

NASAA Panel

State Regulatory Update

September 29, 2020
ARM 2020 Virtual Educational
Conference

Today's Agenda

- NASAA Policies and Priorities Update
- Continuing Education
- New York's proposal to register IARs
- COVID-19 response by states
- Recent regulatory initiatives
- State Enforcement and Examination Trends

Policy Priorities

- NASAA leadership
- NASAA Model Whistleblower Award and Protection Act (*adopted 8/31/2020*)
- Private Market Expansion
- Diversity and Inclusion
- [Regulation Best Interest](#)

Continuing Education

IAR-CE Update

- [Notice of Request for Public Comment re: A Proposed IAR CE Program \(Comment Period Closed\)](#)

Continuing Education

Continuing Education Background and Reference Material

- FINRA Regulatory Notice 20-05: FINRA Requests Comment on a Proposal to Implement the Recommendations of the CE Council Regarding Enhancements to the Continuing Education Program for Securities Industry Professionals

New York's Proposal

New York's Proposal to register IARs

- April 15, 2020 - Published Notice of Rule Proposal in New York State Register re:13 NYCRR 11 (<https://ag.ny.gov/ipb-rule-proposal>)
- Received comment letters from various industry groups and participants
- June 15, 2020 – Comment period closed
- Current Status – Reviewing comments and adjusting rule text as appropriate

New York's Proposal

Potential Next Steps

- Publish a consolidated Assessment of Comment and Adopt the Proposal with adjustments, if any.
- On-going communications with FINRA related to onboarding investment adviser representatives into CRD.

New York's Proposal

- Areas of Proposed IA Regulatory Change
 - NY registration of investment adviser representatives associated with federal covered advisers.
 - NY registration of state registered IARs through CRD
 - Explicit classification of solicitors and registration requirement
 - Explicit classification for principals and supervisors of state registered investment advisers
- Purpose and Benefits of the Proposal
 - Close gaps in nationwide regulation efforts which in certain cases, fail to connect investment adviser representatives with their past record in the securities industry
 - Modernize State registration processes
 - Harmonize with federal registration laws
 - Reduce industry confusion

New York's Proposal

Other NY Regulatory Initiatives:

- April 15, 2020 - Published Notice of Rule Proposal in New York State Register re:13 NYCRR 10
- In communication with NASAA re: transitioning to EFD

COVID-19 Response by States

- Exams and qualifications
- [NASAA COVID-19 resource page](#)

NASAA Member COVID-19 Regulatory Response Overview

If you any questions, please contact the relevant securities regulator.

Jurisdiction	Staff Available by Phone/Email	Office Open to the Public?	CRD/IARD licensing delays?	Mail processing delays?	Electronic filing encouraged/mandated?	Links to COVID-19 Regulatory Relief or Operational Information	Relief for Late Paper Filings of Offerings	Relief for Displaced Securities Professionals	Relief for Forms U4 Without Physical Signatures	Relief for State IA Annual ADV Update Extension	Contact for COVID-19 regulatory or operational questions
Alabama	Yes		No	No	Encouraged	Information	Yes	Yes	Yes	Yes	Joseph Borg 334-242-2984
Alaska	Yes		No	No		Information	Yes	Yes	Yes	Yes	Ann Sivulich 907-269-2090
Arizona	Yes		No	No	Encouraged	Information	Yes	No	Yes	No	Mark Dinell 602-542-0626

Recent Regulatory Initiatives

Legislation and Rules*

Ohio

Conducting its statutorily mandated 5-year administrative rule review. Preliminarily planning to:

- Add conforming language to require that federal covered investment advisers file the Form CRS
- Modify the list of qualifying exams an applicant must pass to achieve registration and identify a time period of exam validity.
- Waive the fingerprint requirement for an IAR applicant who has a current approved SRO status or regulatory authority at the time application is made to the division, and the applicant has submitted the fingerprint information to FINRA/CRD in connection with the approved status

* Disclaimer – please note that some of this legislation has been proposed or introduced, but is not FINAL; further, please confirm with the applicable state regulator for confirmation prior to reliance on any legislation or rule change discussed here today.

Recent Regulatory Initiatives

Legislation and Rules*

South Carolina

- The below regulations became effective on June 26, 2020 regarding investment advisers:
- Rule 13-413 regarding IA information Security and Privacy;
- Rule 13-414 related to Business Continuity and Succession Planning; and
- Made minor amendments to Rule 13-502 to more closely align our “dishonest and unethical practices by IAs...” rule with the current NASAA Model Rule.

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Recent Regulatory Initiatives

Legislation and Rules*

Missouri

- Senate Bill 599, signed by Governor Parson and effective August 28, 2020, authorizes the Missouri Commissioner of Securities to require notice filing for all Regulation A, Tier 2 offerings for sale in the state.
- As a result of this law, the Commissioner has promulgated 15 CSR 30-54.205, which requires such notice to be filed with the Securities Division within fifteen (15) days of the first sale in Missouri, along with a one hundred-dollar (\$100) filing fee.
- The rule is expected to take effect in January 2021.

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State Enforcement and Examination Trends

NASAA COVID-19 Enforcement Task Force

- 111 investigators representing 44 jurisdictions in the United States, Canada, and Mexico, the COVID-19 Task Force represents the largest coordinated enforcement initiative undertaken by state and provincial securities regulators.
- As of August 19, 2020 the Task Force has identified 244 schemes to defraud investors and consumers.
 - To disrupt these schemes, task force members have taken 220 distinct actions.

State Enforcement and Examination Trends

[NASAA 2020 Enforcement Report](#)

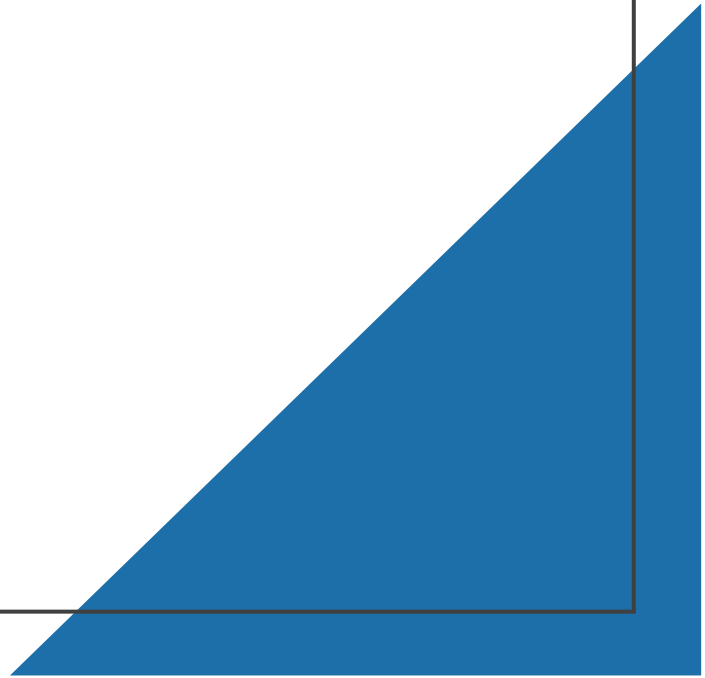
(based on 2019 data)

- NASAA Jurisdictions initiated 6,525 investigations
- Took 2,755 enforcement actions
 - Ordered restitution of \$664 million be returned to investors
 - 957 years of criminal relief
- Sanctioned 5,898 licensed securities individuals or firms
 - (i.e. licenses withdrawn, denied, revoked, suspended or conditioned.)

State Enforcement and Examination Trends

Examination Trends

- Off-Site Examinations
- Utilizing technology



Thank you

Questions?

