

2019

NASAA Report

North American Securities Administrators Association

Moving Forward To Protect Investors



About NASAA

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. Its membership includes the securities regulators in the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands; the provinces and territories of Canada; and Mexico.

State and provincial securities regulators have protected investors from fraud and abusive sales practices since Kansas passed the first “blue sky” law in 1911 and, the following year, Manitoba enacted the first Canadian securities legislation. In the United States, state securities regulation preceded federal securities laws, including the creation of the Securities and Exchange Commission (SEC), by more than 20 years.

NASAA'S VISION

Protect investors from fraud and abuse; educate investors; support responsible capital formation; and help ensure the integrity and efficiency of financial markets.

NASAA'S MISSION

Represent and serve members through education, cooperation, coordination, communication, subject matter expertise and advocacy.



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Leadership Message



For 100 years, the North American Securities Administrators Association (NASAA) has been helping its members fulfill their responsibility to protect investors and ensure financial-market integrity. It is evident from the success of our members that NASAA has much to celebrate.

Today, NASAA's mission is more important than ever, as new technologies and new products offer promise but also pose new threats to investors worldwide. We are pleased to present this report, which reflects the commitment of the more than 300 volunteers throughout North America who make NASAA what it is and will continue to be: a respected and reasoned voice for investor protection and responsible capital formation. NASAA draws its strength from this North American network of public servants who fight each day to protect the financial futures of those we serve.

The opportunities that lie ahead are far greater than our challenges and we believe that NASAA's best days will be achieved during our second century. Along with President-Elect Lisa Hopkins, West Virginia's Senior Deputy Securities Commissioner, we are committed to seeing that NASAA remains a vibrant and successful organization that engages our members and supports their mission. Together, we will ensure that NASAA enters its next 100 years knowing that what we do matters.

Michael S. Pieciak
NASAA President, 2018/2019
Commissioner, Vermont Department of Financial Regulation



Christopher W. Gerold (left), Chief of the New Jersey Bureau of Securities, receives the gavel from Michael S. Pieciak, Vermont's Commissioner of Financial Regulation, to become NASAA's president at the 2019 annual meeting in Austin, Texas.

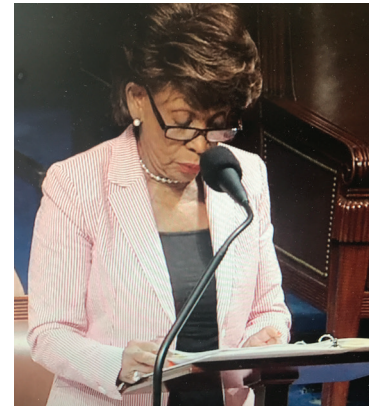
Christopher W. Gerold
NASAA President, 2019/2020
Chief, New Jersey Bureau of Securities

2019 Review

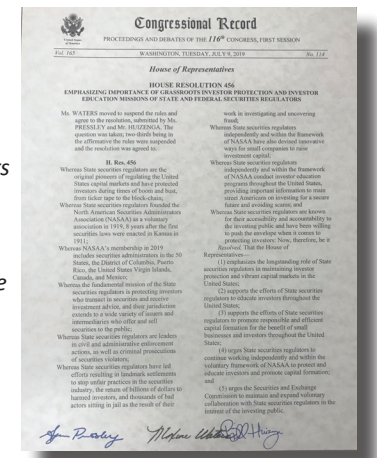
The year 2019 marked the centennial anniversary of the North American Securities Administrators Association. For 100 years, NASAA has been true to its mission to represent and serve its members through advocacy, education, subject-matter expertise, communication and coordination as they protect retail investors from fraud and abuse. This year saw NASAA commemorate its history and build for its future.

State and provincial securities regulators have worked together through NASAA to build a strong record of investor protection, effective regulation and innovative education. In 2019, Congress acknowledged this distinguished service with the House's passage of a bipartisan resolution commending NASAA members for all they do to protect Main Street investors.

The House resolution acknowledges state securities regulators as "the original pioneers of regulating the United States capital markets," and, as modern day "leaders in civil and administrative enforcement actions, as well as criminal prosecutions," whose actions have "led efforts resulting in landmark settlements to stop unfair practices in the securities industry, the return of billions of dollars to harmed investors, and thousands of bad actors sitting in jail."



House Financial Services Committee Chair Maxine Waters formally introduces a Congressional Resolution honoring NASAA on the House floor in July.



<p>1/3</p> <p>NASAA launches centennial anniversary commemoration.</p>	<p>2/25</p> <p>NASAA promotes millennial financial awareness.</p>	<p>3/5</p> <p>NASAA unveils legislative priorities for 116th Congress.</p>	<p>3/12</p> <p>EFD system expands to accept UIT notice filings.</p>
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2019 Review

That work is as important today as it was when NASAA was founded in 1919. Now in our second century of service to our mission of educating and protecting investors and supporting responsible capital formation, NASAA is truly an international organization delivering on its mission to assist members in fulfilling their regulatory responsibilities.

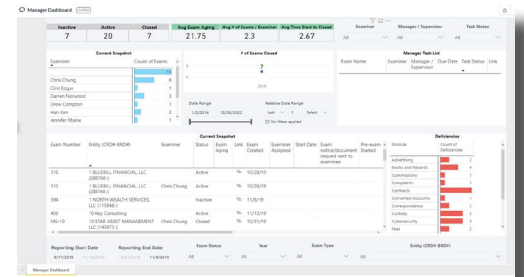
Leveraging Technology

Of course, much has changed over 100 years and NASAA and its members continue to adapt to changing times. Nowhere is this more evident than in NASAA's work toward its goal of leveraging technology to enhance regulatory efficiencies and strengthen investor protection.

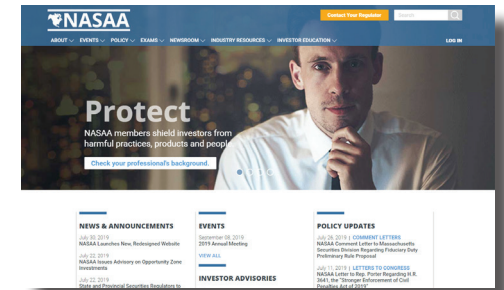
For example, 2019 saw success in the growth of the NASAA Electronic Filing Depository (EFD) System, which has modernized and streamlined the process for the filing of Form D, Rule 506 offerings with states. The system was expanded in 2019 to accommodate the electronic filing of Form NF-UIT notice filings for unit investment trusts (UITs). NASAA also released its significantly enhanced NASAA Electronic Examinations Module (NEMO) application. This web-based software application is available for use by state securities examiners

to conduct examinations of broker-dealers and state-registered investment advisers within their jurisdictions. This updated resource enables NASAA to deliver a product to state securities examiners that enhances the effectiveness of their examinations of broker-dealers and investment advisers. It also will help securities regulators quickly identify and address compliance trends to better protect investors.

The association also launched its redesigned website in 2019 to highlight the investor protection resources available from state and provincial securities regulators.



NASAA's NEMO application (above) brings enhanced resources to examiners and its new website, www.nasaa.org, provides greater access to information for the public.



3/28

NASAA files amicus brief in U.S. Supreme Court.

4/3

NASAA testifies before House subcommittee.

5/23

NASAA, SEC, FINRA release Senior Act Fact Sheet.

7/11

House of Representatives OKs resolution honoring NASAA's centennial.

2019 Review

The year also saw great strides in NASAA's continued efforts to focus on cybersecurity issues. In May, NASAA members voted to adopt a model rule that requires investment advisers to adopt policies and procedures regarding information security. The model has been delivered to individual jurisdictions for consideration.

Protecting Senior Investors

NASAA long has been a leader in the fight to protect seniors from financial exploitation, and as the North American population ages this work will only grow. In 2019, NASAA saw continued progress on state adoption of the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation. So far, nearly half of the jurisdictions in the United States have enacted legislation based on, or inspired by, the NASAA Model Act, including four that did so in 2019. NASAA provides regular updates on the Model Act and other issues on its Serve Our Seniors website, serveourseniors.org.

NASAA also prioritized the implementation of the federal Senior Safe Act by emphasizing collaboration with FINRA and the SEC. In recognition of the one-year anniversary of the passage of Act in May, NASAA joined with the SEC and FINRA to issue a fact sheet to help raise awareness among broker-dealers,

investment advisers, and transfer agents of how the Act's immunity provisions work. By reminding broker-dealers and investment advisers of these important immunity provisions, NASAA seeks to encourage firms to train their employees on how to detect and report suspected senior financial exploitation.

Early detection and reporting are critical to help prevent elder financial abuse and the devastating financial and emotional impacts that ensue. The initiatives with FINRA and the SEC are good examples of how NASAA members work collaboratively with other regulators to promote our shared mission of protecting investors.



Michael Pieciak, Vermont Commissioner of Financial Regulation and NASAA 2018/19 President, discusses initiatives to protect senior investors during a fireside chat with SEC Commissioner Elad Roisman (left) during NASAA's Public Policy Conference.

7/22

NASAA issues opportunity zone advisory.

7/30

NASAA launches new website, nasaa.org.

7/31

NASAA issues report on BD ETF sales practices.

8/7

Operation Cryptosweep update released.

2019 Review

Building on Past Successes

Centennial anniversaries provide an opportunity to highlight past successes and build for the future. NASAA welcomed that opportunity during its Spring and Annual Meetings by bringing together current and former securities administrators to discuss milestone events in the association's history, including landmark enforcement actions and strong proactive campaigns to preserve state regulatory authority.



NASAA Executive Director Joseph Brady (left), and former NASAA Presidents Christine Bruenn, Denise Voigt Crawford and Craig Goettsch discuss the historic investor protection role of NASAA members at NASAA's 2019 Public Policy Conference.

While NASAA and its members have an accomplished past, 2019 saw an increased focus on the future through the member-driven development of an updated strategic plan. The three-year plan outlines a vision to strengthen NASAA's assistance of its members in key areas and build on past accomplishments so that the association can better support members in meeting regulatory goals and fulfilling their investor protection mission.



NASAA members convened in Washington in May 2019 for a special session to develop the framework for an updated strategic plan to guide the association's work.

9/11

NASAA testifies before Congress.

10/29

NASAA hosts fintech & cybersecurity symposium.

11/13

NASAA launches NEMO 2.0 for state examiners.

12/11

NASAA issues BD E&O insurance report.

Government Affairs

Promoting Policies that Put the Interests of Investors First

As the securities regulators closest to Main Street investors, as well as many startup and small businesses, NASAA members have a unique perspective on national policy issues. This perspective informs NASAA's public policy and regulatory advocacy priorities, which are highlighted here.

NASAA moved to Washington, D.C. in 1987 in part to have a greater voice in policy matters affecting investors and securities regulation. Over the years, our message to Congress has been consistent: Main Street investors are an engine of prosperity helping to drive our nation forward. When we put the interests of Main Street investors first, our capital markets and our country all win.

For decades, NASAA members have worked diligently not only to protect investors in small towns and large cities and to provide a regulatory framework for responsible capital formation, but also to increase awareness on Capitol Hill of the value and importance of state securities regulation.

To that end, throughout 2019, NASAA focused attention on several significant investor protection matters, including the SEC's Regulation Best Interest, unpaid arbitration awards, advancing federal protections for senior investors, and ensuring a regulatory framework that balances financial innovation with effective protections for Main Street investors.

In March, NASAA brought its investor protection message to Capitol Hill and unveiled its pro-investor legislative agenda for the 116th Congress. NASAA advocates for bipartisan policymaking that puts the interests of America's retail investors first, seeks to protect vulnerable investors, and ensures our nation's securities and financial markets remain vibrant and secure in the 21st century.

NASAA's legislative agenda for the 116th Congress is built on a foundation of four overarching principles. Those principles include: putting Main Street investors first; ensuring capital market integrity; fostering capital formation and market transparency; and safeguarding investor rights.



NASAA's 2018/2019 President Michael S. Pieciak presented NASAA's legislative agenda for the 116th Congress during a Capitol Hill briefing for congressional staff and media.

Government Affairs

Throughout 2019, NASAA saw progress on many of its legislative priorities. The House Financial Services Committee considered legislation incorporating more than a half-dozen distinct recommendations from NASAA's Legislative Agenda for the 116th Congress. In addition, the full House voted to approve the bipartisan "Senior Security Act of 2019," which would establish an interdivisional task force within the SEC to focus on issues impacting elderly investors and to partner with the states in helping such investors, and mandates a comprehensive Government Accountability Office (GAO) study of the costs of senior financial exploitation and barriers to the reporting of such exploitation.

The year also saw the introduction of the "Investor Choice Act of 2019" in the Senate and House, which would amend the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940 to prohibit mandatory pre-dispute arbitration clauses used by broker-dealers and investment advisers. NASAA also has made significant progress towards the implementation of the Senior Investor Protection Grant Program, which was established by Section 989A of the Dodd-Frank Act but not implemented.

In April, Maryland Securities Commissioner and NASAA Board Member Melanie Lubin testified on behalf of NASAA to offer strong support for a series of legislative proposals designed to promote investor confidence and greater corporate accountability. "NASAA applauds the Subcommittee's ongoing efforts to assert and reassert the importance of investor rights in the modern securities marketplace," Commissioner Lubin said in her testimony before the House Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets. "It is incumbent upon Congress and regulators to demonstrate an unwavering commitment to Main Street investors and to continue taking the steps necessary to protect them."

NASAA testified before Congress again in September when Vermont Commissioner of Financial Regulation and NASAA Past President Michael Pieciak appeared before the House Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets. In his testimony, Commissioner Pieciak urged Congress to take no further action to expand the nation's private securities markets until a more careful study of the impact on public markets and investor protection can be conducted. "NASAA is concerned that our current regulatory regime has gone too far in favoring private capital raising over public markets," he testified.



NASAA Board member and Maryland Securities Commissioner Melanie Lubin confers with NASAA Policy Director Michael Canning during her testimony before the House Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets in March, 2019.

Legal Activity

Building a Strong Legal & Regulatory Foundation

NASAA regularly comments on SEC and FINRA rule proposals and develops model rule proposals for consideration by individual member jurisdictions. NASAA also advocates as amicus curiae in significant cases involving the interpretation of the securities laws. The following summary highlights some of those activities from 2019.

Amicus Briefs

Colorado Securities Commissioner v. HEI Resources Inc. (Colorado Court of Appeals). In May, NASAA filed an amicus relating to the Colorado Securities Commissioner's action against oil and gas promoter HEI Resources. HEI Resources was found liable at trial for securities fraud, securities registration violations and other offenses. HEI Resources appealed the trial court's decision, and the Colorado Securities Commissioner cross-appealed. NASAA's appellate brief argued several issues: (i) the Commissioner should not have been required to show scienter in its securities fraud action (as the trial court required); (ii) the Supreme Court's *Janus* decision should not apply to securities fraud claims under state securities laws; and (iii) the trial court's order of restitution against the defendants was too low where the trial court reduced the award because of putative tax benefits that accrued to defrauded investors and because of the defendants' professed reliance on the advice of legal counsel. The appellate court has yet to render a decision.

Emulex v. Varjabedian (U.S. Supreme Court). In March, NASAA filed an amicus brief in support of the plaintiff in this private securities litigation now pending at the U.S. Supreme Court. The question presented to the Court is the proper scope of liability under Section 14(e) of the Securities Exchange Act of 1934. Section 14(e) states that it is unlawful for any person to make a material misstatement or omission or engage in any fraudulent, deceptive or manipulative practices in connection with a tender offer. NASAA's amicus argued that Section 14(e) should be interpreted to permit claims sounding in negligence and, more fundamentally, that a private right of action should exist under it. In April, the Court dismissed the case after hearing oral arguments.

Model Rules and Statements of Policy

NASAA formulates model rules and statements of policy for use by its members to promote and encourage regulatory uniformity. Model rules and statements of policy are prepared by the relevant committee and are subject to internal and public comment. Upon the Board's approval, a proposed statement of policy or model rule is put before the membership for consideration. The following proposals were approved by NASAA's membership in 2019.

Cybersecurity for Investment Advisers

NASAA members in May voted to adopt an information security model rule package, taking a significant step toward 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 and to deliver a privacy policy annually to clients. Through this model rule package, NASAA seeks to highlight the importance of data privacy and security in our financial markets along with the related need for investment advisers to have information security policies and procedures. The three components of the adopted information securities model rule package are:

- A model rule requiring investment advisers to adopt policies and procedures regarding information security (both physical security and cybersecurity) and to deliver a privacy policy annually to clients;
- An amendment to the existing investment adviser NASAA model recordkeeping requirements rule to require that investment advisers maintain these records; and
- Amendments to the existing investment adviser NASAA unethical business practices model rule to include failing to establish, maintain, and enforce a required policy or procedure to the list of unethical business practices/prohibited conduct.

Small Company Offering Registrations (SCOR)

NASAA members in May approved updates to the Small Company Offering Registration (SCOR) Statement of Policy and the SCOR Form (Form U-7). These were last updated in 1996 and 1999, respectively. The updates to the SCOR Statement of Policy increased the offering limit from \$1 million to \$5 million and incorporated many of the investor protections that have been put in place under state and federal crowdfunding laws, including investment limits, sales report requirements, and ongoing reporting requirements. NASAA members also voted to approve a comprehensive update of the SCOR Form. The new SCOR Form includes updates drawn from intrastate crowdfunding forms, federal Form C, and changes in federal law.

Secondary Trading in Regulation A - Tier 2 Securities

NASAA members in May voted to adopt a model rule to provide relief to investors who sell securities in issuers that have previously conducted a Tier 2 offering under Regulation A and that remain current in their ongoing reporting requirements. Issuers that raise capital under Tier 2 of Regulation A remain subject to ongoing reporting requirements unless they elect to exit the reporting regime based on having fewer than 300 shareholders.

Franchise Disclosure

NASAA members in May approved an update to the instructions in the NASAA Franchise Registration and Disclosure Guidelines for filing the state cover page to Franchise Disclosure Documents. The updates amend Part III, Section B of the Franchise Guidelines by requiring three cover sheets. The update also includes new instructions that promote uniformity and reduce repetition in the presentation of risk factors.

2019 Comment Letters

SEC Concept Release on Exempt Offering Framework. NASAA submitted a comment letter to the SEC on October 11 in response to the SEC’s concept release on the exempt offering regulatory framework. NASAA’s letter cautioned the SEC against further expanding the existing exempt offering framework, such as by potentially creating new offering exemptions or by opening the door to expanded use by retail investors of current exemptions. The volume of exempt offerings already exceeds registered offerings by 2-to-1, with consequent reductions in the numbers of IPOs that might otherwise take place. NASAA’s comment letter advocated for the SEC to undertake minor changes to current regulations, including updating the SEC’s definition of “accredited investor” and lifting preemption of state regulation of Regulation A Tier 2 offerings.

FINRA Regulatory Notice 19-27, Seniors Retrospective Rule Review.

NASAA submitted a comment letter to FINRA on October 8 supporting FINRA Regulatory Notice 19-27, a retrospective rule review by FINRA related to senior financial exploitation. The comment letter supported existing FINRA rules related to senior financial exploitation but advocated for FINRA to undertake certain steps to improve its rule regime. As a threshold matter, the comment letter noted the paucity of empirical data on the extent to which broker-dealers are applying current FINRA rules, such as the ability to place temporary holds on the distribution of funds where financial exploitation is suspected. NASAA encouraged FINRA to gather data on how existing rules are being applied before proposing changes. NASAA’s

comment letter did urge FINRA to undertake certain rule changes, though, including a prohibition on registered representatives serving as a customer’s third-party contact or executor and a broader prohibition against lending relationships between customers and registered representatives than exists under current FINRA rules.

Proposed Regulations of the Virginia Division of Securities. NASAA filed a comment letter on August 9 with the Virginia Corporation Commission supporting regulations proposed by the Virginia Division of Securities. In particular, the comment letter supported the Division’s ability to promulgate potential rules limiting the use of mandatory pre-dispute arbitration agreements by state-registered investment advisers.

Massachusetts Division of Securities Regarding Preliminary Fiduciary Duty Rule Proposal.

On July 26, NASAA submitted a letter to the Massachusetts Division of Securities supporting its preliminary fiduciary duty rule proposal. The potential rule, similar to a proposal in New Jersey, would make it a dishonest or unethical business practice for a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative who is registered or required to be registered with the state to recommend a security or investment strategy to a retail customer if it is not the “best of the reasonably available options” for the investor. NASAA supported this strong investor protection standard and the right of Massachusetts to enact such regulations.

2019 Comment Letters

FINRA Regulatory Notice 19-17: Protecting Investors from Misconduct.

On July 1, NASAA filed a comment letter supporting FINRA Regulatory Notice 19-17: Protecting Investors from Misconduct. The FINRA proposal would create a new category of FINRA member firms called “Restricted Firms.” Restricted Firms are those firms with high numbers of disciplinary and regulatory disclosures between the firm and its associated persons. NASAA supported the proposal but recommended several revisions to strengthen its investor protection components.

New Jersey Bureau of Securities Draft Fiduciary Duty Regulations

On June 3, NASAA submitted a letter to the New Jersey Bureau of Securities supporting the Bureau’s draft fiduciary duty regulations. The rule proposal would make it a dishonest or unethical business practice within the meaning of the New Jersey Securities Act for a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative who is registered or required to be registered with the state to recommend a security or investment strategy to a retail customer if it is not the “best of the reasonably available options” for the investor. NASAA supported this strong investor protection standard – and the right of New Jersey to enact regulations in this regard.

FTC Proposed Revisions to FTC Franchise Rule. NASAA submitted a comment letter to the Federal Trade Commission on May 13 supporting the FTC’s proposed amendments to its franchise rule and making certain suggested revisions to the proposal.

Nevada Division of Securities Draft Regulations. On March 7, NASAA submitted a letter to the Nevada Securities Division supporting the Division’s draft fiduciary duty regulations. The Division proposed the regulations in January pursuant to legislation imposing fiduciary duties on broker-dealers and investment advisers under that state’s financial planner statute. The Division’s draft regulations define the scope of this fiduciary duty and would make breach of this duty actionable under the Nevada securities laws.

SEC Regulation Best Interest. NASAA filed a supplemental comment letter with the SEC on February 19 regarding the SEC’s proposed Regulation Best Interest. The letter expanded on previous NASAA letters that advocated for changes to the SEC’s interpretive guidance and identified numerous broker-dealer practices that would or would not be consistent with the SEC’s proposals. In addition, the letter urged the Commission to adopt final rules accompanied by adopting releases that articulate meaningful disclosure, care, and conflict obligations, and responded to advocacy by industry groups in support of disclosure-only standards. The letter closed with a discussion of investment advisers’ fiduciary duty standards and showed how, despite public remarks by Commission officials, the conduct standards should ensure investors’ interests are put first.

Mandatory Arbitration Bylaw Proposal. On January 30, NASAA submitted a letter to the SEC Division of Corporation Finance opposing a mandatory arbitration bylaw proposal from a Johnson & Johnson shareholder. NASAA’s letter argued that mandatory arbitration provisions violate federal and state law and are contrary to the interests of investors.

At a Glance: Senior Investor Protection

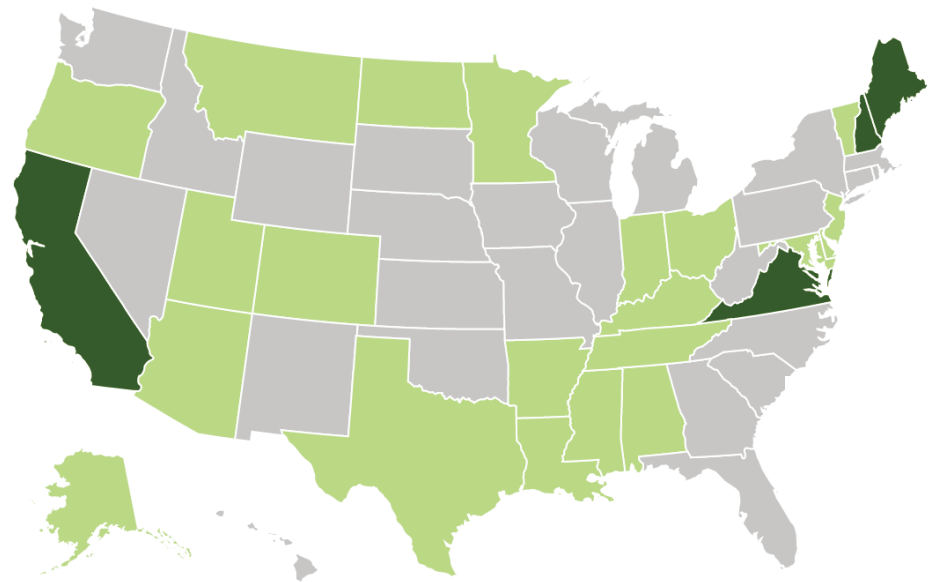
State “Report and Hold” Laws Show Positive Impact in Fight Against Senior Financial Exploitation

The NASAA Model Act for the Protection of Vulnerable Adults Against Financial Exploitation is helping states in their fight against senior financial exploitation. Reports of suspected senior financial exploitation increased in 2019 in jurisdictions that have enacted legislation or regulations based on NASAA’s Model Act.

In 2019, four U.S. jurisdictions (California, Maine, New Hampshire and Virginia) enacted legislation based on the NASAA model act, bringing to 24 the number of states to do so since the act was adopted by NASAA members in 2016.

The Model Act provides industry participants and state regulators new tools to help detect and prevent financial exploitation of vulnerable adults. In particular, it offers broker-dealer and investment adviser firms qualified immunity for delaying disbursements when the firm reasonably believed financial exploitation would result. The act also mandates reporting to a state securities regulator and state adult protective services agency when a qualified individual has a reasonable belief that financial exploitation of an eligible adult has been attempted or has occurred.

NASAA’s 2019 Enforcement Report for the first time documented the effectiveness of the Model Act. In 2018, the latest available data, states that have enacted legislation based on the NASAA model received more than 400 reports from broker-dealers and investment advisers. These 400-plus reports shed light on victims of securities fraud, elder exploitation, and other seniors who need some form of assistance.



States have taken action to prevent or stop senior financial exploitation, to punish those responsible, and have also referred reports to more appropriate agencies and sometimes even sought to refer seniors to non-investigative services. Based on 426 received reports, state securities regulators opened 81 investigations and initiated 32 formal enforcement actions. Reporting firms also delayed the disbursements of funds 57 times.

At a Glance: Electronic Filing Depository

Building Efficiencies Through Electronic Form Filing

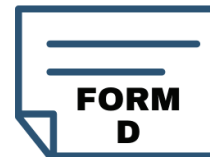
NASAA's online Electronic Filing Depository (EFD) was expanded in 2019 to facilitate the filing of Form NF-Unit Investment Trust (Form NF-UIT) in addition to Form D for Regulation D, Rule 506 offerings with state securities regulators.

EFD is modernizing and streamlining the process for notice filings with state securities regulators. Forty-seven U.S. jurisdictions are using EFD for Form D filings, including 14 that mandate its use for these filings. Forty-one U.S. jurisdictions are using EFD for Form NF-UIT filings, including one that mandates its use for filing this form.

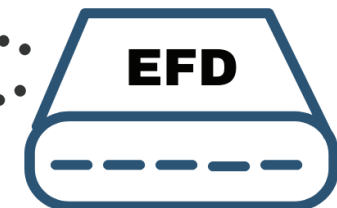
Since its launch in December 2014, NASAA's EFD system has been used to process more than 300,000 notice filings (including initial filings, amendments, terminations and renewals) with state securities regulators. Prior to the launch of EFD these filings would have been made on paper.

In 2019, nearly 62,000 filer-initiated Form D notices were processed on EFD (including initial filings, amendments, terminations and renewals). Since its launch in February 2019, EFD has been used to process more than 120 filer-initiated Form NF-UIT filings and more than 6,000 initial notice filings with state securities regulators.

**99,400
State Notice
Filings
in 2019**



**6,000
State
Notice
Filings
in 2019**



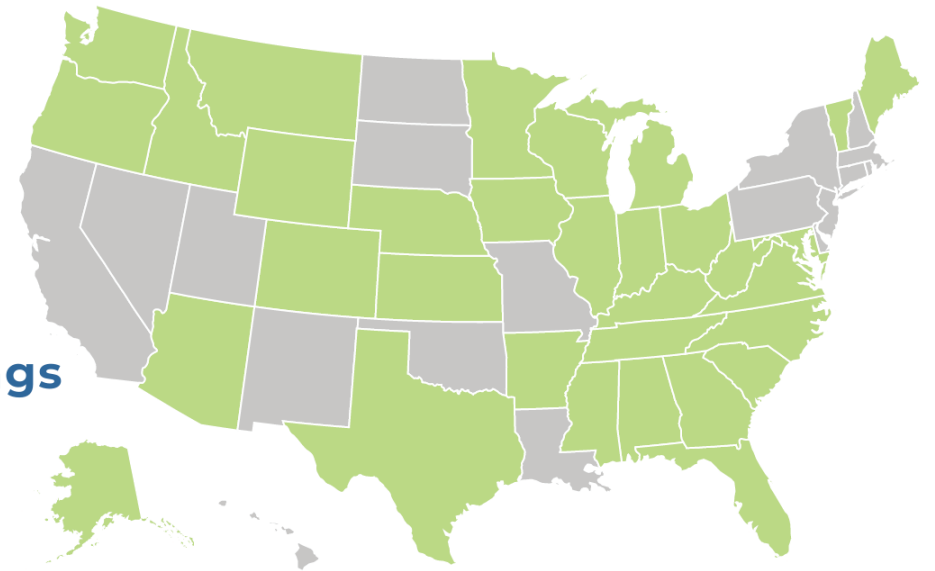
**300,000+
filings
since
inception**

Data as of December 31, 2019


At a Glance: Intrastate Crowdfunding

States Provide a Platform for Small Business Growth

Securities crowdfunding is the sale of exempt securities to investors who each contribute a small amount to fund a project or business venture. Many states began establishing intrastate crowdfunding exemptions before the federal Regulation CF became effective in May 2016. Below is a snapshot of state crowdfunding activity.



States with Intrastate Crowdfunding Exemptions

 Exemption State



Crowdfunding Filings To Date

347



Cleared Filings To Date

319



Top 5 Intrastate Crowdfunding Jurisdictions

1. Georgia
2. Texas
3. Oregon
4. Michigan
5. Vermont



Data as of May, 2019

NASAA SECTION COMMITTEE ACTIVITY

Broker-Dealer
Corporation Finance
Enforcement
Investment Adviser
Investor Education

Broker-Dealer

Overview

The Broker-Dealer Section focuses on the operations of broker-dealers and agents including sales practices and products. In addition, securities sold by broker-dealers on bank premises, activities of clearing firms, continuing education issues, and customer dispute resolution are monitored by this section. The point-of-sale contact with investors makes this section's activities critical in fulfilling states' investor protection role.

Highlights

The section was actively involved in NASAA's response to the SEC's adoption of Regulation Best Interest and in NASAA's filing of comment letters with FINRA and the SEC. The section met with both SIFMA and FSI about topics of mutual interest, such as concerns regarding the use of DBAs, failure to provide records on branch exams, and senior issues. The section is collaborating with the Investment Adviser Section to develop examination materials to ensure compliance with Reg BI.

- The **Arbitration Project Group** continued to study the complex problem of unpaid arbitrations, and is working with the Market & Regulatory Project Group on possible improvements, possibly including a model rule. It is following several federal legislative proposals regarding arbitration. It is also reviewing arbitration awards dealing with the troubling ease with which panels are recommending expungement.
- The **Investment Products and Services Project Group** finalized the report of its survey of sales practices regarding leveraged and inverse ETFs. The project group implemented a survey of how broker-dealers manage the departure of registered representatives and the reassignment of customer accounts, and are drafting that report.
- The **NEMO & Operations Project Group** focused on developing NEMO 2.0. In particular, the project group drafted several new exam modules and evaluated changes or updates to the existing modules for migration. The group also worked with the section committee on ideas for both large sweeps and mini-sweeps.
- The **Market and Regulatory Policy and Review Project Group** published the report on its errors and omissions insurance survey, which indicated that obtaining E&O insurance is not the obstacle previously claimed by the industry. They also worked with the Arbitration Project Group on matters related to unpaid arbitration awards, and reviewed several SEC and FINRA rulemaking proposals, providing comment when appropriate.
- The **Variable Annuities Project Group** coordinated with the NEMO & Operations Project Group to develop training on variable annuities at the annual broker-dealer training event in June. It also prepared a report for the board regarding sales practice abuses based on its survey.
- The **Continuing Education Project Group** continued working with FINRA, the SEC and other stakeholders on the CE Council's changes to the FINRA broker-dealer continuing education program.

Section Committee

Leslie Van Buskirk (WI), Chair
Brett Olin (MT), Vice-Chair
Carol Foehl (MA)
Marni Gibson (KY)
Travis Jordan (SD)
Mark Kissler (WA)
Chris Besko (MB), Canadian Liaison

Project Group Chairs

Arbitration

Patrick Costello (MA)

Continuing Education

Linda Bailey (TX)

Investment Products & Services

Deborah Fabritz (WI)

Market & Regulators Policy and Review

Kristen Standifer (WA)

Operations

Clint Edgar (TX)

Training

Klem Klementon (CT)

Variable Annuities

Mark Kissler (WA)

Corporation Finance

Section Committee

Lisa Hopkins (WV), Chair
Peter Cassidy (MA), Vice-Chair
Faith Anderson (WA)
Mark Heurman (OH)
Jeff Soderstedt (PA)
Jo-Anne Matear (ON), Canadian Liaison

Project Group Chairs

Business Organizations & Accounting
Michelle Webster (WA)

Corporation Finance Policy
Dennis Britson (IA)

Corporation Finance Training
Peter Cassidy (MA)

Direct Participation Programs Policy
Mark Heurman (OH)

Franchise & Business Opportunities
Dale Cantone (MD)

Small Business/Limited Offerings
Faith Anderson (WA)

Overview

The Corporation Finance Section develops and monitors policies for the registration of securities under state law, including updates to NASAA Statements of Policy. The section develops model rules and forms and provides oversight of the various NASAA-sponsored coordinated review programs for securities registration. The section also provides guidance to the states that regulate franchise offerings through its Franchise and Business Opportunities Project Group.

Highlights

- The **Business Organizations and Accounting Project Group** worked on drafting a new Statement of Policy for Business Development Company (BDC) offerings and created an industry advisory board to assist in the process.
- The **Corporation Finance Policy Project Group** focused attention on reviewing the NASAA Statement of Policy Regarding Promotional Shares and on peer-to-peer lending matters. The project group continued its work to update and develop materials to assist corporation finance examiners.
- The **Direct Participation Programs Policy Project Group** worked collaboratively with the Business Organizations and Accounting Project Group on their project of drafting BDC guidelines. The project group monitored the regulatory landscape in response to comments received on its Non-Traded REIT Concentration Limit Proposal.
- The **Small Business/Limited Offerings Project Group** prepared and released for comment two proposed model rules that would facilitate secondary trading in securities of issuers about which there is certain publicly available information. The project group also focused attention on the revised SCOR form and NASAA's SCOR Statement of Policy/Program.
- The **Franchise and Business Opportunities Project Group** developed and released for comment a proposal to revise the instructions in the NASAA Franchise Registration and Disclosure Guidelines for filing the state cover page to Franchise Disclosure Documents. The project group also presented two webinars on franchising issues for NASAA members.
- The **Corporation Finance Training Project Group** continued its work on the Corporation Finance Training Program, which most recently took place in November 2019. The Project Group also worked to develop webcasts on current and emerging issues.

Enforcement

Overview

The Enforcement Section assists NASAA members in coordinating enforcement efforts involving multiple jurisdictions and facilitating the sharing of information and resources. This section also acts as a point of contact for other federal agencies and self-regulatory organizations such as the SEC, the CFTC, and FINRA. In addition, this section helps identify new frauds and publishes an annual comprehensive report on state and provincial enforcement activity.

Highlights

The section coordinated several enforcement initiatives, including an update to Operation Cryptosweep, an international initiative to identify illegal or fraudulent cryptocurrency and initial coin offerings for investigation and bring enforcement actions related to those activities, and a multi-jurisdictional action involving precious metals schemes. The section also collected and analyzed enforcement data to help determine trends that can inform investor education and future enforcement activities. The primary tool for collecting this data is the annual NASAA Enforcement Survey, and the data was released in September.

- The **Commodities and Derivatives Project Group** continued its work to implement a Memorandum of Understanding (MOU) with the Commodity Futures Trading Commission (CFTC) and establish regular information-sharing protocols with the CFTC regarding potential commodities matters of interest to NASAA members.
- The **Enforcement Training Project Group and Deposition & Litigation Skills Project Group** planned and carried out the annual enforcement and deposition/litigation skills training programs.
- The **Enforcement Technology Project Group** continued working to enhance the Securities Investigations Database (SID). The project group also conducted a webinar for NASAA members on electronic evidence, and is working on an Internet investigations guide
- The **Enforcement Zones Project Group** hosted zones meetings at the annual enforcement training and coordinated enforcement zone conference calls throughout the year to keep members informed of developing enforcement trends and cases with cross-border ramifications.

Section Committee

Christopher Gerold (NJ), Chair
Joseph Rotunda (TX), Vice-Chair
William Carrigan (VT)
Jesse Devine (NY)
Ricky Locklar (AL)
Wendy Coy (AZ)
Jason Roy (MB), Canadian Liaison

Project Group Chairs

Commodities & Derivatives Enforcement
David Cheval (CO)

Deposition & Litigation Skills Training
Don Young (AB)

Enforcement Publications & Manuals
Harvey McClesky (OH)

Enforcement Technology
Jake van der Laan (NB)

Enforcement Training
Jeffrey Spill (NH), Co-Chair
Tracy Meyers (SC), Co-Chair

Enforcement Zones
Eric Forcier (NH)

Investment Adviser

Section Committee

Andrea Seidt (OH), Chair
Linda Cena (MI), Vice-Chair
William Carrigan (VT)
Alex Glass (IN)
Noula Zaharis (GA)
Elizabeth Topp (ON), Canadian Liaison
Karla Ferrusquia (MX), Mexico Liaison

Project Group Chairs

IA Cybersecurity & Technology

James McDowell (AL) Co-Chair
Charlie Jarrett (GA) Co-Chair

IA Operations

Michael Huggs (MS)

IA Regulatory Policy & Review

Elizabeth Smith (WA)

IA Resources & Publications

Lindsay Fedlers (WI)

IA Training

Lindy Streit (AR), Co-Chair
Denise Walker (WV), Co-Chair

IA Zones

Veronica Rodriguez (CO)

Overview

NASAA's Investment Adviser Section monitors the state regulation of firms and professionals in the investment advisory business. The section's work includes developing model rules and policies for use by states in regulating small and mid-sized investment advisers. The section also provides technical support for state investment adviser examinations and manages the biennial investment adviser coordinated examinations survey.

Highlights

The section focused its attention on Regulation Best Interest (Reg BI) and state approaches to financial planning retainer fees. Regarding Reg BI, the section's representatives to NASAA's Reg BI Working Group helped NASAA formulate material for discussions with SEC leadership and attended meetings with SEC staff and others, leading to the final adopting releases issued on June 4, 2019. The IA team also helped analyze the final releases and provided comment on related member advisories. Regarding financial planning fees, the section tasked the Regulatory Policy and Review Project Group with developing a uniform state approach to these fee models and to develop model state guidance to help ease compliance challenges at the registration and examination stages.

- The **IA Operations Project Group** organized NASAA's 2019 Coordinated Examinations of state-registered investment advisers, released in September. The project group also compiled state enforcement actions involving state-registered investment advisers and provided support to the Board's NEMO Committee on the development of NEMO 2.0, launched in November.
- The **IA Regulatory Policy and Review Project Group**, after a successful member vote at the Spring Conference on the model cybersecurity and data privacy model rule, focused on a more comprehensive policy and procedures model rule and the possibility of a model regarding unpaid arbitration awards.
- The **IA Resources and Publications Project Group** completed and published the second edition of NASAA's Investment Adviser Report, which was released in May.
- The **IA Training Project Group** planned and carried out the annual IA training program and continued its work to assist the Regulatory Policy and Review Project group on the joint BD-IA project.
- The **IA Zones Project Group** assisted in the development of the new NASAA website by collecting member regulatory and registration requirements.
- The **Cybersecurity and Technology Project Group** supported the Board-level Cybersecurity Committee and continued work on a new confidential data inventory tool for use with NASAA's Cybersecurity Checklist.

Investor Education

Overview

The Investor Education Section works to develop investor education materials for NASAA and its members. Efforts involve raising awareness of specific types of securities frauds or products, developing investor outreach programs, tools, and content for use by NASAA members, and planning training for NASAA member investor education coordinators.

Highlights

- The **Alerts and Advisories Project Group** produced seven investor advisories and collaborated with the Digital Media Project Group on the content for infographics that accompany the advisories. The following advisories were issued in 2019: Robo-advisers, Cross-selling, Initial Loan Procurements, Opportunity Zones, Contracts for Difference, Affinity Fraud and Bond Rating Companies. The project group also developed the Millennial Money Mission toolkit to help members provide investor resources designed for Millennials.
- The **Digital Media Tools and Resources Project Group** added two new videos to the “Get in the Know” series; the first focused on the risks of cryptocurrency-related investments and the second highlight the red flags of investment fraud. The project group also produced the monthly *so.me* newsletter distributed to member investor education coordinators with online resources aligned to major efforts in investor education. In collaboration with the technology staff of the New Brunswick Financial & Consumer Services Commission, the project group developed a customizable version of the section’s fraud prevention bingo game.
- The **Life Stages Project Group** developed a new podcast series, “Real Life Regulators: Financial Fraud,” featuring compelling investment fraud cases with storytelling through interviews with investigators and attorneys from state and provincial securities regulators in the style of “true crime” podcasts. The first episode was prepared for launch in January 2020. The project group also created an investor education planner that offers tips for new investor education coordinators while also reinforcing outreach strategies for existing investor education coordinators. The Project Group has also created a one page “Tips for Military Outreach” for investor education coordinators.
- The **Senior Outreach Project Group** created a new outreach toolkit, “Financial Empowerment for Women,” to begin the conversation with women on financial capacity. The toolkit consists of information to address the most frequent and most costly investment frauds, and provides general knowledge of investment methods and options. Also included is information for senior women to learn how they are most vulnerable to fraud.

Section Committee

Lynne Egan (MT), Chair
Diane Young-Spitzer (MA), Vice-Chair
Bernice Geiger (NM)
Tina Kotsalos (PA)
Marissa Sollows (NB) (through June, 2019)
Dan Orzano (OH) (since June 2019)
Robert Webster (NASAA), Liaison
Zachary Knepper (NASAA), Liaison

Project Group Chairs

Alerts & Advisories

Diane Young-Spitzer (MA)

Digital Media Tools & Resources

Marissa Sollows (NB) (through June, 2019)
Dan Orzano (OH) (since June 2019)

Life Stages

Tina Kotsalos (PA)

Senior Outreach

Bernice Geiger (NM)

Board Committees

About NASAA Board Committees

NASAA's Board Committees carry out a wide array of tasks and initiatives under the direction of the Board of Directors. These committees generally work on broad policy issues related to securities regulation or to matters that concern NASAA's operations.

Board Committee Chairs

(For 2018/2019)

Awards

Craig Goettsch, Iowa

Capital Formation

Michael Pieciak, Vermont

CRD/IARD Forms & Process

Rodney Griess, Nebraska

CRD/IARD Steering

Melanie Lubin, Maryland

Cybersecurity

Amanda Senn, Alabama

Electronic Filing Depository

William Beatty, Washington

NASAA Exams Advisory

Leslie Van Buskirk, Wisconsin

Federal Legislation

Claire McHenry, Nebraska

Finance & Audit

Tom Cotter, Alberta

Fintech

Jillian Lazar, Delaware

International

Sharon Kelly, Quebec

Investment Adviser Continuing Education

Linda Cena, Michigan

Legal Services

Tanya Solov, Illinois

Member Services

Barry Glennon, New Hampshire

NEMO Training & Support

Michael Huggs, Mississippi

Professional Development

Steve Dowling, Prince Edward Island

Regulation Best Interest Implementation

Andrea Seidt, Ohio

Senior Issues/Diminished Capacity

Judith Shaw, Maine

State Legislation

Lynne Egan, Montana

Strategic Planning

Frank Borger-Gilligan, Tennessee

Uniform Securities Act

Craig Goettsch, Iowa

NASAA Board of Directors 2018/2019



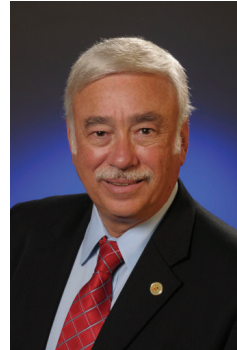
Michael S. Pieciak
NASAA President
Vermont Financial
Regulation Commission



Christopher W. Gerold
NASAA President-elect
(since June, 2019)
New Jersey Bureau
of Securities



Frank Borger-Gilligan
NASAA President-elect
(through May, 2019)
Tennessee Securities
Division



Joseph P. Borg
NASAA Past President
Alabama Securities
Commission



Tom Cotter
NASAA Treasurer
Alberta Securities
Commission



Melanie Lubin
NASAA Secretary
Maryland Securities Commission



Pamela Epting
NASAA Secretary
(through April, 2019)
Florida Office of
Financial Regulation



William Beatty
Board Member
(since October, 2018)
Washington Securities
Division



Bryan Lantagne
Board Member
*(through October,
2018)*
Massachusetts
Securities Division



Tanya Solov
Board Member
Illinois Securities
Department



Claire McHenry
Board Member
(since April, 2019)
Nebraska Bureau
of Securities



Travis Iles
Board Member
Texas State Securities
Board



Joseph Brady
(ex officio)
NASAA
Executive Director

NASAA Board of Directors 2019/2020



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NASAA President
New Jersey Bureau of
Securities



Lisa Hopkins
NASAA President-elect
West Virginia Securities
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Michael S. Pieciak
NASAA Past President
Vermont Financial
Regulation Commission



Andrew Hartnett
NASAA Treasurer
Iowa Securities
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NASAA Secretary
Nebraska Bureau
of Securities



William Beatty
Board Member
Washington Securities
Division



Kevin Hoyt
Board Member
New Brunswick
Financial & Consumer
Services Commission



Travis Iles
Board Member
Texas State Securities
Board



Tanya Solov
Board Member
Illinois Securities
Department




Joseph Brady
(ex officio)
NASAA
Executive Director

NASAA Awards & Staff


Awards

Blue Sky Cube

2019 Honorees



Michael Pieciak
Vermont



Pamela Epting
Florida

The Blue Sky Cube, NASAA's highest honor, recognizes career achievement and distinguished contributions to securities regulation. It is named for Blue Sky Law, the umbrella term for state laws throughout the United States that regulate the offering and sale of securities. Kansas enacted the first Blue Sky Law in 1911 to protect investors from speculative schemes that, in the words of a judge of the period, had no more substance than so many feet of "blue sky."

Lifetime Achievement Award

Irving Faught, Arkansas
Matthew Neubert, Arizona
Gerald Rome, Colorado

Outstanding Service Award

Frank Borger-Gilligan, Tennessee
Shonita Bossier, Kentucky
James Burns, Idaho
Diana Foley, Nevada
Lee Kell, Florida
Bryan Lantagne, Massachusetts
Katherine Milgram, New York
Donald Murray, Manitoba
Gregory Strong, Delaware

Distinguished Service Award

Mark Eisenmann, Wisconsin
Carolyn Mendelson, Pennsylvania
Bonnie Moore, Nevada
Andrea Seidt, Ohio

Meritorious Service Award

Len Riviere, Louisiana

Corporate Office Staff

Executive & Administrative

Joseph Brady
Executive Director

Pamela Epting
Senior Advisor

Josephine Oundo
Office Coordinator

Finance & Operations

Marina Alonso-Mendoza
Director of Finance & Operations

Matthew Duran
Senior Accounting Manager

Darren Norwood
Senior Manager, Regulatory Examinations

Kaprina Robinson
Membership Services & Finance Manager & HR Coordinator

Julian Seltzer
Information Technology Specialist

Legal

Vincente Martinez
General Counsel

Zachary Knepper
Deputy General Counsel

Dylan White
Assistant General Counsel

Kameron Hillstrom
Counsel

Natasha Hurt
Manager, Registration, Disclosure & Qualifications

Policy & Government Affairs

Michael Canning
Director of Policy

Suzanne Riopel
Government Affairs & Policy Counsel

Communications & Investor Education

Bob Webster
Director of Communications

Noelle Lane
Communications & Outreach Specialist

Conferences & Education

James Apistolas
Director of Educational Programs & Conferences

Lonnie Martin
Associate Director of Membership & Meetings

Nichol Bizjak
Meetings & Conference Specialist



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