

### Restrictions on Compensation to Associated Persons

(h)(1) No member or member organization may compensate an associated person(s) for specific investment banking services transactions. An associated person may not receive an incentive or bonus that is based on a specific investment banking services transaction. However, a member or member organization is not prohibited from compensating an associated person based upon such *member's or member organization's* [person's] overall performance, including [services provided to] the *performance of the Investment Banking Department* (see Rule 472(k)(2) for disclosure of such compensation).

(2) *An associated person's compensation must be reviewed and approved at least annually by a committee which reports to the Board of Directors or, where the member or member organization has no Board of Directors, to a senior executive officer of the member or member organization. Such committee may not include representatives from the member's or member organization's Investment Banking Department. The committee must, among other things, consider the following factors, if applicable, when reviewing an associated person's compensation:*

- i. The associated person's individual performance, (e.g., productivity, and quality of research product);*
- ii. The correlation between the associated person's recommendations and stock price performance;*
- iii. The overall ratings received from clients, sales force, and peers independent of the Investment Banking Department, and other independent rating services.*

*The committee may not consider as a factor in determining the associated person's compensation, his or her contributions to the member's or member organization's investment banking business.*

*The committee must document the basis upon which each associated person's compensation was established. The annual attestation required by Rule 351(f) must certify that the committee reviewed and approved each associated person's compensation and has documented the basis upon which such compensation was established.*

### General Standards for All Communications

(Formerly positioned at Supplementary Material .30)

- A. (i) No change.

### Specific Standards for Communications (Formerly positioned at Supplementary Material .40)

- B. (j) No change (except for deletion of .40(2)).

### Disclosure

(k)(1) Disclosures Required in Research Reports and Public Appearances Disclosure of Member's, Member Organization's, and Associated Person's Ownership of Securities and Subject Company Relationships

(i) A member or member organization must disclose in research reports and an associated person must disclose in public appearances:

a. if, as of the last day of the month before the publication or appearance (or the end of the second most recent month if the publication or appearance is less than ten (10) calendar days after the end of the most recent month), the member or member organization or its affiliates beneficially own 1% or more of any class of common equity securities of the subject company. The member or member organization must make the required beneficial ownership computation no later than ten (10) calendar days after the end of the prior month. Computation of beneficial ownership of securities must be based upon the same standards used to compute ownership for purposes of the reporting requirements under section 13(d) of the Securities Exchange Act of 1934,

b. if the associated person or a household member has a financial interest in the securities of the subject company, *and the nature of the financial interest, including, without limitation, whether it consists of any option, right, warrant, futures contract, long or short position, [or]*

c. *if the subject company currently is a client of the member or member organization or was a client of the member or member organization during the 12-month period preceding the date of distribution of the research report or date of the public appearance by the associated person (if the associated person knows or has reason to know). In such instances, the member or member organization or associated person (if such associated person knows or has reason to know) also must disclose the types of services provided to the subject company (For purposes of this paragraph, the types of services provided to the subject company may be described as investment banking services, non-investment banking securities related services, and non-securities services.).*

d. [c.] any other actual, material conflict of interest of the *associated*

*person, or member or member organization, of which the associated person knows, or has reason to know, at the time the research report is published [issued] or at the time the public appearance is made.*

*e. if the associated person or member of the associated person's household is an officer, director, or advisory board member of the subject company; or*

*f. if the associated person received any compensation from the subject company in the past twelve (12) months.*

### Associated Person Disclosure

(ii) *An associated person must disclose in public appearances (if the associated person knows or has reason to know) if the member or member organization or any affiliate thereof, received any compensation from the subject company in the past twelve (12) months.*

### Member, Member Organization, and Affiliate Compensation

(iii) [(ii)] A member or member organization must disclose in research reports if the member or member organization or its affiliates: (a) Has managed or co-managed a public offering of [equity] securities for the subject company in the past twelve (12) months; (b) has received compensation for investment banking services from the subject company in the past twelve (12) months; (c) *received any compensation other than for investment banking services from the subject company in the past twelve (12) months;* or (d) [c] expects to receive or intends to seek compensation for investment banking services from the subject company in the next three (3) months.

[When an associated person recommends securities in a public appearance, the associated person must disclose if the subject company is an investment banking services client of the member, member organization, or one of its affiliates; when the associated person knows or has reason to know of this relationship.]

### [Disclosure of Associated Person's Affiliations With Subject Company]

(iii) A member or member organization must disclose in research reports, and an associated person must disclose in public appearances, whether the associated person or member of the associated person's household is an officer, director or advisory board member of the recommended issuer.]

### Exceptions to the Required Disclosures

(iv) *A member or member organization or an associated person will not be required to make a*