a)(iv),7 which sets forth the recordkeeping standards for municipal securities;
- MSRB Rule G-9, which sets forth the record retention requirements for municipal securities;
- MSRB Rule G-12, which sets forth the requirements for the inter-dealer delivery of securities and close-out procedures;
- MSRB Rule G-15, which sets forth the confirmation requirements with respect to transactions with customers;
- MSRB Rule G-17, which requires that municipal securities firms deal fairly with all persons and not engage in any deceptive, dishonest, or unfair practice; and
- MSRB Rule G-27, which imposes an obligation on municipal securities firms to supervise their municipal securities activities.