



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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April 13, 2021

Mr. Tim Storey
Executive Director
National Conference of State Legislatures
444 North Capitol Street, NW, Suite 515
Washington, D.C. 20001

**Re: Investor Protection and State Occupational Licensing
Legislation in the 2021 State Legislative Sessions**

Dear Mr. Storey:

I am writing on behalf of the North American Securities Administrators Association, Inc. (“NASAA”)¹ to call your attention to legislation recently enacted or introduced in several states regarding occupational licensing regulations.² NASAA does not necessarily support or oppose the merits of these initiatives, but we do oppose any initiative that could impinge upon the authority of state securities regulators to register or license financial services professionals.

I understand that a number of bills now pending in state legislatures would limit state securities regulators’ discretion when reviewing broker-dealer agent and investment adviser registration representative applications, including those from individuals with criminal convictions.³ Unless amended, these bills could prevent state securities regulators from denying applications from individuals convicted of plainly disqualifying conduct, such as securities fraud, forgery, theft, or embezzlement. Such a result is contrary to the investor protection role that securities regulators have carried out for decades.

State securities laws generally grant state securities regulators considerable discretion to approve or deny broker-dealer and investment adviser registration applications in the public interest. Securities regulators take this regulatory responsibility very seriously. They absolutely should have the discretion to deny a registration application from someone with a proven history

¹ The oldest international organization devoted to investor protection, the North American Securities Administrators, Inc. was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

² Jurisdictions that recently passed legislation include, the District of Columbia (Act A23-0561), North Carolina (HS770), and Texas (HB1342).

³ For instance, Maine (LD612, LD992), Nebraska (LB263), Rhode Island (S432), and West Virginia (SB548) have seen the introduction of legislation in 2021 that could limit or be construed to limit the authority of state securities regulators to deny, revoke, or condition professional licenses when doing so is necessary to protect investors and the public, including on the basis of an individual’s criminal record.

of dishonest or unethical conduct from entering the securities industry. However, certain state legislation now under consideration would preclude them from exercising such discretion.

I appreciate the policy reasons that have led to the introduction of such bills. However, registered financial professionals have access to highly sensitive financial information and often have direct access to investors' financial accounts and assets. Investors have a reasonable expectation that anyone who has achieved a broker-dealer agent or investment adviser representative license has earned this position of trust and confidence after satisfactorily completing review and consideration by the state's securities regulator.

To this end, I respectfully request your and the NCSL's assistance and support in apprising your membership of these concerns, and where appropriate, ensuring that bills amending state occupational licensing regulations take account of these issues to preserve the important investor protection mechanisms in current law. I offer the following as model language that could be inserted into these bills.

*Model Legislation Language*⁴

Nothing in this [act/section] shall apply to an applicant for a license that would allow the applicant to provide financial services in an industry regulated by the [jurisdiction's] securities regulator.

We welcome the opportunity to discuss these concerns in further detail and other issues of mutual interest to NASAA and NCSL. Should you or any of your members have questions or require additional information, please do not hesitate to contact me or Michael Canning, NASAA's Director of Policy & Government Affairs, at (202) 737-0900.

Sincerely,

A handwritten signature in black ink that reads "Joey Brady". The signature is written in a cursive, slightly slanted style.

Joey Brady
NASAA Executive Director

⁴ This model language is based on an exclusion included in Texas Occupations Code, Chapter 53.