

The IA Switch

**A Successful Collaboration to
Enhance Investor Protection**



About NASAA

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association with a membership consisting of securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.

State and provincial securities regulators have been protecting investors from fraud and abusive sales practices since the passage of the first "blue sky" law in Kansas in 1911 and since 1912 in Canada when Manitoba became the first province to approve securities legislation. In the United States, state securities regulation preceded federal securities laws, including the creation of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), formerly the NASD.

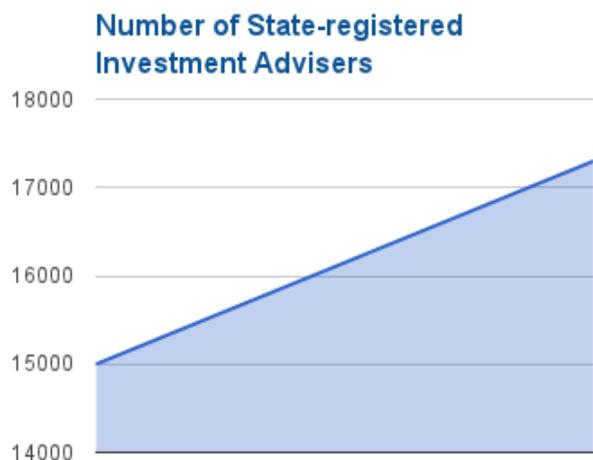
As the preeminent organization of securities regulators, NASAA is committed to protecting investors from fraud and abuse, educating investors, supporting capital formation, and helping ensure the integrity and efficiency of financial markets.

Introduction

The regulatory transfer of more than 2,100 investment advisers from federal to state oversight, commonly known as the IA Switch, was one of the most significant achievements in the history of the North American Securities Administrators Association (NASAA).

The Switch stemmed from Section 410 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act)¹, which raised the assets under management (AUM) threshold for state regulation of investment advisers from \$25 million to \$100 million.

This report documents the work that went into the successful completion of the Switch. It draws from a survey completed by state securities regulators on the effect of the Switch; detailed interviews with NASAA members who were key players throughout the Switch; and industry feedback. The implementation of the Switch took place over the course of nearly three years following the passage of the Dodd-Frank Act, leveraging the capabilities of state securities regulators in overseeing investment advisers and highlighting the leadership of the NASAA Switch Task Force.



July 2010 to February 2013



July 2010 to February 2013

A Changing Environment for Investment Advisers

In the years prior to the financial crisis of 2008 and the subsequent financial reform efforts of the Dodd-Frank Act, there were two significant developments in the investment adviser regulatory landscape:

- the bifurcation of investment adviser regulation between states and the SEC, and
- the continuing increase in the number of registered investment advisers and investment adviser representatives.

The National Securities Markets Improvement Act of 1996 (NSMIA)² divided regulation of investment advisers between the Securities and Exchange Commission (SEC) and state securities authorities³. NSMIA also limited the ability of state regulators to review offerings of mutual funds and securities traded on national exchanges, as well as private offerings (Regulation D offerings)⁴.

Prior to NSMIA's enactment, the SEC and state securities regulators had concurrent regulatory authority over the investment adviser industry. NSMIA bifurcated regulatory responsibility between the states—which were given authority to oversee investment advisers with up to \$25 million in assets under management—and the SEC—which oversaw investment advisers with more than \$25 million in AUM, with some exceptions.

In the years leading up to the passage of the Dodd-Frank Act, state securities regulators continued to advocate for their regulatory authority, which had been circumscribed as a result of federal legislation. "We lost a lot of regulatory authority in NSMIA, and I wanted to make sure that in Dodd-Frank, the states did not lose any more. The best defense was a good offense. We were going to try to achieve greater jurisdiction in Dodd-Frank," said former Texas Securities Commissioner and former NASAA President Denise Voigt Crawford.

The investment adviser segment of the securities industry also grew over the years. The number of registered investment adviser firms continued to grow for firms registered at the state and federal levels, as did the number of registered investment adviser representatives. This growth accelerated in the mid-2000s and served as a consistent backdrop to state securities regulators' advocacy for their regulatory authority.

State Investment Adviser Oversight

States have robust and dynamic regulatory oversight programs. States, unlike the SEC, register both investment advisers and investment adviser representatives. State securities regulators have the autonomy and flexibility to design efficient and effective regulatory programs for their investment adviser populations and can adapt to changes in their registrant populations, characteristics that have been critical in adapting their exam programs in anticipation of the population of advisers that switched to state registration.

State regulatory oversight begins with the registration process as investment adviser firms apply for state registration.

The registration process involves reviewing registration documents covering important aspects of the adviser's business, employment background and regulatory record. After registration, state securities regulators use a variety of tools to monitor on-going compliance with applicable laws and regulations. These include, but are not limited to, desk or remote audits, routine on-site exams and "for-cause" exams (e.g., exams precipitated by an investor complaint, atypical regulatory filings, a tip-off or a peer regulator referral).

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While the 2008 financial crisis slowed the momentum, the investment adviser segment of the industry has not shrunk, unlike other aspects of the securities and financial services industry.

The 2008 financial crisis became the center point of the Presidential election that year. Then-Democratic candidate Barack Obama made financial reform a top priority of his campaign, which was of interest to NASAA and state securities regulators.

Early on, the Obama Administration showed strong support for state regulation, issuing a memorandum to heads of executive departments and agencies, stating that “the general policy of my Administration is that preemption of state law by executive departments and agencies should be undertaken only with full consideration of the legitimate prerogatives of the states and with a sufficient legal basis for preemption.”⁵

NASAA and the states sought to leverage the Administration’s position on preemption and the importance of the role of state governments. “The financial catastrophe of 2008 gave NASAA a great opportunity to make its case that our system of financial services regulation must be strengthened, but only through the combined efforts of state and federal regulators,” said NASAA Executive Director Russ Iuculano.

With the stage set, NASAA prepared to advocate on behalf of what is now known as the IA Switch.

Setting the Stage for Change

The financial crisis of 2008 and the elections highlighted the need for financial reform. The Madoff fraud, discovered at the end of 2008, and the Allen Stanford fraud, discovered soon after, specifically raised questions about the SEC's low examination rate of federally registered investment advisers.

"While most folks didn't really focus on SEC examination frequency until Madoff, NASAA's Investment Adviser section was concerned about the resource challenges at the federal level before then," said Andrea Seidt, Ohio Securities Commissioner and Chair of NASAA's Investment Adviser Section (2013). "When the Madoff scandal broke toward the end of 2009, Congress and commentators started looking closely at IA oversight at both the federal and state levels and was obviously persuaded that states were doing a better job on the whole in tending to their state-registered firms."

Texas Securities Commissioner Crawford agreed. "It became very clear that a huge investor protection gap existed in IA regulation."

Prior to 2008, there was early agreement by state securities regulators that an increase in state jurisdiction over investment advisers, by raising the AUM threshold, would improve oversight of this segment of the industry. More frequent examination of mid-sized investment advisers would in turn result in an increase in investor protection, as would the state securities regulators' practice of extensive review of investment adviser applications as part of the initial registration process.

Furthermore, prior to these events, state securities regulators already were focusing on increasing their capabilities in supervising investment advisers in general. The Investment Adviser Registration Depository (IARD) had become operational in 2001⁶ and allowed for regulators to have access to increased information about investment adviser registrants. As early as 2005, state securities regulators also had begun developing the NASAA Electronic Examinations Modules (NEMO), a software application for state securities regulators' examinations staff to enhance the paper-based modules used by examiners in the field. The NEMO system became available to examiners in 2012.

In September 2008, the NASAA Investment Adviser Section and its Operations Project Group assessed the strengths unique to state securities regulators in supervising investment advisers. These specific attributes include familiarity, proximity and accountability.

With regard to familiarity, NASAA stressed that state regulators, being "the local cop on the beat," develop a familiarity not only with the advisers' businesses, operations and services, but also develop an understanding of the advisers' customers. Such things as demographics, general income levels, local economy, education levels, and local affinity groups might not be as easily known to regulators whose primary focus is a larger multi-state region or even a nationwide area.

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NASAA also noted that as a result of the inherent proximity to their registrants, state securities regulators are extremely responsive to adviser questions and visits, as well as to customer complaints.

Finally, NASAA noted that another unique strength of state securities regulators is their accountability and reporting chains. Many state securities agencies are headed by an elected official, which means that investors and their investment advisers are not just investors and advisers, they are constituents. There are few barriers, whether geographic or bureaucratic, between the agency and the grass-roots investor or the adviser. This increased local

accountability creates a heightened duty of responsiveness, attentiveness and commitment on the part of the local regulator to even the smallest advisory firm or the solitary customer.

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Wisconsin Securities Administrator
and former NASAA President

“For investors to have better protection, we knew the states would have to oversee more advisers. Our objective was to take on more IAs so the SEC would find it more manageable,” said Patricia Struck, Wisconsin Securities Administrator and former NASAA President (2005-2006).

“One challenge was for NASAA to find a way to address this significant deficiency (or regulatory gap) without alienating or impairing its relationship with the SEC, who was already reeling from Madoff and Stanford backlash,” Ohio’s Seidt said. “Another challenge was affirmatively putting the states under the microscope.”

Making the Case

In early 2009, under the leadership of Fred Joseph, Colorado Commissioner of Banking and Securities and then-NASAA President, NASAA began highlighting the accomplishments of state securities regulators and emphasizing the importance of a strong state regulatory structure.

“In a way, the case was already there. It was just a matter of bringing it to the attention of people who could do something about it,” said Crawford of Texas. “The opportunities for fraud and abuse by IAs were increasing exponentially.”

State securities regulators conducted Congressional visits in Washington, D.C., and held investor education events in their home states. NASAA also realized early that communication was a strong component of a successful Switch. To that end, NASAA developed an aggressive communications strategy focusing on the industry, media and policymakers.

An aggressive media outreach effort launched shortly after Texas Securities Commissioner Crawford took the helm as NASAA’s president in September 2009, as the legislative debate that would lead to Dodd-Frank was beginning. Through a series of media briefings with key national reporters in Washington in October, Crawford highlighted the need to increase state regulatory oversight of investment advisers.

On October 6, 2009, Crawford testified before the House Financial Services Committee, then chaired by Rep. Barney Frank (D-MA). During her testimony, Crawford advanced the theme that states had a “will to regulate” and would accept the responsibility of increased investment adviser oversight.

While the legislative debate surrounding the bills that ultimately became the Dodd-Frank Act continued for several more months, Crawford’s testimony was very well received and instrumental in helping state securities regulators make the case for an increase in the AUM threshold for state regulation. “Our objective was to build the case that states had the ability to take on the increased responsibility. We arrived there when Denny Crawford went to Capitol Hill,” Wisconsin’s Struck said.

“President Crawford went to that hearing and just knocked it out of the park. That day, we really moved the meter on why the AUM cap should be raised,” NASAA’s Iuculano added.

State securities regulators analyzed investment adviser data prior to making a decision to advocate for an increase to \$100 million in the AUM threshold for state regulation. At the time the \$100 million threshold was chosen, estimates showed that up to 4,000 advisers would be eligible to switch from federal to state jurisdiction.

State securities regulators felt equipped to handle such an increase in the number of investment advisers. Furthermore, as part of its advocacy on the Hill, NASAA emphasized that the process of switching from federal to state registration would remain unchanged from the existing statutory framework put into place by NSMIA. The sole change would be increasing the AUM threshold.

“There was an educational challenge for policymakers on the Hill,” said NASAA General Counsel Joseph Brady. “We had to explain the process of switching from SEC- to state- registration in a way to make them understand that getting IAs from federal to state regulation is not a difficult process. There is nothing unique about it. That was one of our arguments to the Hill. The goal for us was to highlight the uniformity of registration and licensing requirements among states.”

To further demonstrate their commitment to taking on increased state regulatory oversight of investment advisers, state securities regulators entered into a Memorandum of Understanding (MOU) in December 2009. Under the MOU, states agreed to share resources in anticipation of the AUM threshold increase and the resulting increase in the number of investment advisers subject to state jurisdiction.

“We created the MOU to make it very clear that if a few states were having difficulty they could work with other states,” said Crawford of Texas. “It was amazing to me how successful that strategy was. The objections in our membership vanished and it resonated with the outside world. It empowered states to work collectively to get the job done.”

All 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands signed on to the MOU, further emphasizing that state securities regulators were ready to regulate a larger population of investment advisers. “The MOU was a large part of our success,” NASAA’s Iuculano agreed. “It showed that we were serious.” Echoed Colorado Securities Commissioner Joseph: “The MOU was a linchpin. We were going to help one another if we had to.”

NASAA amplified its media message in a December satellite television and radio tour reaching 5.5 million viewers and 11 million listeners nationwide. Following the media tour, President Crawford was invited to speak at the National Press Club in Washington, where she highlighted the importance of increasing the AUM threshold for state-registered investment advisers.

Crawford urged Congress to resist the efforts of special interest groups to weaken this reform and other critical investor protection reforms in what eventually would become the Dodd-Frank Act. “The key was that we had champions,” said NASAA’s Iuculano. “Barney Frank was our champion in the House. In the Senate, Jack Reed was our champion for recognizing the value of state securities regulators in protecting the investing public.”

The year 2009 closed with a media tour of key national newspapers, magazines and television channels in New York. Throughout each visit, NASAA highlighted the work underway among state securities regulators to prepare for the Switch.

Ultimately, the Dodd-Frank Act acknowledged the important role states play in protecting investors by increasing the states’ regulatory responsibility and transferring to them oversight of mid-sized investment advisers—those with AUM between \$25 million and \$100 million, as stated in Section 410 of the Act. The Senate Banking Committee Report published as part of the Dodd-Frank Act legislative process addressed this issue directly in connection with Section 410 by noting that “the Committee expects that the SEC, by concentrating its examination and enforcement resources on the largest investment advisers, will improve its record in uncovering major cases of investment fraud, and that the States will provide more effective surveillance of smaller funds.”

“The key was that we had champions [in Congress].”

Russ Iuculano
NASAA Executive Director

The Switch is Born

On Wednesday, July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, including Section 410, the provision that raised the AUM threshold for state jurisdiction over investment advisers. And with that, the Switch was on.

“It was time to stop talking about the changes and time to put them in place...the discussion period was over, the decision had been made by Congress, and it was time to get on with the show,” said David Massey, North Carolina Deputy Securities Administrator and former NASAA President (2010-2011).

Over the course of the next few years, state securities regulators and their SEC counterparts participated in a multi-faceted regulatory and communications process to facilitate the transition of investment advisers from federal to state jurisdiction.

The term “the Switch” arose out of a comprehensive two-day strategy meeting in Baltimore in July 2010 between state securities regulators and NASAA Corporate Office staff. “For continuity, it was important that this project have a common name that could be readily identified by NASAA members, the SEC, industry and the media. Maryland Securities Commissioner Melanie Lubin came up with ‘the Switch,’ and it stuck,” said NASAA Director of Communications Bob Webster.

While the SEC and state-level rulemaking process to effectuate the Switch was underway, state securities regulators focused on a communications strategy. The Switch Task Force identified early on that a solid communications strategy was an important factor to the success of the Switch and would also facilitate outreach to industry.

NASAA corporate office staff and members participated in multiple webinars targeted to industry, including one hosted by Investment News, a leading source of news for investment advisers and others hosted by the Financial Planning Association and Advisers4Advisers. To reach even deeper into the regulated community, NASAA partnered with an influential industry publication, Advisor One, to produce a regular Switch-related blog on its website.

While overall media coverage generally was positive, some articles began questioning the ability of states to handle increased oversight responsibility for investment advisers and, in particular, to assist advisers in balancing

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David Massey
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NASAA created an online IA Switch Resource Center on its website containing a calendar of Switch seminars, answers to frequently asked questions, and a directory of state IA examination contacts.

The NASAA staff and the NASAA Investment Adviser Section obtained state registration information for investment advisers and their representatives and posted this information on the NASAA website.

Firms switching in multiple states could now go to one place to find state registration information.

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the regulatory requirements in multiple jurisdictions. NASAA realized that greater outreach to the regulated community was needed and developed a comprehensive industry outreach program. As part of this initiative, NASAA developed a toolkit to help members hold Switch seminars and workshops throughout their jurisdictions.

“We came up with letters, e-mails, and seminars. I think we did an incredible job of communication and giving our members the resources to communicate. Industry never had that much communication from a regulator before. There was constant communication,” said Linda Cena, Chair of the NASAA Investment Adviser Section (2010-2013) and Licensing & Product Section Manager of the Michigan Department of Licensing and Regulatory Affairs, Corporation, Securities and Commercial Licensing Bureau.

These seminars and workshops proved popular with investment advisers, and more than 40 events were held throughout the country. “The workshops and seminars demystified advisers’ apprehension about state regulation,” said NASAA’s Iuculano.

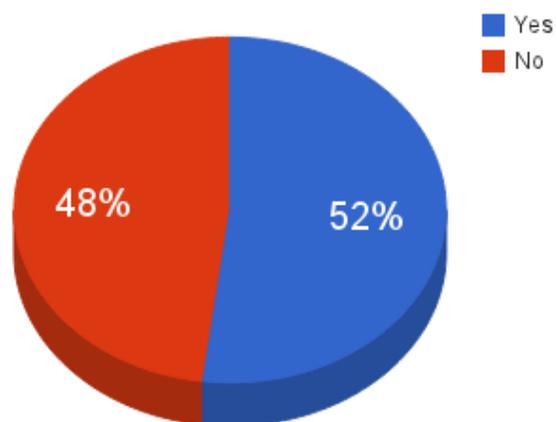
In addition to conducting group events, NASAA members launched an aggressive outreach campaign to help individual investment adviser firms prepare for the Switch. In many cases, regulators traveled throughout their jurisdictions to meet with advisers individually. “We visited each IA personally in their offices to walk through the Switch process. We showed them the forms, which boxes to check, and told them we’d be coming back for an exam. Advisers were very appreciative that we’d come to their offices to help them get through the Switch process painlessly,” said Michael Huggs, Mississippi Securities Director and Chair of NASAA’s Investment Adviser Operations Project Group.

“Providing a steady flow of information familiarized investment advisers and the media with the Switch,” said Webster of NASAA. “This level of transparency helped reduce confusion among advisers and allay concerns about the ability of states to handle the Switch.”



Michigan investment advisers attend a workshop sponsored by the Michigan Securities Department, now the Department of Licensing and Regulatory Affairs, Corporation, Securities and Commercial Licensing Bureau.

Did your office conduct any seminars for IAs regarding the Switch?



Recognizing that communications was a key factor to help the Switch go smoothly, more than half of the states conducted seminars for investment advisers in their jurisdictions.

The Switch in Motion



Implementing the Switch spanned the years between July 2010 and February 2013. “Many different things had to fall into place for the Switch to happen, including industry outreach, SEC rulemaking, state rulemaking, implementation of the new Form ADV in the IARD, and coordination between the SEC and the states,” said Melanie Senter Lubin, Maryland Securities Commissioner and Chair of NASAA’s Switch Task Force.

The process of switching from federal to state registration remained as before, but several changes in SEC and state rules had to occur to facilitate the Switch.

While many jurisdictions determined that they had adequate staffing to meet the increased examination demands resulting from the Switch, a number of NASAA members requested funding from their legislatures for additional personnel.

NASAA set up a Switch Task Force, chaired by Maryland Securities Commissioner Melanie Senter Lubin, to coordinate the many aspects of the Switch states were addressing. The Switch task force communicated regularly with the SEC staff and the states to maintain open lines of communication regarding the Switch.

To help keep NASAA members informed about the latest Switch-related developments, NASAA held all member calls and created and distributed by e-mail 36 alerts that were to all state securities regulators and their staff. The Switch Task Force prepared and distributed reports for each state identifying the investment advisers that, based on assets under management, would likely be switching. The reports were accompanied by model language that could be used in correspondence with these firms advising them of state registration information, contact information, and important deadlines.

The SEC initiated rulemaking to revise Form ADV Part 1A, the uniform application for investment adviser registration, and SEC rules in anticipation of facilitating the Switch, while the states also initiated rulemaking to update rules and fee schedules. Once Form ADV Part 1A was revised through SEC rulemaking to reflect the population of advisers that would be switching to state registration, the IARD system also had to be updated to reflect these changes.

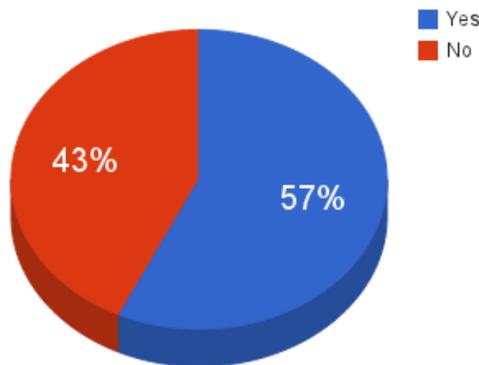
“States worked hand-in-hand with the SEC to coordinate the process in a way that minimized business disruption to the impacted firms,” said Seidt of Ohio. “We also worked hand-in-hand with each other to make sure we were dealing with issues in a uniform fashion. Coordinated review is a great example.”

In addition to industry outreach described above, state securities regulators, through NASAA, provided an additional service known as the NASAA Coordinated Review Program. This program, which ran from November 29, 2011, to June 28, 2012, was open to SEC-registered investment advisers switching their registration to between four and 14 states. Managed by veteran securities examiner Ken Hojnacki of Wisconsin, the Coordinated Review Program was established for investment advisers to ease the switch to state registration and for states to coordinate and resolve issues and deficiencies. NASAA offered this program at no additional cost to the investment adviser firms.

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To participate in the program, eligible investment advisers submitted a Coordinated Review Form found on the IA Switch Resource Center on the NASAA website in addition to filing all materials required by the states in which the adviser is applying for registration. The states where the investment adviser had filed a registration application

Did you hire or request authority to hire additional staff in anticipation of, or as a result of, the Switch?



Given the smaller-than-expected number of switching advisers, only a little more than half of NASAA's members requested authority to hire additional staff. The remainder had adequate staffing to handle the increased examination workload.

then conducted a coordinated review of the investment adviser's registration materials. After completion of the review, the adviser was informed of the deficiencies, if any, that must be resolved before the registration will be approved. "This initiative provided investment advisers registering in multiple states with an easier way to navigate the switch to state registration and gave states an opportunity to coordinate and resolve issues about potential problems with applicants," said Jack E. Herstein, Assistant Director of the Nebraska Department of Banking & Finance, Bureau of Securities and former NASAA President (2011-2012).

The initial deadline for the Switch was June 28, 2012, but firms that were no longer eligible for SEC registration continued to apply for state registration through the end of 2012. State securities regulators worked diligently to complete the review process of these applications.

The Switch came to a close on February 6, 2013, when the SEC published a list of SEC-registered advisers that were no longer eligible for federal registration, but had failed to complete the state registration process and would therefore be deregistered altogether⁸. The majority of deregistered firms were no longer in business. State securities regulators had worked with NASAA and the SEC to successfully transition more than 2,100 investment advisers from SEC to state registration.

"The IA Switch was the most collaborative we've been with the SEC post-NSMIA." said Maryland's Lubin, chair of the NASAA Switch Task Force (2010-2013).

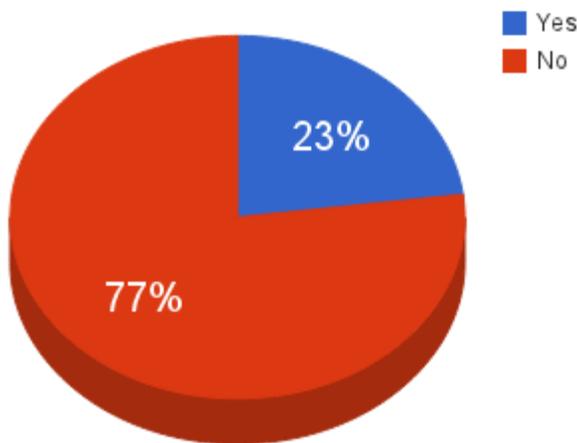
Looking Ahead

State securities regulators are prioritizing examining advisers that recently switched from SEC to state jurisdiction. Preparations for these exams began in 2011.

While state-level examiners are seasoned and equipped to handle exams of investment adviser firms, regardless of size, NASAA and state securities regulators worked together to ensure that state examiners would be well-prepared to examine investment advisers that switched from SEC to state jurisdiction.

In anticipation of the Switch, William Carrigan of the Vermont Department of Financial Regulation and Maurice Kahmi of the California Department of Corporations, both organizers of NASAA's 2012 Investment Adviser Training, refocused the content and format of the training conference, which is held every year for new and seasoned state examiners. Carrigan, a senior examiner in Vermont and the organizer of the more advanced track of the 2012 Training, collaborated with the SEC in identifying speakers and topics. As a result, SEC staff made presentations to state examiners on topics particularly relevant to examining mid-sized advisers, including performance advertising, performance fees, valuations and alternative investments.

In anticipation of the Switch, did your office engage in a rulemaking initiative?



About three-fourths of states found their existing securities regulations did not need to be amended to reflect the increased regulatory oversight of investment advisers.

Even prior to the end of the Switch, state securities regulators had begun examining investment adviser firms that switched from SEC to state registration, leveraging exam information provided by the SEC, when applicable.

Moving forward, NASAA will strive to continue to provide resources to the the investment adviser community. "We need to get out there and get on the agenda of more continuing education panels," said Wisconsin's Struck. "Our competence will show the world that we can do the job. We need to promulgate consistent regulation from state to state. I think we've done an incredible job. We've done so much, but we need to keep the pressure on."

North Carolina's Massey agrees. "We have to build a positive foundation and network of communication and effective cooperation with other organizations, and that allows us to freely and more effectively discuss those issues on which you don't have 100 percent agreement. We've got to be looking for ways to maintain effective communication and demonstrate that the states have a proper and effective role in the overall regulatory structure."

Closing Thoughts

"All of these advisers are small businesses and we want to see them succeed where we can. We're there to help them."

Fred Joseph, *Colorado Securities Commissioner and former NASAA President (2008-2009)*

"We asked for it. We got it and now we've done it. The protections for customers is so much better now than before."

Linda Cena, *Licensing & Product Section Manager, Michigan Department of Licensing and Regulatory Affairs, Corporation, Securities and Commercial Licensing Bureau; and Chair, NASAA Investment Adviser Section (2010-2013)*

"We are serious about and take great pride in our performance as state regulators and will do whatever it takes to fulfill our end of the bargain to protect investors."

Andrea Seidt, *Commissioner, Ohio Department of Commerce, Division of Securities & Chair, NASAA Investment Adviser Section (2013)*

"It is absolutely clear that investors are better protected now than when NASAA took on this issue."

Denise Voigt Crawford, *former Texas Securities Commissioner & former NASAA President (2009-2010)*

"This is a very good example of how regulators can collaborate. We had a lot of success with the SEC. We had their attention. The reason it has been successful is because of this collaboration and the SEC deserves a lot of credit."

Patricia Struck, *Wisconsin Securities Administrator and former NASAA President (2005-2006)*

"The smooth transition related to new registrants and changes in registration thresholds for investment advisers can only be possible because of the tremendous work done, and continuing to take place, of the SEC and NASAA staffs."

SEC Commissioner Luis A. Aguilar, *Remarks at the NASAA/SEC 19(d) Conference, May 7, 2012*

"It was a very big job, we knew we could do it, we're in the business of making people live up to their promises, and I don't think we go into making promises about things we can do if we don't expect to fulfill those expectations. We went into this knowing."

Melanie Senter Lubin, *Maryland Securities Commissioner & Chair, NASAA Switch Task Force (2010-2013)*

"Since enactment of Dodd-Frank in 2010, state securities regulators have worked hard to make "the Switch" as seamless and painless as possible for about 2,100 investment advisers that have transitioned successfully."

David Tittsworth, *Executive Director, Investment Adviser Association*

"This was the largest single coordinated event between the states and the SEC in NASAA's history. It was like a well-oiled machine. NASAA was ready. We were fulfilling our obligations and getting things done. I believe our reputation with the SEC has been enhanced. I think NASAA and the SEC should be commended for getting the job done."

Jack E. Herstein, *Assistant Director, Nebraska Department of Banking & Finance, Bureau of Securities, former NASAA President (2011-2012)*

Endnotes

1. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2010).
2. National Securities Markets Improvement Act of 1996, Pub. L. No. 104-290, 110Stat. 3416 (1996) (codified in several sections of 15 U.S.C.).
3. See NSMIA Section 303, 15 USC 80b-3a.
4. See NSMIA Section 102, 15 U.S.C. 77r.
5. *Memorandum for the Heads of Executive Departments and Agencies; Subject: Preemption*, The White House, Office of the Press Secretary (May 20, 2009).
6. The Investment Adviser Registration Depository (IARD) is an electronic filing system that facilitates investment adviser registration, exempt reporting adviser filing, regulatory review, and the public disclosure information of investment adviser firms and their representatives. FINRA is the developer and operator of the IARD system. The system has been developed according to the requirements of its sponsors, the SEC and the North American Securities Administrators Association (NASAA). The IARD Implementation Advisory Council, representing investment adviser firms, was also involved in the early stages of the development of the IARD.
7. Senate Report No. 111-176, at 76 (2010) (Dodd-Frank Conference Report).
8. See *Order Cancelling Registrations of Certain Investment Advisers Pursuant to Section 203(h) of the Investment Advisers Act of 1940* (February 6, 2013) available at <http://www.sec.gov/rules/other/2013/ia-3547.pdf>. This Order also cancelled registration for SEC investment advisers who were ineligible for SEC registration for reasons other than failing to switch.

Acknowledgments

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