

# In Pursuit of Smart Regulation & Investor Protection



## NASAA Activity Report



North American Securities Administrators Association  
Washington, D.C.  
[www.nasaa.org](http://www.nasaa.org)

## About NASAA

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.

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.

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.

NASAA represents and serves its members through advocacy, education, subject-matter expertise, communication and coordination. NASAA values investor protection, education, respect for diverse views, building consensus, being proactive, and active participation by all members of the organization. NASAA has a long history of advocating for federal and state securities legislation, rulemaking and coordinated enforcement actions that advance the goal of protecting investors.

## About This Report

The 2013-2014 NASAA Activity Report is intended to showcase the wide variety of services performed by state and provincial securities regulators throughout North America in their efforts to protect investors, assist small and local businesses seeking investment capital and increase investor awareness.

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# Leadership Message



**“It isn’t more or less regulation that NASAA seeks, it is simply smarter regulation - regulation that does not shy away from the reality that new technologies, even new modes of investing, are moving forward and will continue to evolve, but affirmatively seeks solutions in light of that reality to protect both businesses and investors from fraud, liability and loss.”**

**Andrea Seidt  
NASAA President  
Ohio Securities Commissioner**

## Leadership Message

One of my primary goals as NASAA president is to focus our members on spreading the word about all of the good work that state and provincial regulators do.

Our ability to effectively communicate our strengths and abilities to the outside world, to fellow regulators and policymakers, is what guarantees our continued role in the global securities markets.

Another key to preserving and expanding our role in the securities markets is our willingness to modernize state and provincial regulation. Only by working closely with industry and our fellow regulators in embracing today’s technology will we ever reach our full potential.

Importantly, it isn’t more or less regulation that NASAA seeks, it is simply smarter regulation – regulation that does not shy away from the reality that new technologies, even new modes of investing, are moving forward and will continue to evolve, but affirmatively seeks solutions in light of that reality to protect both businesses and investors from fraud, liability and loss.

As NASAA presidents before me, I cannot look to the future without asking what we regulators and policymakers can do to better protect investors. Especially in times of economic recovery, after a significant financial crisis, we need to find ways to preserve investor wealth and restore investor confidence in the integrity of our financial markets. We need to do all we can to root out fraud, lock up criminals, and make civil penalties commensurate with the offense in an effort to deter future frauds. Nothing infuriates investors and the general public more than seeing fraudsters continue about their business without penalty. Another way to regain investor trust and elevate their confidence in our markets is to raise securities professionals’ standard of care.

The best way for us to restore integrity to our markets is to restore investor confidence in regulators and industry alike.

In so many ways, we are all in this together.

*Andrea Seidt*

# In Pursuit of Smart Regulation

## Investor Confidence Demands Smart Regulation & Investor Protection

NASAA members have protected Main Street investors for more than 100 years, longer than any other securities regulator.

They are responsible for enforcing state and provincial securities laws by pursuing cases of suspected investment fraud, conducting investigations of unlawful conduct, licensing firms and investment professionals, registering certain securities offerings, examining broker-dealers and investment advisers, and providing investor education programs and materials to citizens in their jurisdictions.

In the United States, state securities regulators are the undisputed leaders in criminal prosecutions of securities violators.

In Canada, provincial and territorial securities regulators are

widely praised for their innovative use of technology to deter investment fraud and support forensic investigations.

### Protecting Investors

NASAA members throughout North America focus on protecting retail investors, especially those who lack the expertise, experience, and resources to protect their own interests. By serving as a strong first line of defense for investors, NASAA members strive to provide a level of confidence needed to foster strong capital markets.

NASAA's 2013 Enforcement Report sheds light on the investor protection role served by NASAA members. The report, based on 2012 data, revealed several important trends in investor protection and securities regulation, including continued investor reliance on state regulators to address both traditional areas of securities fraud and emerging issues.

For example, in the wake of the "IA switch," where about 2,400 investment advisers transitioned from federal to state registration as mandated by the Dodd-Frank Act, state regulators took important action to remove or bar unscrupulous actors from the licensed community. A total of 3,564 licenses were withdrawn due to state action (an increase of 27 percent over the previous reporting period), and 736 licenses were denied, revoked, suspended or conditioned.

Notably, many of the cases handled by state regulators originated from federal exemptions that preempt state review.

Regulation D offerings, for example, were the most common product involved in schemes reported by the states. Other leading products involved in enforcement actions brought by state securities regulators include oil and gas offerings and real estate investments.

According to the 2013 enforcement report by the Canadian Securities Administrators, NASAA members in Canada concluded 133 cases against 216 individuals and 166 companies. Cases concluded resulting in fines and administrative penalties of \$35.4 million; almost \$55 million in restitution, compensation and disgorgement; and jail sentences handed down to eight individuals.

### State Enforcement Statistics at a Glance

Complaints Fielded by Regulators	10,272
Investigations	5,865
Enforcement Actions (administrative, civil, and criminal)	2,496
Investor Restitution Ordered	\$694 million
Fines, Penalties, and Costs Assessed	\$157 million
Jail Time Sentenced	1,361 Years

# ..... & Investor Protection

***Drawing upon our experience with small businesses that want to create jobs, states are committed to exploring innovative ways to foster small business capital formation.***

## Enhancing Capital Formation

NASAA members are innovators when it comes to helping small businesses throughout North America raise investment capital. NASAA shares the desire of policymakers in the United States and Canada for economic improvement by, in part, spurring private investment in small business. We believe this goal is best achieved through restoring investor confidence and implementing laws with a balanced approach that reflects smarter regulation.

NASAA members serve as the primary regulators of most small company securities offerings. As such, NASAA members regularly work with and assist local businesses seeking capital to grow their companies. To that end, NASAA has embarked upon a campaign for “smarter regulation” – regulation that takes advantage of technology to make the offering process more efficient for small businesses without sacrificing important protections for investors.

A first step in this direction involves modernizing Regulation A.

When a company wants to raise capital by selling securities, the company must first register those securities with the government unless the securities are sold in a way that qualifies for an exemption from the registration process. Title IV of the JOBS Act requires the SEC to adopt a rule to provide an exemption for certain offerings up to \$50 million.

Under the JOBS Act, these offerings will be exempt from SEC registration under the new Section 3(b)(2) of the Securities Act of 1933, but they would be subject to registration at the state level unless the securities are listed on a national securities exchange or sold to a qualified purchaser as defined by the SEC.

The JOBS Act recognized the strong investor protection role provided by state securities regulators in reviewing Regulation A offerings as part of the registration process.

State securities regulators have particular strengths that uniquely qualify them to effectively oversee Regulation A offerings. Because we are geographically close and accessible to investors, states are in a better position than the SEC to communicate with both small business issuers and investors to ensure that this exemption is not abused. Moreover, the states are most familiar with the local economic factors that affect small businesses and states have a strong interest in protecting investors in these types of offerings.

Given the risky nature of investments in startups, and the fact that the states have traditionally been the primary regulator of small offerings, NASAA believes state oversight of these offerings is essential. However, we recognize the need to change some of our long-standing policies to make Regulation A successful.

***But our experience with investors tells us that we also need to create an environment in which investors feel sufficiently protected.***

NASAA members have no interest in throwing up needless barriers to economic development.

Toward that end, NASAA

consulted with a task force of the American Bar Association to develop a streamlined multi-state program that peels back some of our normal guidelines to accommodate this new type of offering.

As part of the program, NASAA has designed a multi-state review process in which one or two states will take a lead role in reviewing a registration application and working through any deficiencies with the company issuing the securities in a set timeframe.

NASAA developed this program to help ease regulatory compliance costs on small companies seeking to raise capital. NASAA also is developing a multi-state electronic filing platform that will allow one-stop filing with all states, and we intend to enhance the system to accommodate Regulation A offerings.

***The goal is to balance the legitimate interests of investors with the legitimate goals of entrepreneurs, and to adopt policies that are fair to both.***

# NASAA Member Activity | U.S.



## Alabama Securities Commission

The Commission is sensitive to the financial concerns and long-term financial security of Alabama citizens, whether individuals or small businesses, and **acts quickly and decisively when misleading or illegal practices undermine their confidence in financial markets.** In 2013, the Commission registered 145,910 broker-dealers, investment advisers and mutual funds to conduct business in the state; secured 15 felony criminal convictions; issued 30 administrative orders with 81 respondents; returned \$29.3 million in restitution and rescissions to harmed investors; contributed more than \$11.3 million to the state General Fund; issued 20 public warnings; and reached nearly 4,400 Alabamians through 75 public investor education presentations. Currently, the Commission's prosecution team has 27 individuals awaiting grand jury actions, arrest or trial.



## Alaska Division of Banking and Securities

The Division sponsored a Fraud Summit in coordination with Alaska AARP and the University of Alaska Center for Economic Development. Speakers included the Alaska U.S. Attorney and representatives from the Division, the FBI, the SEC and the Alaska Department of Law (Consumer Protection, Office of Elder Fraud and Assistance and Office of Special Prosecutions, Medicaid Fraud Unit). Speakers described current fraud trends in Alaska, including ways Alaskans can avoid financial fraud, and **highlighted how state, federal and local authorities work together to combat and prosecute fraud** in Alaska. Local media covered the event, interviewing several speakers and airing stories about various topics discussed at the event. As a follow-up to the event, videos of each speaker are in production to post to the Internet, giving Alaskans across the state access to the information.



## Arizona Securities Division

The Division, within the Arizona Corporation Commission, strives to preserve the integrity of the financial marketplace through investigative actions as well as the registration and oversight of securities, securities dealers and salespersons, and investment advisers and their representatives; to enhance legitimate capital formation and deter financial fraud; and to minimize the burden and expense of regulatory compliance by legitimate business. In 2013, for example, the commission entered an order that requires the prior managers of Radical Bunny, LLC and Horizon Partners, LLC to **pay more than \$189.8 million in restitution for committing securities fraud** in connection with two unregistered deed of trust investment programs.

# NASAA Member Activity | U.S.



## Arkansas Securities Department

The Department **took the lead in bringing state government to rural areas of Arkansas** with a series of “Protecting Arkansans” events. The eight sessions, conducted at different locations within the state, brought representatives from various state agencies – including the Securities Department, Attorney General, Insurance Department, Department of Human Services, and the University of Arkansas – to meet, present, and answer questions. Topics included investment and senior fraud, current scams, Medicare fraud, household finances, and healthy living. In addition, attendees had the ability to visit agencies in a trade show setting, with access to printed materials and one-on-one conversations with departmental representatives.



## California Department of Business Oversight

The Department of Business Oversight provides protection to consumers and services to businesses engaged in financial transactions. On July 1, 2013, the Department was formed by the consolidation of the former Department of Corporations and the former Department of Financial Institutions. California now has one centralized financial services regulator to ensure effective enforcement of state financial laws intended to protect consumers. The Department licenses and regulates hundreds of thousands financial services, products and professionals, including 3,012 broker-dealer firms with 276,199 agents, 3,678 state investment adviser firms, and 50,575 investment adviser representatives. In January 2014 the Department began assessing an annual renewal fee of \$25 for broker-dealer agents and investment advisors seeking to operate in California. In 2013 **the Department issued 252 enforcement actions against unscrupulous financial companies and individuals** that violated state financial laws. One of those actions was a multistate enforcement action against WCM 777 (dba World Capital Market, Inc., WCM777, Inc., and WCM777 Limited), an entity that ran an unlicensed investment scheme that took in more than \$10 million, including investments from at least 5,500 Californians.



## Colorado Division of Securities

Two Denver area firefighters, a husband and wife, complained to the Division about irregularities in their investment account with a brokerage firm. They invested most of their life savings through a financial adviser, a former fire department colleague. The Division opened an investigation and learned the adviser neglected to inform his clients he had been fired by his firm. Due to an internal error by the firm, the adviser was able to continue accessing his clients’ accounts, most of which was invested in a mutual fund. The adviser periodically requested that the mutual fund positions be sold in four of his clients’ accounts and surreptitiously intercepted overnight deliveries of the proceeds. Investigators determined the adviser used the money to purchase a townhouse, a private plane, and to pay for living expenses. The Division filed a temporary restraining order freezing the adviser’s assets. Division prosecutors filed a criminal case, charging the adviser with securities fraud and theft. He was **sentenced to 12 years in prison**. Part of the Division’s investigation also examined how the adviser was able to exploit the brokerage firms system to access accounts after his termination. As part of the resolution of this inquiry, the brokerage firm reimbursed all of the advisers’s clients’ losses, about \$700,000.

# NASAA Member Activity | U.S.



## Connecticut Securities and Business Investments Division

In March 2013, five employees in the Division were **honored by the U. S. Attorney's Office for the District of Connecticut for their investigative efforts in significant federal criminal prosecutions and civil cases** in Connecticut over the past year. The employees received recognition based on two cases. In *U.S. v. Stephen Blankenship*, an investment adviser pleaded guilty to defrauding investors of about \$600,000, was sentenced to 41 months incarceration and ordered to make restitution to his victims. The U.S. Attorney's Office considered this case to be "a text-book example of the effectiveness of coordination and teamwork among local, state and federal members of the Securities Fraud Task Force." In *U.S. v. Robin Brass*, a victim complaint to the Division initiated a federal investigation. The defendant was found guilty of stealing nearly \$2 million from her victims, many elderly and infirm, in a Ponzi scheme and was sentenced to 96 months imprisonment.



## Delaware Department of Justice, Securities Division

The Division **obtained an indictment** charging a New Castle County man with theft, securities fraud, and tax evasion following its investigation of a scheme to defraud investors of nearly \$1 million in a case involving an unregistered agent selling unregistered securities. The man also was charged with five counts of income tax evasion for failing to file an income tax return or pay state income taxes from 2006 through 2010 on more than \$1.3 million dollars in taxable income.



## District of Columbia Department of Insurance, Securities and Banking

At the request of the Department (DISB), the District of Columbia City Council enacted the "DISB Fingerprint-Based Background Check Authorization Act of 2012," which authorized DISB to **require license applicants to submit their fingerprints** to the Department so that it could request the FBI conduct Criminal History Background Checks on applicants who were not already fingerprinted – primarily investment adviser representatives and a small category known as Agents of Issuers. Applicants for broker-dealer agent licenses are fingerprinted as part of the FINRA licensing process. In 2013, DISB took all the major steps toward full implementation of the legislation. DISB is one of a handful of U.S. jurisdictions that requires all securities license applicants to submit their fingerprints as part of the licensing process.



## Florida Office of Financial Regulation

The Office was successful in obtaining preliminary injunctions and the appointment of a receiver in two distinct **investment fraud schemes targeting senior citizens** with promises of safe investments that paid a fixed, above market rate return. These cases involved about \$25 million invested by over 300 victims. Most of the money raised is alleged to have been misappropriated or used to pay returns to investors in a Ponzi-like fashion. The Office continues to work with law enforcement as needed to ensure the perpetrators of these schemes are criminally prosecuted.

# NASAA Member Activity | U.S.



## Georgia Division of Securities & Business Regulation

As Commissioner of Securities, Georgia Secretary of State Brian P. Kemp in 2013 **continued to educate Georgia-based entrepreneurs about the availability of the state's Invest Georgia Exemption (IGE)** as a potential source of capital for their small Georgia-based businesses. The IGE is an exemption from state securities registration for small intra-state offerings that rely on SEC Rule 147. IGE issuers may offer their securities publicly as long as a notice filing is made with the Division. So far, the Division has received 16 such filings. One way of publicly offering those securities could include participating in a crowdfunding portal. IGE issuers also could rely on traditional advertising, or simply offer the securities privately (which would involve no filing). It is hoped that the IGE will provide Georgia-based start-up companies and small businesses access to much needed capital for developing new business ventures, expanding operations, and producing more Georgia jobs.



## Hawaii Office of the Securities Commissioner

The Office has **increased efforts in cyber investigation** that has led to locating witnesses and respondents with unparalleled speed and accuracy as well as identifying securities scams happening on the Internet. In a recent case, the Office used a face recognition search to track down a long-missing respondent. On the cusp of a federal expansion of crowdfunding, the Hawaii Office of the Securities Commissioner is working to leverage innovative technology to respond to securities fraud anywhere, including cyberspace.



## Idaho Department of Finance

The Department **settled two civil lawsuits in 2013 involving licensed insurance agents who were not registered to offer or sell securities.** In the first case, the agent admitted to violating the securities salesman and securities registration provisions of Idaho securities laws by offering and selling \$400,000 in unregistered life settlement contracts to five Idaho investors. The issuer of the securities had filed for bankruptcy. In the second case, the agent sold more than \$600,000 in promissory notes associated with a Utah company. These sales were intertwined with insurance business the agent conducted on behalf of a Utah financial and insurance company that had several entities and its principal in bankruptcy. In both cases, the securities violators agreed to disgorge their commissions.



## Illinois Securities Department

The Department **launched a new public awareness campaign** aimed at encouraging people to investigate before they invest. In Illinois, courts ordered scammers to repay more than \$33 million to victims the year before, and the Department handled more than 400 such cases of investment fraud. The campaign includes television and radio ads airing statewide to encourage people to research investment advisers and brokers, as well as investment opportunities before investing any money. Investors can find information on how to avoid potential con artists and scams by visiting the Secretary of State's website at [www.AvoidTheScam.net](http://www.AvoidTheScam.net). In addition to the commercials, two videos were created to inform the public about investment fraud. The videos were featured at statewide events and seminars held by the department to educate potential victims, including seniors and members of community and religious organizations.

# NASAA Member Activity | U.S.



## Indiana Securities Division

The Division **finalized a \$14 million settlement following a four-year investigation** and federal lawsuit alleging securities fraud against the Indiana State Teachers Association and the National Education Association. The division alleged that the promise to invest and the guarantee of a return on the unused portion of medical claim dollars associated with the health plan offered by the state association was a security. The \$14 million was distributed among very grateful school districts that had various levels of participation in the program, with the largest district receiving in excess of \$3 million.



## Iowa Securities Bureau

The Iowa Insurance Division, which includes the Bureau, launched a **statewide public education program** “Iowa Fraud Fighters – Shield Your Savings.” The program will educate and empower Iowans to prevent and report investment and insurance fraud. The “Iowa Fraud Fighters—Shield Your Savings” program also includes six consumer outreach and educational forums across the state. In addition to the community forums, brochure and website, the public education program includes a TV and newspaper public service advertising campaign.



## Kansas Office of the Securities Commissioner

Officials from the Office **filed criminal charges** against a former financial adviser for multiple violations of the Kansas Uniform Securities Act. The criminal complaint alleges that the adviser committed securities fraud by unlawfully employing a scheme to defraud seven individuals by selling securities resulting in victim losses of more than \$700,000. The adviser was charged with 39 felony counts of securities fraud and selling unregistered securities.



## Kentucky Department of Financial Institutions

Securities cases tend to be highly complex and document intensive. Moreover, white-collar cases traditionally have lower priority than crimes involving persons. The Department **created the Prosecution Assistance Unit to assist state and federal prosecutors** in the prosecution of cases involving criminal violations of the securities laws. In addition the PAU also provides the investigative support to successfully bring securities cases to trial.

# NASAA Member Activity | U.S.



## Louisiana Office of Financial Institutions, Securities Division

Based on a joint investigation conducted by the Securities Division of the Office of Financial Institutions, the Federal Bureau of Investigation, the Texas State Securities Board, and the Securities Division of the Mississippi Secretary of State, a **Louisiana hedge fund operator was indicted on 18 counts of mail fraud** by a federal grand jury in Baton Rouge. According to the indictment, the man sent account statements to investors showing positive investment returns, when he had in fact lost 98 percent of their assets. The indictment further alleges that by sending the false account statements, the hedge fund operator was able to conceal the losses in the hedge funds and defraud victims into keeping their money in the funds, thus allowing the operator to continue receiving fees for his personal benefit. If convicted, the operator faces a maximum sentence of 20 years in federal prison for each count of mail fraud.



## Maine Office of Securities

The Office was instrumental in developing and launching “**SeniorSafe**,” **the first program in the nation to train bank tellers and credit union staff to identify and report suspected cases of elder financial abuse**. The training program is a collaboration with the Council for Elder Abuse Prevention, the Maine Office of Aging and Disability Services, Maine’s Department of Professional and Financial Regulation, Legal Services for the Elderly, and organizations representing the state’s banks and credit unions.



## Maryland Division of Securities

After completing the switch of almost 100 Maryland-based firms from federal to state investment adviser registration, the Division focused its attention on a series of **enforcement cases involving entities that violated the investment adviser provisions of the Maryland Securities Act**. Violations included acting as unregistered investment advisers, engaging in fraud in providing investment advice and in offering and selling securities, and offering and selling unregistered securities. Cases resulted in revocations of individual’s and entities’ registrations, bars from the investment advisory and securities businesses, and restitution payments being made to defrauded investors.



## Massachusetts Securities Division

In 2013, Secretary of the Commonwealth William F. Galvin announced **settlements with five independent brokerage firms that improperly sold non-traded REITs**. Under the settlements, the firms will make restitution to investors of at least \$8.6 million and pay fines totaling \$975,000. The Division’s investigation revealed significant and widespread problems with the firms’ compliance with their own policies, practices and procedures rules, and adherence with Massachusetts prospectus requirements, leaving investors often trapped in illiquid and underperforming financial products. In 2013 Citigroup Global Markets Inc. paid a \$30 million fine to Massachusetts to settle charges a company analyst improperly shared research with large investors in advance, giving them the chance to profit from weaker sales of iPhones. The information was not shared with other investors until a day later.

# NASAA Member Activity | U.S.



## Michigan Corporation, Securities and Commercial Licensing Bureau

The Bureau **conducted a free investment adviser training seminar**, which was open to all state-registered firms and applicants. The seminar provided over 150 attendees with information on current regulatory developments, CRD/IARD updates, and guidance on how to conduct proper due diligence on their firm's sub-advisers and other outsourced service providers. The seminar finished with a presentation on what to expect during a state examination and recommended best practices that all attendees were encouraged to adopt to ensure compliance with relevant Michigan statutes. Attendees were able to ask registration and examination questions in a relaxed, educational setting. The seminar received excellent reviews and the Bureau plans to continue these programs in 2014.



## Minnesota Department of Commerce

The Department, **in conjunction with 19 jurisdictions throughout the United States and Canada, took coordinated action** against Profitable Sunrise, an international entity allegedly operating an Internet scheme to defraud investors. The Department's investigation found that two individuals in Minnesota were allegedly participating in the investment scheme, soliciting investors but not licensed to sell securities in the state. The investment model of Profitable Sunrise is characterized as the "charitable platform" for a money lending group. As an incentive for attracting additional investors, a three-tiered referral opportunity is extended to investors, making it identical to a pyramid or multi-level sales approach.



## Mississippi Securities Division

In an effort to **help small businesses and entrepreneurs understand the capital formation process**, the Division of the Mississippi Secretary of State's office published a useful brochure outlining the state securities laws that may apply to small businesses interested in seeking investors or raising money. This color brochure, which is available on the Division's website, includes an overview of the Mississippi Securities Act in addition to a discussion of the Act's anti-fraud standards, registration requirements and coordination with the federal securities laws exemptions.



## Missouri Securities Division

The Division **worked to secure more than \$4 million in restitution for Missouri investors** and collected nearly \$1 million in fines and penalties over the course of 127 investigations in 2013. With the help of state and federal authorities, referrals from the Division resulted in 15 individuals being sentenced to more than 119 years in jail for stealing from Missouri investors in 2013. The Division also successfully visited and audited all 30 investment adviser firms from the IA Switch within their first year as Missouri-registered investment advisers.

# NASAA Member Activity | U.S.



## Montana Securities Department

In 2013, the Department introduced a bill, successfully lobbied the Legislature, and obtained a designated income stream for the state's **Securities Restitution Assistance Fund**, one of only a few offered in the nation to help victims of securities fraud recover losses that otherwise are unrecoverable. Now, part of the fees paid by investment companies that previously had gone to the state general fund is being placed in the restitution fund to ensure adequate funding for victims' requests. In 2013, the department received applications from 37 victims and paid out restitution assistance totalling \$317,207.50. More than 75 percent of the victims were over the age of 70.



## Nebraska Bureau of Securities

Nebraska celebrated its 100th year of securities regulation. During this centennial year, the Bureau saw a record number of agent and RIA applicants and made significant progress with its Citizenship Verification initiative. Notably, the Bureau saw the **expansion of its staff** with the hiring of four new employees — the next generation of securities regulators in Nebraska.



## Nevada Securities Division

The Division strives to ensure the integrity of the securities marketplace through investigative actions as well as the registration and/or oversight of securities, securities dealers and brokers, investment advisors and their representatives; to enhance legitimate capital formation; and to minimize the burden and expense of regulatory compliance by legitimate businesses. In 2013, a **Division investigation led to a 10-year prison sentence** for a Reno attorney who fraudulently swindled eight victims out of more than \$1 million in part through a speculative energy investment scheme.



## New Hampshire Bureau of Securities Regulation

The Bureau conducted a **successful public service announcement campaign** to raise awareness about investment fraud. The PSA series, entitled "I'm a Con Man," was created by fellow NASAA member state New Mexico, which authorized its adaptation by New Hampshire and other NASAA members. The effectiveness of the PSAs was evident from the number of calls to the Bureau. They ranged from requests for investor education materials to inquiries regarding the licensing and registration status of registered representatives to questions about current products being offered. This campaign demonstrated once again how the willingness of the states to collaborate helps make NASAA strong.

# NASAA Member Activity | U.S.



## New Jersey Bureau of Securities

The Bureau **led a multi-state investigation**, coordinated by NASAA, that resulted in 2013 to an agreement by UBS Financial Services, Inc. to settle violations stemming from unregistered personnel accepting orders for the purchase and sale of securities. As part of the settlement, UBS agreed to pay up to \$4.58 million in civil penalties among the 50 states, District of Columbia, Puerto Rico and the U.S. Virgin Islands. UBS revised its client transaction processes and supervisory procedures to address the violations.



## New Mexico Securities Division

In collaboration with Native Community Finance, the Division **launched a statewide initiative to educate and prepare Native investors** so that they can protect themselves from financial fraud and can learn about strategies to grow their assets through sound investments. In 2013, the initiative included a series of 23 investor protection and education seminars and an outreach campaign targeting Native audiences. A media outreach campaign to raise awareness about the initiative reached more than 200,000 Native people across the state. The Division also produced radio infomercials with well-known Native spokespersons and distributed them to popular New Mexico community radio stations. It participated twice on Native America Calling, a talk radio show on National Public Radio.



## New York Investment Protection Bureau

In November 2013, Attorney General Eric T. Schneiderman and other members of the joint state and federal RMBS Working Group **announced a \$13 billion settlement with JPMorgan Chase** – the largest with a single entity in American history – to resolve civil claims arising out of the packaging and sale of residential mortgage-backed securities. The settled claims included the complaint Attorney General Schneiderman filed against JPMorgan in October 2012 alleging fraud under New York's Martin Act. As part of the settlement, JPMorgan acknowledged that it misrepresented to RMBS investors that the mortgage loans it packaged in various securities complied with underwriting guidelines. New York State will receive more than \$1 billion of the \$13 billion settlement: \$613 million in cash and approximately \$400 million in consumer relief, including mortgage modifications for homeowners at risk of foreclosure.



## North Carolina Securities Division

In 2013, the Division was the first securities regulator in the international community to issue a Cease and Desist Order in the alleged Ponzi scheme known as "Profitable Sunrise." The Division also saw combined prison sentences of 26 years handed out to 4 people convicted for their roles in various scams. With regard to its investor education efforts, the Division **conducted 140 investor education presentations reaching over 5,400 people** across the state. The division also joined the North Carolina Conference of District Attorneys in co-sponsoring a two-day multidisciplinary course geared to prosecutors, victim witness legal assistants, law enforcement officers, Adult Protective Services staff, senior advocates, and other allied professionals. The course attracted 180 attendees and addressed both the physical and financial abuse of the elderly.

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## North Dakota Securities Department

In 2013, a former securities broker who defrauded 18 clients of more than \$900,000 in a Ponzi-like scheme was **sentenced to 10 years in prison**. The prosecution was the result of an investigation of investor complaints by the Department, which uncovered the fraudulent scheme, and a subsequent criminal referral to the Cass County State's Attorney.



## Ohio Division of Securities

In 2013, the Division **successfully completed the first on-site examination of all Ohio-based mid-sized investments advisers that switched from SEC to state registration**, all within the firm's first year of state registration. Ohio examines all of its home state-registered investment advisers on a three-year risk basis. Ohio continued its focus on criminal violations of Ohio's Securities Act with six new cases resulting in a criminal indictment, conviction, or sentence in 2013. Five of those cases involved the sale of unregistered securities. As part of a larger multi-state administrative investigation, Ohio issued a cease and desist order and obtained a preliminary injunction against an Ohio promoter regarding a high-yield investment and affinity fraud scheme known as "Profitable Sunrise." The Division works closely with local industry and practitioners through advisory committees and its annual Ohio Securities Conference, which attracted about 150 attendees and speakers from FINRA and leading Ohio securities scholars.



## Oklahoma Securities Commission

In November 2013, an Oklahoma woman was released from prison after serving 10 years in connection with a **Ponzi scheme uncovered by the Department during a broker-dealer examination**. In December 2013, the appointed receiver made the last distribution to investors who lost over \$9 million, making the investors whole as to their principal. This recovery was due to legal battles waged by the Department and the receiver before the Oklahoma Supreme Court, the U.S. Bankruptcy Court, and the Tenth Circuit and investor arbitrations. The Department and the receiver sued 163 relief defendants whose profits exceeded the amounts of their initial investments. A portion of the recovery was received in the Department's aiding and abetting case against an Oklahoma bank through which over \$200 million flowed as part of the Ponzi scheme.



## Oregon Division of Finance & Corporate Securities

Scam Jam Oregon, a **first-ever event to help consumers recognize and prevent financial fraud and scams**, was so successful it had to move to a larger room in Portland's Convention Center. More than 600 people listened to speakers, received one-on-one advice from nonprofit, government and consumer advocates, and posed questions to a panel on identity theft, false advertising and telemarketing at the event hosted by the Division, the Oregon Department of Justice and AARP Oregon. The event garnered excellent news coverage, including a story about a woman who got caught in a fraudulent gold mine investment scheme and complained to DFCS. A similar event is being planned in southern Oregon and a second Portland Scam Jam is planned for October.

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## Pennsylvania Department of Banking and Securities

The Department elevated its **outreach to members of the military** by becoming a founding member of the Pennsylvania Military Finance Alliance, a first-of-its-kind collaboration that will host a series of military-focused financial education conferences titled “Making \$ense of Finance.” The Alliance is quickly becoming the premier military outreach network in Pennsylvania and strives to educate service members, veterans and their families on ways to protect themselves from investment fraud and enhance their financial readiness. Its membership consists of government agencies, nonprofits and military-related organizations approved by the U.S. Department of Defense. The Department regularly works with Family Assistance Centers, veterans groups and others to share distribution networks and serve as part of a statewide speakers bureau on important investing topics. Because of its military outreach, the Department recently joined the Governor’s Advisory Council on Veterans Services.



## Puerto Rico Commissioner of Financial Institutions

The Office has been working hard to better protect investors. Many financial education conferences have been offered to students, seniors and the general public. Investor alerts have been posted in the office’s website in English and Spanish. The Office has been working with a **new system, called “ERIC II,” to improve the processing of registration of securities by notification.** The Office also has worked in cooperation with state and federal authorities as expert witnesses to prosecute violators of securities laws. The Examination Division has detected unethical practices by broker-dealers and, in conjunction with the Legal Division, has reached settlement agreements to obtain restitution for investors.



## Rhode Island Department of Business Regulation

In 2013, the Department issued a **consumer alert to help protect Rhode Island residents**, especially those in the Filipino community, considering making charitable donations in the wake of Super Typhoon Haiyan. The alert reminded residents to check with the Department before donating to ensure the charity or fundraiser is properly registered in the state.



## South Carolina Securities Division

The Division **discovered and stopped a securities fraud scheme** operating under the guise of building a private school. A South Carolina investment adviser and his wife solicited investments to build and operate the school buoyed by promises of an 8 percent return. Though investment money was used to buy land and partially construct a building, the adviser also used those funds to buy his house, jewelry, and groceries, among other things. The Division also uncovered an unrelated fictitious investment trust. Instead of investing the trust money, the adviser converted these funds to his own use. The Division’s investigation started as a regular audit and grew as facts and victim complaints were uncovered. The adviser’s accounts were frozen and ultimately turned over to a court-appointed receiver charged with marshaling the assets for the benefit of investors.

# NASAA Member Activity | U.S.



## South Dakota Division of Securities

The Division completed its 8th year of holding the **Investor Education Essay Contest for South Dakota high school seniors**. The competition fielded 197 essays by students from 27 high schools throughout the state. This year's contest featured five topics: mutual fund vs. variable annuity; using a financial calculator, illustrate how you can obtain \$1 million by the age of 65; describe what it means to have a diversified portfolio; explain two types of investment fraud; and discuss the differences between a securities broker-dealer and a securities investment adviser. In all, \$25,200 was awarded to contest winners.



## Tennessee Securities Division

The Division **contributed to an investigation of an \$18 million Ponzi scheme** that resulted in the guilty plea of three men for their involvement. The men offered clients the opportunity to invest through promissory notes. More than half the money went to repay earlier investors, to pay salaries and overhead, or to personal expenses. The case began in 2005 when the Tennessee Bureau of Investigation and the Division conducted an undercover investigation that resulted in a bank record analysis, which led to multiple affidavits, a temporary restraining order, and asset freeze of business banking accounts. The case and records went to the State Attorney General's office as a criminal referral. The defendants were indicted by the FBI in 2009 and awaited prosecution until their guilty plea.



## Texas State Securities Board

The Texas State Securities Board **expanded its outreach to prosecutors** throughout Texas during the year and provided trial-ready teams with expertise to secure convictions for securities fraud and related offenses that included the assessment of prison terms of 85 years, 80 years, 40 years and 25 years in unrelated and geographically dispersed cases in Texas state courts.



## U.S. Virgin Islands Division of Banking and Securities

The mission of the Division is to serve and protect the public interest by **aggressively enforcing the insurance, securities and banking laws** in the Virgin Islands, while at the same time, assisting the insurance and banking industries to better serve the public.

# NASAA Member Activity | U.S.



## Utah Division of Securities

In 2013, the Division **helped form a “State Fraud Task Force” to address issues related to annuity regulation and enforcement.** In Utah, fixed annuities are insurance products regulated by the Utah Department of Insurance. Variable annuities are securities. The individual sales agents should be licensed both as an insurance agent with the Utah Department of Insurance and as a broker-dealer agent with the Division. Equity-indexed annuities, however, are deemed to be a fixed annuity and are regulated by the Utah Department of Insurance, not the Division. The task force was formed due to this complex “regulatory situation,” the high amount of annuity sales in Utah, and the increased incidence of “free meal educational opportunities,” newspaper ads and possible violations in this area. The group includes the Utah Department of Commerce (Divisions of Securities, Corporations, Real Estate, & Consumer Protection) and the Utah Department of Insurance. During quarterly meetings, joint regulatory cases are discussed, and new or possible repeat violations are made known to both groups. Through these coordinated efforts, 26 individual’s insurance licenses have been either revoked or flagged not to license in the future.



## Vermont Department of Financial Regulation

An investigation by the Department resulted in the **return in 2013 of more than \$130,000 to Vermont investors who invested in an oil and gas exploration project in Texas.** An additional \$20,000 was paid in fees and penalties and a portion will go to the Department’s investor education fund. An investigation by the Department determined that sales representatives for Surety Services LLC of Delaware were doing business in Vermont, but were not registered to do so. In June 2008, several Vermont residents were invited to Surety’s South Burlington office for a presentation by the president of the Texas company, AOE Operators. As a result, four Vermonters and one Vermont company purchased interests in the oil and gas rights of AOE. The shares were not registered in Vermont, which also is a violation of Vermont law.



## Virginia Division of Securities & Retail Franchising

An investigation led by the Division and the FBI led to the conviction of a Virginia man charged with defrauding investors of more than \$800,000 from a project aimed at purportedly developing a treatment for Human Immunodeficiency Virus infection/ Acquired Immunodeficiency Syndrome (HIV/AIDS). The fraudster was **sentenced to 108 months in prison.**

# NASAA Member Activity | U.S.



## Washington Department of Financial Institutions Securities Division

In July 2013, the Division saw **the successful closure of a major Ponzi scheme** it played a significant role in stopping when a fraudster pleaded guilty in federal court in Seattle to wire fraud and money laundering charges. The Ponzi scheme raised more than \$30 million from more than 200 investors between 2006 and 2009. In December 2013, the fraudster was sentenced to 10 years in prison and ordered to pay more than \$18 million in restitution. In May 2010, the Division brought an administrative case against the man, his companies, and five of his associates alleging they had sold unregistered securities, committed securities fraud, and acted as unregistered securities salespersons or broker-dealers. The Division also made a major contribution to the criminal case, working closely with the U.S. Attorney's Office, the IRS, and the FBI. DFI had primary responsibility for tracing the investors' funds. Division employees spent more than 3,500 hours on this task over a three-year period. Robert Kondrat, Supervisor of the Criminal Unit, was a key member of the prosecution team for the case as a Special Assistant United States Attorney.



## West Virginia Securities Commission

The West Virginia State Auditor's Office, which includes the Commission, sponsored its **11th annual Finance University, training 37 high school teachers** from 25 West Virginia counties. The program brings teachers together to hear experts explain personal finance topics. Finance University was developed by the West Virginia State Auditor's Office and partners of the West Virginia Jump\$tart Coalition in 2003. Since that time, more than 200 teachers throughout West Virginia have participated. The program has been recognized as a best practice for teacher training in the U.S. Financial Literacy Education Commission's National Strategy for Financial Literacy.



## Wisconsin Division of Securities

In 2013, the Division **successfully finished examining all investment advisers that had switched in 2012 from SEC to state regulation**. More than half of these advisers had never been examined by the SEC, and many had not been recently examined, so they welcomed our state examiners as a resource for their questions. One switch adviser subsequently stated that he was impressed with the quality of state regulation because he found it more flexible to the business being regulated instead of one-size-fits-all. The Division added value to the relationship with newly registered advisers by publishing an e-newsletter sent to all state-registered investment advisers on compliance-related and other timely topics, and being available on an Examiner of the Day phone line.



## Wyoming Compliance Division

The Division **revamped its Investor Awareness program**. In 2013, Wyoming partnered with the AARP and the Securities and Exchange Commission's Office of Investor Education and Advocacy. Given the large geographic size of the state and the small number of staff in the Division, this partnership allowed the Division to reach a much larger group than on its own. Outreach included presentations, each with an attendance of 150-300 individuals; a panel presentation on Wyoming PBS; and articles in each quarterly newsletter distributed to seniors across the state.

# NASAA Member Activity | Mexico



## Comision Nacional Bancaria y de Valores

On January 9, 2014, **financial reform legislation was signed into law.** The new legislation amends 34 different financial laws and strengthens the Mexican banking and securities sectors by increasing competition, improving guarantee collection, lowering borrowing costs, and enhancing transparency.. Among other issues, this reform makes it mandatory for investment advisors to register before the Comision and be certified by a self-regulatory organization. This measure will reduce regulatory arbitrage by investment advisors in regards to commercial banks and broker/dealers. Regarding mutual funds, the reforms introduce a more flexible framework that facilitates their authorization, incorporation, and operation procedures. The financial reform is part of a series of structural reforms that will contribute to Mexico's economic growth and prosperity.

# NASAA Member Activity | Canada



## Alberta Securities Commission

The Commission **held many education and outreach seminars** throughout 2013, including industry-focused sessions for exempt market dealers and portfolio managers to help them learn more about their regulatory obligations. The Commission also presented to various community organizations such as the Canadian Association for Retired Persons (CARP), the Better Business Bureau and several financial institutions on a broad range of topics, including how to recognize investment fraud, available Commission resources and how to best work together to protect the public. To increase Albertans' awareness of investor education resources, the Commission posted a 'Daily Tip' for investors on its Twitter page (@ASCUpdates) throughout Investor Education Month (October 2013). The Commission also alerted the public of potential misconduct and fraud by issuing investor alerts, posting blogs on current issues and running weekly 'Consumer Update' radio ads on rural radio stations.



## British Columbia Securities Commission

The Commission in November 2013 **created new on-line materials and province-wide presentations aimed at informing small businesses about British Columbia's capital raising rules.** The publication, *Capital Raising for Small Business*, is a free guide that covers: defining a security and the key principles of securities laws; discussing differences between the private placement market and public capital markets; explaining exemptions and how they apply when raising capital; and describing what information investors may seek from small businesses. The guide is available for download on the Commission's website. A video preview of the guide is on the Commission's YouTube page.

# NASAA Member Activity | Canada



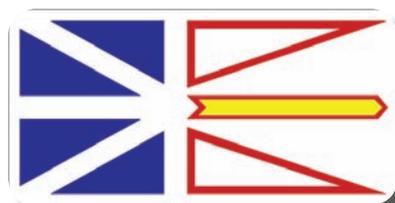
## Manitoba Securities Commission

In 2013, the Commission (MSC) and Winnipeg Police Service **teamed up to help Manitoba's professionals recognize investment fraud** with a pair of pop-up events in downtown Winnipeg. These events aimed to get investors talking about where and how investment scams can happen, and marked the launch of the MSC's RecognizeInvestmentFraud.ca website and educational campaign. Between the two events, more than 3,000 information packages were handed out, and traffic to the RecognizeInvestmentFraud.ca site spiked by more than 4,000 pageviews, all of which were boosted thanks to a successful outdoor media campaign, as well as radio and online ads that promoted listeners and viewers to learn the red flags of investment fraud.



## New Brunswick Financial & Consumer Services Commission

The Commission has a new name and expanded mandate. The Financial and Consumer Services Commission (FCNB) was created in July 2013 when the provincial government brought together the regulators of insurance, pension, consumer affairs, financial institutions and securities into one independent, self-funded entity. The FCNB has **created a new web resource to make it easier for New Brunswickers to find answers to financial and consumer questions** and provide them with information to protect them from fraud and to make informed financial decisions. The FCNB also launched its first public awareness campaign focused on each of the sectors that it regulates.



## Newfoundland & Labrador Financial Services Regulation Division

The Division **uncovered evidence that a firm allegedly located in Zurich, Switzerland, unlawfully traded securities and solicited residents to invest in the foreign exchange market**, known as forex, and other securities. Neither these entities nor its agent were registered to solicit or trade in securities in this jurisdiction. The agent used radio infomercials in Newfoundland and Labrador and at least one other province in Canada to solicit residents to invest money through offshore wire transfers to the United Kingdom. Investigators believe that the funds were then transferred to other countries. The Superintendent of Securities issued a permanent Cease Trade Order prohibiting the accused entities and its agent from acting, advertising, soliciting, conducting or negotiating directly or indirectly in furtherance of the trade of securities in the province.



## Northwest Territories Office of the Superintendent of Securities

The primary mandate of the Office is to protect the investing public. The Office serves as a gatekeeper for firms and their representatives wishing to sell securities to the public. In addition, the Office reviews prospectuses and applications for exemptive relief, **takes enforcement action against persons and companies who have violated securities laws** and provides various services to the public, such as: the filing of disclosure documents; the registration of dealers, advisers and representatives of securities; and responding to investor complaints and providing investor education.

# NASAA Member Activity | Canada



## Nova Scotia Securities Commission

The Commission approved a settlement agreement that found that providing escrow services and intermediating trades between companies and investors requires registration. The respondents admitted to funneling more than \$1.7 million through their bank accounts, more than \$350,000 of which related directly to stock purchases. The respondents agreed to 15-year bans on the use of exemptions and on their ability to register with the Commission. The respondents also agreed to pay an administrative penalty of \$60,000 and costs of \$5,000. In 2013, the Commission also partnered with a local Girl Guides troop to deliver investor education to youth ages 9-12. The presentation **helped 28 girls receive their financial literacy badge.**



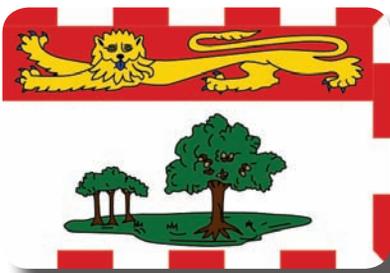
## Nunavut Office of Superintendent of Securities

The Office is within the Department of Justice, which **promotes and protects a peaceful society** through the administration of a justice system which respects the role of community members in maintaining harmony, and which adheres to the principles and values of Inuit Qaujimagatuqangit.



## Ontario Securities Commission

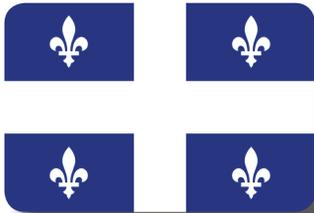
The Commission's increasing engagement with stakeholders has improved its understanding of their needs and affects how it undertakes outreach, education, regulatory policy, compliance oversight and enforcement work. This includes *OSC in the Community*, **an outreach program launched in 2013 to talk directly to investors from Ontario about how they can be more informed about their investments and advisors**, and how to recognize frauds and scams. A multi-faceted initiative, OSC meets with area businesses, government, law enforcement, post-secondary institutions and other community organizations impacted by the province's securities regulation. The Commission visited more than 10 Ontario cities. Investors have shared their feedback from *OSC in the Community* and attendees indicate they're getting useful information. These meetings also have helped establish relationships with local business communities and show the Commission is an accountable and transparent organization.



## Prince Edward Island Department of Environment, Labour & Justice

As part of a settlement approved by the Prince Edward Island Superintendent of Securities, a **firm agreed to offer a return of investment to investors**, was prohibited from exempt market capital-raising activities in Prince Edward Island for five years, and was ordered to prepare and deliver audited financial statements for the past three years. The firm was involved in distributing securities to Prince Edward Island residents in a manner that did not comply with Prince Edward Island securities law. In Canada, the exempt market involves the sale of private investments that do not require that investors be provided with a prospectus. In a two-year period, the firm raised about \$700,000 from 36 Prince Edward Island investors without properly relying on the accredited investor exemption to the prospectus requirement under Canadian securities laws.

# NASAA Member Activity | Canada



## Quebec Autorite des marches financiers

The AMF Quebec **started a unique project — a monthly webinar on investor education (IE) tools and programs available in Quebec and Canada.** This free webinar offers one unit of continuing training and education to registered advisors. The content includes an overview of financial literacy and the main tools, programs, calculators, and brochures offered that might be of interest for the advisors' clients. Advisors also are given an overview of initiatives related to AMF Quebec's network of financial education specialists and its partners' educational tools and projects. Advisors are invited to order hard copies of the material. Brochures are written in plain language and help investors be prepared to meet their advisor.



## Saskatchewan Financial and Consumer Affairs Authority

In December 2013, the Authority **began allowing small businesses and start-ups in Saskatchewan to sell stakes in their companies to residents of the province through the Saskatchewan Equity Crowdfunding Exemption.** The government's Plan for Growth: Vision 2020 and Beyond highlights the importance of helping Saskatchewan small businesses and start-ups meet the challenges of growth. Protecting the public interest is at the top of FCAA's priorities. In addition to other precautions, the Equity Crowdfunding Exemption limits the amount of money individual investors can risk and how much individual companies can raise.



## Yukon Office of the Superintendent of Securities

In September 2013, the Yukon Government invited a 60-day public review of new and amended regulations that are the final step in **modernizing Yukon's 30-year-old business legislation.** When approved, these regulations will proclaim amendments to the *Business Corporations Act*, *Partnership and Business Names Act*, *Societies Act* and *Cooperative Associations Act*, as well as consequential amendments to the *Personal Property Security Act* brought about by a complete new *Securities Transfer Act*. The Business Legislation Reform Project began in 2008 in parallel with the proclamation of a new *Securities Act*, and followed with amendments to the above noted Acts in 2010, as well as further amendments to the *Securities Act* in Fall 2012 as part of an ongoing provincial and territorial securities harmonization initiative in Canada. When complete, Yukon will have some of the most robust and modern business and securities legislation in Canada, creating an environment that is welcoming to business while providing appropriate safeguards to Yukon investors.

# NASAA Activity | Sections

## Broker-Dealer

### Overview

The point-of-sale contact that broker-dealers have with investors makes the work of the Broker-Dealer Section critical in achieving NASAA's mission of investor protection. The Section focuses on issues involving broker-dealers and agents, such as arbitration, qualification and licensing requirements, record keeping and compliance requirements, continuing education, and practices involving investors. The Section offers official comments on rule proposals; participates in discussions with industry, SROs, and federal regulators regarding trends and concerns in the brokerage industry; and provides guidance to states on broker-dealer issues. The Section oversees the activities of its project groups: Arbitration, Continuing Education, Exams Advisory, Investment Products/Services, Market and Regulatory Policy and Review, Operations and Variable Annuities. In addition, the Section works closely with the CRD/IARD Steering Committee.



Arbitration Project Group Chair Leslie Van Buskirk of Wisconsin listens as 2012-2013 Broker-Dealer Section Chair John Cronin of Vermont addresses attendees at NASAA's annual conference in Salt Lake City.

### 2013-2014 Section Committee

Bryan Lantagne (MA), Co-Chair  
Tanya Solov (IL), Co-Chair  
Pamela Epting (FL)  
Michael Youngberg (SD)  
Chris Besko (MB)  
Joseph Brady (NASAA)

### 2012-2013 Section Committee

John Cronin (VT), Chair  
Marc Minor (NY), Vice Chair  
Bryan Lantagne (MA)  
Tanya Solov (IL)  
Michael Youngberg (SD)  
Chris Besko (MB)  
Joe Opron (NASAA)

### 2013-2014 Project Group Chairs

Leslie Van Buskirk (WI)  
*Arbitration*  
Linda Bailey (TX)  
*Continuing Education*  
William Cahill (MA)  
*BD Exams Advisory*  
Carol Anne Foehl (MA), Chair  
*Investment Products/Services*  
Carolyn Mendelson (PA)  
*Market & Reg. Policy/Review*  
James Nix (IL), Chair  
*Operations*  
Mark Kissler (WA), Chair  
*Variable Annuities*

### 2012-2013 Project Group Chairs

Leslie Van Buskirk (WI)  
*Arbitration*  
John Cronin (VT)  
*Continuing Education*  
William Cahill (MA)  
*BD Exams Advisory*  
Carol Anne Foehl (MA)  
*Investment Products/Services*  
Carolyn Mendelson (PA)  
*Market & Reg. Policy/Review*  
Tanya Solov (IL)  
*Mergers & Acquisitions/Finders*  
James Nix (IL)  
*Operations*  
Mark Kissler (WA)  
*Variable Annuities*

# NASAA Activity | Sections

## Corporation Finance

### Overview

NASAA members have long helped facilitate capital formation at the state and local level. NASAA members assist entrepreneurs with their business plans and help them obtain resources to grow their enterprises and create local jobs. The Corporation Finance Section also develops and monitors policies for the registration of securities under state law. The Section oversees the activities of six Project Groups: Coordinated Interpretations, Business Organizations & Accounting, Corporation Finance Policy, Direct Participation Programs Policy, Franchise and Business Opportunities, and Small Business/Limited Offerings.

### 2013-2014 Section Committee

Jan Owen (CA), Chair  
Peter Cassidy (MA), Vice Chair  
Mark Heuerman (OH)  
Faith Anderson (WA)  
Jeff Soderstedt (PA)  
Susan Powell (NB)

### 2012-2013 Section Committee

William Beatty (WA), Chair  
Peter Cassidy (MA), Vice Chair  
Michael Benson (PA)  
Anetria Connell (KY)  
Colleen Monahan (CA)  
Susan Powell (NB)  
Rick Fleming (NASAA)

### 2013-2014 Project Group Chairs

Joy Sakamoto-Wengel (MD)  
*Coordinated Interpretations*  
Seth Hertlein (OH)  
*Business Organizations and Accounting*  
Dennis Britson (IA)  
*Corporation Finance Policy*  
Mark Heuerman (OH)  
*Direct Participation Programs Policy*  
Dale Cantone (MD)  
*Franchise and Business Opportunities*  
Faith Anderson (WA)  
*Small Business/Limited Offerings*

### 2012-2013 Project Group Chairs

Marlene Sparkman (TX)  
*Coordinated Interpretations*  
Seth Hertlein (OH)  
*Business Organizations and Accounting*  
Dennis Britson (IA)  
*Corporation Finance Policy*  
Mark Heuerman (OH)  
*Direct Participation Programs Policy*  
Dale Cantone (MD)  
*Franchise and Business Opportunities*  
Faith Anderson (WA)  
*Small Business/Limited Offerings*



William Beatty of Washington, 2012-2013 Corporation Finance Section Chair and current NASAA President-elect, oversaw the development of NASAA's new coordinated multi-state review protocols for Regulation A offerings to ease regulatory compliance costs on small companies seeking to raise capital.

# NASAA Activity | Sections

## Enforcement

### Overview

NASAA members have a significant history of bringing enforcement actions, including criminal prosecutions. NASAA assists its members in coordinating enforcement efforts regarding multi-state frauds by facilitating the sharing of information and leveraging the resources of states more efficiently. NASAA's Enforcement Section acts as a point of contact for federal agencies and self-regulatory organizations, such as the SEC, the FBI, the Postal Inspectors, and FINRA, and helps identify new fraud trends. The Section oversees the activities of several Project Groups, including: Enforcement Publications, Training, Internet Fraud Investigations, Oil/Gas Ventures, Reg D Investigations, SID Database and Enforcement Zones.



2012-2013 Enforcement Section Chair and current NASAA Board Member Judith Shaw of Maine oversaw the section's annual enforcement survey and the creation of the annual listing of top investor threats.

### 2013-2014 Section Committee

Diana Foley (NV), Chair  
Keith Woodwell (UT), Vice Chair  
Kevin Anselm (AK)  
Joe Rotunda (TX)  
Gerald Rome (CO)  
Tom Atkinson (ON)

### 2013-2014 Project Group Chairs

T. Webster Brenner (MD)  
*Enforcement Publications*  
Tracy Meyers (SC)  
& Jeffrey Spill (NH)  
*Enforcement Training*  
Jake van der Laan (NB)  
*Internet Fraud Investigations*  
Chad Harlan (KY)  
*Oil/Gas Joint Offerings*  
Allan Russ (NC)  
*Reg D Investigations*  
Charles Kaiser (OK)  
& Rodney Griess (NE)  
*SID Database*  
Jeffrey Spill (NB)  
*Enforcement Zones*

### 2012-2013 Section Committee

Judith Shaw (ME), Chair  
Keith Woodwell (UT), Vice Chair  
Kevin Anselm (AK)  
Joe Rotunda (TX)  
Abbe Tiger (NJ)  
R. Scott Peacock (NS)  
Rick Fleming (NASAA)

### 2012-2013 Project Group Chairs

T. Webster Brenner (MD)  
*Enforcement Publications*  
Tracy Meyers (SC)  
& Jeffrey Spill (NH)  
*Enforcement Training*  
Robert Moilanen (MN)  
*Internet Fraud Investigations*  
Gerald Rome (CO)  
*Litigation Forum*  
Chad Harlan (KY)  
*Oil/Gas Ventures*  
Allan Russ (NC)  
*Reg D Investigations*  
Charles Kaiser (OK)  
& Rodney Griess (NE)  
*SID Database*  
Jake van der Laan (NB)  
*Enforcement Zones*

# NASAA Activity | Sections

## Investment Adviser

### Overview

NASAA's Investment Adviser Section develops policies and monitors state registration and regulation of firms and professionals in the investment advisory business. The Section also develops uniform policies for ethical business practices and model rules to enforce the investment advisory provisions of state law. The Section oversees the activities of the Exams Advisory, Operations, Regulatory Policy and Review, Training, and Investment Adviser Zones project groups and works closely with the CRD/IARD Steering Committee.

### 2013-2014 Section Committee

Patricia Struck (WI), Chair  
Linda Cena (MI), Vice Chair  
Shonita Bossier (KY)  
Theodore Miles (DC)  
Ronak Patel (TX)  
Susan Pawelek (ON)  
A. Valerie Mirko (NASAA)

### 2012-2013 Section Committee

Andrea Seidt (OH), Chair  
Linda Cena (MI), Vice Chair  
Shonita Bossier (MS)  
Theodore Miles (DC)  
Ronak Patel (TX)  
Susan Pawelek (ON)  
A. Valerie Mirko (NASAA)

### 2013-2014 Project Group Chairs

Sheila Cahill (NE)  
*IA Exams Advisory*  
Michael Huggs (MS)  
*IA Operations*  
Gregory Abram (MA)  
*Regulatory Policy and Review*  
Clinton Edgar (TX)  
& David Swafford (CO)  
*IA Training*  
Oscar Gonzalez (TX)  
*IA Zones*

### 2012-2013 Project Group Chairs

Sheila Cahill (NE)  
*IA Exams Advisory*  
Michael Huggs (MS)  
*IA Operations*  
Gregory Abram (MA)  
*Regulatory Policy and Review*  
William Carrigan (VT)  
& Maurice Kamhi (CA)  
*IA Training*  
David Swafford (CO)  
*IA Zones*



Andrea Seidt of Ohio, 2012-2013 Investment Adviser Section Chair and current NASAA President, questions attorney Eugene Scalia during a panel discussion on cost-benefit analysis at NASAA's Public Policy Conference in Washington, DC.

# NASAA Activity | Sections

## Investor Education

### Overview

The Investor Education Section provides resources to help increase awareness of frauds and to build sound financial habits. Recognizing that education is a key weapon in the fight against investment fraud, the NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of the membership. The Section oversees the activities of four Project Groups: Alerts & Advisories, Outreach, Promotion & Coordination, and Social Media & Online Outreach.



*Daphne Smith of Tennessee, 2012-2013 Investor Education Section Chair oversaw the expansion of the section's Native American and Conversation Starters outreach initiatives and the development of investor alerts on energy investments and private placements.*

### 2013-2014 Section Committee

Lynne Egan (MT), Chair  
 Diane Young-Spitzer (MA), Vice Chair  
 Marissa Rignanesi (NB)  
 Bernice Geiger (NM)  
 Tina Kotsalos (PA)  
 Jaime Brockway (NASAA)

### 2013-2014 Project Group Chairs

Diane Young-Spitzer (MA)  
*Alerts & Advisories*  
 Bernice Geiger (NM)  
*Investor Outreach*  
 Marissa Rignanesi (NB)  
*Online Outreach & Social Media*  
 Barbara Bennett (NC)  
*Promotion & Coordination*

### 2012-2013 Section Committee

Daphne Smith (TN), Chair  
 Marissa Rignanesi (NB), Vice Chair  
 Lynne Egan (MT)  
 Bernice Geiger (NM)  
 Christina Kotsalos (PA)  
 Diane Young-Spitzer (MA)  
 Jaime Brockway (NASAA)

### 2012-2013 Project Group Chairs

Diane Young-Spitzer (MA)  
*Alerts & Advisories*  
 Bernice Geiger (NM)  
*Investor Outreach*  
 Marissa Rignanesi (NB)  
*Online Outreach & Social Media*  
 Christina Kotsalos (PA)  
*Promotion & Coordination*

# NASAA Overview

*The primary mission of NASAA is to represent and serve its members through **advocacy, education, subject-matter expertise, communication and coordination** as they protect investors from fraud and abuse. Through 2013 and into 2014, NASAA and its members worked collaboratively to advance our common goal of providing a regulatory environment that works efficiently for small businesses seeking to raise investment capital without sacrificing important protections for investors.*

## Government Affairs

Much of NASAA's government affairs agenda has focused on issues affecting NASAA members throughout the 113th Congress.

These primary issues include:

- the preservation of state oversight in reviewing small business offerings under "Regulation A Plus";
- improving the fairness of the securities arbitration process, including the introduction of legislation aimed at prohibiting the use of mandatory pre-dispute securities arbitration agreements by broker-dealers and investment advisers;
- improving the examination frequency of federally-registered investment advisers, including the introduction of legislation intended to improve the examination frequency of federally registered investment advisers;
- establishment of a uniform fiduciary duty standard for broker-dealers and their agents; and
- monitoring and providing recommendations on recent state legislative efforts to adopt state crowdfunding exemptions.

Other areas of activity include:

- Dodd-Frank Act and JOBS Act implementation;
- monitoring the development of various new capital formation proposals in the House of Representatives, sometimes collectively referred to as "JOBS Act 2.0";
- supporting full funding for the Securities and Exchange Commission;
- opposition to unreasonably burdensome cost-benefit analysis requirements;
- outreach regarding abuse of senior designations; and
- monitoring and providing recommendations on recent federal and state legislative efforts to enact social media privacy legislation with the potential to negatively impact investment adviser and broker dealer compliance.

## NASAA Testimony | 2013

- The Federal Arbitration Act and Access to Justice: Will Recent Supreme Court Decisions Undermine the Rights of Consumers, Workers, and Small Businesses?

Mike Rothman, NASAA Board Member  
Minnesota Commerce Commissioner  
Senate Judiciary Committee hearing; written statement for the record  
December 17, 2013

- The JOBS Act at a Year and a Half: Assessing Progress and Unmet Opportunities

Rick Fleming, then NASAA Deputy General Counsel  
Senate Banking Subcommittee on Securities, Investment and Insurance  
October 30, 2013

- Legislation to Further Reduce Impediments to Capital Formation

A. Heath Abshire, Past NASAA President  
Arkansas Securities Commissioner  
House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises  
October 23, 2013

*NASAA Deputy Director of Policy Anya Coverman discusses mandatory pre-dispute securities arbitration during a briefing for Congressional staff.*



# NASAA Overview



*Sen. Jon Tester (D-MT), then-chair of the Senate Banking Committee's Securities, Insurance, and Investment Subcommittee, greets then-NASAA Deputy General Counsel Rick Fleming following his testimony about NASAA's multi-state coordinated review program as NASAA Executive Director Russ Iuculano and Deputy Policy Director Anya Coverman look on.*



*In testimony before a House subcommittee, A. Heath Abshire, then-NASAA President, urges Congress to take a 'balanced approach' to legislative proposals to boost capital formation as NASAA Policy Director Mike Canning looks on.*

## Legal & Regulatory Affairs

Throughout 2013, NASAA's legal department focused primarily on providing expert commentary on JOBS Act and Dodd-Frank Act implementation and other issues, including comment letters:

- Favoring several proposed improvements to **Regulation D**, Form D and rule 156;
- Supporting FINRA's efforts to eliminate duplicative NASD, FINRA and NYSE rules and guidance regarding **supervision**, but advocating for stronger rules related to supervision of non-securities business lines;
- Supporting the extension of the fiduciary duty standard of care to broker-dealers through a **uniform fiduciary standard** of conduct no less stringent than that imposed in the Investment Advisers Act of 1940;
- Encouraging the SEC to use its Dodd-Frank authority to prevent the use of **class-action waivers** by broker-dealers and **ban the use of mandatory pre-dispute arbitration agreements**; and
- Urging the SEC to harmonize to the fullest extent possible the federal and state requirements for **Regulation A offerings** as called for by the JOBS Act.

## NASAA Legal Briefs | 2013

- *FINRA Department of Enforcement v. Charles Schwab & Company, Inc.*

NASAA's brief to the National Adjudicatory Council argues that a FINRA hearing panel erred by refusing to enforce FINRA rules prohibiting the use of class action waivers in customer agreements.

May 8, 2013

- *State of New York v. Greenberg*

NASAA's brief to the New York Court of Appeals argues that the New York Attorney General is not preempted by NSMIA or SLUSA from pursuing an enforcement action that includes a claim for money damages based on harms to investors.

January 31, 2013

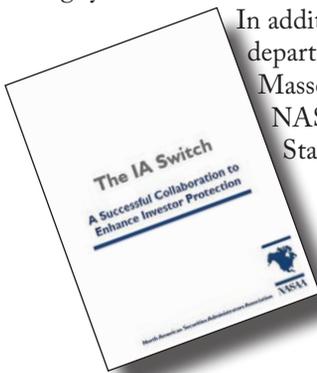
# NASAA Overview

The NASAA department also devoted significant time and effort toward developing and securing approval of NASAA's new coordinated review of Regulation A offerings.

Other special initiatives included working with NASAA's Investment Adviser Section on issues related to the "IA Switch," particularly in connection with exams and oversight. The Switch concluded in 2013 with an order by the SEC deregistering advisers no longer eligible to remain registered with the agency. In anticipation of the conclusion of the Switch, the legal department contributed to a comprehensive review of the Dodd-Frank mandated initiative. The report was made available in May 2013.

The department also continued to dedicate significant resources in support of NASAA's efforts to design and build an electronic filing system for Form D filings.

In addition, two members of the legal department continued to support David Massey of North Carolina in his role as NASAA's principal to the Financial Stability Oversight Council.



## Communications & Investor Education

NASAA's Communications program continues to strive to position NASAA and its members as a credible source of information and as a leading voice of investor protection through balanced regulation.

The majority of the communication department's work during 2013 has focused on aggressively advocating NASAA's policy positions regarding arbitration and various aspects of the JOBS Act, with an emphasis on crowdfunding, Regulation D general solicitation, and Regulation A small offerings provisions.



New publications from NASAA include the updated "Cutting Through the Confusion" brochure, a joint publication with the Investment Advisers Association and others; and an investor alert on energy investments by NASAA's Alerts & Advisories project group.



A. Heath Abshire of Arkansas (left) moderates a panel discussion on the importance of state oversight of small offerings at the NASAA annual conference. Panelists include (from left): Manning Warren of the University of Louisville Brandeis School of Law; Faith Anderson of the Washington Securities Division; and Mike Liles, attorney with Karr Tuttle Campbell.

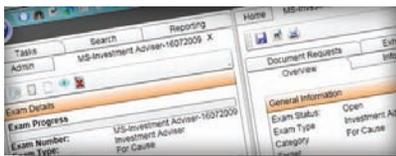
In March, NASAA held a news conference at the National Press Club to unveil the 2013 Legislative Agenda. The event featured then-NASAA President A. Heath Abshire and then-President-elect Steven Irwin (right) of Pennsylvania.



# NASAA Overview

## Training & Technology

NASAA continues efforts to enhance the use of technology to provide resources for its membership. Throughout 2013, NASAA staff worked with the membership to enhance user knowledge of the functions and benefits of NASAA's new Electronic Examination Modules (NEMO) software application. This



software enables examiners to conduct broker-dealer and investment adviser examinations in a secure, digital environment.

NASAA also offers a high level of training to

help keep its membership current on the latest developments in securities regulation and financial industry practices. In 2013, NASAA conducted training seminars in Pittsburgh, Pennsylvania, covering issues related to broker-dealers, investment advisers, enforcement, and corporation finance.

In addition, NASAA continued to enhance its distance education program to enable members to access NASAA training on demand.

## Conferences & Events

NASAA hosted two major conferences in 2013, bringing together the membership, other regulators, industry representatives, policymakers, academics and the media to explore the latest developments in securities regulation and industry practices.

The NASAA membership convened in Washington, D.C., in April for NASAA's Spring Conference and Public Policy Conference. In October, the membership met at NASAA's Annual Conference in Salt Lake City, Utah. Highlights of both conferences are shown on this page. Make plans now to attend NASAA's 2014 Annual Conference in Indianapolis, Indiana, in September 2014.



*Rep. Jim Himes (D-CT) addressing the Public Policy Conference.*



*Then-SEC Commissioner Elisse Walter speaking at the Public Policy Conference.*



*North Carolina Deputy Securities Administrator David Massey (left) with Maureen Jensen, Executive Director of the Ontario Securities Commission, and then-Senate Counsel Tyler Gellasch discuss the market environment for investors at the Public Policy Conference.*



*David Wright, Secretary General of the International Organization of Securities Commissioners, stresses the benefits of international collaboration.*



*At the Annual Conference, Maine Securities Administrator Judith Shaw (left) moderates a panel examining the arbitration system. Panelists include (from left) Douglas Brown, Manitoba Securities Commission; Ira Hammerman, Securities Industry and Financial Markets Association; Robert Banks, Banks Law Office; Andrew Pincus, Mayer Brown; and Professor Barbara Black, University of Cincinnati College of Law.*

# NASAA Leadership

## Board of Directors

### 2013-2014

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 William Beatty, Washington, President-Elect  
 A. Heath Abshure, Arkansas, Past President  
 Melanie Senter Lubin, Maryland, Treasurer  
 Judith Shaw, Maine, Secretary  
 Joseph Borg, Alabama  
 Michael Rothman, Minnesota  
 Douglas Brown, Manitoba (*through April 2014*)  
 Kathryn Daniels, Ontario (*from April 2014*)  
 Daphne Smith, Tennessee



*Heath Abshure completes his term as NASAA President by handing the gavel to Andrea Seidt of Ohio.*

### 2012-2013

A. Heath Abshure, Arkansas, President  
 Steve Irwin, Pennsylvania, President-Elect  
 Jack E. Herstein, Past-President  
 Chris Naylor, Indiana, Secretary  
 Fred J. Joseph, Colorado, Treasurer  
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## Board Committees

### 2013-2014 Board Committee Chairs

#### Awards

Craig Goettsch, Iowa

#### CRD/IARD Steering

Melanie Senter Lubin, Maryland

#### CRD/IARD Forms and Process

Anne Followell, Ohio

#### Electronic Filing Depository

William Beatty, Washington

#### Federal Legislation

A. Heath Abshure, Arkansas

#### Finance and Audit

Vacant

#### International

Kevin Hoyt, New Brunswick

#### Legal Services

Judith Shaw, Maine

#### NEMO Training and Support

Michael Huggs, Mississippi

#### Standardized Training and Technology

Rick Hancox, New Brunswick

#### Uniform Securities Act

Craig Goettsch, Iowa

### 2012-2013 Board Committee Chairs

#### Awards

Craig Goettsch, Iowa

#### CRD/IARD Steering

Melanie Senter Lubin, Maryland

#### CRD/IARD Forms and Process

Pam Epting, Florida

#### Electronic Filing Depository

Jack E. Herstein, Nebraska

#### Federal Legislation

Steve Irwin, Pennsylvania

#### Finance and Audit

Patricia McKenna, Maryland

#### International

Joseph Borg, Alabama

#### Legal Services

Chris Naylor, Indiana

#### NEMO Training and Support

Michael Huggs, Mississippi

#### Standardized Training and Technology

Rick Hancox, New Brunswick

#### Uniform Securities Act

Craig Goettsch, Iowa

# NASAA Awards

## Blue Sky Cube

A. Heath Abshure  
Arkansas

Steven D. Irwin  
Pennsylvania

The Blue Sky Cube, NASAA's highest honor, recognizes career achievement and distinguished contributions to securities regulation. It is named for Blue Sky Law, the umbrella term for state laws throughout the United States that regulate the offering and sale of securities. Kansas enacted the first Blue Sky Law in 1911 to protect investors from speculative schemes that, in the words of a judge of the period, had no more substance than so many feet of "blue sky."

## Outstanding Service Award

Linda Cena, Michigan  
Matt Kitzi, Missouri  
Marc Minor, New York  
Jim Mumford, Iowa  
Vincent Russo, Georgia  
Daniel Tanaka, New Mexico  
Tanya Weber, Mississippi

## Distinguished Service Award

Jake van der Laan, New Brunswick

## Lifetime Achievement Award

Robert Lam, Pennsylvania



*NASAA President Heath Abshure (right) presents the Blue Sky Cube to Pennsylvania Banking and Securities Commissioner Steven Irwin at NASAA's annual conference in Salt Lake City.*



*Former NASAA President David Massey (left) presents the Lifetime Achievement Award to retired Pennsylvania Securities Commissioner Robert Lam.*

# NASAA Staff

The daily operations of the association are managed by an executive director and a professional staff located in Washington, D.C. NASAA departments include legal, finance, government affairs, communications, investor education, and membership services.

## Executive Director



**Russ Iuculano**  
*Executive Director*

## Communications & Investor Education



**Bob Webster**  
*Director  
of Communications*



**Jaime Brockway**  
*Communications &  
Investor Education Manager*

## Legal



**Joseph Brady**  
*General Counsel*



**A. Valerie Mirko**  
*Deputy General Counsel*

## Finance & Operations



**Mark McLaughlin**  
*Director of Finance  
& Operations*



**Jason Wolf**  
*Training &  
Technology Manager*



**Kaprina Robinson**  
*Membership Services  
& Finance Manager*

## Conferences & Events



**Christopher Staley**  
*Counsel*



**Faye Gordon**  
*Paralegal*



**Lonnie Martin**  
*Membership &  
Meetings Manager*



**Danielle North**  
*Membership &  
Meetings Assistant*

## Government Affairs



**Michael Canning**  
*Director  
of Policy*



**Anya Coverman**  
*Deputy Director  
of Policy*



**Zachary Israel**  
*Government Affairs  
Assistant*

## Administrative Office



**Jennifer Marsoni**  
*Executive Assistant  
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Benefits Coordinator*



**Josephine Oundo**  
*Receptionist*



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