

**POLICY STATEMENT CONCERNING BROKER-DEALERS,  
INVESTMENT ADVISERS, BROKER-DEALER AGENTS AND  
INVESTMENT ADVISER REPRESENTATIVES USING THE INTERNET  
FOR GENERAL DISSEMINATION OF INFORMATION ON PRODUCTS  
AND SERVICES**

**WHEREAS** the Alabama Securities Commission is charged with the administration of the Alabama Securities Act, §8-6-1, *et seq. Code of Alabama* 1975 and of the regulations promulgated under the Act;

**WHEREAS**, at Section 8-6-23 of the Act, it is provided, in part, that "[t]he Securities Commission may from time to time make, amend, and rescind such rules . . . as are necessary and desirable to carry out the provisions of this Article . . . ;"

**WHEREAS**, at Section 8-6-3(a) of the Act, it is provided "[i]t is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under the Article . . . ;"

**WHEREAS**, at Section 8-6-3(b) of the Act, it is further provided "[i]t is unlawful for any person to transact business in this state as an investment adviser or an investment adviser representative unless . . . he is so registered under this Act . . . ;"

**WHEREAS**, the Securities Commission acknowledges that the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, the "Internet") have facilitated greatly the ability of broker-dealers, investment advisers, broker-dealer agents and investment adviser agents/representatives to advertise and otherwise disseminate information on products and services to prospective customers and clients;

**WHEREAS** the Securities Commission also acknowledges that certain communications made on the Internet are directed generally to anyone having access to the Internet and may be transmitted through postings on bulletin boards, displays on "Home Pages" or similar methods (hereinafter "Internet Communications");

**WHEREAS**, the Securities Commission further acknowledges that in certain instances, by distributing information on available products and services through Internet Communications available to persons in this State, broker-dealers, investment advisers, their broker-dealer agents and their investment adviser agents/representatives could be construed as "transacting business" for purposes of Sections 8-6-3(a) and 8-6-3(b) of the Act so as to require registration in this State, since the Internet Communications would be received in this State regardless of the intent of the person originating such communications; and

**WHEREAS**, the Securities Commission finds that the issuance of this Policy Statement is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

**NOW THEREFORE, IT IS HEREBY ORDERED** as follows:

1. Broker-dealers, investment advisers, broker-dealer agents (hereinafter "BD agents") and investment adviser agent/representatives (hereinafter "IA reps") who use the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, hereinafter the "Internet") to distribute information on available products and services through certain communications made on the Internet directed generally to anyone having access to the Internet, and transmitted through postings on Bulletin Boards, displays on "Home Pages" or similar methods (hereinafter "Internet Communications") shall not be deemed to be "transacting business" in this State for purposes of Sections 8-6-3(a) and 8-6-3(b) of the Act based solely on that fact if the following conditions are observed:

A. The Internet Communication contains a legend in which it is clearly stated that:

(1) The broker-dealer, investment adviser, BD agent or IA rep in question may only transact business in this State if first registered, excluded or exempted from Alabama's broker-dealer, investment adviser, BD agent or IA rep registration requirements, as may be; and

(2) Follow-up, individualized responses to persons in Alabama by such broker-dealer, investment adviser, BD agent, or IA rep that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, will not be made absent compliance with Alabama broker-dealer, investment adviser, BD agent or IA rep registration requirements, or an applicable exemption or exclusion;

B. The Internet Communication contains a mechanism, including and without limitation, technical "firewalls" or other implemented policies and procedures, designed reasonably to ensure that prior to any subsequent, direct communication with prospective customers or clients in Alabama, said broker-dealer, investment adviser, BD agent or IA rep is first registered in Alabama or qualifies for an exemption or exclusion from such requirement. Nothing in this paragraph shall be construed to relieve an Alabama registered broker-dealer, investment adviser, BD agent or IA rep from any applicable securities registration requirement in this State;

C. The Internet Communication does not involve either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, in this State over the Internet, but is limited to the dissemination of general information on products and services; and

D. In the case of a BD agent or IA rep:

(1) The affiliation with the broker-dealer or investment adviser of the BD agent or IA rep is prominently disclosed within the Internet Communication;

(2) The broker-dealer or investment adviser with whom the BD agent or IA rep is associated retains responsibility for reviewing and approving the content of any Internet Communication by a BD agent or IA rep;

(3) The broker-dealer or investment adviser with whom the BD agent or IA rep is associated first authorized the distribution of information on the particular products and services through the Internet Communication; and

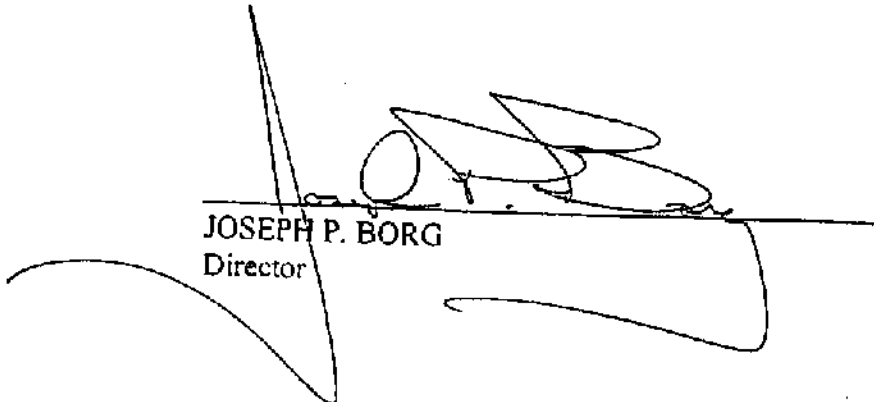
(4) In disseminating information through the Internet Communication, the BD agent or IA rep acts within the scope of the authority granted by the broker-dealer or investment adviser;

2. The position expressed in this Policy Statement extends to Alabama broker-dealer, investment adviser, BD agent and IA rep registration requirements only, and does not excuse compliance with applicable securities registration, antifraud or related provisions;

3. Nothing in this Policy Statement shall be construed to affect the activities of any broker-dealer, investment adviser, BD agent and IA rep engaging in a business practice in Alabama over which the Securities Commission has no jurisdiction as a result of the National Securities Markets Improvements Act of 1996, as amended; and

4. This Policy Statement shall remain in effect unless and until subsequently amended or rescinded.

DONE this the 8<sup>th</sup> day of July, 1997.

  
JOSEPH P. BORG  
Director