

1 AN ACT relating to consumer protection in financial transactions.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 292 IS CREATED TO  
4 READ AS FOLLOWS:

5 *(1) As used in this section:*

6 *(a) "Nonfinancial objective" means criteria in the investment or commitment*  
7 *of customer or client funds for the purpose of obtaining an effect other than*  
8 *a maximized financial return to the customer or client; and*

9 *(b) "Socially responsible criteria" means any criterion that is intended to*  
10 *further, or is branded, advertised, or otherwise publicly described by a*  
11 *broker-dealer or agent as furthering, any of the following:*

12 *1. International, domestic, or industry agreements relating to*  
13 *environmental or social goals;*

14 *2. Corporate governance structures based on social characteristics; or*

15 *3. Social or environmental goals.*

16 *(2) Any broker-dealer, agent, investment adviser, or investment adviser*  
17 *representative shall disclose to a customer or client any incorporation of socially*  
18 *responsible criteria or other nonfinancial objective into:*

19 *(a) A discretionary investment decision to buy or sell a security or commodity*  
20 *for the customer or client;*

21 *(b) A recommendation or solicitation to the customer or client for the purchase*  
22 *or sale of a security or commodity; or*

23 *(c) The selection or recommendation, or advice to the customer or client*  
24 *regarding the selection, of a third-party manager or subadvisor to manage*  
25 *the investments in the customer's or client 's account.*

26 *(3) (a) When a disclosure is required under subsection (2) of this section, a broker-*  
27 *dealer, agent, investment adviser, or investment adviser representative shall:*

1           1. Comply with the following requirements:

2           a. Provide prior disclosure; and

3           b. Obtain the customer's or client's written consent:

4           i. At the establishment of the brokerage or advisory  
5           relationship; or

6           ii. Prior to engaging in any initial activity subject to disclosure  
7           under subsection (2) of this section; and

8           2. Have a continuing obligation to:

9           a. Provide the disclosure to the customer or client on an annual  
10           basis; and

11           b. Obtain the customer's or client's written consent at least once  
12           every three (3) years.

13           (b) The written consent required under paragraph (a) of this subsection shall  
14           contain language that is substantially similar to the following:

15           "I, (NAME OF CUSTOMER OR CLIENT), consent to (NAME OF  
16           BROKER-DEALER, AGENT, INVESTMENT ADVISER, INVESTMENT  
17           ADVISER REPRESENTATIVE, as applicable) incorporating a socially  
18           responsible criteria objective or other nonfinancial objective into any  
19           discretionary investment decision my (broker-dealer, agent, investment  
20           adviser, or investment adviser representative, as applicable) makes for my  
21           account, any recommendation or solicitation that my (broker-dealer, agent,  
22           investment adviser, or investment adviser representative, as  
23           applicable) makes to me for the purchase or sale of a security or  
24           commodity, or the selection my (broker-dealer, agent, investment adviser, or  
25           investment adviser representative, as applicable) makes, or the  
26           recommendation or advice my (broker-dealer, agent, investment adviser, or  
27           investment adviser representative, as applicable) makes regarding the

1           selection, of a third-party manager or subadviser to manage the investments  
2           in my account. Also, I acknowledge and understand that incorporating a  
3           socially responsible criteria or other nonfinancial objective into  
4           discretionary investment decisions, recommendations, or solicitations for  
5           the purchase or sale of a security or commodity, or the selection or  
6           recommendation or advice regarding the selection, of a third-party manager  
7           or subadviser to manage the investments, in regard to my account, will  
8           result in investments, recommendations, solicitations, selections, or advice  
9           that is not solely focused on maximizing a financial return for me or my  
10          account."