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NEEDED REFORM IN SECURITY DEALER LEGISLATION

ALBERT E. HARUM*

The high rate of activity in the nation's securities markets which has prevailed during the past several years has focused the attention of legislators, attorneys and businessmen on the inadequate legal requirements placed upon those persons who seek to engage in the business of selling securities to the public.

In Florida, the truth of the matter is that one may obtain a security dealer's license with almost appalling ease. It is anomalous that one who handles "other people's money" has so few barriers to surmount by way of statutory requirements or administrative rules and regulations. Such a situation is fraught with danger to the investing public. This article attempts to point up some of these dangers and to suggest workable solutions by way of legislative and procedural reform.

I

THE INADEQUATE REQUIREMENTS

All that the applicant for a Florida security dealer's license needs is $100 cash, five friends who will vouch for him, "good repute" in business, consent to service of process, and the proffer of either five thousand dollars cash—or a surety bond in that amount for which the fee is approximately seventy-five dollars.¹

It is not compulsory that he demonstrate his ability to advise nor does the statute demand that he be subjected to oral or written examination to determine his knowledge and understanding of the complicated and specialized field in which he would establish fiduciary relationships in the role of an adviser. Rather, in an amendment enacted by the 1957 Legislature, the examination procedure is on a "may also require" basis, placing the Florida Securities Commission in a position to exercise a discretion unsupported by public funds which would enable its use.²

Those Blue Sky statutes which recognize the separate existence of investment advisers (Florida does not, hence they fall under the dealer classification) generally agree that the term means:

... any person who for compensation engages in the business of advising others directly or indirectly through publication or writing

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2. Fla. Stat. § 517.12 (2) as modified by the regular session of the 36th Legislature (1957) providing "... The Commission may also require applicants to be licensed as a dealer or as a salesman to submit to and pass successfully oral or written examination to determine the applicant's qualifications and competency to engage in the business of dealing in and selling securities as a dealer or as a salesman."
as to the value of securities or as to the advisibility of investing in, purchasing, or selling securities, or who for compensation engages in the business of managing any investment trading account in securities for another person.³

The terms broker and dealer are more or less uniformly used synonymously in the statutes, though broker generally connotes an offering of the securities of a variety of principals.

Dealer is typically defined as a person other than a salesman who engages in the particular state, either for all or part time, directly or through an agent who is not registered under the act as a dealer, in selling securities. The term also includes corporate organizers or promoters offering for sale the securities of their own corporations.⁴

Salesman may be registered upon the written application of a registered dealer and a generally satisfactory showing as to good character and the payment of twenty dollars. They are also covered in the 1957 amendment⁵ providing that the Florida Securities Commission “may also require” written or oral examination.

The Florida statute is vague as to disclosure required of applicants, expressing interest in their good repute in business. The Commission is empowered under the statute to acquire:

... such additional information as to applicant's previous history, record, and association as it may deem necessary to establish the good repute in business of the applicant.⁷

Thus the Commission includes among the questions asked on the application form, “Has applicant or any officer, director or partner ever been charged without being convicted of a crime?”⁸

Whether, if the applicant revealed himself in answer to this question as a convicted rapist or murderer, this information could or would be considered as affecting the good repute in business of the applicant is questionable.

Florida is not alone in looking only to the good repute in business of the applicant. A cross-section of the Blue Sky statutes reveals a disturbing adherence to this kind of thinking. Illinois, for instance, is interested only in pending criminal proceedings and felonies of which fraud is the essential element.⁹ The Louisiana Commissioner may require such additional informa-

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3. PA. STAT. tit. 70, § 31 (2) (1956).
4. FLA. STAT. § 517.02 (1955).
5. FLA. STAT. § 517.12 (2) as amended by the 1957 Legislature and effective Oct. 1, 1957.
7. Ibid.
9. ILL. ANN. STAT. 121½ § 137.8, C(4) (Smith-Hurd, 1956). A brief description of any civil or criminal proceedings of which fraud is an essential element pending against the salesman, and whether the salesman has ever been convicted of a felony, or any misdemeanor of which fraud is an essential element.
tion as he may deem necessary to establish good business repute.\textsuperscript{10} Applicants in Massachusetts must furnish further relevant information at the request of the Commission which may give a written examination.\textsuperscript{11} An independent investigation of the affairs of the applicant is provided for in New Mexico,\textsuperscript{12} while New York is interested in criminal offenses committed in the securities field.\textsuperscript{13}

Investigation leading to a determination of the business repute and qualifications of the applicant is authorized in Ohio;\textsuperscript{14} Oklahoma may also require such disclosures as it may deem necessary to establish good repute in business.\textsuperscript{15}

Pennsylvania follows the fraud pattern, prescribing punishment rather than protection, and refuses to renew the dealer-investment adviser registration if the applicant has been guilty of fraud or fraudulent practice.\textsuperscript{16}

While it may be argued that crimes committed in private areas unconnected with business need not affect the dealer’s or adviser’s qualifications, it can hardly be contended that some knowledge beyond the laws governing chance and probability would not render a dealer, adviser or salesman more competent to ply his profession.

The securities field is rife with advisers who draw their “intelligence” from strange sources. A New Yorker who predicted the rise and fall of United States Steel on the basis of the antics of Maggie and Jiggs in the comic strips was convicted of fraudulent practices in the sale of securities. The court held that the subscribers to the defendant’s market

\textsuperscript{10} LA. REV. STAT. § 51:710 (1950) “... The commissioner may also require such additional information as the applicant’s previous history, record and association, as he may deem necessary to establish the good repute in business of the applicant.”
\textsuperscript{11} MASS. ANN. LAWS c. 110A § 10 (1954) “... Applicant ... shall appear before the commission and shall furnish under oath such further relevant information as the commission may require. The commission may at its discretion require such applicant ... to take a written examination as to the qualifications of the applicant.”
\textsuperscript{12} N.M. STAT. ANN. 48-18-4 (1953) “... and said corporation commission shall have the power to make an independent investigation, inspection and examination of the affairs of the promoter making such application ... .”
\textsuperscript{13} N.Y. (Gen. Bus.) § 359-e (2F) “... A statement as to whether such dealer ... has been convicted by a court of competent jurisdiction in any state or country of any criminal offense in connection with any transaction involving the sale or offer for sale of securities.”
\textsuperscript{14} OHIO REV. CODE ANN. § 1707.15 (G) “... The Division may investigate any applicant for a license and may require such additional information as it deems necessary to determine the applicant’s business repute and qualifications to act as a dealer in securities ... .”
\textsuperscript{15} OKLA. STAT. tit. 71 § 41 (1951) “... The commissioner may also require such additional information as to applicant’s previous history, record and association, as he may deem necessary to establish the good repute in business of the applicant.”
\textsuperscript{16} PA. STAT. tit. 70, § 45 (1956) “... If the commission at any time has reason to believe that any registered dealer or investment adviser has become of bad repute, that his plan of business has become unfair, unjust or inequitable, or is being conducted in an unfair, unjust or inequitable manner, that he has become of insufficient financial responsibility to deal with the public, that he has in any way violated, or is violating or is about to violate, any of the provisions of this act, or has been guilty of fraud or fraudulent practice, then the commission may ... refuse to renew or revoke said dealer’s or investment adviser’s registration.”
letter "had the right to assume that the defendant possessed a superior knowledge of the stock market, that whatever information he had came from living persons and recognized sources and not as a result of his interpretations of comic strips."\(^{17}\)

In Zolar's Astrology Magazine, its editor indulged in "stock gazing," predicting movement in the market on the basis of astrological observations for the benefit of subscribers. The New York Attorney General prosecuted the editor when he found that financial data was being intermingled with the astrology to the end that the predictions were neither purely astrological nor purely the products of financial scrutiny. This unhappy combination was condemned in Manhattan Supreme Court and a consent injunction was issued against the publishing firm barring it from making representations on the basis of this intermingling.\(^{18}\)

On several occasions Walter Winchell has offered market tips in his widely distributed column. The effect of this advice on trading caused the SEC to prevail upon Winchell to abstain.

The problem of testing knowledge in the securities field is one which has confronted the Florida Securities Commission for some time—and the discretionary authority to give written examinations provided by the 1957 amendment doesn't appear to solve the problem completely. The reluctance of the Commission to make any examination at all, prior to the enactment of this amendment, is illustrative of a seeming timidity with regard to the establishment of controls in this important area.\(^{19}\) This attitude is also apparent in past opinions of the Attorney General.\(^{20}\) The Attorney General's timidity and reluctance as thus manifested leaves room for speculation as to how his office would answer the same question today, dealing, of course, with the newly enacted "may also require" language of the 1957 amendment. One cannot escape the observation that a compulsory examination might well go directly to the "honesty" of the applicants in

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19. "... The Commission has long wanted to give examinations but an opinion of the Attorney General states that our law does not permit this action. However, it is hoped that the Law will be amended at the next general session of the Legislature to provide for the giving of written and/or oral examinations or evidence of competent knowledge of the individual seeking registration under our Law." Letter from Jerry Thomas, then director of the Florida Securities Commission, to the author, Dec. 13, 1956.
20. Question: May the Florida Securities Commission, under its administrative powers provided in Chapter 517, Fla. Stats., promulgate rules and regulations requiring a written or oral examination of all applicants for registration as agents and salesmen as a prerequisite to such registration?

To Florida Securities Commission: ... it seems that the only examination authorized by the statutes of applicants for registration as dealers or salesmen by the commission is as to the honesty and good repute in business of the applicants (Section 517.12, Florida Statutes); but we find no authority for extending it to the general knowledge of the applicant to the business of selling or dealing in securities. This seems to be a qualified answer to the question.

their dealing in and advising on securities. Certainly advice predicated upon competent knowledge is more "honest" than advice based on coin-flipping, star-gazing, or just plain unadulterated hunches—which leaves doubt as to whether the Attorney General's opinion, at the time it was given, was in fact a "qualified answer."

Attorneys General in other states apparently have been more liberal in their interpretation of such abstract terms as "honesty," "good repute," "good character," "qualified," "trustworthiness" and "competency to deal with the public." This tendency to give liberal interpretation has enabled administrative bodies in many states to meet the registration problem head-on, drawing authority from statutes which provide discretionary examination in the "public interest"; or by administrative rules drawing authority from the aforementioned abstractions.

Thus, Pennsylvania, concerned with limited disclosure, asks on its printed application form:

Has applicant or any officer or partner, in the Commonwealth of Pennsylvania or elsewhere, ever been charged with or arrested, indicted or prosecuted for, or convicted of, or pleaded guilty or nolo contendere to, or been fined, sentenced or had sentence suspended, or been placed on probation for any criminal offense of any nature whatsoever, other than violations of the motor vehicle traffic laws?21

Authority to ask this all-embracing question is drawn by the administrative body from statutory permission to look into the "good repute in business of the applicant."22

From such statutory authority, e.g., "shall be required to make it appear . . . that he bears a good reputation for fair dealing," the Florida Real Estate Commission asks on its broker application form sent to references:

Has the applicant ever been convicted of a crime by a jury, plea of guilty, or otherwise, whether sentenced or not, or whether the verdict or judgment has been reversed or set aside, or a pardon granted, or is there now pending against him any civil or criminal proceeding where he is charged with a crime or act involving moral turpitude, fraud, misrepresentation or dishonest dealing? (Emphasis supplied by the Commission) If you have any information regarding such matters state fully.23

One cannot help but draw a parallel between the selling of real estate as governed by the Florida Real Estate Commission and the selling of securities as administered by the Florida Securities Commission. The

21. Question 13(d) of Form No. 1 (Dealer's Application for Registration), Pa. Securities Commission.
22. Pa. STAT. tit. 70, § 34 (1956) . . . other evidences satisfactory to the commission establishing the good repute in business of the applicant, his directors, officers, partners and principals.
23. Fla. Real Estate Commission Broker Application, Form 151-B.
observation follows that the former is less inhibited in policy interpretation of the statute or else the latter would require such full disclosure.

Incidentally, the Florida Statutes in this area provide that brokers “shall be required to appear in person, at a time and place to be designated by the commission, and answer questions touching his qualifications . . . ”24

The Division of Securities in Ohio finds sufficient authority in that State’s Blue Sky Law to conduct an office or field examination, which enables investigators to check “with a Better Business Bureau, other regulatory agencies such as SEC, police authorities and occasionally credit bureaus,” according to the division supervisor in that state.

II
THE PROPOSED UNIFORM ACT

The problem of full disclosure by the applicant appears headed for solution in the proposed Uniform Securities Act which requires full disclosure of any felony whether or not connected with securities or business. The further use of written and/or oral examination of applicants is, however, left to the discretion of the administrator, affording little protection to the public. Has the administrator the power to examine one applicant and exempt another? The proposed Uniform Act and the amended Florida Statute seem to answer this question affirmatively, leaving the door open to political pressures and charges of unfairness arising from lack of uniformity.

However, despite the fact that the proposed Uniform Act was approved by the National Conference of Commissioners on Uniform State Laws in August of 1956,25 it is encountering unaccountable roadblocks along the adoption route. The vote in the conference was 38 states to 2, the dissenters being California and Nevada.

The proposed Uniform Act is the product of extensive research on the part of Louis Loss, Professor of Law at the Law School at Harvard (and a former SEC official), and Edward M. Cowett, Research Associate in Law at the same institution. Professor Loss is not disturbed at the adoptive lag and reports that “. . . general reaction which the Act has received so far justifies the hope that it will be introduced in a fair number of states in the near future.”26 The Act requires disclosure of any “conviction of a misdemeanor involving a security or any aspect of the securities business and any conviction of a felony (emphasis supplied) . . . .”27

25. The research work was highly commended in a resolution of the National Association of Securities Administrators, recognizing “in emphasized measure the invaluable and outstanding contribution rendered by Prof. Louis Loss and his associates, Mr. Edward Cowett and others who cooperated with him in the development of the proposed Uniform Securities Act.”
Also, the Administrator may deny, revoke or suspend the license on this ground if the felony was committed within the past ten years.\footnote{28. Proposed Uniform Securities Act, § 204(a)(2)(C).}

A bond ceiling of $10,000 is established in the Act except where the applicant has a net capital of $25,000.

This latter provision affects the many states where either no bond is required or the bonding is excessive.

Incidentally, it should be pointed out at this stage that surety bonds tend to shift the investigatory burden to the bonding companies. An inquiry into the Miami bonding situation revealed the fact that a bond would not be issued to a known felon, no matter in what area of criminal activity, though this information might well be withheld from the bonding company. One local firm pointed out that while the company was primarily interested in financial responsibility it was general practice to secure a Dun & Bradstreet report, which could be relied upon to trace the criminal history of the applicant.

The likelihood that a felon could secure a surety bond in states demanding larger bonds further diminishes. In Arizona, for instance, the Administrator may require a bond as high as $25,000\footnote{29. \textit{Ariz. Rev. Stat. Ann.} tit. 44 § 1943 (1955) "... The amount of bond shall be determined by the commission and predicated upon the character and size of the business to be conducted, the financial condition and business reputation of the dealer and other factors the commission deems pertinent in the circumstances, but in no instance shall any bond exceed twenty-five thousand dollars in respect to any dealer."} while in Maine the maximum is $10,000\footnote{30. \textit{Maine Rev. Stat. Ann.} c. 59, § 229 (1954).} In Michigan surety of $10,000\footnote{31. \textit{Mich. Stat. Ann.} § 19.762 (1945) "... shall file with his application a bond in the sum of $10,000."} is required; in Virginia it is discretionary to $25,000\footnote{32. Va. Code, tit. 13-1.505 (1956). "The commission may require as a condition of registration or renewal of registration the filing by a broker-dealer of a reasonable surety bond ... for the protection of investors not in any case exceeding $25,000 in penalty amount."}.

This investigatory safeguard vanishes, however, when the applicant posts cash or government securities—and escapes the scrutiny of the bonding company—as he is permitted to do by statute in most cases.

However, Professor Loss moves on from bonding and disclosure in his Uniform Act to take a step toward solving the key problem in licensing, by providing that the Administrator may by rule provide for an examination, which may be written or oral or both, to be taken by any class of or all applicants, as well as persons who represent or will represent an investment adviser in doing any of the acts which make him an investment adviser.\footnote{33. Proposed Uniform Securities Act, § 204(b)(6).}
its avowed purpose, the protection of the investing public, if it provided for compulsory testing of the applicant's qualifications and competency.

III
SOLUTIONS DESPITE INADEQUATE LEGISLATION

What are the alternatives to full disclosure on the part of applicants, accompanied by written and/or oral examinations going to the competency of applicants?

Since the aim of Blue Sky statutes is the protection of the public, a strong educational program designed to make the prospective investor at least slightly suspicious of the broker-dealer/investment adviser could be one answer. Toward this end, former Attorney General Jacob K. Javits of New York, with the cooperation of the SEC, published a Ten Point Guide for investors. This guide, which has been widely circulated, warns the investor to deal only with a securities firm with which he is acquainted; to be skeptical of offerings of securities via telephone; to refrain from buying on tips and rumors; to request the persons offering via telephone to mail written information concerning the corporation.34

The second alternative is exemplified by the manner in which the broker-dealer/adviser registration problem is handled on the federal level. While state administrative bodies are obliged to wrestle with the problem, it is governed federally by the self-regulatory activity of the National Association of Security Dealers, a prestige organization deriving its authority from Section 15 (a) of the Securities Exchange Act of 1934.35 This act requires registration of dealers and brokers; registration of investment advisers is required by the Investment Advisers Act of 1940.36

Under Section 15 (a) of the 1934 act—known as the Maloney Act—the SEC is authorized to delegate self-policing powers to organizations such as the NASD. As a practical matter there is a firm liaison between SEC

34. Letter, with accompanying guide, from then Assistant Atty. Gen. Samuel Hirshowitz of New York to the author, Dec. 3, 1956:
1. Think before buying.
2. Deal only with a securities firm which you know.
3. Be skeptical of securities offered on the telephone from any firm or salesman you do not know.
4. Guard against all high pressure sales.
5. Beware of promises of quick spectacular price rises.
6. Be sure you understand the risk of loss as well as the prospect of gain.
7. Get the facts—do not buy on tips or rumors.
8. Request the person offering securities over the telephone to mail you written information about the corporation, its operations, net profit, management, financial position and future prospects. Save all such information for future reference.
9. If you do not understand the written information, consult a person who does.
10. Give at least as much thought when purchasing securities as you would when acquiring a valuable property.
and NASD, the latter having the power to suspend\textsuperscript{37} or otherwise penalize, with appellate jurisdiction in the former.

Rules of fair practice—the basis of most suspension orders—deal with price concessions, selling concessions, dealing with non-members, and application of the investment trust rule defined in the Investment Adviser Act of 1940.\textsuperscript{38}

The NASD has broad powers to restrict membership, extending to the discretionary power to give a written examination, derived from broad authority contained in the by-laws which provides that NASD may call for "...such other reasonable information with respect to the applicant as the Board of Governors may require."\textsuperscript{39}

An extensive procedure for the handling of complaints by the public against members for violation of the rules is set up under the rules for fair practice.\textsuperscript{40}

Penalties ranging from mere censure or a $500 fine to suspension or even expulsion are provided for, with appeal.\textsuperscript{41} However, effective use of an intense educational program such as that inaugurated by Mr. Javits or a rigid interalliance between securities administrators and a private broker-dealer organization calls for sound legislative underpinning. It would appear that Professor Loss has the answer for Florida in his proposed Uniform Act, provided that the securities administrators find in the discretionary authority to give written and/or oral examination sufficient latitude to make it compulsory.

Even this latter course requires appraisal. It must be decided that a person licensed to advise a Florida citizen with regard to his investments at least approaches the sort of relationship one has with his attorney or, perhaps, his doctor. The lawyer protects his rights, the doctor his health; the dealer-adviser is in a position where an indiscriminate or irresponsible word can spell financial ruin. The state prescribes education and examination

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37. A suspension notice extracted from the manual of the NASD reads as follows:

\textbf{NOTICE}

By decision of the District Business Conduct Committee for District No. 14, affirmed by the Board of Governors, membership in the Association of Gregg, Storer & Co., Inc., 30 Federal Street, Boston 10, Massachusetts, has been suspended for a period of 60 days commencing April 9, 1954.

The attention of members is called to the provisions of Sections 23, 24, 25 and 26 of Article III of the Rules of Fair Practice.

The same decision suspended the registration of the following named registered representatives of the member for the periods indicated, both commencing April 9, 1954:

- Warren H. Hill, One Year
- Charles N. Gregg, Sixty Days

April 9th, 1954.

38. See note 36 \textit{supra}.


40. 4 By-Laws, National Association of Securities Dealers.

41. See note 35 \textit{supra}.
for doctors and lawyers, yet allows almost anyone with $100 and five friends to perform surgery on a citizen's life savings.

If this analogy is accepted, then the inherent danger in a situation which affords the public no protection from financial charlatans, quacks and erstwhile confidence men is easily apparent.

IV
SUGGESTED LEGISLATIVE REFORM

The writer suggests thorough investigation of applicant's background, morals, and character to be followed by a written examination looking to the educational background in finance and competence to deal with the public in the securities field. The examination should be compulsory, not on a "may also require" basis. This calls for machinery for the giving of such examinations, in the absence of which the legislative authority is an empty nod, a solution of the problem in theory only. This also calls for money, or the establishment of means for getting it, in order to implement the authority.

To that end, then, the Florida Legislature should enact the Uniform Law proposed by Professor Loss which would authorize, or better yet compel, the investigatory and examination procedure. As companion legislation, the writer proposes legislation establishing a Florida Board of Securities Examiners also be enacted.

Patterned after legislation establishing the Florida Board of Bar Examiners and other such agencies, the proposal follows: Ch. XXX.01. Licensing of Brokers, Dealers, Investment Advisers and Securities Salesmen; Attorney General to Govern and Regulate.
(1) Licensing of Brokers, Dealers, Investment Advisers, and Securities Salesmen to conduct business in the state is hereby declared to be a function of the Attorney General's office.

(2) The Florida Securities Commission, being an agency of the Attorney General concerned with securities regulation is the proper agency to govern and regulate licensing of Brokers, Dealers, Investment Advisers and Securities Salesmen to conduct business in the state.

(3) This section shall not affect the right of the legislature at any time to change the provisions hereof and the legislature hereby expressly reserves that right. Laws 1955, c. 29796, Secs. 1, 2, 7.

Ch. XXX.02 Course of Study.

Before any person, other than those already entitled to conduct business under Ch. XXX.01, may operate as a Broker, Dealer, Investment Adviser or Securities Salesman, he shall first obtain a certificate of authority from
the Florida Securities Commission as hereinafter provided. The Attorney General shall prescribe a list of subjects to be studied by applicants for license to operate, upon which course of study all examinations shall be conducted.

Ch. XXX.03, Board of Securities Examiners.

The state board of securities examiners shall consist of nine members. Four of said members shall be the members of the Florida Securities Commission: the State Treasurer, the Comptroller, the Attorney General, and the Director. The other five shall be appointed by the Governor, one from each congressional district as they existed on July 1st, 1925, and one from the state at large, who shall also be chairman of the board. The appointees shall be securities practitioners of distinction for their learning and character and shall have at least five years experience in the securities field. All appointments shall be for terms of three years. Appointments to fill vacancies shall be made for the unexpired term.

Ch. XXX.04. Organization of Board.

The members of the board shall elect one of their number as chairman pro tempore to preside at any meeting or perform any duty of the chairman, in the absence or disability of the chairman. The board shall appoint a secretary (who need not be a member of the board) and prescribe his or her duties. The secretary shall hold office during the pleasure of the board. The board may appoint standing or special committees with authority to investigate any matter, take testimony therein and report same to the board, to act in ministerial matters during the recess of the board, and to perform any duty herein required to be done and performed by the board. A majority of the members of the board shall constitute a quorum to transact business, but a less number may adjourn from day to day, or to a day certain until a quorum is had. The board shall adopt an official seal, and may alter or change same if occasion requires. It shall be affixed to certificates of license to conduct business and to all official orders of the board, and to papers executed by the chairman of the board, or the secretary. Whenever the term board is hereinafter used it shall be deemed to mean the state's board of securities examiners, and whenever the term secretary is used it shall be deemed to mean the secretary of said board.

Ch. XXX.05. Meetings of Board.

Regular meetings of the board shall be held on the third Monday in February, June and October in each year, at the Attorney General's office in Tallahassee. Special meetings for special purposes may be called by the chairman of the board, or upon written request of three members of the board, in either of which cases the secretary shall give notice to every
member of the board at least five days before the time fixed for the meeting, and state in the notice the purpose of such meeting.

Ch. XXX.06. Application for License.

All applications for license to conduct business in the state shall be filed with the secretary of the board and be considered or acted upon at the next regular meeting. The board, having investigated and satisfied themselves of the moral character and standing of the applicants, shall determine their further qualifications by a thorough examination of them as to their knowledge of the securities field or attainments upon the course of study approved by the attorney general, and every applicant qualified under the law, and found to possess the requisite training and moral fitness, and is over the age of twenty-one years, shall receive from the board a certificate under the hand of the chairman attested by the secretary with the seal of the board affixed, licensing him or her to conduct business in the state. The board may prescribe the form of application and prepare the questions for the examination and fix the form of the licensing certificate, and make all rules and forms necessary or convenient for the administration of this chapter.

Ch. XXX.07. Application Fees.

Every application for license shall be accompanied by a fee of one hundred dollars. Whether the applicant is granted a certificate or not, such application fee shall be retained by the board.

Ch. XXX.08. Secretary of Board.

All fees paid by applicants for licensing shall be received and accounted for by the secretary of the board. They shall be used to defray the administrative expenses, which shall be limited to the actual traveling expenses of members of the board in attending official meetings, the expenses of conducting examinations, and the salary of the secretary which is hereby fixed at three thousand dollars per annum, and any traveling expenses of the secretary on official business. All bills shall be audited and approved by the board, or by a committee of the board appointed for that purpose.

Ch. XXX.09. Rules of professional conduct.

The board may prescribe rules of professional conduct and ethics for the governance of Brokers, Dealers, Investment Advisers and Securities Salesmen and shall have jurisdiction to hear and determine complaints for violation of such rules, or for any other conduct amounting to fraud, immorality, or sharp practice in the profession. The board may prescribe forms for complaints, and make rules of procedure in the filing or hearing of same, including notice to the party complained of and an opportunity for him to be heard, and for the procuring of witnesses and taking of testimony in such proceedings.
Ch. XXX.10. Investigation of misconduct.

Should said board investigate the misconduct of any Broker, Dealer, Investment Adviser, or Securities Salesman of the state for the commission of fraud, deceit, immorality, or sharp practices, and after investigation deem the same sufficient to justify revocation of license, then said board shall report all testimony and evidence, and every step taken in the procedure, in writing, to the attorney general and he shall file proceedings to revoke the license of said Broker, Dealer, Investment Adviser or Securities Salesman.

Those who escape the scrutiny of the board and are not subjected to the written examination by virtue of having already been engaged in securities selling at the time of the adoption of the legislation can be dealt with via a renewal provision calling for inspection, showing of competence, inspection of books and the like.

The Florida Securities Commission also is in a position to aid the general cause—protection of the public—by limiting the size of stock offerings, forcing corporations to return to the Commission for new authorizations. Such a policy would enable the Commission to make periodic checks on the financial operations of the commission—and, of course, on the persons offering the stock for sale to the public.