

# 2021

## NASAA Activity Report

North American Securities Administrators Association

Leading The Way  
On Investor Protection



# About NASAA

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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 by more than 20 years.

Today, NASAA members are a leading force across North America in implementing and enforcing securities laws to prevent financial fraud and abuse, supporting responsible capital formation, and conducting investor education programs for people of all ages.

## ***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.



# What's Inside

|                                      |    |
|--------------------------------------|----|
| Leadership Message                   | 2  |
| 2021 in Review: Issues & Initiatives | 3  |
| NASAA News Highlights                | 6  |
| Policy & Government Affairs          | 7  |
| Letters to Congress                  | 9  |
| Legal & Regulatory Commentary        | 10 |
| Model Rules & Statements of Policy   | 12 |
| At a Glance                          | 13 |
| Senior Investor Protection           |    |
| Digital and Social Media Outreach    |    |
| NASAA Section Committee Activity     | 15 |
| NASAA Board Committees               | 21 |
| NASAA Board of Directors             | 22 |
| NASAA Awards & Staff                 | 24 |

20

21

# Leadership Message

The North American Securities Administrators Association (NASAA) has been helping our members fulfill their responsibility to protect investors and ensure the integrity of the securities markets for more than 102 years. State and provincial securities regulators have been on the front line protecting North American investors from financial fraud and abuse since the passage of the first “blue sky” law in Kansas in 1911 and since the first securities laws were passed in Manitoba in 1912.

Organized in 1919, the North American Securities Administrators Association is the first and oldest international organization devoted to investor protection. NASAA is a voluntary association of securities regulators in the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands; the 13 provinces and the territories of Canada; and the country of Mexico.

Today, North America’s state and provincial regulators remain dedicated to NASAA’s mission to protect investors from fraud and abuse by developing model rules and laws, educating investors, supporting capital formation, and helping to ensure the integrity and efficiency of financial markets.

NASAA represents and serves our members through policy and advocacy, education and awareness, rule-making and enforcement, and by being proactive in building consensus and providing investor protection regulation and expertise to federal, provincial, state, and local governmental authorities. Combined, these efforts advance our mission and vision of protecting investors.

Along with NASAA President-elect Andrew Hartnett, Iowa’s Deputy Administrator for Securities, we are honored to serve NASAA and support its investor protection work in which we fervently believe and upon which we must vigorously act.

**Lisa A. Hopkins**  
NASAA President, 2020-2021

**Melanie Senter Lubin**  
NASAA President, 2021-2022



**Lisa A. Hopkins**  
NASAA President, 2020-2021  
Deputy Commissioner, West Virginia Securities Commission



**Melanie Senter Lubin**  
NASAA President, 2021-2022  
Commissioner, Maryland Division of Securities

# 2021 in Review: Issues & Initiatives

This report highlights NASAA's activities from fall of 2020 to spring of 2021, a time dominated by the impact of and response to the COVID-19 pandemic. It affected us all, including NASAA and its members, in ways we never could have imagined. Despite numerous challenges that came with the health crisis and the resulting global economic fallout, NASAA members intensified and expanded efforts to protect investors from financial fraud and abuse. COVID brought with it a surge in attempted fraud by cyber criminals and bad actors seeking to profit off the misfortune and distraction of others. To combat this illegal conduct, NASAA members heightened enforcement, regulatory, and investor education and outreach to thwart investment scams and safeguard North America's Main Street investors. The work of NASAA and its members continued throughout the pandemic and beyond. The work is highlighted in the following pages.

## COVID-19 Enforcement Actions

Bad actors seek to take advantage of major disruptive events and often exploit the fear and uncertainty that are present in the wake of such events. This was true with the COVID-19 pandemic. In response, NASAA members formed a task force specifically focused on possible scams perpetrated online. The task force reported its results throughout 2020 and in December 2020, published statistics showing that collectively, participants took regulatory action to disrupt 250 schemes fraudulently seeking to profit from the pandemic. NASAA members are continuing their efforts to address potential online COVID-19 frauds.

## Regulation Best Interest

In 2021, NASAA announced the results of a nationwide survey conducted by state securities regulators that provided the first comprehensive look at broker-dealer industry policies and practices following the implementation of Regulation Best Interest (Reg BI) by the Securities and Exchange Commission. The 2021 Reg BI Phase Two (A) Report followed the publication of a prior report in 2020 examining firm policies and procedures before Regulation Best Interest. Notable survey findings from the 2021 report showed:

- The percentage of broker-dealer firms surveyed that were offering complex, costly, and risky products increased by 11% after Reg BI took effect.
- Some 65% of broker-dealer firms surveyed are not discussing lower-cost or lower-risk products with their customers when they recommend these products.
- No more than 4% of broker-dealer firms surveyed had enhanced their investor profile forms (in any key metric measured) to match investors more carefully with products after Reg BI took effect.
- Fully 3% of broker-dealer firms surveyed took a step backward from their prior suitability procedures by dropping customer education, longevity risk, and tolerance for alternative products from their investor profile forms.
- Some 24-30% of broker-dealer firms surveyed were still utilizing product-agnostic sales contests, differential compensation, and extra forms of compensation. These compensation conflicts were rarely seen in fiduciary firms, which made up 0.5-3% of investment advisers examined in Phase I.<sup>1</sup>
- Compensation conflicts were concentrated in firms that recommended complex, costly, and risky products after Reg BI took effect.

<sup>1</sup> NASAA Regulation Best Interest: National Examination Initiative Phase One September 2020, available at [www.nasaa.org/wp-content/uploads/2020/09/Reg-BI-Phase-1-Report.pdf](http://www.nasaa.org/wp-content/uploads/2020/09/Reg-BI-Phase-1-Report.pdf).

# 2021 in Review: Issues & Initiatives

- Fully 40% of broker-dealer firms surveyed that recommended leveraged or inverse exchange-traded funds had compensation conflicts, as did 41% of firms that recommended private securities, 44% of firms that recommended variable annuities; and 52% of firms that recommended non-traded real estate investment trusts.
- Only 35% of broker-dealer firms surveyed that recommended complex, costly, and risky products after Reg BI took effect reduced the financial reward associated with these products by capping agent sales credits.

## Top Enforcement Threats

NASAA's 2021 Enforcement Report showed the tremendous commitment of resources NASAA members put toward stopping schemes tied to precious metals and other commodities, digital assets, and internet fraud that spread during the pandemic. For 2020, states reported a tripling of enforcement actions involving digital assets and almost twice as many cases involving bad actors using self-directed individual retirement accounts.

In 2020, more than 3,600 license/registration applications were withdrawn after state action. In many cases, applicants withdrew their candidacy for licenses or registrations due to state investigations or forthcoming actions to deny, suspend or revoke their applications. State securities regulators worked to ensure compliance within the licensed securities industry. In 2020, state securities regulators imposed approximately 801 other licensing sanctions upon individuals and firms.

The report demonstrated the growing effectiveness of state laws and rules based on NASAA's Model Act to Protect Vulnerable Adults from Financial Exploitation (Model Act). To date, 34 jurisdictions have enacted rules or legislation based on the NASAA Model Act, which mandates

reporting to a state securities regulator and state adult protective services agency when an agent or representative has a reasonable belief that financial exploitation of an eligible adult has been attempted or has occurred. In 2020, the majority of states with rules or legislation based on the Model Act reported receiving 1,102 reports of suspected exploitation from broker-dealers and investment advisers, a 55 percent increase from the year before. These reports resulted in 245 investigations, 139 delayed disbursements, and 65 enforcement actions. Overall, states reported taking 290 enforcement actions involving 1,017 victims who were older or vulnerable adults. NASAA is currently collecting data for calendar year 2021.

## Expanded Electronic Filing Depository

NASAA expanded the Electronic Filing Depository (EFD) System to accept franchise filings through its Franchise Electronic Depository (FRED) functionality in 2021. FRED significantly increased the information and review tools available to filers and regulators. Developed through its EFD Steering Committee, FRED is part of NASAA's existing and sophisticated EFD system with management, compliance, and communication tools that make the franchise filing process more efficient for participating filers and states. Issuers can monitor the progress of the states' review of the offering and respond to any deficiencies that may arise.

## NASAA Statement on Diversity, Equity, and Inclusion

NASAA members approved a Diversity, Equity and Inclusion (DEI) statement at the Fall 2021 Annual Meeting. The statement articulates NASAA's commitment to promote DEI to further its mission to protect investors, advance responsible capital formation and ensure the integrity and efficiency of the capital markets. NASAA values its diverse membership and is committed to a welcoming and accepting environment for all people regardless of race, ethnicity, nationality,

# 2021 in Review: Issues & Initiatives

gender, gender identity, religion, culture, sexual orientation, disability, or background. NASAA is also committed to forging a powerful community that fosters integration, inclusion, respect, and treats everyone fairly.

## **NASAA's Diversity, Equity, and Inclusion Goals**

- Promote diverse representation from NASAA's members in its leadership, activities, and the development of its policies.
- Integrate and support the development of skills, knowledge, and attitudes needed to promote diverse, equitable and inclusive environments.
- Promote the recruitment and retention of the brightest and best minds to better understand and serve the diverse needs of investors, regulated firms and individuals, companies seeking capital, and the capital markets.
- Provide members with tools and resources to attract and retain diverse talent.
- Support our members' DEI efforts, including through NASAA's education and mentorship efforts.
- Be accountable, and provide measurable results, to our members and stakeholders to implement DEI measures.

## **Trusted Contact to Increase Investor Protection**

In a combined effort to provide additional protection for investors, NASAA, SEC and FINRA jointly announced a campaign urging investors to provide their financial firms with a trusted contact. A trusted contact is an individual authorized by an investor to be contacted by their financial firm in limited circumstances. These circumstances would include concerns about activity in the investor's account or if the firm has been unable to reach the investor after numerous attempts. NASAA President Melanie Senter Lubin said of this effort, "The addition of a trusted contact will provide an additional layer of security and protection to all investors."



# 2021 in Review: NASAA News Highlights

Through news releases, statements, podcasts, and news conferences, NASAA provides clear, timely updates on its activities on behalf of its members across North America. In 2021 NASAA leadership and members were frequently featured in national, international, and trade media, including The Wall Street Journal, The New York Times, CNBC, The Washington Post, Financial Times, MarketWatch, Bloomberg, Reuters, U.S. News & World Report, Yahoo Finance, Politico, Forbes, Investment News, Financial Planning, Wealth Management, Regulation Compliance Watch, Wealth Management, Barron's, ThinkAdvisor, and Financial Advisor Magazine.

NASAA works proactively to engage with the media on timely and important matters. For example, a news conference took place in September to announce the 2021 Enforcement Report, which featured Enforcement Section Committee subject matter experts. In November, NASAA arranged a news conference to announce nationwide survey results from the Regulation BI Implementation Committee. This was the first comprehensive look at broker-dealer compliance with Reg BI, and this topic received broad media coverage across the U.S. and Canada. In December, NASAA conducted a media tour with NASAA President Melanie Senter Lubin, who discussed with journalists NASAA's priorities for the year.

## Selected NASAA News Releases for 2021

- 1/7 NASAA reminds firms to contact regulators with issues related to malicious versions of SolarWinds software.
- 1/19 NASAA statement on nomination of Gary Gensler as SEC chair.
- 2/4 NASAA announces state enforcement actions against GPB Capital Holdings for allegedly defrauding investors in \$1.8 billion private offering scheme.
- 3/3 NASAA announces top investor threats for 2021.
- 3/8 NASAA unveils legislative priorities for 117th Congress.
- 4/21 NASAA releases report on state-registered investment advisers.
- 5/3 EFD system expands to accept franchise filings.
- 5/11 New IAR CE handbook offered to content providers.
- 5/18 NASAA members approve model act for restitution assistance funds.
- 6/15 NASAA, SEC, FINRA promote Senior Safe Act training resource.
- 7/29 NASAA participates in National Whistleblower Day event.
- 9/20 NASAA approves statement on diversity, equity and inclusion.
- 9/20 NASAA releases examinations sweeps results.
- 9/28 NASAA, FINRA, SEC OIEA launch trusted contact campaign.
- 9/29 NASAA releases annual enforcement report.
- 11/4 NASAA releases 2021 Reg BI Phase Two Report.



# Policy & Government Affairs

## NASAA Advances Policy Agenda Supporting Investors and Capital Formation Frameworks for Businesses

For over a century, state securities regulators have been on the frontlines of innovations that have made our capital markets safer, more efficient, and more inclusive. Today, securities regulators continue to work hard to ensure that the latest innovations occur within the well-established regulatory framework for supporting investor protection and responsible capital formation. As part of this work, NASAA, the voice of state securities regulators, advances a legislative agenda that prioritizes investor protection, encourages responsible capital formation, and supports inclusion and innovation in our capital markets.

### Federal Government Affairs

2021 was yet another busy year for NASAA's longstanding efforts to elevate the voice of state securities regulators on Capitol Hill and beyond. Throughout 2021, NASAA and its members advocated for bipartisan, smart policy solutions that (1) protect the authority of state securities regulators; (2) protect retail investors of all ages and backgrounds; (3) support small businesses in part by enhancing the regulatory oversight of the private markets; and (4) support inclusion and innovation in all aspects of our capital markets.

In addition, NASAA members and staff invested considerable resources in the important work of educating Congressional offices and the U.S. Government Accountability Office on securities regulation and the critical roles that state securities regulators play.

Notably, on November 16, 2021, the House Financial Services Committee ("HFSC") approved H.R. 5914, The Empowering States to Protect Seniors from Bad Actors Act. In short, this bill would establish a grant program that would enhance existing efforts by state securities and insurance regulators to protect senior investors and policyholders from financial fraud.



Importantly, with respect to the grant program, the bill would: (A) make the U.S. Securities and Exchange Commission (SEC) the program administrator; (B) give the SEC the authority and tools necessary to operate a data-driven grant program; (C) empower the SEC to make grants to state regulators from across the United States; (D) authorize an appropriation of \$10,000,000 to the SEC for each of the fiscal years 2023 through 2028 to make such grants; (E) require the SEC to cap each grant

# Policy & Government Affairs

at \$500,000; and (F) effectively create more opportunities for federal and state securities regulators to communicate and coordinate in their efforts to protect senior investors.

Prior to the mark-up, NASAA submitted a letter of support for the bill, coordinated the submission of letters of support from various organizations such as AARP, and coordinated outreach by state securities regulators to congressional offices. During the mark-up, HFSC Chairwoman Maxine Waters (D-CA) thanked NASAA for its years-long engagement on the issue. She, along with Rep. Josh Gottheimer (D-NJ) (the bill's sponsor), Rep. Sylvia Garcia (D-TX), and Rep. Bill Huizenga (R-MI), urged their colleagues to approve the legislation. In the end, the HFSC approved the bill with broad bipartisan support.

Last, in support of NASAA's regulatory and legislative agendas, NASAA continued to engage regularly with peer regulators, organizations, and individuals who are prominent stakeholders in the capital markets community. By way of example, hundreds of people joined NASAA at its virtual Spring 2021 Public Policy Symposium and its in-person Fall 2021 Conference in Chicago, Illinois. In addition, NASAA and its members held periodic or ad hoc meetings with representatives of AARP, Americans for Financial Reform, Better Markets, Certified Financial Planner Board of Standards, Inc., the Consumer Federation of America, the Financial Services Institute, Healthy Markets Association, the Investment Adviser Association, the Public Investors Advocate Bar Association, and the Securities Industry and Financial Markets Association, among others.

## State Government Affairs

At NASAA, each state securities regulator, either independently or in coordination with another office within its state government, is responsible for conducting state legislative outreach. In many jurisdictions, the state securities regulator plays a leading role in

developing the state legislative agenda, weighing in on legislative proposals, and monitoring for legislative developments.

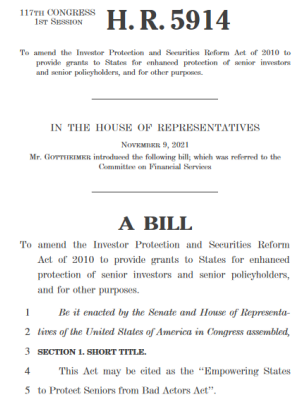
In 2021, NASAA supported the state legislative work of securities regulators in several ways. Notably, NASAA maintained relationships with peer organizations such as the National Conference of State Legislatures (NCSL) and helped state securities regulators raise awareness of certain types of legislative proposals. By way of example, in a letter to NCSL dated April 2021, NASAA called NCSL's attention to legislation in several states regarding occupational licensing regulations. NASAA communicated that it opposes any initiatives that could impinge upon the authority of state securities regulators to register or license financial services professionals. Similarly, in a letter to NCSL dated June 2021, NASAA called NCSL's attention to legislation in several states relating to nonprofit member privacy that inadvertently could compromise the ability of state securities regulators to protect investors.

Moreover, NASAA contributed by supporting efforts to pursue, adopt, and implement NASAA model acts. In 2021, NASAA adopted its third model act, the NASAA Model Act to Create a Restitution Assistance Fund for Victims of Securities Violations. The model act gives states a way to provide financial assistance to victims of securities law violations who are awarded restitution but do not receive full payment. NASAA also wrote a letter to NCSL to raise awareness of NASAA's updated legislative commentary for its first model act, the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation. Last, NASAA facilitated the participation of three state securities regulators in the National Whistleblower Center's 2021 National Whistleblower Day event. There, they raised awareness of existing whistleblower programs in the states of Indiana, Montana, and Utah and of NASAA's second model act, the NASAA Model Act to Award and Protect Whistleblowers.

# NASAA's 2021 Letters to Congress

NASAA's 2021 letters to Congress, which are available in the NASAA Policy Center at [nasaa.org](http://nasaa.org), offer a window into the breadth and depth of additional advocacy work that NASAA and its members undertook in 2021. The following is an illustrative list of the legislative proposals on which NASAA commented in writing during 2021:

- H.R.1187- Corporate Governance Improvement and Investor Protection Act
- H.R. 1277- Improving Corporate Governance Through Diversity Act of 2021
- H.R. 1528- Promoting Transparent Standards for Corporate Insiders Act
- H.R. 1565- Senior Security Act of 2021
- H.R. 2123- Diversity and Inclusion Data Accountability and Transparency Act
- H.R. 2265- Financial Exploitation Prevention Act of 2021
- H.R. 2620- Investor Choice Act of 2021
- H.R. 2655- Insider Trading Prohibition Act
- H.R. 4617- To require the Securities and Exchange Commission to carry out a study on payment for order flow, to require the Investor Advocate of the Commission to provide recommendations on payment for order flow, and for other purposes
- H.R. 4618- Short Sale Transparency and Market Fairness Act
- H.R. 4619- To amend the Securities Exchange Act of 1934 to prohibit trading ahead by market makers, and for other purposes
- H.R. 4685- Trading Isn't a Game Act
- H.R. 5914- Empowering States to Protect Seniors from Bad Actors Act
- H.R. \_\_\_ - A bill to amend the Securities and Exchange Act of 1934 with respect to the Office of the Investor Advocate, and for other purposes (discussion draft)
- H.R. \_\_\_ - The Whistleblower Protection Reform Act of 2021 (discussion draft)
- H.R. \_\_\_ - A bill to amend the Securities and Exchange Act of 1934 to improve the governance of multi-class stock companies, to require issuers to make annual diversity disclosures, and for other purposes (discussion draft)
- S. 808- Cybersecurity Disclosure Act of 2021
- S.J. Res. 16- A Joint Resolution providing for Congressional disapproval of the rule submitted by the Securities and Exchange Commission relating to "Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8"



*On November 16, 2021, the House Financial Services Committee ("HFSC") approved H.R. 5914, The Empowering States to Protect Seniors from Bad Actors Act. This bill would establish a grant program that would enhance existing efforts by state securities and insurance regulators to protect senior investors and policyholders from financial fraud.*

# Legal & Regulatory Commentary

## Maintaining and Building Upon a Strong Legal Foundation

NASAA advocates for members and investors through amicus curiae briefs, regulatory comment letters, and model rules and statements of policy. The following summary highlights some of these activities in 2021.

### *Amicus Curiae* Briefs

**Goldman Sachs v. Arkansas Teacher Retirement System (U.S. Supreme Court).** NASAA filed an *amicus curiae* brief with the U.S. Supreme Court on March 3, in support of the Arkansas Teacher Retirement System, lead plaintiff in a class action lawsuit against Goldman Sachs. The case raised important procedural questions about the conduct of private securities litigations. NASAA's brief argued that private class actions play an important role in fostering compliance with securities laws and that a fraud claim should be valid where it relies on an alleged omission or misstatement that artificially maintained an inflated price for a security. On June 21, the Court issued a ruling that was largely consistent with NASAA's position in its brief.

**Chan v. HEI Resources (Colorado Supreme Court).** On June 28, 2021, NASAA filed an *amicus curiae* brief in support of the Colorado Securities Commissioner's ongoing enforcement action against an oil and gas venturer. The brief focused on when general partnership interests should be deemed to be securities. NASAA argued that the securities laws should be interpreted broadly and that distinguishing characteristics between securities and general partnership interests include industry-specific knowledge of participants and the ability of participants to exercise control. In a June 27, 2022 opinion, the Colorado Supreme Court adopted the generally accepted *Williamson* framework, but it rejected the "strong presumption" against finding a security, which had developed among

several courts interpreting and applying *Williamson*. The court also held, in part, that an investor's general business knowledge and expertise is sufficient to permit them to exercise control and therefore to defeat the allegation that the interest is a security.



# Legal & Regulatory Commentary

## Selected 2021 Regulatory Comment Letters

### **Mutual Fund & ETF Disclosures**

NASAA filed a comment letter with the Securities and Exchange Commission (“SEC”) on January 4, supporting amendments to the SEC’s mutual fund and exchange-traded fund (“ETF”) disclosure standards. Research has shown that investors rarely read fund disclosures because they find them impenetrable. The SEC proposal would dramatically improve the SEC’s rules governing shareholder reports and prospectuses, resulting in shorter, simpler, and more tailored disclosures. NASAA’s comment letter supported the SEC proposal but recommended several revisions to make fund disclosures easier to read and understand.

### **Digital Engagement Practices**

On October 1, 2021, NASAA responded to the SEC’s request for information regarding broker-dealer and investment adviser digital engagement practices (DEPs) and the use of technology to develop and provide investment advice. NASAA commented that the use of DEPs cannot be allowed to operate outside of existing regulatory safeguards and that DEPs should not be allowed to encourage poor investment and trading practices. NASAA’s position is that many DEPs constitute recommendations and therefore must be made subject to appropriate broker-dealer standards of conduct. NASAA also commented that registrants should be required to disclose the limits and potential conflicts of these innovations to their customers, including the relationship between investment advice technology and the appropriate fees charged by investment advisers.

### **Short Interest Disclosure**

On October 1, NASAA filed a comment letter with the Financial Industry Regulatory Authority (“FINRA”) advocating for improvements in FINRA’s short interest disclosure regime. FINRA sought comment on the desirability and feasibility of a variety of potential changes, and NASAA’s comment letter supported increasing the frequency and depth of disclosure in this area, among other things.

### **Proxy Voting Advisory Businesses**

NASAA submitted a comment letter on December 21, supporting an SEC proposal to revise certain elements of the SEC’s rules related to proxy voting advisory businesses. Proxy voting advisory businesses provide an important service for their customers. However, as for-profit entities, they necessarily face conflicts of interest. In 2020, the SEC amended its rules in this area, but the amendments have been criticized by market participants. NASAA supported revising the 2020 rule amendments to make the regulation of proxy voting advisory businesses even more transparent.

# Model Rules & Statements of Policy

## Unpaid Arbitration Awards

On October 5, NASAA requested public comment on two proposed model rules that would make it a dishonest or unethical business practice for broker-dealers or investment advisers to fail to pay customer arbitration awards. The model rules would allow NASAA members to bring enforcement actions against broker-dealers or investment advisers that are derelict in paying these awards.

Most broker-dealers and investment advisers fulfill their obligations when they are found liable to a customer in an arbitration proceeding. Under rules of the Financial Industry Regulatory Authority (FINRA), a broker-dealer or agent generally must pay an arbitration award within 30 days. If the respondent fails to do so, FINRA can suspend the person's membership (thereby effectively precluding the person from continuing its brokerage business). The model rules have been approved by NASAA members.

## Franchise Questionnaires and Acknowledgements

On December 6, NASAA requested public comment on a proposed statement of policy related to the use of franchise questionnaires and acknowledgements. Federal and state laws require franchisors to make certain disclosures to prospective franchisees before entering into a franchise contract. These disclosures are intended to inform prospective franchisee of the risks and responsibilities of operating a franchise. As part of this disclosure process, franchisors routinely send questionnaires and acknowledgments to prospective



franchisees requiring prospective franchisees to make certain legal representations. Although unobjectionable in theory, some franchisors have come to abuse these questionnaires and acknowledgements by trying to use them as a way to absolve the franchisor of any potential liability to a franchisee in a franchise offering. NASAA's proposed statement of policy is intended to set standards and safeguards around the use of questionnaires and acknowledgments in order to level the playing field between franchisors and franchisees in the complex process of entering into a franchise relationship.

# At a Glance: Senior Investor Protection

## Protecting Older Investors from Financial Exploitation

State and provincial securities regulators continued their long tradition of protecting older investors. This priority continued in 2021 when NASAA released an updated legislative commentary to the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation (Model Act). This effort included new findings and recommendations that states and stakeholders should consider as they advance efforts to protect seniors and vulnerable adults from potential financial exploitation. The updated legislative commentary was the culmination of a yearlong review of the efficacy and implementation of state laws modeled on or influenced by the Model Act. The Model Act was developed by NASAA's Senior Issues and Diminished Capacity Committee in 2015 following engagement with various stakeholders including state and federal regulators, adult protective services agencies, law enforcement, financial professionals, and investor advocates.

In addition, NASAA partnered with the Securities and Exchange Commission and FINRA in support of World Elder Abuse Awareness Day to offer free resources to assist in the detection, prevention, and reporting of financial exploitation of older individuals, and to assist firms in implementing requirements of the Senior Safe Act. The Senior Safe Act was included as Section 303 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, which was signed into law on May 24, 2018. The Act addresses barriers financial professionals face in reporting suspected elder financial exploitation or abuse to authorities. The new training resources titled, "Addressing and Reporting Financial Exploitation of Senior and Vulnerable Adult Investors," can be used by firms to train associated persons on how to detect, prevent, and report financial exploitation of senior and vulnerable adult investors.



In September, a series of 1,206 coordinated examinations of state-registered investment advisers by state securities examiners showed that nearly 59 percent of investment advisers did not have policies or procedures in place for addressing the financial exploitation of seniors or vulnerable persons. The results of this multi-state coordinated initiative showed that investment advisers must make improvements in recognizing and reporting cases of suspected abuse.

# At a Glance: Digital and Social Media Outreach

## Social Media

In 2021 NASAA connected with more audiences than ever through social media. NASAA continued to build its social media footprint on LinkedIn, Twitter, Facebook, and YouTube. Thanks to a new, integrated communications strategy, NASAA undertook a coordinated approach to engage members, peer organizations and the public by establishing and implementing monthly content calendars, sharing timely and informative mission-focused posts and tracking engagement metrics.

The resulting growth across all social media channels showed our online media outreach had become a top driver in increasing awareness of NASAA's mission.

In 2021, NASAA's social media followers grew by 13%, adding 3,630 new followers to end 2021 with an audience of 9,778 followers across all social media platforms.

| 2021 NASAA Social Media Growth |   |
|--------------------------------|---|
| Platform                       | Audience  |
| Facebook                       | 1,961 followers by December 31, 2021; up from 1,572 followers recorded on January 1, 2021. Gain of 389 or 24.7% increase.             |
| Twitter: @NASAA                | 1,342 followers by December 31, 2021; up from 1,002 followers recorded on January 1, 2021. Gain of 340 followers or 34% increase.     |
| Twitter: @NASAA_IE             | 1,699 followers by December 31, 2021; up from 1,543 followers recorded on January 1, 2021. Gain of 156 followers or 10.11% increase.  |
| LinkedIn                       | 4,766 followers by December 31, 2021; up from 3,603 followers recorded on January 1, 2021. Gain of 1,163 followers or 32.3% increase. |



## Podcasting

Five "NASAA Talks" podcasts were produced in 2021, and these episodes featured such topics as Investment Adviser Representative Continuing Education, the NASAA Model Whistleblower Award and Protection Act, a discussion of NASAA's year ahead with NASAA President Melanie Senter Lubin, Trusted Contacts, and NASAA's 2021 Regulation Best Interest Phase Two Report.

The **Investor Education Life Stages Project Group** produced four "Real Life Regulators" podcasts. These podcasts tell the story of how NASAA members investigate alleged financial frauds, punish wrongdoers, and protect investors.



# NASAA SECTION COMMITTEE ACTIVITY

- Broker-Dealer
- Corporation Finance
- Enforcement
- Investment Adviser
- Investor Education

# Broker-Dealer Section Committee

## Overview

*The Broker-Dealer Section Committee continues to be heavily involved in arbitration, firm practices, broker-dealer continuing education initiatives, and Regulation Best Interest implementation. The Operations Project Group is working with the NASAA corporate office to create a Regulation Best Interest implementation dashboard for firm inspections and to expand the information available to NASAA members. The section has been active in issuing comment letters on SEC and FINRA rule proposals and guidance, and continued industry engagement with SIFMA and FSI on topics of interest and potential model rules.*

## Highlights

- The **Arbitration Project Group** continued to study the complex problem of unpaid arbitrations and published a model rule for internal and external comments. The project group is also working with the CRD/IARD Steering Committee and FINRA to review arbitration awards and develop a coordinated response dealing with expungement issues.
- The **Continuing Education Project Group** worked with FINRA, the SEC and other stakeholders on the CE Council's changes to the FINRA broker-dealer continuing education program.
- The **Emerging, Alternative, and Variable Products Project Group** developed policies and procedures to cover new tasks and bring in more members. The group also worked with the Investment Products and Services project group on responding to proposed model rules and reviewing areas of abuse and concern in the industry.
- The **Investment Products and Services Project Group** responded to multiple FINRA and SEC proposed rules, specifically focusing on rules affecting senior investors and diminished capacity. The project group worked closely with the Arbitration project group on the unpaid arbitration awards model rule, and drafted model rules to the membership for review in 2022.
- The **Market and Regulatory Policy and Review Project Group** worked on projects related to SPAC offerings and online brokerage account validations. 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 **Operations Project Group** focused on Regulation Best Interest implementation. In particular, the project group drafted several new exam modules and evaluated changes or updates to the existing modules.
- The **Training Project Group** held its 2021 virtual training in October and will hold its 2022 training in June.

## Section Committee

Travis Iles (TX), Chair  
(September 2021 - June 2022)  
Brett Olin (NV), Vice-Chair  
Elizabeth Bowling (TN)  
Travis Jordan (SD)  
Mark Kissler (WA)  
Anthony R. Leone (MA)  
James Nix (IL)  
Otto Torres (C.P.)  
Chris Besko (MB)  
Kameron Hillstrom (NASAA), Liaison

## Project Group Chairs Arbitration

Patrick Costello (MA)

## Continuing Education

William R. Carrigan, CFE (VT)

## Emerging, Alternative, and Variable Products

Mark Kissler (WA)

## Investment Products and Services

Deborah Fabritz (WI)

## Market and Regulatory Policy and Review

Amy Kopleton (NJ)

## Operations

Clint Edgar (TX)

## Training

Stephen Bouchard (DC)  
Klem Klementon (CT)

# Corporation Finance Section Committee

## Section Committee

Andrea Seidt (OH), Chair  
Peter Cassidy (MA), Vice-Chair  
Faith Anderson (WA)  
Justin Burse (KY)  
Joseph Punturo (NY)  
Delfin Rodriguez (NJ)  
Jo-Anne Matear (ON)  
Vincente Martinez (NASAA), Liaison

## Project Group Chairs

**Business Organizations and Accounting**  
Michelle Webster (WA)

## Corporation Finance Policy

Jeff Soderstedt (PA)

## Corporation Finance Training

Peter Cassidy (MA)

## Direct Participation Programs Policy

Mark Heurman (OH)

## Franchise and Business Opportunities

Theresa Leets (CA)

## Small Business/Limited Offerings

Faith Anderson (WA)

## Overview

*The Corporation Finance Section Committee develops and monitors policies for the registration of securities under state law, including through the issuance of NASAA Statements of Policy. The section committee also develops model rules and forms, provides oversight of the various NASAA-sponsored coordinated review programs for securities registration, and 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** published a 2021 legal and accounting update to the membership and continued its work on drafting a Statement of Policy for the review of offerings by business development companies, which included exploring the impacts of Regulation Best Interest for business development companies.
- The **Corporation Finance Policy Project Group** developed a proposed Statement of Policy Regarding Peer-to-Peer Lending.
- The **Corporation Finance Training Project Group** continued its work on the Corporation Finance Training Program, which most recently took place in November 2021 and is next scheduled for November 2022.
- The **Direct Participation Programs Policy Project Group** worked on issues related to Regulation Best Interest implementation, NAV pricing for mutual funds, and the uses of gross offering proceeds from direct participation programs.
- The **Franchise and Business Opportunities Project Group** developed a proposed Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements. The project group also assisted in the rollout and implementation of franchise filing functionality on the Electronic Filing Depository system.
- The **Small Business/Limited Offerings Project Group** researched potential regulatory initiatives for future development.

# Enforcement Section Committee

## Overview

*The Enforcement Section Committee assists NASAA members in coordinating enforcement efforts involving multiple jurisdictions and facilitating the sharing of information and resources. This section committee facilitates coordination with federal, state, provincial, and self-regulatory agencies such as SEC, CFTC, and FINRA. The section committee identifies emerging schemes and trends and publishes an annual enforcement report.*

## Highlights

- The Enforcement Section Committee coordinated several enforcement initiatives, including cases involving precious metals, digital assets, and conventional frauds. In February 2021, multiple state securities agencies filed regulatory actions against GPB Capital Holdings for allegedly defrauding investors in a \$1.8 billion private offerings scheme involving market securities and affecting approximately 17,000 U.S. investors.
- The section committee also collected and analyzed enforcement data to help determine trends that can inform future investor education and enforcement activities. The annual Enforcement Report was released in September and highlights state securities regulators' commitment of resources put toward stopping schemes tied to precious metals and other commodities, digital assets, internet, and social media frauds that spread during the COVID-19 pandemic.
- The **Commodities and Derivatives Project Group** continued to strengthen ties with the CFTC, take a leading role in several commodities-focused enforcement matters and are developing and updating investigatory training manuals.
- The **Enforcement Technology Project Group** provided expertise and support to initiatives by NASAA members including COVID-19, cybersecurity, and digital evidence research.
- The **Enforcement Training** and **Deposition and Litigation Skills Project Groups** held the enforcement and deposition/litigation and interviewing training programs.
- The **Enforcement Zones Project Group** facilitated and maintained strong interstate communication between NASAA members and hosted quarterly zone meetings.
- The **Publications and Manuals Project Group** developed bulletins and publications on various enforcement subjects including NASAA's Model Act to Protect Vulnerable Adults, and bankruptcy and securities laws.

## Section Committee

Joseph P. Borg (AL), Chair  
Joseph Rotunda (TX), Vice-Chair  
Wendy Coy (AZ)  
Ricky Locklar (AL)  
David Minnick (MO)  
Mary Ann Smith (CA)  
Lori Chambers (BC)  
Dylan White (NASAA), Liaison

## Project Group Chairs

**Commodities and Derivatives Enforcement**  
Max Brauer (MD)

**Deposition and Litigation Skills Training**  
Don Young (AB)

**Enforcement Publications and Manuals**  
Harvey McCleskey (OH), Co-Chair  
Danielle Stoumbos (CA), Co-Chair

**Enforcement Technology**  
Jake van der Laan (NB)

**Enforcement Training**  
Alex Calero (CA), Co-Chair  
Lori Toledano (ON), Co-Chair

**Enforcement Zones**  
Eric Forcier (NH)

# Investment Adviser Section Committee

## Section Committee

William R. Carrigan, CFE (VT), Chair  
(September 2021 to June 2022)  
Linda Cena (MI), Vice-Chair  
Stephen Bouchard (NJ)  
Tung Chan (CO)  
Eric Pistilli (PA)  
Dylan White (NASAA), Liaison

## Project Group Chairs

### IA Cybersecurity and Technology

Michelle Ray (AL), Co-Chair  
Teresa Williams (CT), Co-Chair

### IA Operations

Alisa Goldberg (FL)

### IA Regulatory Policy and Review

Steve Brey (MI)

### IA Resources and Publications

Lindsay Fedler (WI)

### IA Training

William Baldwin (WA), Co-Chair  
Teaune Trice (IN), Co-Chair

### IA Zones

Veronica Rodriguez (CO)

## Overview

NASAA's Investment Adviser Section Committee 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 continued to focus its attention on issues that impact state-registered investment advisers and their clients, such as emerging investment advisory fee models; unpaid arbitration awards, settlements, and judgments; and cybersecurity.
- The **Cybersecurity and Technology Project Group** worked to update NASAA's Cybersecurity & State-Registered Investment Advisers Resource Document for State Securities Regulators. The Resource Document is designed to help state-registered investment advisers identify and take the necessary steps to protect themselves and their clients from evolving cybersecurity threats.
- The **IA Operations Project Group** organized NASAA's 2021 Coordinated Examinations Survey of state-registered investment advisers and presented the results in September at NASAA's Fall Annual Meeting. The project group also gathered data on the use of emerging fee models by state-registered investment advisers.
- The **IA Regulatory Policy and Review Project Group** coordinated with the Broker-Dealer Section on a proposed model rule to address applicants' and registrants' failure to pay arbitration awards, settlements, and judgments.
- The **IA Resources and Publications Project Group** completed and published the 2021 edition of NASAA's Investment Adviser Report.
- The **IA Training Project Group** planned and carried out the annual IA training program virtually in April 2021.
- The **IA Zones Project Group** coordinated information sharing among NASAA member jurisdictions on issues of importance regarding investment advisers, including COVID-19 related examination challenges, investment adviser fees, and investment products and strategies.

# Investor Education Section Committee

## Overview

*The Investor Education Section Committee 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 3 investor advisories in 2020 on such topics as private placement offerings, COVID-19 related early withdrawals from retirement accounts, and crisis-related investment scams. The project group produced six investor advisories in 2021. Topics included social isolation and the risk of investment fraud, social media, online trading and investing, and ESG investing. The Project Group plans to continue efforts to focus on investor education outreach templates for NASAA members.
- The **Digital Media Tools and Resources Project Group** created 10 monthly So.Me e-newsletters to support investor education outreach through social media platforms. The newsletter is sent to members as well as to investor education coordinators (IECs) to support and expand their online outreach. The project group also developed online outreach products to support the investor advisories produced by the Alerts and Advisories Project Group, including videos, news releases, and themed social media post templates for NASAA and IECs.
- The **Life Stages Project Group** developed and provided to NASAA members the 2021 Investor Education Outreach Planner. In addition, the project group created four, “Real Life Regulators” podcasts focused on various scams used by bad actors to misappropriate investor money. Two additional episodes will be produced in the coming months. The project group continues its work to create and identify programs and tools for young investors, working adults and business professionals, veterans and military, and affinity and ethnic diversity.
- The **Senior Outreach Project Group** focused on the creation of the CommunitySafe Toolkit, a comprehensive outreach program focused on keeping people of all ages aware and safe when it comes to handling finances. The project group is working closely with the Board-level Senior Issues and Diminished Capacity Committee to update the ServeOurSeniors.org website and transition it to NASAA.org/serveourseniors to gain traffic, awareness and capitalize on the NASAA brand.

## Section Committee

Tom Cotter (AB), Co-Chair  
Jillian Lazar (DE), Co-Chair  
Lynne Egan (MT), Vice-Chair  
Bernice Geiger (NM)  
Christina Kotsalos (PA)  
Marissa Sollows (NB)  
Jeanne Hamrick (NASAA), Liaison  
Karen Grajales (NASAA), Liaison  
Zachary Knepper (NASAA), Liaison

## Project Group Chairs

**IE Alerts and Advisories**  
Diane Young-Spitzer (MA)

**IE Digital Media Tools and Resources**  
Marissa Sollows (NB)  
Dan Orzano (OH)

**IE Life Stages**  
Christina Kotsalos (PA)

**IE 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 guide the work of regulatory services such as the Central Registration Depository (CRD), Investment Adviser Registration Depository (IARD), Electronic Filing Depository (EFD), Investment Adviser Representative Continuing Education (IAR CE), and NASAA Electronic Examinations Modules (NEMO). In addition, the Board Committees manage internal issues, as well as shepherd training programs, initiate learning opportunities, and develop regulatory proposals for NASAA members.

## Board Committee Chairs

*(For 2021/2022)*

### Awards

Andrea Seidt, Ohio

### CRD/IARD Forms & Process

Emily Diaz, Texas  
Pamela Kirkland, South Carolina

### CRD/IARD Steering

Andrew Hartnett, Iowa

### Cybersecurity

Amanda Senn, Alabama

### Diversity, Equity, and Inclusion

Harvey McCleskey, Ohio  
Noula Zaharis, Georgia

### Electronic Filing Depository

William Beatty, Washington

### NASAA Exams Advisory

Elizabeth Bowling, Tennessee

### Federal Legislation

Claire McHenry, Nebraska

### Finance & Audit

Claire McHenry, Nebraska

### Fintech

Jillian Lazar, Delaware

### International

H. Jane Anderson, Nova Scotia

### Investment Adviser Representative Continuing Education

Linda Cena, Michigan

### Legal Services

Tanya Solov, Illinois

### Member Services

Barry Glennon, New Hampshire

### NEMO Training & Support

Betsy Hodges, Texas  
Jennifer Maine, Washington

### Professional Development

Steve Dowling, Prince Edward Island  
Leslie D. Worrell, Alabama

### Regulation Best Interest Implementation

Andrea Seidt, Ohio

### Senior Issues/Diminished Capacity

Richard Szuch, New Jersey

### State Legislation

Lynne Egan, Montana

### Strategic Planning

Andrew Hartnett, Iowa

# NASAA Board of Directors 2020–2021



**Lisa A. Hopkins**  
NASAA President  
West Virginia Securities  
Commission



**Melanie Senter Lubin**  
NASAA President-Elect  
Maryland Securities  
Commission



**Christopher W. Gerold**  
NASAA Past-President  
New Jersey Bureau of  
Securities



**William Beatty**  
Washington Securities  
Division



**Andrew Hartnett**  
Iowa Securities Bureau



**Kevin Hoyt**  
New Brunswick Financial  
& Consumer Services  
Commission



**Travis Iles**  
Texas State Securities  
Board



**Claire McHenry**  
Nebraska Bureau  
of Securities



**Leslie Van Buskirk**  
Wisconsin Division of  
Securities



**Joseph Brady**  
*(ex officio)*  
NASAA  
Executive Director



# NASAA Board of Directors 2021–2022



**Melanie Senter Lubin**  
NASAA President  
Maryland Securities  
Commission



**Andrew Hartnett**  
NASAA President-Elect  
Iowa Securities  
Bureau



**Lisa Hopkins**  
NASAA Past-President  
West Virginia Securities  
Commission



**William Beatty**  
Washington Securities  
Division



**Marni Gibson**  
Kentucky Department  
of Financial Institutions



**Kevin Hoyt**  
New Brunswick  
Financial & Consumer  
Services Commission



**Claire McHenry**  
Nebraska Bureau  
of Securities



**Leslie Van Buskirk**  
Wisconsin Division of  
Securities



**Diane Young-Spitzer**  
Massachusetts  
Securities Division



**Joseph Brady**  
*(ex officio)*  
NASAA  
Executive Director

# NASAA Awards & Staff

## Awards

### Blue Sky Cube Recipients



**2020 Honoree**

**Christopher W. Gerold**  
New Jersey



**2021 Honorees**

**Lisa A. Hopkins**  
West Virginia  
**Craig A. Goettsch**  
Iowa  
**Bob Webster**  
NASAA



*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."*

#### 2021 Distinguished Service Award

Linda Bailey, Texas  
Debra Bollinger, Virginia

#### 2021 Outstanding Service Award

Alex Glass, Indiana  
Jean Lorrain, Quebec  
Robin L. Wiessmann, Pennsylvania

#### 2021 Patricia D. Struck Award

Michael Huggs, Mississippi

## Corporate Office Staff (2021-2022)

### Executive & Administrative

Joseph Brady  
Executive Director

Pamela Epting  
Senior Advisor

### Communications & Investor Outreach

Jeanne Hamrick  
Director of  
Communications

Karen Grajales  
Manager,  
Communications &  
Investor Outreach

### Education, Events, & Membership

James Apistolas  
Director of Education,  
Events, and Membership

Lonnie Martin  
Deputy Director of  
Education, Events, and  
Membership

### Finance & Operations

Marina Alonso-Mendoza  
Director of Finance &  
Operations

Matthew Duran  
Controller

Ariel Brandt Lautman  
IT Product Manager

Orion Reynolds  
IT Program Manager

Josephine Oundo  
Office Coordinator

Kaprina Robinson  
Finance Manager & HR  
Coordinator

### Legal & Regulatory Affairs

Vincente Martinez  
General Counsel

Zachary Knepper  
Deputy General Counsel

Dylan White  
Assistant General  
Counsel

Natasha Hurt  
Senior Manager,  
Regulatory Services

Jennifer Lerner  
Regulatory Services  
Specialist

### Policy & Government Affairs

Kristen Hutchens  
Director of Policy &  
Government Affairs,  
& Policy Counsel

Amanda Nguyen  
Government Affairs  
Analyst





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