



Verity Asset  
Management



Verity  
Investments, Inc.

# 2021 Annual Compliance Meeting

Thank you for taking the time to complete this training. Please contact [compliance@verityinvest.com](mailto:compliance@verityinvest.com) if you have any questions or concerns.

# This Year is Different

For 2021, the Annual Compliance Meeting is an online event.

There are six separate requirements to be completed in order to satisfy your Annual Compliance Meeting requirement:

- 1) View these slides
- 2) Read and attest to the Compliance Manuals on the NRS platform
- 3) Complete the AML Training course on the NRS Platform
- 4) Watch the Annual Compliance Meeting video
- 5) Review your Form U4 for accuracy
- 6) Complete the attestations survey

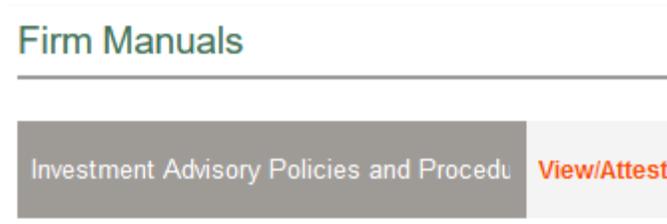
# Compliance Manuals

On Thursday, 10/28 you should have received a welcome email from [webserver@nrs-inc.com](mailto:webserver@nrs-inc.com) providing you a link and login credentials to access NRS ComplianceGuardian.



Please check your deleted or spam folder if you haven't already logged in.

Once logged in, you will see the relevant Compliance Manual(s) and a link to read it and attest to reading it.



# Compliance Manuals

Once you are viewing the manual, you can read the sections, search for keywords, and complete the attestation. To do so, please click on the Attest button on the left and type your name in the Signature box before clicking “Save”.

Attest

Attestation ✕

I understand that the Registered Representative Manual I have just received addresses regulatory responsibilities and requirements to which I must adhere, as well as any internal policies and procedures with which I must also be in compliance.

I understand updates to the content of the Manual may be made and that I have an on-going responsibility to remain current with all the material contained in the Manual.

I agree to initially read the entire Manual as soon as possible after receipt and understand that I am to direct any questions I may have concerning the material to my Supervising Principal or Compliance. I acknowledge that it is my responsibility to fully understand all rules and regulations that direct my behavior as a registered representative of Verity Investments, Inc.

I will continue to refer to the Registered Representative Compliance Manual to ensure that I am acting in a fully compliant manner at all times, with both the regulatory requirements and with any internal policies and procedures issued by Verity Investments, Inc.

I understand that any violation of provisions of this Registered Representative Compliance, or of any directives issued by Verity Investments, Inc., or of any of the rules promulgated by any regulatory agency may subject me to internal disciplinary action and/or termination, as well as civil, criminal and/or regulatory sanctions.

Signature:

# AML Training Course

Also on the NRS ComplianceGuardian website is the AML Training Course.

To access the course, please click on the “Training” link at the top of the page. And then “Start” to the left of the course title.

## Training

Status	Course Title	Due Date	Score	Certificate
Start	2021 - Anti-Money Laundering Refresher Training	04/30/2022	0%	

To pass, you will need a score of 70 or above.

# Insider Trading

## What is Insider Trading?

Insider trading is the buying or selling of a security by someone who has access to material nonpublic information about the security. Insider trading occurs when someone makes an investment decision based on information that is not available to the general public. In some cases, the information allows them to profit, in others, avoid a loss.

## Dirks Test

The SEC uses the Dirks Test to determine if a person is guilty of insider trading. The Dirks Test looks at:

- 1) if the individual breached the company's trust in them and
- 2) if the individual did so knowingly.

# Insider Trading

## What is Insider Trading?

Insider trading can be illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still nonpublic. Trading while having special knowledge is unfair to other investors who do not have access to such knowledge.

Illegal insider trading includes tipping others when you have any sort of nonpublic information. Directors are not the only ones who have the potential to be convicted of insider trading. People such as brokers and even family members can be guilty.

Insider trading is legal once the material information has been made public, at which time the insider has no direct advantage over other investors. The SEC, however, still requires all insiders to report their transactions. As insiders have an insight into the workings of their company it may be wise for an investor to look at these reports to see how insiders are legally trading their stock.

# Insider Trading

## What Is It and Why Is It Harmful?

Insider trading occurs when a trade has been influenced by the privileged possession of corporate information that has not yet been made public. Since the information is not available to other investors, a person using such knowledge is trying to gain an unfair advantage over the rest of the market. Using nonpublic information for making a trade violates transparency, which is the basis of a capital market.

Information in a transparent market disseminates in a manner by which all market participants receive it at more or less the same time. Under these conditions, one investor can gain an advantage over another only through acquiring skill in analyzing and interpreting available information.

# Insider Trading

## Rule 10b5-1

Under Rule 10b5-1, the SEC defines insider trading as any securities transaction made when the person behind the trade is aware of material nonpublic information and is hence violating the duty to maintain confidentiality of such knowledge. Information is defined as being material if its release could affect the company's stock price.

In a further effort to limit the possibility of insider trading, the SEC has also stated in Regulation Fair Disclosure (Reg FD) that companies can no longer be selective as to how they release information.

This means analysts or institutional clients cannot be privy to information ahead of retail clients or the general public. Everyone who is not a part of the company is to receive information at the same time.

# Insider Trading

## Who Is an Insider?

For the purposes of defining illegal insider trading, a corporate insider is someone who is privy to information that has yet to be released to the public. If a person is an insider, they are expected to maintain a fiduciary duty to the company and shareholders and is obligated to retain in confidence the possession of the material nonpublic information. A person is liable for insider trading when they act on privileged knowledge in the attempt to make a profit.

Sometimes it is easy to identify who insiders are: CEOs, executives and directors are, of course, directly exposed to material information before it's made public. However, according to the misappropriation theory of insider trading cases, certain other relationships automatically give rise to confidentiality.

# Insider Trading

## Partners in Crime

Insider trading that occurs as a result of information leaking outside of company walls is known as the "tipper" and the "tippee." The tipper is the person who has broken their fiduciary duty when they consciously revealed inside information. The tippee is the person who knowingly uses such information to make a trade (in turn also breaking confidentiality).

# Insider Trading

## Not a “Victimless Crime”

Trading by corporate insiders automatically harms owner value when it causes the company's share price to fall. Insider trading can hurt owners even when it causes prices to rise: if insider trading raises a target company's share price, it makes a takeover more expensive.

Although the primary victims of unethical insider trading are the shareholders of the company, which is the subject of the inside information, they are not the only ones to suffer. If the insider trader is employed not by the subject company but by a firm which was providing services, then that other firm and its shareholders will suffer as well. Because of the employee's fiduciary irresponsibility or theft, that organization's reputation as a reliable adviser or agent, and consequently its ability to attract future customers, can be impaired.

# Insider Trading

## Not a “Victimless Crime”

Finally, immoral insider trading harms the market itself. It is not just the traders on the opposite side of the insiders' transactions who lose. The overall reputation and viability of the securities exchange may well be diminished. When an exchange permits insider traders to rob shareholders of what is rightfully theirs, investors will be disinclined to trade on that exchange and will be less willing to buy securities issued on it. Not only will market liquidity be potentially reduced, but less capital will be available for corporate development. Indirectly, the entire economy is a victim of unethical insider trading.

In summary, insider trading is unethical when the inside information has been misappropriated and acquired through violation of fiduciary responsibility or through theft. It is therefore not insider trading but misappropriation that should be recognized as the criminal offense.

# Do Not Call Procedures

## Telephone Communications

It is a violation of Federal regulations to circumvent a consumer's caller identification service by failing to transmit the telephone number, and, when available by the telephone company, the caller's name. Unanswered calls must be allowed to ring 4 times before disconnecting. The Firm does not permit the use of any automatic dialing systems or the use of any prerecorded messages for telemarketing purposes.

For regulatory purposes as well as common courtesy, calls may only be made between the hours of 8 a.m. and 9 p.m. At the beginning of the call, you must clearly identify yourself, the company, the sales purpose of the call, and the nature of the products being offered. Before ending the call, you must provide a telephone number where you may be contacted. Calls to persons who hold accounts with the firm or who have conducted any financial transactions with the firm within the past eighteen months are exempt from the provisions of this paragraph.

# Do Not Call Procedures

## Telephone Communications

Any RR who uses the telephone to harass, annoy, or intimidate any person will be subject to immediate disciplinary action, up to and including possible termination, and referral to FINRA for potential rule violations.

Unencrypted consumer account numbers may not be disclosed or received for use in telemarketing.

# Do Not Call Procedures

## Do Not Call Policies

The Firm requires all employees to review various Do-Not-Call lists of persons who do not wish to receive telephone solicitations or wireless communications from the Firm and its Associated Persons in accordance with FINRA Rule 3110 and the Federal Trade Commission's National Do-Not-Call Registry. The national Do-Not-Call list must be referenced to ensure that person's do-not-call request is honored.

In addition, the firm maintains an internal Do-Not-Call list. This list is to be reviewed by employees before making any calls to clients. Where necessary, employees are also instructed to review state lists where pertinent as they are potentially different from the National Registry.

No outside telemarketing source may be utilized.

Should an employee violate the Firm's Do Not Call procedures, any fines resulting from the violation will be the full responsibility of the employee.

# Do Not Call Procedures

## Calls by Unregistered Persons

Unregistered persons, defined as a person not appropriately licensed to sell securities, may contact prospective clients for three purposes only:

- extending invitations to firm-sponsored events; at which any substantive presentations or solicitation will be conducted by appropriately registered personnel.
- inquiring whether a prospective client wishes to discuss investments with a registered person.
- determining whether a prospective client wishes to receive investment literature from the firm.

Unregistered persons may not discuss general or specific investment products or services offered by the firm, pre-qualify prospective customers as to financial status and investment history and objectives, or solicit new accounts or orders.

# Annual Compliance Meeting Video

You will have also received an email with a link to a video from GoToWebinar. The video goes over various Compliance topics, and you must attest to having viewed it to satisfy your annual CE requirement.

To register for the video, please use this link:

<https://www.gotostage.com/channel/7593e683777644f3895b3766782897e8/recording/4b33a7fdc0d34a149d3e80c1aef81bed/watch>



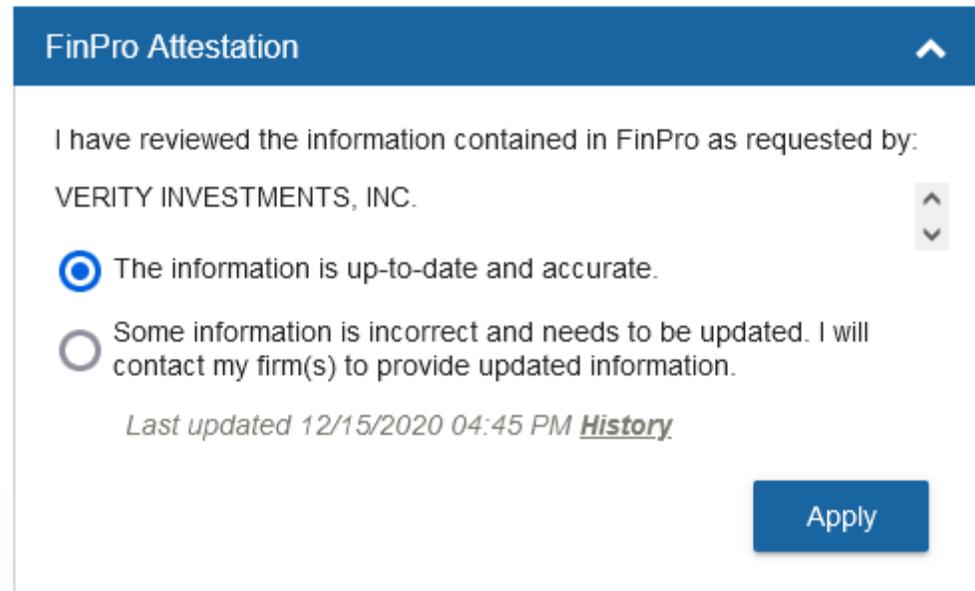
# GoToWebinar

# Form U4 Review

You need to review your Form U4 for accuracy and thoroughness. Any incorrect or missing information should immediately be brought to the attention of Compliance.

There are two ways to review your current U4:

1) If you are securities licensed, log into [finpro.finra.org](https://finpro.finra.org) and complete the attestation



The screenshot shows a web form titled "FinPro Attestation". The form contains the following text and options:

FinPro Attestation

I have reviewed the information contained in FinPro as requested by:  
VERITY INVESTMENTS, INC.

The information is up-to-date and accurate.

Some information is incorrect and needs to be updated. I will contact my firm(s) to provide updated information.

Last updated 12/15/2020 04:45 PM [History](#)

Apply

# Form U4 Review

There are two ways to review your current U4:

2) If you are advisory licensed only, Compliance will email you your current U4

\*Non-Registered Associated Persons do not have a U4; however, you are still obligated to keep your contact information current with Compliance.

# Attestations Survey

Finally, you have also received an email from SurveyMonkey to complete your annual attestations.

The email link is unique for each user. If you have not received the invite, please contact [compliance@verityinvest.com](mailto:compliance@verityinvest.com).



# Annual Compliance Meeting Checklist

To satisfy your 2021 Annual Compliance Meeting, you must:

- View these slides
- Read/Attest to the Compliance manuals
- Complete AML training course
- Watch the ACM video
- Review your Form U4
- Complete the Annual Compliance Interview

Please feel free to print this page.

Questions? Please contact [compliance@verityinvest.com](mailto:compliance@verityinvest.com).



**VERITY**

Compliance Department

**Thank you for your cooperation!**

