

## Rule 405. Diligence as to Accounts

Every member organization is required through a principal executive or a person or persons designated under the provisions of Rule 342(b)(1) to

(1) Use due diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by such organization and every person holding power of attorney over any account accepted or carried by such organization.

### (2) Supervision of Accounts

Supervise diligently all accounts handled by registered representatives of the organization.

### (3) Approval of Accounts

Specifically approve the opening of an account prior to or promptly after the completion of any transaction for the account of or with a customer, provided, however, that in the case of branch offices, the opening of an account for a customer may be approved by the manager of such branch office but the action of such branch office manager shall within a reasonable time be approved by a principal executive or a person or persons designated under the provisions of Rule 342(b)(1). The member, principal executive or other designated person approving the opening of the account shall, prior to giving his approval, be personally informed as to the essential facts relative to the customer and to the nature of the proposed account and shall indicate his approval in writing on a document which is a part of the permanent records of his office or organization.

**Amendment.** December 22, 1969; March 26, 1970; September 15, 2008 (NYSE-2008-80).

••• **Supplementary Material:** -----

**.10 Application of Rule 405(1) and (3) [¶2405].**—In the case of a margin account carried by a member organization for a non-member corporation, definite knowledge should be had to the effect that the non-member corporation has the right under its charter and by-laws to engage in margin transactions for its own account and that the persons from whom orders and instructions are accepted have been duly authorized by the corporation to act on its behalf. It is advisable in each such case for the carrying organization to have in its possession a copy of the corporate Charter, By-laws and authorizations. Where it is not possible to obtain such documents, a member or principal executive in the member organization carrying the account should prepare and sign a memorandum for its files indicating the basis upon which he believes that the corporation may properly engage in margin transactions and that the persons acting for the corporation have been duly authorized to do so.

In the case of a cash account carried for a non-member corporation, the carrying member organization should assure itself through a general partner or an officer who is a holder of voting stock that persons entering orders and issuing instructions with respect to the account do so upon the proper authority.

When an agency account is carried by a member organization its files should contain the name of the principal for whom the agent is acting and written evidence of the agent's authority.

When Estate and Trustee accounts are involved a member organization should obtain counsel's advice as to the documents which should be obtained.

Information as to the country of which a customer is a citizen is deemed to be an essential fact.

**.20** See Rule 4311 for information concerning the permitted allocation of responsibilities under ¶(1) and (3) of this Rule between introducing and carrying organizations.

**.30** See Rule 414 (Index and Currency Warrants) for account approval and suitability requirements relating to currency warrants, currency index warrants and stock index warrants.

**Amendments.** December 19, 1968; March 26, 1970; February 19, 1982; June 26, 1990; August 29, 1995; September 15, 2008 (NYSE-2008-80); June 8, 2010 (NYSE-2010-41); July 14, 2011 (NYSE-2011-33).

## **Rule 412. Customer Account Transfer Contracts**

NYSE members and member organizations shall comply with NASD Rule 11870, concerning the transfer of customer accounts between members, and any amendments thereto, as if such Rule is part of NYSE's Rules.

**Adopted.** October 21, 1971.

**Amendments.** September 2, 1994; effective December 2, 1994. November 25, 1998. September 2, 1994; effective March 3, 1995. June 28, 1978. November 26, 1985, effective February 24, 1986. September 2, 1994; effective December 2, 1994 and March 3, 1995. March 12, 2004; effective September 13, 2004; February 10, 2005 (NYSE-2004-63); May 20, 2008 (NYSE-2008-26); September 15, 2008 (NYSE-2008-80).

## **Rule 435. Miscellaneous Prohibitions**

No member or member organization shall:

**(1)** Reserved.

**(2)** Reserved.

**(3)** Reserved.

**(4)** Reserved.

### **(5) Circulation of rumors**

Circulate in any manner rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited when its source and unsubstantiated nature are also disclosed. Report shall be promptly made to the Exchange of any circumstance which gives reason to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing prices in listed securities.

**(6)** Reserved.

**(7)** Reserved.

**Amendments.**

April 21, 1966.

December 19, 1968.

March 26, 1970.

December 11, 1975; effective March 12, 1976.

September 15, 2008 (NYSE-2008-80).

May 29, 2009 (NYSE-2009-25).