



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

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DIVISION OF ECONOMIC JUSTICE
INVESTOR PROTECTION BUREAU

May 27, 2021

GUIDANCE ON 13 NYCRR 11.18

In determining what is "in the public interest and for good cause," under 13 NYCRR 11.18 the Attorney General will consider, among other things, whether the applicant demonstrates honesty, integrity, good faith, fair dealing and lawful behavior.

In assessing honesty, integrity, good faith, fair dealing and lawful behavior, the Attorney General may assess whether the applicant violated any provision of the Martin Act, including by failing to comply with any regulation promulgated thereunder or by engaging in any practice or transaction or course of business relating to the issuance, exchange, purchase, sale, promotion, negotiation, advertisement, investment advice or distribution of securities or commodities which is fraudulent or in violation of the law and which has operated or which would operate as a fraud upon the purchaser. The Attorney General may additionally assess whether the applicant has violated Executive Law section 63(12) by engaging in repeated fraudulent or illegal acts or demonstrating persistent fraud or illegality in the conducting of business. The Attorney General may likewise determine whether a financial industry member -- thus a crucial player in the integrity of the markets and protection of investors -- meets the same type of minimal integrity criteria that one must demonstrate in order to be sufficiently responsible to be eligible to contract with New York State or its political subdivisions.

The Attorney General may also look to common standards in the financial industry. Examples include whether the applicant has complied with governing federal law and SEC or FINRA rules; would be subject to discipline under the Uniform Securities Act or the Blue Sky laws of any other state; has been subject to any criminal conviction, or court or administrative order related to securities or commodities; or is associated with other concerning disclosure history on the Central Registration Depository.

The Attorney General's assessment includes whether the applicant has already been found to have violated any law, rule or order, is under investigation for such violation or has failed to cooperate with any investigation.

As to process, before finally determining that the public interest and good cause warrant the denial, suspension, conditioning or revocation of a registration statement or application under 11.18, the Attorney General will provide the applicant with notice and the Attorney General's reasoning, as well as an opportunity for the applicant to respond in writing.

The above is not intended to, and does not, confer any additional substantive or procedural rights beyond the underlying statutes, regulations, and case law.