



NASAA

NASAA Insight

The Voice of State & Provincial Securities Regulation

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NASAA Unveils 2007 Pro-Investor Legislative Agenda



Joseph P. Borg, NASAA President and Director of the Alabama Securities Commission, delivers NASAA's agenda.

The North American Securities Administrators Association (NASAA) recently outlined a sweeping legislative agenda that supports efforts to advance investor protection and promote a strong and effective regulatory environment to maintain investor confidence in the capital markets.

"Taken together, our agenda clearly revolves around doing what's right for investors. This has always been our priority and we will not waver in

this regard," said Joseph P. Borg, NASAA President and Director of the Alabama Securities Commission. "We look forward to working with members of Congress and fellow regulators to ensure that investors have all the protection they deserve and that our capital markets remain the most effective and efficient in the world."

Borg presented NASAA's 11-point pro-investor legislative agenda during a news conference at the National Press Club in Washington, DC. NASAA's legislative agenda seeks to preserve the authority of state regulators to protect investors; strengthen the mechanisms currently in place that provide redress to investors for wrongdoing by industry participants; maintain federal laws designed to insure corporate accountability and shareholder confidence; promote sound and effective regulatory initiatives; and improve the scope and breadth of investor education efforts.

"State securities regulators are eager to assist members of Congress in their efforts to ensure that America's investors prosper in a regulatory environment that provides the strongest investor protections," Borg said.

[See Pages 3-6 for the Complete Agenda >>](#)

State Securities Regulators Report Rise in Enforcement Actions

State securities regulators saw significant increases in the number of enforcement actions, money ordered returned to investors, and years of incarceration for securities law violations during the most recent reporting period. "These statistics reflect the ongoing vigilance of state securities regulators to protect Main Street investors from fraud," said Joseph Borg, NASAA President and Director of the Alabama Securities Commission.

NASAA reported a 23 percent increase in enforcement actions (including administrative, civil and criminal) to 3,635 during the 2004-2005 reporting period, up from 2,964 during the 2002-2003 reporting period. One-quarter (26 percent) of all enforcement actions involved the financial exploitation of seniors, Borg said, noting that 34 percent of all successfully concluded enforcement actions involved either variable or equity-index annuities.

Money ordered returned to investors (including restitution, rescission, and disgorgement) increased 38 percent to \$911 million from \$660 million during the previous period. Years of incarceration as a result of securities law convictions rose 30 percent to a cumulative 935 years, compared to 718 years in the previous reporting period.

NASAA also reported monetary fines and penalties ordered during the 2004/2005 reporting period totaled \$61 million. During the 2002/2003 reporting period, penalties and fines totaled \$822 million, which included amounts ordered stemming from settlements related to several large Wall Street investigations.

The enforcement statistics represent responses from 42 of the 53 U.S. jurisdictions within NASAA's membership. The 2004-2005 reporting period includes either calendar year 2005 or the most recent fiscal year, July 1, 2004 through June 30, 2005.

NASAA Insight is a quarterly publication of the North American Securities Administrators Association, Inc. For more information, visit: www.nasaa.org



“History does repeat itself when its lessons are forgotten or ignored.”

— NASAA
President
Joseph P. Borg

President’s Message: Joseph P. Borg

This issue of *NASAA Insight* focuses largely on our pro-investor legislative agenda for the 110th Congress. This agenda would not have been possible without the efforts of Delaware Securities Commissioner Jim Ropp, who chairs NASAA’s Federal Legislation Committee, and NASAA Director of Policy Debbie House.

Before turning our attention to the 110th Congress, I want to acknowledge the positive and constructive relationship state securities regulators have enjoyed with legislators on both sides of the aisle during this past session of Congress. In particular, I’d like to thank Sen. Richard Shelby, a fellow Alabamian, for his strong leadership on the Senate Banking Committee and for highlighting the important role of state securities regulators; Sen. Herb Kohl of Wisconsin, for his guidance on the Senate Special Committee on Aging to spotlight the growing need for the protection of senior investors; and Rep. Spencer Bachus, another Alabamian by the way, for his leadership of the House Financial Institutions Subcommittee.

In our continuing efforts to protect investors and preserve investor confidence in our markets, we look forward to building upon our momentum as we work with the new leadership of the 110th Congress, especially Senate Banking Committee Chairman Christopher Dodd, House Financial Services Committee Chairman Barney Frank and House Capital Markets House Capital Markets Subcommittee Chairman Paul Kanjorski.

We share many common interests with these distinguished leaders and we are eager to assist in their efforts to ensure that America’s investors prosper in a regulatory environment that provides the strongest of investor protections.

NASAA’s legislative agenda advances this legacy of investor protection and remembers well the recent lessons of what happens when investors lose confidence in our markets.

NASAA supports a strong and effective regulatory structure for capital markets and to do so requires the preservation of the authority of state securities regulators, the local cops on the securities beat.

Accordingly, the cornerstone of our legislative agenda remains our vigilance in fighting short-sighted attempts, such as the Committee on Capital Markets Regulation’s recent Interim Report, to neutralize state regulators who are aggressively protecting investors.

The international competitiveness of our capital markets is, of course, important to maintaining America’s economic leadership in the world. But rolling back a system of regulation that has vigorously protected U.S. investors for decades could have profound and costly consequences if it went too far. History does repeat itself when its lessons are forgotten or ignored.

Executive Director’s Message: Russ Iuculano

NASAA’s fundamental mission, in fact, our common passion, is to protect consumers from investment fraud and abuse.

NASAA is also the national advocate for ensuring that state regulators maintain authority to keep the capital markets safe for all investors.

The state and provincial securities regulators who comprise NASAA’s membership have particular strengths that enable them to be effective. For example, they are geographically close to investors with offices located in many instances throughout their jurisdictions. Many investors find their state or provincial securities regulators easily accessible and call them first about a securities problem.

NASAA also has a long history of advocating for federal and state legislation, rule making, and coordinated enforcement actions that advance the goal of protecting investors.

We look forward to working with the new Congress and the new leadership of the Senate Banking Committee and House Financial Services Committee, especially as they focus on consumer protection issues.

NASAA and its membership developed strong relationships with lawmakers on both sides of the aisle during the last Congress because of our mutual goal of putting the interests of investors first. We look forward to building upon those relationships in the 110th Congress.

The fight against investment fraud knows no party labels. We welcome the opportunity to work with all members of Congress to find common ground in our efforts to advance investor protection.

“The fight against investment fraud knows no party labels.”

SPECIAL REPORT: A Legislative Agenda for Investors



Preamble

For 87 years NASAA has worked on initiatives impacting state and federal legislation, rulemaking, and coordinated enforcement actions all with the common goal of protecting investors. NASAA is committed to continuing its venerable mission and to that end announces the following legislative agenda. The items in this agenda fall into five broad categories: 1) Preserving the authority of state regulators to protect investors, and evaluating the negative effects of preemption of certain state laws; 2) Strengthening the mechanisms currently in place that provide redress to investors for wrongdoing by industry participants; 3) Maintaining federal laws designed to insure corporate accountability and shareholder confidence; 4) Promoting sound and effective regulatory initiatives; and, 5) Improving the scope and breadth of investor education efforts.

1. Support a Strong and Effective Regulatory Structure for Capital Markets.

State securities regulators have a proud tradition of protecting investors. In their continued effort to accomplish this mission, state regulators will continue to vigorously defend their authority to regulate at the state level and bring enforcement actions seeking appropriate remedies against those firms and individuals that violate securities laws in their jurisdictions. NASAA members will remain vigilant in fighting attempts, such as the Committee on Capital Markets Regulation's Interim Report, to neutralize state regulators who are aggressively protecting investors, the bedrock of our market confidence.

Many NASAA jurisdictions have excellent relationships with fellow regulators, which NASAA believes are vital to effective and efficient regulation. The current level of cooperation is reflected by NASAA's participation in a joint national initiative with the SEC and NASD to protect seniors from investment fraud and sales of unsuitable securities. These synergies serve as building blocks for other cooperative efforts. For instance, NASAA looks forward to working with the SEC as it continues to study the various regulatory schemes affecting both broker-dealers and investment advisers. NASAA also looks forward to strengthening its partnership with industry SROs especially in the area of public disclosure of information on the disciplinary history of industry participants.

The complementary state-federal-industry regulatory relationship has a proven record of serving investors well. In light of the proposed consolidation of the NASD and the NYSE Regulation, the need for strong state securities regulatory authority is heightened. With more than 100 million investors relying on our securities markets to meet their financial goals – and on regulators to keep those markets well-policed – we must ensure that this successful and cooperative regulatory relationship remains as strong as possible and NASAA would support legislative initiatives designed to facilitate and strengthen this cooperation.

2. Restore Fairness and Balance in the Securities Arbitration System.

Every year thousands of investors file complaints against their stock brokers. If these disputes aren't settled, investors are left with only one avenue to pursue their claims – arbitration – and for all practical purposes only one arbitration forum. This system, which is administered by an affiliate of the NASD, should be examined to ensure it is fair and transparent to all.

State securities regulators believe Congress should review the manner in which arbitrations are conducted to determine if there is sufficient disclosure of potential conflicts by panel members; to determine if selection, qualification, and composition of the panels is fair to the parties; whether the arbitrators receive adequate training; if explanations of awards are sufficient; if the system is fast and economical for investors; and if the entire arbitration process should be optional, not mandatory, for investors.

3. Encourage Hedge Fund Transparency and Pension Protection.

NASAA supports efforts to regulate hedge funds in a manner that will provide greater transparency to investors while not overburdening the hedge fund industry. With over 8,000 funds in existence and assets in excess of \$1 trillion, the fact that this industry remains, for the most part, unregulated is worrisome for investors and the U.S. markets in general.

ERISA rules make hedge funds and their managers "trustees" if more than 25% of the fund's assets are pension assets. The Pension Protection Act of 2006 removed public pension funds from the 25% calculation. State securities regulators question the wisdom of this change and they believe this is an issue that should be closely monitored. State securities regulators want to ensure that public pension plan monies are not subject to undue risk through investment in unregulated pooled vehicles.

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SPECIAL REPORT: A Pro-Investor Legislative Agenda

4. Preserve the Authority of State Securities Regulators.

The Gramm-Leach-Bliley Act (GLBA) affirmatively preserves the authority of the Securities and Exchange Commission and state securities regulators to investigate and bring enforcement actions with respect to fraud and deceit or unlawful conduct by any person when the activities are conducted in a functionally regulated subsidiary of a depository institution. Clearly, Congress understood weakening the authority of state regulators in this area would be harmful to investors.

Congress should undertake a review of recent activities by both the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC) for compliance with federal law. Specifically, these two agencies have in one instance promulgated rules and in another issued an opinion letter with sweeping preemption provisions, which have been upheld in several federal court decisions. Congress should consider adopting legislation that disapproves of such legislative-style activity by a few federal regulators and that expressly preserves the authority of state regulators to protect consumers from fraud and abuse in the banking and securities sectors.

5. Reinstate State Regulatory Authority of Regulation D 506 Offerings.

The scope of covered securities in Section 18(b) of the 1933 Act has expanded since the National Securities Markets Improvement Act of 1996 (NSMIA) was enacted, even though the definition has technically remained the same. More issuers are using Rule 506 and the listing standards on some of the exchanges are deteriorating, so more securities that fall within the definition of covered security are being offered to the public.

Rule 506 of Regulation D offerings are provided the special status of private placements and are exempt from federal and state securities registration laws.

As a result of this special status, there is no regulatory review of the 506 offerings at either the federal or state level. Thus, for example, NSMIA has preempted the states from prohibiting Regulation D offerings even where the promoters or broker-dealers have a criminal or disciplinary history. Some courts have even held that offerings made under the guise of Rule 506 are immune from scrutiny under state law, regardless of whether they actually comply with the requirements of the rule. All the while, state securities

regulators have seen an increase in the number of Reg D Rule 506 offerings in their respective jurisdictions. In light of the growing popularity of the offering and the expansive reading of the exemption given by certain courts, NASAA believes the time has come for Congress to reinstate state regulatory oversight of Regulation D offerings.

6. Update and Strengthen the Accredited Investor Definition.

Recently, the Securities and Exchange Commission proposed two rules that would require natural persons investing in hedge funds and other private funds that claim an exemption under 1940 Investment Company Act Section 3(c)(1) to have a minimum of \$2.5 million in certain types of investments at the time of their investment in the fund. Such investments would not include, among other items, the value of the individual's residence.

This test would be in addition to the current requirement that the investor must have either \$1 million in net worth or a certain level of income--\$200,000 individually or \$300,000 with a spouse. This standard was adopted in 1982, and NASAA has repeatedly encouraged the Commission to increase these levels to keep pace with inflation and a sustained growth in wealth and income. NASAA will be commenting on the proposed rulemaking, and believes the accredited investor standard should be revised in all its applications, rather than limited to investments in certain private funds.

Raising the individual investor standard to be an accredited investor would provide greater protection for investors and would aid state regulators in enforcement activities by ensuring that those individuals who are taking a greater risk are in fact accredited. In order to insure that those representing themselves as "accredited investors" do in fact meet the definition, NASAA suggests implementing, either by rule or by statute, a requirement that industry participants be required to independently verify a potential investor's representation that he or she meets the financial guidelines. This can be accomplished by, for instance, requiring the financial services provider to obtain a copy of an individual's tax return.

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7. Maintain Strong Investor Protection Provisions of the Sarbanes-Oxley Act.

Investors were right to be outraged by the frauds of Enron, WorldCom and others and Congress was right to pass tough corporate accountability legislation in response. The industry-created scandals of recent years caused Main Street investors to lose billions of dollars and gave our nation's corporate reputation a black eye in the world community.

Legislation passed in response to these corporate debacles was appropriate. In fact, the legislation has been successful as reflected by the continued rise in indexes that measure investor confidence in the markets. NASAA believes that weakening of Sarbanes-Oxley will drive investors from the market place and serve only to erode our capital markets.

NASAA opposes changes to the fundamental principles of the Sarbanes-Oxley Act, but recognizes that its regulatory requirements for small firms may require some modification.

8. Define Equity-Indexed Annuities as Securities.

The sale of equity-indexed annuities (EIAs) has risen dramatically since 1995, when they first appeared on the market. Estimates are that \$25 billion of these products were sold in 2005. This increase in sales volume has been driven largely by the high commissions that sales agents earn on EIAs. As financial media commentators have said repeatedly — these products are not bought but sold. Problems have arisen, however, because EIAs are extremely complex and they have a number of onerous features, including long accumulation periods and high surrender charges.

State securities regulators, as well as the SEC and the SROs, are receiving an increasing number of complaints about EIAs. Although EIAs may be legitimate investment vehicles for some people, NASAA is concerned that these products are unsuitable for many investors and that they are often associated with deceptive marketing tactics. Particularly troubling is the sale of EIAs to senior citizens, who are being aggressively targeted through investment seminars nationwide.

The status of EIAs as securities remains uncertain. The SEC first solicited public comment on the appropriate treatment of EIAs under federal securities law in 1997 but the agency has not yet issued guidance on the issue. The NASD has cautioned its members that EIAs may well constitute securities, depending upon the facts and circumstances in each case, and it requires member firms to follow special precautions when their associated persons sell EIAs, regardless of whether they are deemed to be

securities. However, the NASD has expressly declined to address the legal status of EIAs.

NASAA believes that it is time to remove the legal uncertainty surrounding EIAs and that it is appropriate to classify these investment products as securities. This is conceptually sound under current law, at least in instances where EIAs are promoted and sold primarily as investments rather than insurance products. This is especially appropriate from the standpoint of investor protection, given the level of sales abuse associated with these products and the unique ability of securities regulators at both the state and federal level to address those abuses at the point of sale.

The strong suitability standards found in the state and federal securities laws will help ensure that EIAs are sold only to investors for whom they are appropriate. The application of the securities laws to the sale of these products also will help ensure that investors receive complete, understandable, and accurate information regarding all material aspects of these products prior to purchase and that investors are afforded remedies if they are defrauded or harmed by other abusive sales practices.

9. Uphold State Role in Data Security Breach Protection.

As a result of both our enforcement and education efforts, state securities regulators have been made acutely aware of the investing public's concern with security of their personal data and protection from identity theft.

Heightened congressional interest in security breach legislation follows the enactment of laws in a number of states requiring institutions to notify affected consumers following a data security breach. Efforts by state legislatures have resulted in a heightened awareness by the general public of the deficiencies in the security of electronic information in general, and of numerous security breaches at some of the nation's largest firms in particular.

Currently, state securities examiners are conducting examinations of not only investment advisers but also broker dealers to ensure the privacy of persons who give them personal information in the course of doing business or considering doing business. NASAA wants to ensure our authority is not inadvertently preempted in a data security breach law.

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SPECIAL REPORT: A Pro-Investor Legislative Agenda

Any federal bill dealing with data security breaches should preserve state laws that address problems surrounding data security. A state role is vital to effective consumer protection, and we strongly support a continuation of the enforcement role of the state attorneys general in this area.

In addition, should Congress decide to preempt certain state laws, high standards should be enacted in their place, including strong provisions for national security breach notification and when a consumer can impose a security freeze on access to his/her consumer credit report and credit score. Without such a strong federal substitute, consumers will be deprived of the protections that state laws currently provide.

10. Increase Sanctions for Crimes Against Senior Citizens.

Notwithstanding the multi-front offensive launched by state and federal securities regulators, senior citizens remain a target for unscrupulous scam artists. State securities regulators recently announced that 26 percent of all enforcement actions during 2004-2005 involved the financial exploitation of seniors. Investment fraud targeting seniors is an ongoing concern, and NASAA believes that Congress should explore proposals to assist law enforcement and prosecutors to ensure that those who take advantage of our nation's elderly will be held accountable.

Fraudulent investment sales to seniors will remain a problem of epidemic proportions as long as the benefits to the perpetrators outweigh the costs.

Enhanced penalties for senior abuse – ranging from fines to jail terms – should help to raise those costs, deter law violations and punish appropriately those who exploit senior investors.

11. Advance and Increase Financial Education Efforts.

The securities regulators that form the NASAA membership are firmly committed to promoting and supporting financial literacy, and are firmly committed to delivering investor education. We believe we have an ongoing obligation to help our constituents develop the knowledge they need. We think that reaching our young citizens with financial education at a very early age can help them build a lifetime of good money management habits.

And, the increased need to educate seniors about investment fraud cannot be overemphasized. It remains our fundamental belief that financial education is the first and best defense against financial fraud, abuse, and exploitation.

State securities agencies are leaders in grass-roots investor outreach and education and look for opportunities to join forces with other members of the financial education community. NASAA urges Congress to fund programs to cultivate financial education partnerships among federal, state and nonprofit entities.

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Court of Appeals Supports NASAA Position in Ohio Case

The Court of Appeals of Ohio's Tenth Appellate District handed down on October 26, 2006 an opinion *In the Matter of Blue Flame Energy Corporation et al. v. Ohio Department of Commerce, Division of Securities*.

One of the issues addressed by the Court was whether or not NSMIA preempts state securities regulatory authority over Reg D Rule 506 offerings that do not comply with Rule 506.

The Ohio Division of Securities argued that the issuers had engaged in general solicitation in violation of Reg D Rule 506 and, therefore, the offering was not a covered security and was not exempt from state regulation.

NASAA filed an amicus brief supporting the Division and arguing among other things that a failure to comply with all of the requirements of Rule 506 deprived the issuer of the exemption and the concomitant preemption.

In its brief, NASAA argued

that, "the lower court's decision gives unscrupulous issuers and promoters a safe haven under Regulation D, Rule 506: they are shielded from state regulation simply by invoking the rule, whether or not they have satisfied its conditions or are entitled to its preemptive effect. . . . Because

"The impact of this case will extend beyond Ohio's borders to states across the country."

these issues represent emerging areas of state securities law, the Court's ruling in this appeal can be expected to influence other courts in similar cases. As evidenced by the lower court's reliance on judicial decisions issued by non-Ohio courts, the impact of this case thus will extend beyond Ohio's borders

to states across the country."

The issuers contended that an offering made pursuant to Reg D Rule 506 is in fact a covered security regardless of whether or not the issuer has complied with all of the requirements of the rule.

The issuers primarily relied on three federal court decisions which have held that as long as an issuer relies upon Rule 506 the offering is a covered security and preemption applies.

The Ohio appellate court declined to follow the federal court decisions cited by the issuers and instead ruled that states are not preempted by NSMIA from determining whether or not a claim of a 506 exemption is legitimate.

NOTE: NASAA's amicus briefs are available on the NASAA website at: www.nasaa.org/issues___answers/enforcement___legal_activity/968.cfm

NASAA Investor Alerts

NASAA recently issued two investors alerts warning of the dangers investors face from online brokerage "hack attacks" and fraudulent oil and gas schemes.

In the first alert, issued in October 2006, NASAA warned investors to carefully monitor their online trading accounts in the wake of "hack attacks" in which predators have broken into customer accounts at online brokerages in the United States and Canada and made unauthorized trades worth millions of dollars.

"The number of these attacks on investors continues to rise as identity thieves increasingly target the securities industry," said Joseph P. Borg, NASAA President and Director of the Alabama Securities Commission. "Investors need to carefully guard their financial information and continuously monitor their online brokerage records to ensure that they are not subject to this type of fraud."

In January 2007, NASAA distributed an investor alert news release cautioning investors about fraudulent oil and gas investments. The news release was the result of work by the Enforcement Section's Oil & Gas Discussion Group. The Investor Alert was drafted originally as a project by the Investor Education Section's Coordination Project Group, chaired by Karen Terhune (OH).

Both alerts are part of NASAA's ongoing investor education efforts.

NASAA Statement on Consolidation of Securities Industry SROs

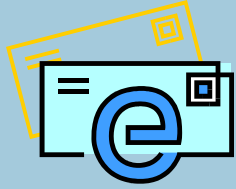
In November, the NASD and the NYSE Group, Inc. signed a letter of intent to consolidate their member regulation operations into a new self-regulatory organization (SRO) that will be the private sector regulator for securities brokers and dealers in the United States.

Following the announcement, NASAA President and Alabama Securities Commissioner Joseph Borg congratulated both organizations on taking "a significant step toward streamlining broker-dealer regulation and increasing our nation's competitiveness in international markets."

"I trust their mission of investor protection will continue unabated and NASAA stands ready to assist the new combined self-regulatory organization toward accomplishing this goal," Borg said.

Borg noted that the new self-regulatory entity "makes sense" as the financial services industry increasingly becomes more global in scope. The consolidation, Borg said, also serves to underscore the important grassroots investor protection role of state securities regulators. "As the combined resources of the regulatory arms of the NASD and NYSE concentrate on international competitiveness and creating efficiencies in national markets, state securities regulators will continue to focus our energies on serving as the local cop on the beat protecting millions of Main Street investors, the backbone of the American economy," he said.

"The state-federal-industry regulatory relationship has a proven record of serving investors well," Borg said. "With more than 100 million investors relying on our securities markets to meet their financial goals – and on regulators to keep those markets well-policed – we will continue to work together to ensure that this complementary regulatory relationship remains as seamless as possible."



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

NASAA members license firms and their agents, investigate violations of state and provincial law, file enforcement actions when appropriate, and educate the public about investment fraud.

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NASAA, SEC Announce Continuation of IARD System Fee Waiver

NASAA and the U.S. Securities and Exchange Commission (SEC) will continue to waive for two years the annual system fees paid by investment adviser firms to maintain the Investment Adviser Registration Depository (IARD) system. NASAA and the SEC also announced a waiver of initial set-up fees for new advisers filing on the IARD.

Separately, NASAA announced that for the next two years it is reducing by one-third the system fees paid by investment adviser representatives.

"The IARD system provides important information for all investors and provides streamlined registration procedures for investment advisers and their representatives. We are pleased that the system's success has allowed us to grant a waiver of the investment adviser firm annual and initial fees and a reduction in the annual and initial fees investment adviser representatives pay to utilize this valuable resource," said Joseph P. Borg, NASAA President and Director of the Alabama Securities Commission.

For the next two years NASAA will waive payment of initial and renewal IARD system fees by state-regulated investment adviser firms and reduce investment adviser representatives' initial and renewal fees by one third. The initial and renewal investment adviser representative fee will be \$30, reduced from \$45. Borg said NASAA's

Board of Directors approved the waiver and system fee reduction and will continue to monitor the system's revenues to determine whether future fee adjustments are warranted.

The IARD system is an Internet-based national database sponsored by NASAA and the SEC and operated by NASD in its role as a vendor. IARD provides a single nationwide database

for the collection and dissemination of information about individuals and firms in the investment advisory field; and offers investment advisers and representatives a single source for filing state and federal registration and notice filings.

The system contains the employment and disciplinary histories of more than 24,000 investment adviser firms and nearly 220,000 individual investment adviser representatives. IARD system fees are used for user and system support and for enhancements to the system.

*"We are pleased
that the system's
success has allowed
us to grant a
waiver."*