

**WRITTEN STATEMENT OF THE  
NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on  
Oversight of Government Management, the Federal Workforce,  
and the District of Columbia  
"The Federal Government's Role in Empowering Americans to Make Informed  
Financial Decisions"  
Wednesday, April 29, 2009**

**Introduction to NASAA:**

The North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. It was organized in 1919 and is a voluntary association with a membership consisting of 67 state, provincial and territorial securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

These state administrators are responsible for the licensing of firms and investment professionals, registration of certain securities offerings, examination of broker-dealers and investment advisers, enforcement of state securities laws, and investor education.

**NASAA Investor Education Section:**

The NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of our members. The Investor Education Section, along with a network of professionals from across the NASAA membership, is responsible for developing, coordinating, delivering, and supporting financial education initiatives that can be utilized by state securities regulators in their ongoing endeavor to improve the level of financial literacy in their jurisdictions. Currently, the Section has five focus areas: Youth, Pre-Retiree, Affinity and Military Outreach, and Research, and Coordination.

**At the Grassroots Level:**

Most state and provincial securities regulators have established investor education departments or divisions within their agencies. The result is a unique network of dedicated professionals delivering financial education at the grassroots level throughout North America. In the past two and half years (since November 2006) NASAA members have taken investor education tools directly to the public through more than 2,369 presentations reaching more than 324,391 investors. Our financial education professionals can be found at work in such venues as the classroom, the workplace, senior centers, and at trade and professional organization events. We partner with teachers, employers, and peer-based volunteer groups to deliver financial education to our constituents of all ages.

As part of the effort to educate our nation's youth in April 2009, state securities division staffs will join in celebrating "Financial Literacy Month" by visiting schools throughout their states to teach students about personal finance, the capital markets, investment choices and fraud. In addition, many states will issue proclamations in support of

financial literacy month and host events to reach investors where they shop, work, and live. This year, NASAA is expanding on a pilot affinity outreach program in Hawaii, which educates and empowers union members on how to prevent investment fraud, and plans to launch the “*United Against Investment Fraud (UAIF)*” program across North America this spring.

During Financial Literacy Month 2008, NASAA launched an outreach program to law enforcement officials providing them with a basic knowledge of the securities laws in their state so they can assist the fraud victims they encounter. Securities regulators distributed Securities 101 handbooks and offered presentations to educate law enforcement personnel on the methods to handle the investment fraud complaints they receive.

#### **Financial Literacy Education Commission:**

##### ***Assessment***

NASAA supported the creation of the Financial Literacy and Education Commission (FLEC), and was grateful for the opportunity to make a presentation to the FLEC on May 20, 2004, and to participate in one of the FLEC’s national strategy meetings on March 4, 2005. In addition, in our ongoing effort to remain engaged in FLEC policy making, NASAA sent a comment letter concerning the formulation of its national strategy. NASAA continues to actively participate with FLEC at roundtables, summits and conferences that have brought individuals and organizations together to discuss ideas and outreach.

NASAA applauds the efforts of the FLEC and agrees with the GAO’s report (*Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy, December 2006*) that the “inherent difficulty of coordinating the efforts of 20 federal agencies, small number of staff devoted to operating the Commission and the limited funding” do provide constraints to their effectiveness.

While the Commission, in the GAO’s words, has taken “some positive first steps,” there has been slow but deliberate progress in integrating the commission’s national strategy for financial literacy. One challenge to be addressed is how to organize the existing financial literacy programs of the Commission’s members and how best to reach a consensus on a harmonized message. Another challenge the commission faces is disseminating the programs/information to the public from a centralized location in Washington, DC. In this regard NASAA members stand ready to partner with the Commission to mobilize their respective grassroots networks to reach more people in need of financial education.

##### ***Coordination of Efforts and Partnerships***

NASAA was honored to be invited as a panelist in the April 17, 2007 inaugural meeting of the National Financial Education Network (NFEN). The Commission stated the network is intended to create an open dialogue and advance financial education at the state and local level. NASAA continues to encourage the FLEC to move forward in establishing effective ways of connecting all parties both electronically and through face

to face meetings throughout the year. This on-going dialogue and communication could be facilitated electronically through a list serve, web site and quarterly conference calls and in person meetings.

Currently the structure of the NFEN is less formalized than the FLEC (mandated by the FACT Act) or President's Advisory Council (Presidential Executive Order). This presents a constraint which doesn't afford the network the same structure to officially notify the public of its meetings, facilitate in person meetings and conference calls, and incorporate calls to action. We recommend the NFEN receive resources similar to their counterparts on the FLEC and President's Advisory Council on Financial Literacy (PACFL).

It is essential that the NFEN be fully integrated into the framework of how the Commission operates thus utilizing and mobilizing the vast resources of both state and private and nonprofit organizations and their extensive networks. Full integration of the network would ensure that events held across the nation include all members of the financial literacy community that wish to participate. Creation of a liaison from the NFEN to report and coordinate activities with the FLEC and PACFL could help facilitate this integration.

To expand their outreach to state and local members we encourage the NFEN to reach out and coordinate with NASAA. NASAA members provide unbiased, relevant, and timely information for anyone interested in the investment markets, which is critical in light of the notoriety of recent investment frauds. Our members also disseminate this information to the public at no cost given our vast grassroots network of IE coordinators across North America. One example of how the network could facilitate this outreach is to coordinate joint events with both Treasury and state officials as participants. That way, we could leverage resources, and members of the audience have a local point of contact for future questions and requests for information.

NASAA agrees with the GAO's assessment in 2006 that "greater collaboration by the Commission with state and local governments may be particularly important given the critical role that school districts can play in improving financial literacy." Further consideration should also be given to the GAO's recommendation that "the Commission consider how the federal government can influence or incentivize states or school districts to include financial education in school curriculum."

The President's Advisory Council on Financial Literacy (PACFL) also offers an opportunity to coordinate the efforts of NASAA's grassroots network with the initiatives undertaken at the national level. In May 2008, NASAA submitted a [comment letter](#) to the PACFL encouraging them to consider the resources and experience state securities regulators and their staffs have at the local level when pursuing new programs and partnerships.

Complete coordination with federal, state and local government and private organizations should not be considered just a step in the national strategy, but viewed as a crucial and integral part of the Commission's mandate. The existing grassroots network available to the Commission provides the entire picture of financial literacy efforts that we believe Congress intended when creating the FLEC. The many participants in the financial

education community and the considerable amount of resources that they provide are remarkable. The Commission has a unique opportunity to unite these groups, foster dialogue, and promote cooperation. Nothing short of complete cooperation with these groups will fully constitute a fully integrated National Financial Literacy Strategy.

**Specific Examples of Successful State and Provincial Programs:**

To better frame the nature of our work in the area of financial education and why integration of the National Financial Education Network would prove mutually beneficial to the Financial Literacy Education Commission members, we share highlights of several of our financial education initiatives focusing on youth, pre-retirees, seniors, and the military.

***Youth Outreach***

Teaching youth the principles of sound investing and fraud prevention is the thrust of a NASAA produced program targeted to high school students titled, "*FSI: Fraud Scene Investigator*." *FSI* is an interactive online investor education program that teaches and empowers students how to detect and stop investment fraud. The *FSI* program is designed to help students learn how to fight fraud firsthand, by delving into newspaper stock tables, researching companies through online news, and deciphering the truth of an investment from fraudulent sales pitches. In the initial *FSI* program titled, "Suitable Investments," students help uncover a million-dollar fraud in progress and put the mysterious con man, "Mr. X," behind bars. NASAA's grassroots member investor education network is working with educators to integrate the *FSI* program into schools across the nation. Teachers from Arizona to West Virginia report students are getting hooked on the program, teachers like the curriculum, and students want to know what's next in the interactive game. This spring NASAA and their partners at the Newspapers Association of American Foundation (NAAF) and the Investor Protection Trust (IPT) will launch a new element to the *FSI* series in newspapers across the country.

***Pre-Retiree Outreach***

In November of 2008 the NASAA Pre-Retiree Project Group launched an outreach program, "*Sandwich Generation: Caught in the Middle*" to provide members of the Sandwich Generation—adults who are raising children while taking care of aging parents—with the information and tools they need to be financially prepared and protect their assets from fraud. An estimated 16 million members of the Sandwich Generation face the financial challenge of balancing their own economic needs with those of their families. NASAA's program urges adults to conduct a "Financial Check-up" for themselves, their children and their parents. NASAA members are conducting presentations across the country in an effort to help the Sandwich Generation understand and meet the financial challenges they face. For more information about the program, visit the Sandwich Generation Resource Center at [www.nasaa.org/investor\\_education/](http://www.nasaa.org/investor_education/).

***Senior Outreach***

In the area of Senior Outreach, our California member has developed a highly successful anti-fraud education program that utilizes peer-based volunteerism. *The Seniors Against Investment Fraud program (SAIF)* provides seniors with a toll-free call center to utilize

before purchasing or investing in any type of “financial” product. The *SAIF* program takes a leadership role in alerting and educating Californians over the age of 50 about investment and telemarketing fraud and how to avoid being victimized. The state of Florida developed a similar grassroots program, which uses a “train the trainer approach” to utilize regional directors and train Senior Sleuths to spot crime in their own communities and present fraud prevention seminars. Our member in Pennsylvania has also found success by creating a Senior Investment Fraud Bingo game, which serves as an interactive way to engage and teach seniors practical tips on fraud prevention.

#### ***Military Outreach***

In times of heightened deployment, United States service members have become targets of financial scams. These scams can directly affect unit morale and readiness as well as military service members’ credit history and military career. In response to fraud among military service members in New Jersey, our member created a fraud prevention guide tailored to the military called “*A Salute to Smart Investing*.” The 28 page guide acts as a one stop resource for military members with information on safe investing, balancing risk and return, retirement planning, red flags for fraud, scams that target the military, and a listing of state securities regulators nationwide. Already the guide has been distributed to more than 90,000 military members across four branches of the military at installations around the world. Our Pennsylvania member continues to combat investment fraud head on with their *Operation ASAP* program (Armed Services Assets Protection Program). The program run by the Pennsylvania Securities Commission is an online resource to give military personnel and their family members the tools they need to invest wisely and avoid scams. Other NASAA members have created similar programs such as California’s “*Troops Against Predatory Scams*,” or TAPS.

#### **Partnering Relationships/Collaborations:**

NASAA looks for opportunities to join forces with other members of the financial education community. NASAA believes it is essential to pool our resources and share our expertise on these joint ventures.

Recently, NASAA partnered with AARP to combat the rising investment fraud among seniors with the “*Free Lunch Monitor*” program which seeks to empower seniors to fight fraud. This national campaign is designed to monitor whether investors are being pressured into purchasing inappropriate or unsuitable investments. The *FLM* program gives individuals an opportunity to fight back against unscrupulous promoters by reporting to state securities authorities’ possibilities of questionable investment practices in their communities. NASAA joined the Consumer Federation of America for the second year as a partner in their annual “America Saves Week,” campaign bringing a fraud prevention and investor protection focus to the national saving initiative.

NASAA members utilize other avenues of educational outreach at events such as the Senior Olympics, the National Council on Aging Conference and in presentations to the Military at the AFCPE conference and annual meeting of the Office of Personal Management (OPM) Federal Benefit Officers. On a regular basis, our members work



with the American Savings Education Council (ASEC), the Councils for Economic Education, and are involved in state level Jump\$tart coalitions.

State securities regulators meet annually with the financial education professionals from the Securities and Exchange Commission to engage in a dialogue about our respective programs and progress in the ongoing quest to improve financial literacy. This meeting gives us an opportunity to learn what's new or under development, helps us identify gaps in financial education, leverage resources of our financial education colleagues, and further hone best practices. One example of this cooperation is the NASAA and the SEC partnership to protect senior investors. For the past three years NASAA and the SEC have co-sponsored a national Seniors Summit which has raised awareness and offered recommendations to combat the rising cases of investment fraud among seniors.

**Resources:**

The NASAA network of financial education professionals can be an excellent delivery vehicle for state/federal collaborative education programs.

NASAA offers a wide range of investor education resources on its website. Visitors to the site will find a wealth of information to help them build both financial knowledge and financial security. Among other educational experiences on the NASAA Web site, visitors can utilize the Senior Investor Resource Center and the NASAA Fraud Center, and locate state specific resources available through individual NASAA members.

NASAA's investor education podcast series, "*The Alert Investor*," is as a valuable resource for the public to learn about investing wisely, avoiding fraud and how to exercise their rights as investors. The series, available on iTunes, has grown in popularity and currently features 12 episodes and has been downloaded nearly 10,000 times by listeners. These resources, along with brochures, investor alerts and other financial education materials are available in the Investor Education Section of the NASAA website, [www.nasaa.org](http://www.nasaa.org). In addition, NASAA developed and funds the Investing Online Resource Center, [www.investingonline.org](http://www.investingonline.org).

**Conclusion:**

State securities regulators have traditionally been and remain an extremely effective resource in the pursuit of greater financial literacy. They represent a nationwide network of highly trained, unbiased, non-commercial experts in financial services, products and fraud avoidance. They are on the front lines of financial education initiatives in every state, translating Wall Street to Main Street for small investors throughout the country. NASAA and its members welcome the opportunity to work more closely with both the Financial Literacy Education Commission (FLEC) and Subcommittee members in their ongoing efforts to improve the level of financial literacy throughout the country.