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

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November 2, 2015

Via Federal E-rulemaking Portal <http://www.regulations.gov>

Jennifer Shasky Calvery, Director  
FinCEN  
P.O.Box 39  
Vienna, VA 22183

Re: RIN 1506-AB10 – Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers (Docket Number FINCEN-2014-0003).

Dear Director Calvery,

The North American Securities Administrators Association, Inc. (“NASAA”),<sup>1</sup> appreciates the opportunity to comment on the Department of Treasury Financial Crimes Enforcement Network’s (FinCEN) proposal to prescribe certain minimum standards for anti-money laundering (“AML”) for certain investment advisers and to require such investment advisers to report suspicious activity to FinCEN pursuant to the Bank Secrecy Act (“BSA”).<sup>2</sup>

Laws designed to prevent and detect money laundering serve an important purpose and NASAA supports FinCEN’s effort to further address potential illicit activities through its proposal. The proposal would require investment advisers registered with the Securities and Exchange Commission (“SEC”) to establish AML programs and report suspicious activity to FinCEN pursuant to BSA. FinCEN’s proposal intends to accomplish this by including SEC-registered investment advisers in the general definition of “financial institution” in rules implementing the BSA. The proposal does not contain a similar requirement for state-registered investment advisers, though notes that at a future date, FinCEN may consider including other types of investment advisers in the scope of investment advisers subject to similar requirements. Should FinCEN consider such a rule proposal in the future, NASAA would be willing to be a resource to FinCEN

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<sup>1</sup> NASAA is the association of the 67 state, provincial, and territorial securities regulatory agencies of the United States, Canada, and Mexico. NASAA serves as the forum for these regulators to work with each other in an effort to protect investors at the grassroots level and to promote fair and open capital markets.

<sup>2</sup> Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers, 80 Fed. Reg. 52,680 (proposed Sept. 1, 2015) (to amend 31 C.F.R. ch. X) (“the proposal”).

in considering such a proposal, particularly in considering the costs of compliance for state-registered investment advisers.

By way of background, state securities regulators have exclusive jurisdiction and oversight over approximately 17,700 investment advisers, representing close to 60% of the total number of investment advisers registered to do business, while the remaining 40% are registered with the SEC. The vast majority of state-registered investment advisers do not have custody over clients' assets as a result of their business models. A significant subset of state-registered investment advisers do not manage assets for their clients as their business model focuses exclusively on financial planning. Though NASAA fully recognizes the importance of FinCEN's mission to safeguard the financial system from illicit use, combat money laundering, and promote national security, NASAA believes that only a small minority of state-registered investment advisers are truly at risk.

If FinCEN decides at a later date to begin considering rulemaking to include any state-registered investment advisers in FinCEN's rule regarding "Anti-Money Laundering Programs and Suspicious Activity Report Filing Requirements for Investment Advisers," NASAA and state securities regulators would seek to work with FinCEN to accomplish the agency's AML objectives. State securities regulators have robust examination programs and would be in the best position to examine state-registered investment advisers for these compliance requirements, as these regulators are already conducting examinations of these firms. Additionally, NASAA could, to the extent requested by state securities regulators, assist in adding training sessions regarding these requirements to NASAA investment adviser training programs for examiners and other staff working for state securities regulators.

Finally, in light of the important investor protection role of state securities regulators, particularly in protecting retail investors, NASAA urges FinCEN to make both CTRs and SARs from investment advisers and broker-dealers available to state securities regulators. Irrespective of the outcome of this proposal or whether FinCEN proposes a future rulemaking including state-registered investment advisers, state securities regulators would be better equipped to protect investors should they have access to CTRs and SARs currently.

In closing, NASAA reiterates its support for the proposal and the opportunity to provide comment. Should you have any questions regarding the comments in this letter, please do not hesitate to contact Joseph Brady, NASAA's Executive Director, at [jb@nasaa.org](mailto:jb@nasaa.org) or A.Valerie Mirko, NASAA's General Counsel, at [vm@nasaa.org](mailto:vm@nasaa.org) or 202-737-0900.

Sincerely yours,



Judith Shaw  
NASAA President  
Maine Securities Administrator