



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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June 6, 2006

The Honorable Richard C. Shelby
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs
SD-534
Washington, DC 20510

The Honorable Paul S. Sarbanes
Ranking Member
Senate Committee on Banking, Housing
and Urban Affairs
SD-534
Washington, DC 20510

RE: The Military Personnel Financial Services Protection Act

Dear Chairman Shelby and Ranking Member Sarbanes:

On behalf of the North American Securities Administrators Association (NASAA),¹ we are writing to support the passage of S. 418, the Military Personnel Financial Services Protection Act and respectfully suggest two minor amendments.

State securities regulators wholeheartedly support Congressional efforts to protect our military personnel from the unscrupulous sale of financial services products on military bases. We share a common mission to serve and protect investors in our states and, like you, are concerned about potential abuses of our military personnel through the fraudulent sale of periodic payment plans. We suggest that S. 418 be strengthened in two respects.

Expressly Preserve The Jurisdiction Of State Securities Regulators On Military Installations

Significant consumer protections currently available to military personnel (such as protection from dishonest and unethical sales practices, general anti-fraud provisions) may be inadvertently removed because the jurisdiction of state securities administrators over companies and agents who offer and sell securities on base is not specifically acknowledged in S. 418.

As the “front-line” securities regulators, we see this type of fraud on the rise. We believe that the men and women of our military and their families deserve to know that the

¹ The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc., was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, the U.S. Virgin Islands and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

jurisdiction of the agencies best equipped to take swift enforcement action would remain explicitly intact. NASAA suggests amending Section 6 to specifically acknowledge that any law, regulation or order of a State with respect to regulating the business of securities shall apply to securities activities conducted on military installations.

Ensure That The IARD System Includes Information About Investment Advisers Whose Registration Applications Have Been Denied

Our second concern is with Section 5, Filing Depositories for Investment Advisers. This section gives the IARD vendor liability protection for information that is on the Investment Advisor Public Depository (IAPD), the public disclosure component of the Investment Adviser Registration Depository (IARD). IARD, modeled on the WebCRD system, is a very successful cooperative effort between state and federal regulators that provides for the centralized electronic filing and processing of investment adviser and investment adviser representative applications, amendments and renewals. It will also allow investors to determine the licensing status of the advisers they may consult, an important step that we urge all investors to take before making investment decisions.

While we support the liability protection for the NASD now included in Section 5, we believe that an amendment to Section 5 is necessary to ensure that the information regarding investment adviser and investment adviser representative applicants and registrants is available to the public through IAPD. State securities regulators believe that including this information will enhance investor protection by ensuring that your constituents have as much information as possible before deciding which firm will handle their investment advisory business.

We commend you for your continued efforts to draw attention to the importance of protecting America's military personnel and all investors from questionable insurance and securities products. Please contact either of us, or Deborah House daf@nasaa.org in NASAA's corporate office at 202-737-0900, ext. 102 if we may be of further assistance to you. We look forward to working with your Committee on this and other financial services issues.

Sincerely,



Patricia D. Struck
NASAA President
Wisconsin Securities Administrator



Joseph P. Borg
NASAA President-elect
Director, Alabama Securities Commission

cc: Senate Banking Committee Members