



NASAA

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

*This is a sample of a letter
sent to each U.S. Senator.*

April 27, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

RE: *S. 3217 – the Restoring American Financial Stability Act*

Dear Majority Leader Reid:

The members of the North American Securities Administrators Association (NASAA)¹ believe strong and effective financial services regulatory reform is needed now to better protect investors and restore confidence in our financial markets. Included in the “Restoring American Financial Stability Act” are several proposals, long advocated by NASAA, which help accomplish these goals. For example, we are pleased that Section 410 of the proposed bill seeks to address the lack of regulatory oversight of smaller investment advisers by shifting regulatory responsibility for these advisers from the SEC to the states. Allowing the SEC to focus on larger advisers is a better use of the agency’s limited resources and underscores the proven track record of state securities regulators.

I offer the following recommendations to strengthen the bill as it is considered on the Senate floor.

Support the Akaka-Menendez “Honest Broker” Amendment (Sec. 913). We believe that the single most important protection that the Senate could provide for individual investors is requiring that stockbrokers giving investment advice act in their clients' best interest. Senators Bob Menendez and Dan Akaka have sponsored an amendment to replace the study in Sec. 913 with House-passed language that directs the SEC to conduct rulemaking to do just that. While state securities regulators would prefer a broader and less qualified provision, this amendment has garnered broad support and would be the first step in closing a significant regulatory gap and providing a much-needed protection to American investors.

Private Placement Protections (Sec. 926). We strongly support the adoption of a disqualification provision to prevent recidivists from conducting securities offerings under Regulation D, Rule 506 (a regulatory exemption for private placements). This change would provide much needed investor protection from securities law violators and would not prevent

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, the U.S. Virgin Islands, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

legitimate issuers, including small businesses, who use this exemption, to raise capital. Participants in the Regulation D offerings are “accredited investors” as established under SEC rules. The monetary standards for determining who qualifies for “accredited investor” status haven’t changed since it was established in 1982 and inflation has rendered them almost meaningless. Therefore, we support, at a minimum, excluding the investor’s primary residence from the net worth standard.

Support the Specter-Reed Amendment to restore investors’ rights. This amendment is a positive step in restoring the ability of defrauded investors to seek damages from all entities that knowingly and substantially participate in securities fraud. It would hold accountable those who know they are aiding others commit the type of securities fraud that was exposed by the financial crisis, as well as by earlier corporate scandals. This amendment would restore private civil liability for aiders and abettors of securities fraud and would move toward greater accountability and integrity in our capital markets.

Financial Stability Oversight Council. (Sec. 111) It is essential to include state banking, insurance and securities regulators as members of the Council to formalize regulatory cooperation and communication among all federal and state regulators. This will result in more effective oversight of our intertwined financial markets by creating a body with access to all the critical information regarding the accumulation of risks in our financial system, and it draws upon the existing expertise and proficiency of each functional regulator.

In conclusion, I appreciate your willingness to consider our recommendations. State securities regulators want to continue working with the Senate in its efforts to strengthen the financial services regulatory framework and provide the best possible protections for American investors. Please don’t hesitate to contact me, or Deborah House, NASAA’s Director of Policy, if we can provide you with additional information on these issues.

Sincerely,

A handwritten signature in cursive script that reads "Denise Voigt Crawford". The signature is written in black ink and is positioned above the typed name and title.

Denise Voigt Crawford
Texas Securities Commissioner
NASAA President