



NASAA

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**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

750 First Street N.E., Suite 1140

Washington, D.C. 20002

202/737-0900

Fax: 202/783-3571

www.nasaa.org

September 3, 2004

The Honorable Arnold Schwarzenegger  
Governor  
State of California  
State Capitol  
1<sup>st</sup> Floor  
Sacramento, CA 95814

Subject: A. B. 3070 - Support

Dear Governor Schwarzenegger:

Allow me to introduce myself, I am Ralph Lambiase, President of the North American Securities Administrators Association (NASAA), which includes the California Department of Corporations as a member. NASAA is the oldest international organization devoted to investor protection. Organized in 1919, its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

I understand that A. B. 3070, a bill to amend certain sections of the Corporations Code and the Financial Code, is currently under consideration and awaiting further action. On behalf of the NASAA Board of Directors, I want to strongly endorse a section of this bill proposed by the Department of Corporations to mandate the use of the electronic Investment Adviser Registration Depository (IARD) in California.

All states now accept voluntary filings of Form ADV, the uniform application for investment adviser registration, via the IARD. Forty-five jurisdictions mandate that all investment adviser (IA) filings will be done electronically by a date certain. In these states, regulators, the public, and investment adviser firms are beginning to reap the full benefits of the IARD and the Investment Adviser Public Disclosure system (IAPD). These benefits would include the following in California:

- The creation of a registry of the Department's licensed investment advisers and their representatives, including their disciplinary histories, through the Internet, and around the clock, and thereby allow investors to better "do their homework" while investing;
- Allowing the Department to eliminate the dual-record-keeping required by having half of its IA licensees file on paper, and half file electronically. Instead, IARD will allow the Department to maintain all investment advisers and investment adviser representatives in a single database, facilitating e-government;
- Establishing a better means for disclosing information to the investing public such as services provided and fees charged by those who hold themselves out as "investment advisers" – a group whose ranks have grown dramatically in recent years;

- Provide regulators with easier and more up-to-date access to nation-wide information about applicants and registrants through centralized electronic filing of applications, amendments and renewals;
- Streamlining of Form ADV in a way that benefits both regulators and registrants;
- Allow the Department to invoice licensees and receive the annual renewal fees electronically, rather than by paper, thereby increasing efficiency, and reducing costs and accounts receivable paperwork.

The Financial Planning Association (FPA) and the Investment Counsel Association of America (ICAA) support state regulators in their efforts to mandate the IARD. Congress directed establishment of a national system for investment adviser registration and disclosure in the National Securities Markets Improvement Act of 1996. In 2001, the U.S. House of Representatives passed a bill that would deny states access to an antifraud enforcement database unless state securities agencies mandate IARD. Unfortunately, the legislation was not enacted into law, but a similar discussion draft is now being circulated for comment. The Investment Adviser Registration Depository promotes the overall goal of uniformity, efficiency of regulation, and reduction of cost to governments. It's good for regulators, the industry, and, most importantly, the investing public.

Please let me know how state securities regulators can be of assistance as you move forward on this or related issues.

Sincerely,

A handwritten signature in cursive script that reads "Ralph A. Lambiase".

Ralph A. Lambiase  
NASAA President  
Connecticut Director of Securities

cc: Corporations Commissioner William P. Wood