

# NASAA 2020

## Investment Adviser Section

### Annual Report

April 2020 | Highlighting 2019 Section Activities



# Introduction

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The North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA members include 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

NASAA's 2020 Investment Adviser Section Annual Report provides an updated map of the state adviser population in the United States, a profile of the average state-registered investment adviser, as well as a snapshot of the work of NASAA's Investment Adviser Section and related Project Groups over the past year.

Two significant undertakings discussed in the report include: (1) results of the bi-annual investment adviser coordinated exams and (2) the development and NASAA member adoption of the investment adviser information security and privacy model rule.

The report also highlights the important regulatory policy work, education/training and coordination efforts of

the Section's Project Groups. These include: the 2019 Investment Adviser Training, cybersecurity checklist improvements, work to assist with the NEMO 2.0 rollout and efforts of the Zones Project Group to increase networking amongst NASAA members. The report closes by presenting proactive outreach programs in Washington, Colorado and Connecticut.

Finally, outside of the day-to-day Section activities, three members of the Section collaborated to author a law review article inspired by the Section's work, entitled [Paying Attention to That Man Behind the Curtain: State Securities Regulators' Early Conversations With Robo-Advisers](#). The article provides great insight into this emerging area and is worth the read.

The goal of the Section is for this annual report to provide relevant and useful information for NASAA members and outside stakeholders, particularly state-registered investment advisers. We always welcome feedback on ways to improve future reports. Please do not hesitate to contact us directly if you have any questions.



**Alex Glass**

Indiana Securities Commissioner  
Chair, Investment Adviser Section



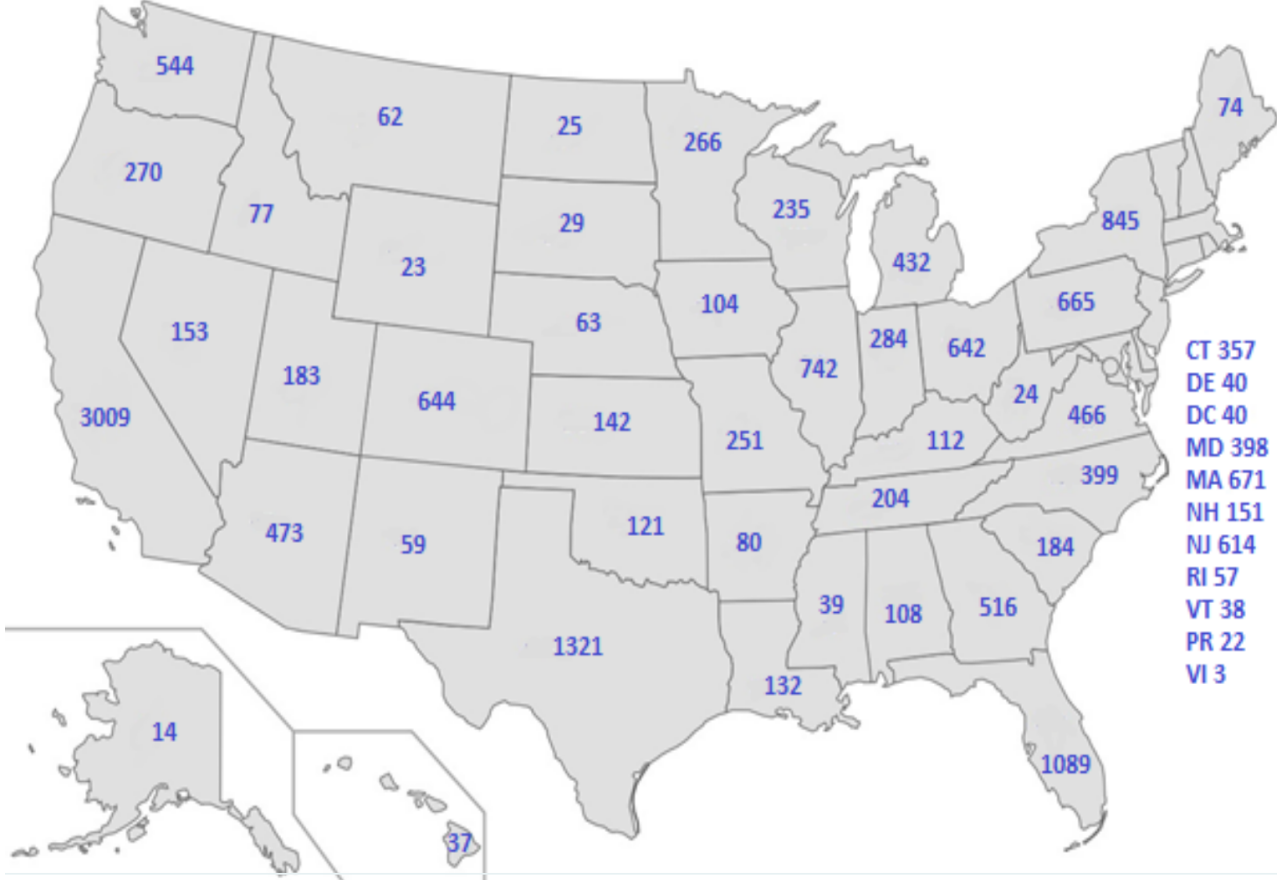
**Linda Cena**

Examination and Licensing Manager,  
Michigan Corporations, Securities &  
Commercial Licensing Bureau  
Vice Chair, Investment Adviser Section

## **SECTION COMMITTEE MEMBERS:**

William Carrigan (VT); Andrea Seidt (OH); Noula Zaharis (GA); Elizabeth Topp (ON), Canadian Liaison; Jorge Mauricio Montano Peno (MX), Mexico Liaison; Dylan White (NASAA), Liaison; Darren Norwood (NASAA), Liaison

# STATE-REGISTERED IA STATISTICS 2019



**17,533**

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Total State-Registered Investment Advisers

- Top 5 Most State-Registered IAs\***
1. California - 3,009
  2. Texas - 1,321
  3. Florida - 1,089
  4. New York - 845
  5. Illinois - 742
- \* As of 12/31/19

**331**

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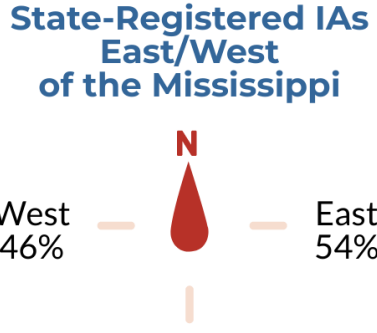
Average State-Registered Investment Advisers per Jurisdiction

**27,097**

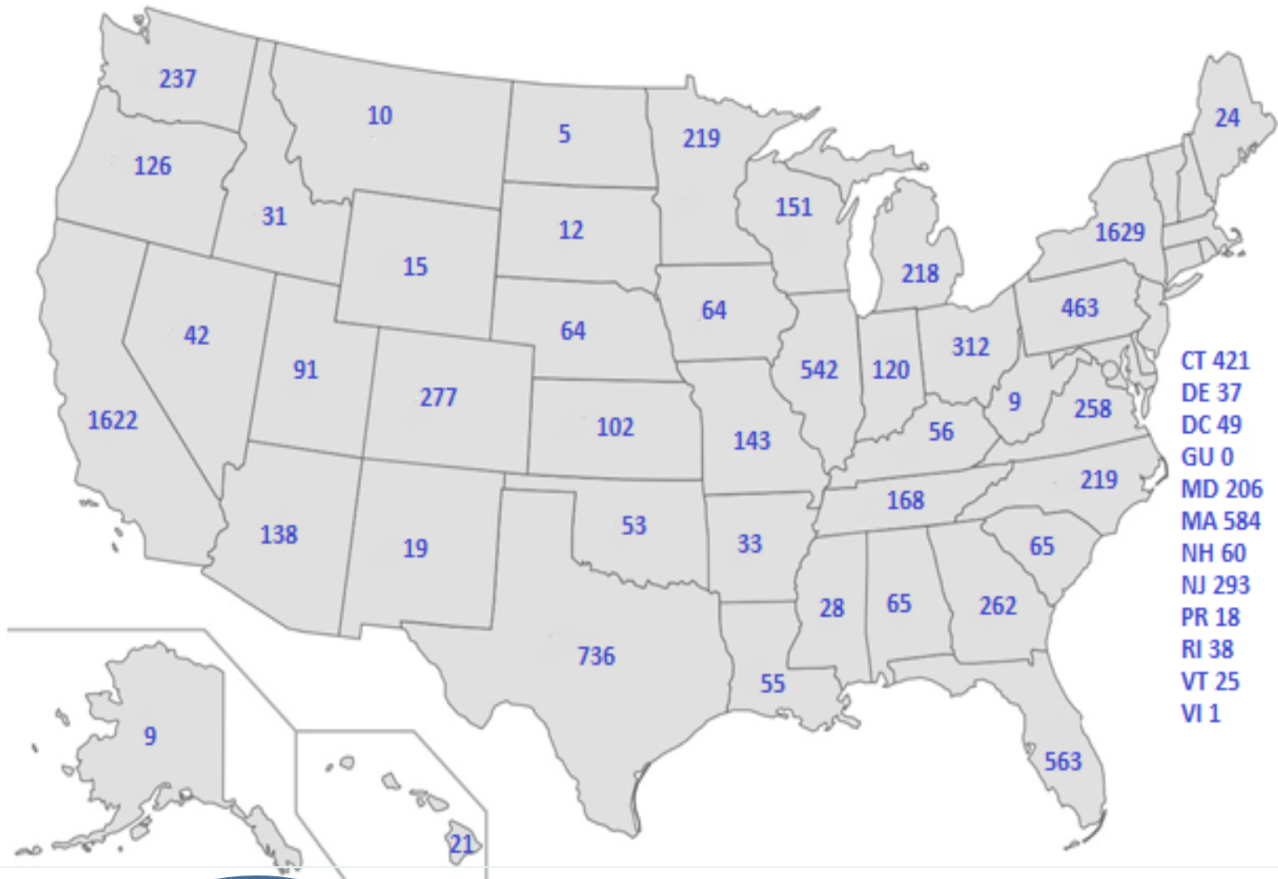
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Total State-Registered Investment Advisers Registrations

- Top 5 State-Registered IAs Increase from 2018-2019**
1. Texas - 33
  2. Nevada - 13
  3. Alabama - 12
  4. Pennsylvania - 11
  5. Montana - 9

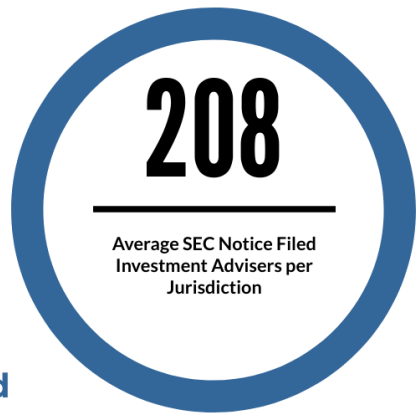


# SEC NOTICE-FILED IA STATISTICS 2019



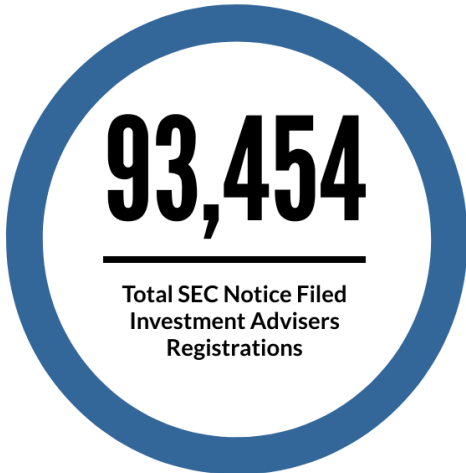
## Top 5 Most SEC Notice Filed IAs\*

1. New York - 1,629
  2. California - 1,622
  3. Texas - 736
  4. Massachusetts - 584
  5. Florida - 563
- \* As of 12/31/19

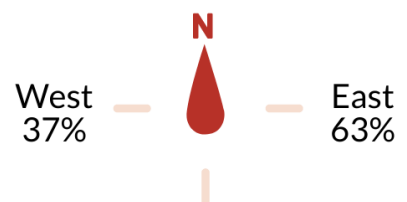


## Top 5 SEC Notice Filed IAs Increase from 2018-2019

1. California - 96
2. Florida - 65
3. Texas - 52
4. New York - 50
5. Connecticut - 25



## SEC Noticed Filed IAs East/West of the Mississippi



# STATE-REGISTERED IA PROFILE: 2019

## QUICK FACTS

### WORKFORCE

- 1-2 Person Shops: 80%
- Investment Adviser Representatives: 94%
- Insurance Agents: 51%
- Broker-Dealer Registered Reps: 38%



### State-registered IAs are American Small Businesses.

State-registered advisers work in most every town in every state across the country, mostly in one-to-two person shops staffed with licensed professionals exclusively.

### CLIENTS

- Retail Investors: 82%\*
- High Net Worth Investors: 16%
- Other: 2%



### Managing Portfolios of Main Street Investors is Primary Focus of State-registered Investment Advisers.

State-registered advisers offer a variety of services, but their primary focus is individual portfolio management, which makes sense given their almost exclusive customer base of everyday Main Street Americans. The majority of state advisers also offer broader financial planning services in their practices.

### TOP SERVICES

- Individual Portfolio Mgt.
- Financial Planning
- Selection of Other Advisers
- Portfolio Mgt. - Business
- Pension Consulting



### FEES

- Assets Under Management: 84%
- Hourly: 53%
- Fixed: 50%
- Performance: 9%
- Commission: 4%
- Subscription: 1%
- Other: 15%



### AUM Model Prevails Amid Innovative Compensation Models

Most state-registered advisers charge clients a fixed percentage of their AUM as their fee and relatively few charge a commission.

\*Note: Last year's profile of state-registered investment advisers was based on responses collected from the revised Form ADV Part 1 Item 5, which started collecting more nuanced information regarding the types of advisory clients in Item 5(D). In the 2017 profile, approximately 15,143 (90.7%) investment advisers completed the old format of Form ADV Part 1 and approximately 1,553 (9.3%) investment advisers completed the revised format. In 2018, approximately 16,211 (91.26%) investment advisers completed the revised Form ADV, while only 1,554 (8.74%) used the old format. This year's report contained almost exclusively responses to the revised Form ADV and showed a shift among advisers serving more high net worth clients (from about 1% in 2018 to almost 16% in 2019).

# 2019 IA Coordinated Examinations

*State securities regulators are concerned that deficiencies related to cybersecurity are rising among state-registered investment advisers in examinations by state securities examiners.*

In their examinations of state-registered investment advisers in 41 U.S. jurisdictions between January and June 2019, state examiners found deficiencies relating to cybersecurity in more than one-quarter (26%) of their examinations, up from 23% during the last series of coordinated examinations in 2017.

The top five cybersecurity-related deficiencies included: no testing of cybersecurity vulnerability, lack of procedures regarding securing or limiting access to devices, lack of procedures related to internet connectivity, weak or infrequently changed passwords, and no or inadequate cybersecurity insurance.

Cybersecurity is a priority for state securities examiners. Smaller companies are the low hanging fruit for cybercriminals, and when you consider that more than three-fourths of the nearly 18,000 state-registered investment advisers are 1- to 2-person shops, it is clear how important cybersecurity should be for these small businesses as well.

NASAA encourages state-registered investment advisers to review their cybersecurity practices to ensure compliance, and to take advantage of the free cybersecurity checklist offered by NASAA to help gauge their cybersecurity preparedness.

The NASAA Cybersecurity Checklist for Investment Advisers includes 89 assessment areas to help state-registered investment advisers identify, protect, and detect cybersecurity vulnerabilities; and to respond to and recover from cyber events.

Overall, the incidence of deficiencies in just about every category except cybersecurity has decreased since 2015.

Ranked by percentage of deficiencies found in the 1,078 coordinated state examinations in 2019, books and records (59%) continued to be the most problematic compliance area for state-registered investment advisers, followed by registration (49%), contracts (44%), cybersecurity (26%), and fee-related matters (21%). This sample data from state securities examiners is collected every two years and reported voluntarily to NASAA's Investment Adviser Operations Project Group.

State securities regulators have regulatory oversight responsibility for investment advisers with assets under management of \$100 million or less. Of the asset-managing investment advisers included in this year's coordinated examinations, 67% had assets under management between \$30 million and \$100 million and 33% had assets under management of less than \$30 million. Under the Dodd-Frank Act, about 2,100 mid-sized investment advisers with assets under management between \$30 million and \$100 million switched from federal to state oversight in 2013.

The examination report and cybersecurity checklist are available on the Investment Adviser section of the NASAA website at [www.nasaa.org/industry-resources/investment-advisers](http://www.nasaa.org/industry-resources/investment-advisers).

# 2019 IA Coordinated Examinations

## Recommended Best Practices for Investment Advisers

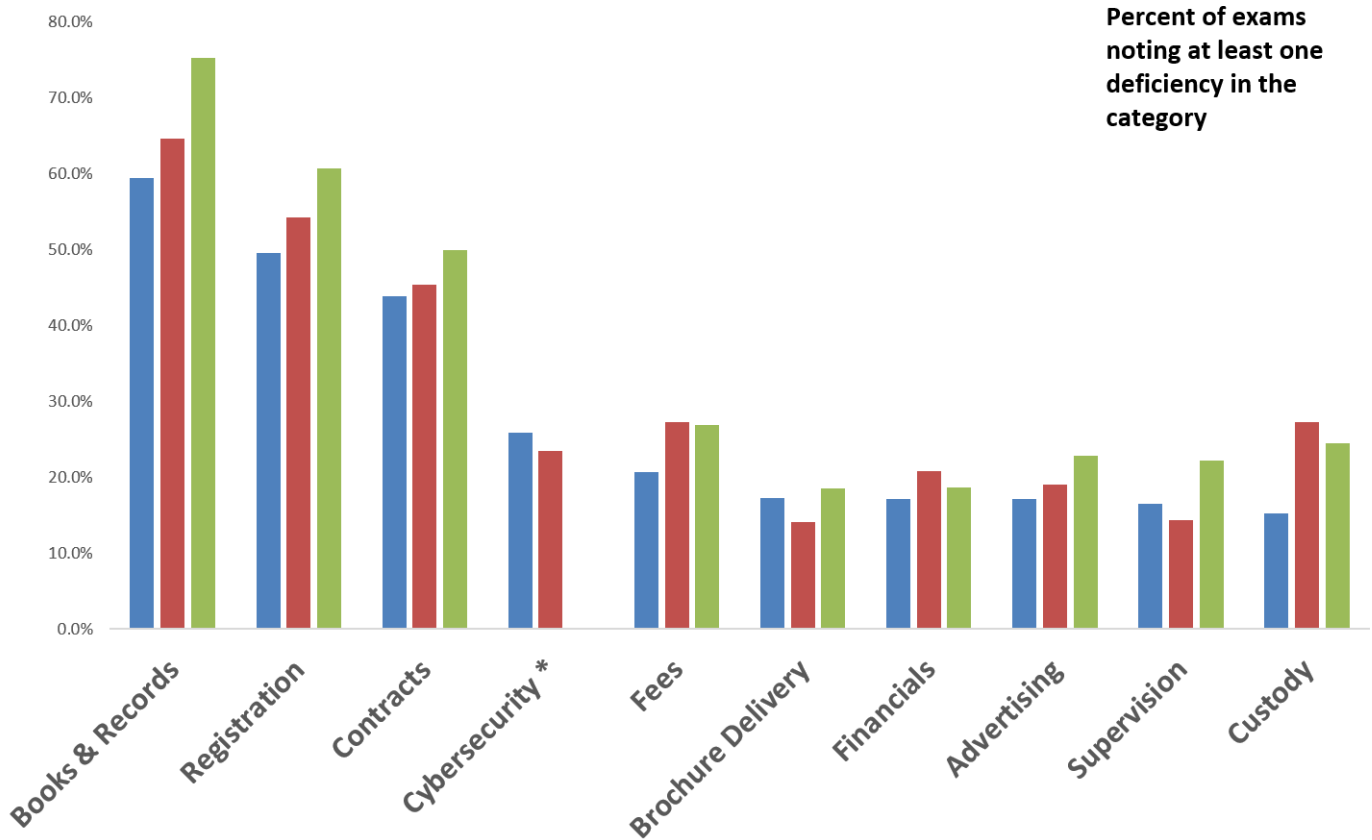
Based on the 2019 sample data, NASAA recommends the following “Best Practices” as a guide to assist investment advisers in developing compliance practices and procedures.

- Review and revise Form ADV and disclosure brochure annually to reflect current and accurate information.
- Review and update all contracts.
- Prepare and maintain all required records, including financial records. Back-up electronic data and protect records. Document checks forwarded.
- Prepare and maintain client profiles or other client suitability information.
- Prepare a written compliance and supervisory procedures manual relevant to the type of business to include business continuity plan and information security policies/procedures.
- Prepare and distribute a privacy policy initially and annually.
- Keep accurate and current financials. File timely with the jurisdiction. Maintain surety bond if required.
- Calculate and document fees correctly in accordance with contracts and ADV.
- Review all advertisements, including website and performance advertising, for accuracy.
- Implement appropriate custody safeguards, especially for direct fee deduction.
- Review solicitor agreements, disclosure, and delivery procedures.

### Comparison 2019, 2017 and 2015 Deficiencies

US Advisers with AUM >0

Percent of exams noting at least one deficiency in the category



\*No Cybersecurity Category in 2015



# Project Group Reports

## CYBERSECURITY AND TECHNOLOGY

Charlie Jarrett (GA), Co-Chair; James McDowell (AL), Co-Chair; Eric Chandra (CA); Victor Clark (DE); Ryan Sullivan (MT); Stevan Vasic (NE); Theresa Williams (CT); Patrick Willmore (CO); Dylan White (NASAA)

The Cybersecurity and Technology Project Group assisted NASAA with the adoption of an investment adviser information security model rule package, a significant step forward in enhancing the cybersecurity and privacy practices of state-registered investment advisers. The new model rule requires investment advisers to adopt policies and procedures regarding information security.

The project group continued to produce and refine resources to educate state regulators and investment adviser firms about cybersecurity issues and support their efforts in this area. In December 2019 the group presented a Professional Development webcast entitled “When It Comes to Cybersecurity...Can You Hack It?” The webcast was designed to educate state regulators on cyber basics and trends. The group also assisted with updating the NEMO cybersecurity module to assist examiners in evaluating firms’ practices while out on exams.

Specifically directed towards state-registered investment advisers, the project group created a “Checklist Guidance” document to provide investment advisers additional context regarding the “The NASAA Cybersecurity Checklist for Investment Advisers.” The Checklist has been a valuable document for state regulators to distribute to firms who have questions about best practices regarding cybersecurity. The Checklist, coupled with the groups “Data Inventory Checklist” provides a complete package to get firms started in creating and maintaining their cybersecurity compliance program.

The project group will continue to stress that cybersecurity is a high risk area for small state-registered investment advisers and monitor the industry for trends. Further progress in the coming year will include developing presentation materials for state regulators to offer registrants, including instructions on how firms can prepare and plan to meet demands in a shifting landscape of cybersecurity threats.



# Project Group Reports

## OPERATIONS

Michael Huggs (MS), Chair; Kathleen Browne (KS); Alisa Goldberg (FL); Elizabeth Guido (NC); Joanne Jones (WA); Emily Lee (MA); Brett O'Sullivan (CA); Brett Radetsky (CO); Glen Sgobbo (OH); Jackie Walter (NE)

Throughout 2019, the Operations Project Group worked on compiling investment adviser coordinated examination data, which included 1,078 examinations submitted by 43 jurisdictions. The group presented these findings in September 2019 at NASAA's Annual Conference in Austin, Texas.

The top three deficiencies remained the same as the last coordinated exams in 2017 and 2015: books & records, registration, and contracts. Cybersecurity, which made its debut as a deficiency category in 2015, moved up to fourth place, knocking fee related deficiencies down to fifth place.

The project group spent the majority of the year on the significant task of reviewing and revising each of the Investment Adviser exam modules and instructions in the NEMO platform in preparation for rollout of the new NEMO 2.0 platform in Fall 2019.

The project group also completed revisions to two examiner tools. The group revised the ADV Cross-Reference worksheet, an examiner tool designed to help examiners review Form ADV Part I and 2 for consistency and agreement with the advisory contract.

In addition, the group completed the stand-alone Licensing Module to help licensing personnel review and document issues with investment adviser registrations.

The project group began working on a survey of investment adviser enforcement actions to evaluate commonalities between individuals and firms involved.

The project group also created guidelines for written supervisory and compliance procedures for use in conjunction with proposed model rules regarding written supervisory and compliance procedures.

# Project Group Reports

## REGULATORY POLICY & REVIEW

Stephen Bouchard (NJ), Co-Chair; Stephen Brey (MI), Co-Chair; Benjamin Donovan (MA); John Harth (CO); Blake Kennedy (GA); Kevin Moquin (NH); Suzanne Sarason (WA); David Smith (AR)

The Regulatory Policy and Review Project Group had another busy year in 2019. First and foremost, the group said goodbye to project group co-chair Liz Smith of Washington. Liz moved onto a new position after many years of service to the Washington Securities Division and NASAA. Her tireless work to advance investment adviser policy during her time as co-chair was a service to NASAA and all of its members.

The project group met monthly by telephone to discuss topics affecting investment advisers and regulators, including fee models, policies and procedures, cybersecurity, custody, standing letters of authorization, use of subadvisers, continuing education, solicitors, and many others.

The project group finalized multiple model rules. The first addressed investment adviser information security and privacy policies and procedures. The rule is intended to help advisers protect client information and shield themselves and investors from threats posed by hackers and others trying to access personally identifiable information. The project group finalized updates to the dishonest or unethical business practices model rules, making it a violation for an investment adviser to have “account access” through possession of a client’s unique username or password. The practice had become prevalent in the industry, and the rule explicitly prohibits advisers from accessing client accounts with the client’s unique identifying information. Q&As were also produced to facilitate compliance with the new model rules.

The project group continued to provide comments and assistance to the Resources & Publications and Operations Project Groups towards the completion of a new Investment Adviser Advertising Resource Guide and Fiduciary Duty/Dishonest or Unethical Business Practices Guidance for examiners. The project group also worked with the Investment Adviser Representative Continuing Education Board Committee drafting a model rule implementing continuing education requirements for registered investment adviser representatives. The IAR CE model rule went out for internal comment in 2019, and public comment will be sought in 2020.

Project group priorities for 2020 include publishing for public comment a model rule addressing investment adviser policies and procedures, code of ethics, and proxy voting procedures, facilitating advancement of the IAR CE model rule, engaging investor advocacy and industry groups on the evolving nature of investment adviser fee models, monitoring and assisting in commentary to SEC rule proposals to amend or add to investment adviser rules and forms, collaborating with the broker-dealer section to propose a model rule on unpaid arbitration awards, drafting guidance on standing letters of authorization, and discussing and pushing forward on other topics of interest to the investment adviser and regulatory communities.

# Project Group Reports

## RESOURCES & PUBLICATIONS

Lindsay Fedler (WI), Chair; Holly Mack-Kretzler (WA), Vice Chair; David Biemel (OH); Jeffrey Eaby (CO); Elizabeth Mullin (CT); April Odom (TN); Robert Webster (NASAA)

The Resources and Publications Project Group spent the first four months of 2019 working on compiling and analyzing data for the *2019 Investment Adviser Section Annual Report*, which was presented in May 2019 at NASAA's Spring Meeting in Washington, D.C. The report highlighted the state-registered investment adviser industry, trends in registration, regulator outreach events for investment advisers and other financial professionals, and all of the work performed by the Section and its project groups in 2018.

In March, the project group met in Nashville, Tennessee to embark on a new project – creating compliance articles on topics of interest to state-registered investment advisers, to be distributed by NASAA through its newsletter and social media. The project group spent two days revising seven articles on topics including cybersecurity, third-party vendors, business continuity planning, custody, elder financial exploitation reporting, and conflicts of interest. These articles will be distributed by NASAA in 2020, and the project group will be working on additional content focused on other cybersecurity concerns, common examination deficiencies, and other matters of interest to state-registered investment advisers during its 2020 in-person meeting.

Throughout the year, the project group continued to collaborate with the Regulatory Policy and Review Project Group to develop an investment adviser advertising compliance resource guide that state examiners will be able to use and reference in the field during investment adviser examinations. The Resource Guide was presented to the NASAA Board during its January 2020 meeting. The groups will continue to monitor developments with the SEC's proposed advertising rule, which could alter many aspects of the current regulatory framework in place for investment advisers' advertising practices.

Towards the end of the year, the project group welcomed several new members: David Biemel (Ohio), April Odom (Tennessee), Jeffrey Eaby (Colorado), and Elizabeth Mullin (Connecticut). The project group looks forward to a productive 2020.

# Project Group Reports

## TRAINING

Lindy Streit (AR), Co-Chair; Denise Walker (WV), Co-Chair; Ryan Anderson (WY); William Baldwin (WA); Emily Diaz (TX); To-Linh Huynh (NB); Kelly Lent (CT); Eric Pistilli (PA); Veronica Rodriguez (CO); Lindsey Stout (KY); Teaune Trice (IN); James Apistolas (NASAA)

Each year, the Training Project Group develops the Investment Adviser Training, an educational and insightful program focused on investment adviser regulation for regulators across NASAA's jurisdictions. The project group also produces webinars and other training materials available to NASAA members.

The 2019 NASAA Investment Adviser Training focused on tools for investment adviser examiners, including examination red flags, alternative product review, identifying fee structures, advertising, and evaluating diminished capacity and senior issues.

The training included sessions on examinations, both advanced and beginners, complex financial products, current compliance issues, and digital assets.

There are many benefits of an annual training. It allows regulators to stay up-to-date on emerging trends, provides valuable education to new regulators,

and affords jurisdictions the opportunity to learn from one another. It also allows regulators from different jurisdictions to network.

The 2019 program put an extra emphasis on networking. The project group's desire is to always promote working relationships between all training participants.

# Project Group Reports

## ZONES

Veronica Rodriguez (CO), Chair; Zone 1 (Northeast) Lauren Munschauer (MA); Zone 2 (Southeast) Andreama Guillet (GA); Zone 3 (Mid-Atlantic) Staci Morcom (PA); Zone 4 (Central) William Pultinas (OH); Zone 5 (South/Central) Tommy Green (TX); Zone 6 (Mountain) Ryan Sullivan (MT); Zone 7 (Western) Henry Tanji (HI); Zone 8 (Canadian) Elizabeth Topp (ON)

The Investment Adviser Zones Project Group had a number of goals and initiatives for 2019, including maintaining a zone communication system with electronic communication and quarterly zone calls; coordinating information sharing among the jurisdictions and between the NASAA Corporate Office and the NASAA members on issues of importance in regard to investment advisers; identifying issues of importance in the investment adviser industry, including patterns, trends, issues, and best practices; providing support for the Training Project Group; and attending the 2019 NASAA Investment Adviser Training in Dallas, Texas, in the capacity of panelists, speakers, and table leaders.

The project group held multiple project group calls throughout the year, including 10 quarterly zone calls throughout the regions. The project group also met in Denver, Colorado, in March 2019, to discuss 2019 goals and projects for the upcoming year.

Most of the project group members attended the Investment Adviser Training where they served as table leaders for the breakout sessions and hosted an “Ask a Zones Member” table during the conference. This allowed attendees to ask Zones representatives a wide range of questions and allowed the Zones representatives to serve as resources to connect attendees with colleagues in other jurisdictions.

The Zones breakout session and combined session was a huge success. Both sessions continue to receive positive and high survey scores during the conference. Attendees have stated that this portion of the training is extremely helpful because it allows them to interact with others within their zones in a small meeting setting and to network, which they otherwise would not have the opportunity to do.

The project group also worked with Bob Webster in the NASAA Corporate Office to collect information from each zone in order to update the NASAA website. One major contribution to this effort was ensuring that the website contained accurate registration and licensing information for each state.

The project group sent out a number of surveys and compiled the results for the following NASAA Investment Adviser Section project groups: Training, Operations, and Resources and Publications.

# Investment Adviser Outreach

## Washington Department of Financial Institutions – Division of Securities

In October 2019, the Washington State Department of Financial Institutions, Securities Division, held its first in a series of outreach events directed at state-registered investment advisers. The events were conducted by staff of the Division's Licensing and Exams Unit. The first event was held in Spokane, Washington, and it was well attended. Additional events will take place in 9 more cities across the state continuing into 2020.

The purpose of the outreach events is to inform investment adviser firms and investment adviser representatives about recent changes to the state's investment adviser rules. The amendments became effective February 2019, and they touch on several areas within the investment adviser rules, including custody, advertising, fee invoices, advisory contracts, training, and books and records.

At each event, staff describe the changes as well as the possible impacts of the changes on investment advisers. In addition, they explain how the rule changes could come into play during examinations. The staff also highlight a number of common exam deficiencies, and discuss recent enforcement actions. Attendees are then given the opportunity to ask questions of the staff.

The Licensing and Exams Unit has held many of these outreach events over the years, and the feedback is always positive. Attendees appreciate the opportunity to learn about changes to the rules as well as interact with, and ask questions of, the Licensing and Exams Unit staff.

# Investment Adviser Outreach

## Colorado Department of Regulatory Agencies – Division of Securities

In June 2019, the Colorado Division of Securities held its inaugural Securities Industry Workshop at its office in the Colorado Department of Regulatory Agencies in downtown Denver. The Workshop was a half-day event, specifically tailored to help state-registered investment adviser firms and investment adviser representatives understand state compliance requirements. State-registered investment advisers, generally solo or small firms without designated compliance departments, are a group that often does not have access to resources on state specific requirements. The Workshop had over 100 in-person attendees and was also available through a live webcast.

The Workshop was led by Division staff and included presentations and panels on the examination process and common deficiencies. In addition, the Division addressed many topics that were identified as exam priorities for 2019 including the reasonableness of advisory fees and compensation, cybersecurity and safekeeping of client information, outside business activities and conflicts, written suitability information, and alternative “unregistered” investment offerings. Another panel focused on updates to Colorado rules and regulations that went into effect over the past few years. Those changes include statutory updates to the Colorado Crowdfunding Act, adoption of the Protection of Vulnerable Adults from Exploitation Act and the Digital Token Act, as well as rule updates to the cybersecurity rule, the solicitor rule, the creation of an exemption from licensing for investment advisers to private funds, and adding net worth requirements. The feedback from state-registered investment advisers following the Industry Workshop was very positive. The Division will be hosting the 2nd Annual Workshop in June 2020.

In addition to the Workshop, Division staff publish an annual exam priorities update and plan to offer more clarification and best practice articles around areas of confusion for Colorado firms. The Division hopes firms reach out if they have any questions or are interested in changing their business model or offering new services.

Elder and at-risk victim exploitation is the other major focus of the Division’s outreach efforts. The Division brings awareness to these issues and seeks to increase reporting of suspected abuse through numerous communications, including press releases, consumer alerts, and on-camera news interviews. The Division also offers SeniorSafe trainings based off of materials NASAA has developed. During 2019, the Division held 30 SeniorSafe outreach events, reaching over 2,000 attendees. Of the 30 events, 14 were industry facing, and 16 were directed at the public. The Division uses both webinars and in-person presentations for its industry facing events, which are offered to front line financial professionals who have regular contact with clients, including bank and credit union professionals. The Division holds its events directed at the public in libraries or community centers. The events focus on trends of an aging population that is a target of scammers and pointing out red flags of fraudulent activities.



# Investment Adviser Outreach

## Connecticut Department of Banking – Securities and Business Investments Division

Considering the recent focus on issues of cybersecurity, Connecticut's Department of Banking initiated a new approach to reach registrants with information about the different issues surrounding cybersecurity, to emphasize the importance of cybersecurity and protecting clients, and to help raise awareness of the resources available to help.

Beginning in 2019, Connecticut's examiners implemented the addition of routine questions regarding various cybersecurity issues at each exam performed. Unlike other modules used during exams, the goal of the questions pertaining to cybersecurity center around familiarizing advisers with cybersecurity and the resources available to them. The advisers' responses helped the Department gain a better understanding of the baseline knowledge of the issues held by its registrants.

During the exams, examiners were encouraged to help guide registrants to a better awareness of all that cybersecurity entails and emphasize the

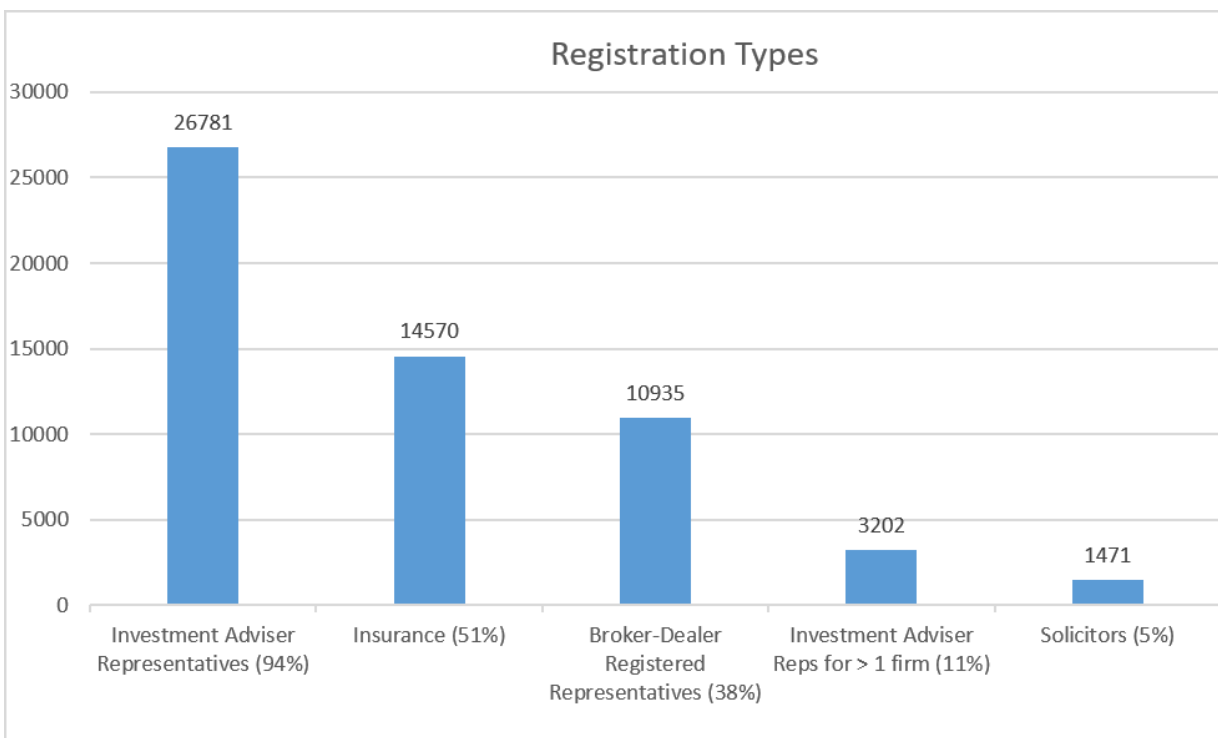
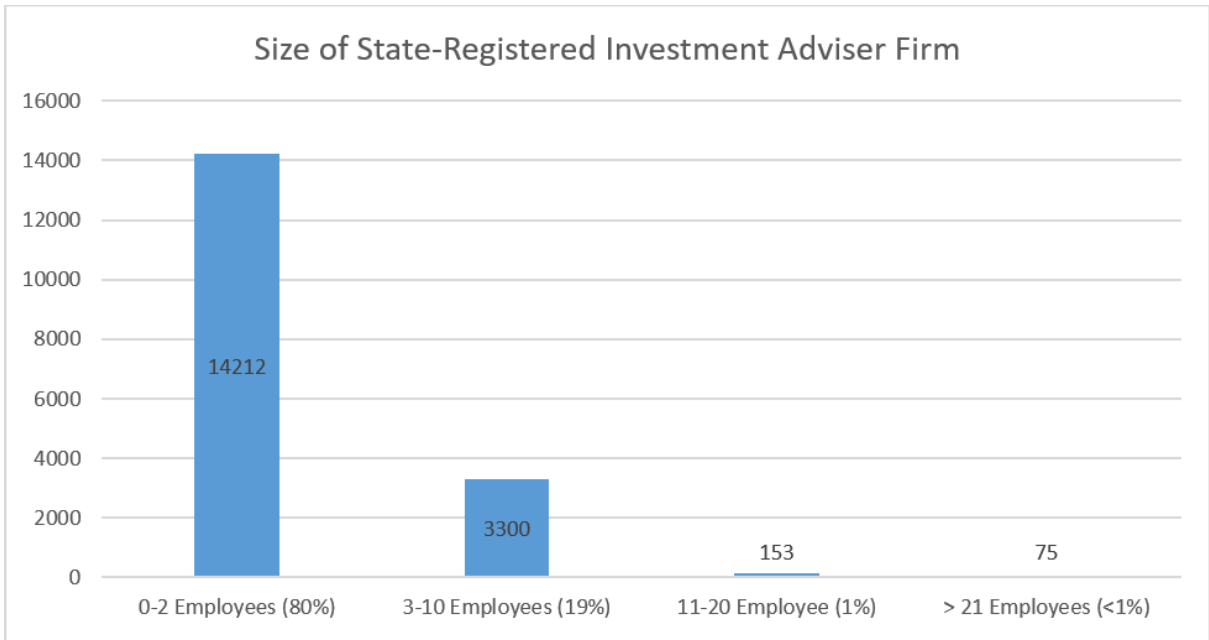
importance of cybersecurity and protecting their clients. Topics covered throughout the exams included encryption, cloud storage, the use of third party vendors or service providers, vulnerability testing, and cybersecurity insurance. Examiners also provided registrants with useful publications and directed them to additional information on specific topics when asked.

In conjunction with individually informing the registrants about cybersecurity, Connecticut released statements and press releases emphasizing the importance of cybersecurity and protecting clients. These statements contained topics to lead registrants along the path of more effectively protecting their clients' and families' data with links to more detailed information and guidance.

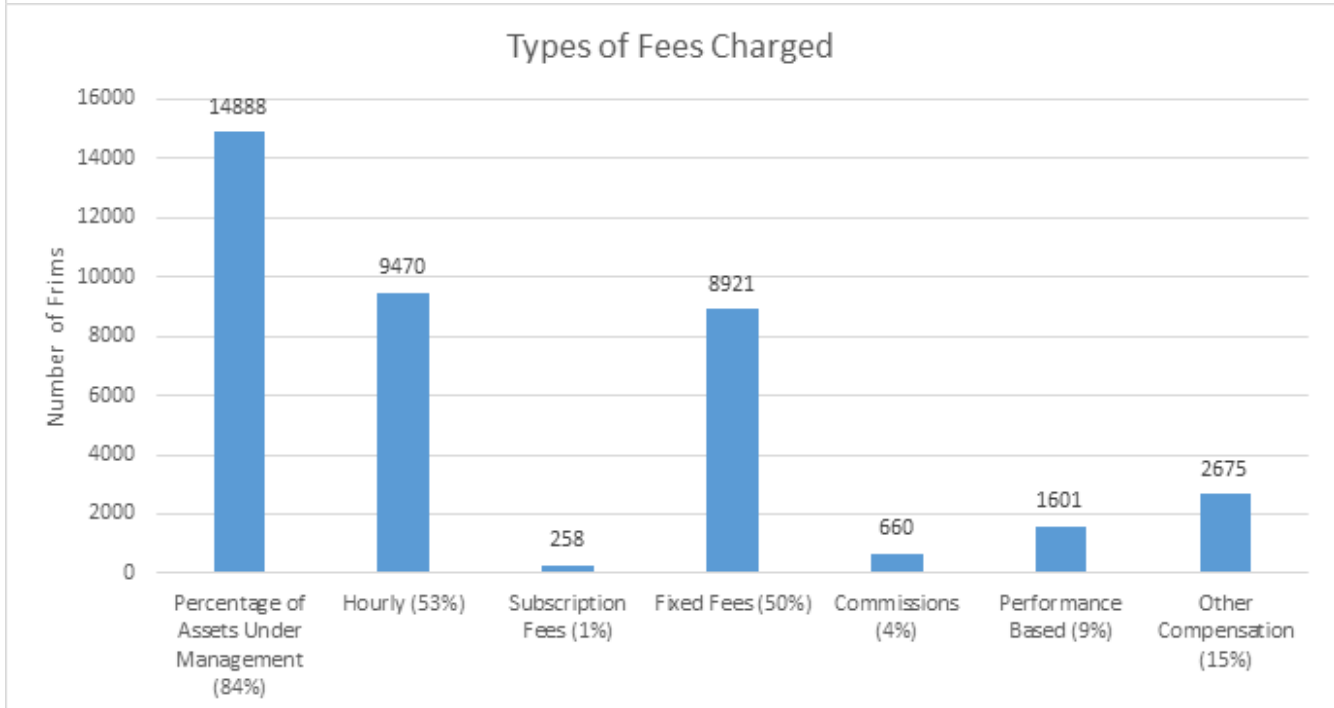
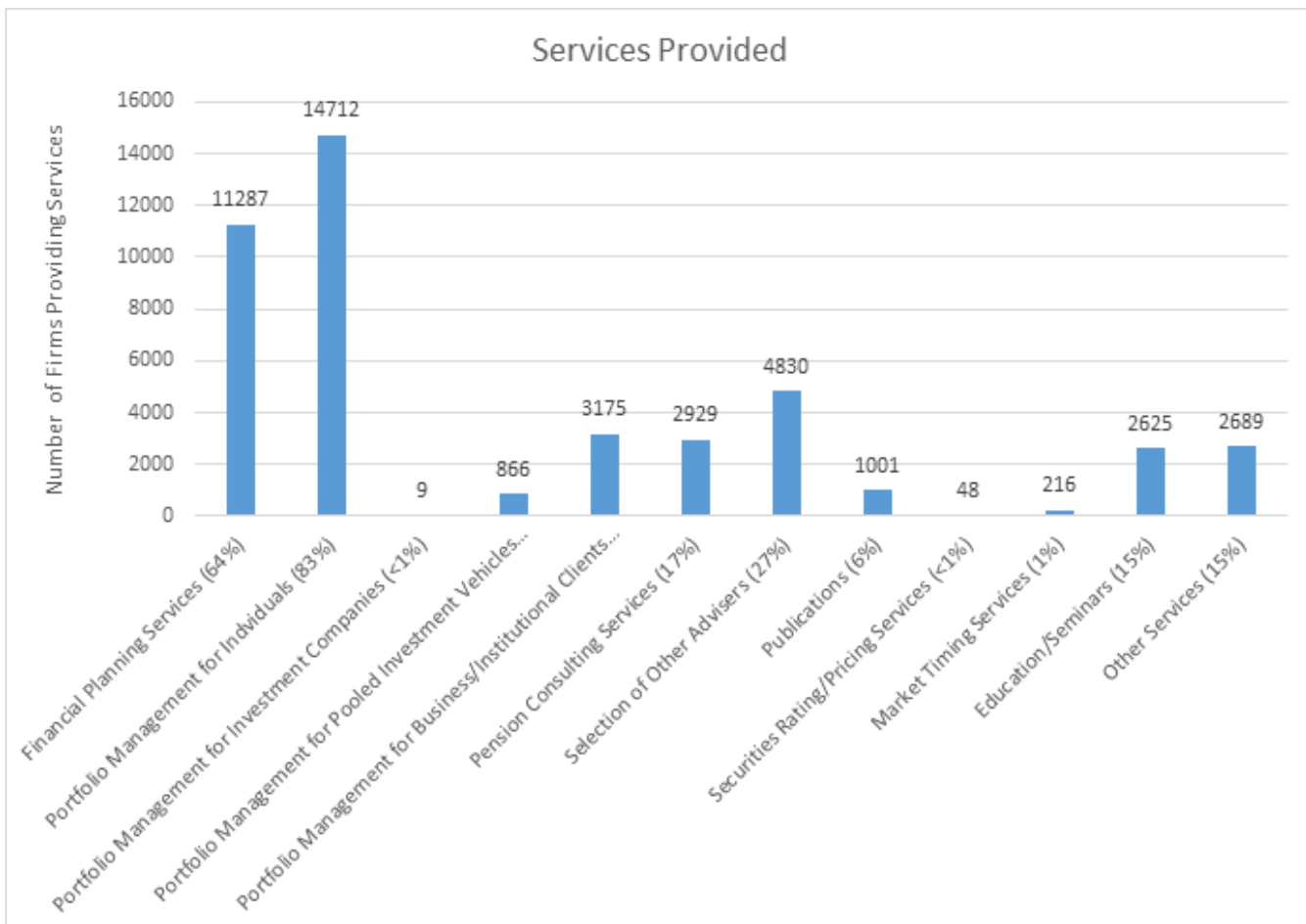
# Appendix

## CHARTS

The following charts provide the underlying data used to compile the infographics on pages 1-3.

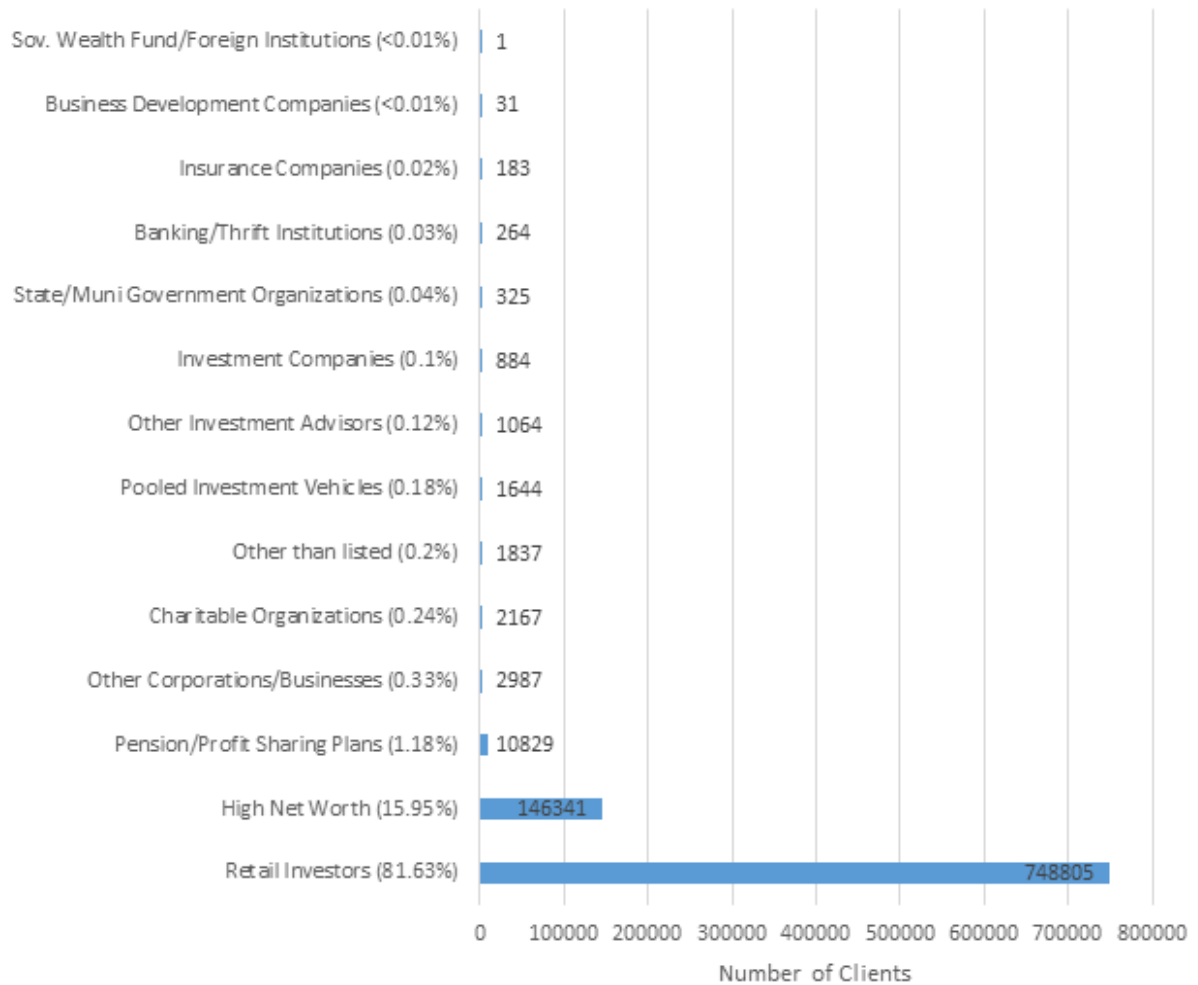


# Appendix



# Appendix

## Client Types



## ABOUT NASAA

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

In the United States, NASAA is the voice of state securities agencies responsible for efficient capital formation and grass-roots investor protection. Their fundamental mission is protecting investors who purchase securities or investment advice, and their jurisdiction extends to a wide variety of issuers and intermediaries who offer and sell securities to the public.

NASAA members license firms and their agents, investigate violations of state and provincial law, file enforcement actions when appropriate, and educate the public about investment fraud. Through the association, NASAA members also participate in multi-state enforcement actions and information sharing.

For more information, visit NASAA's website at [www.nasaa.org](http://www.nasaa.org).

