



# State Regulatory Updates

June 7, 2022

# Presenters:

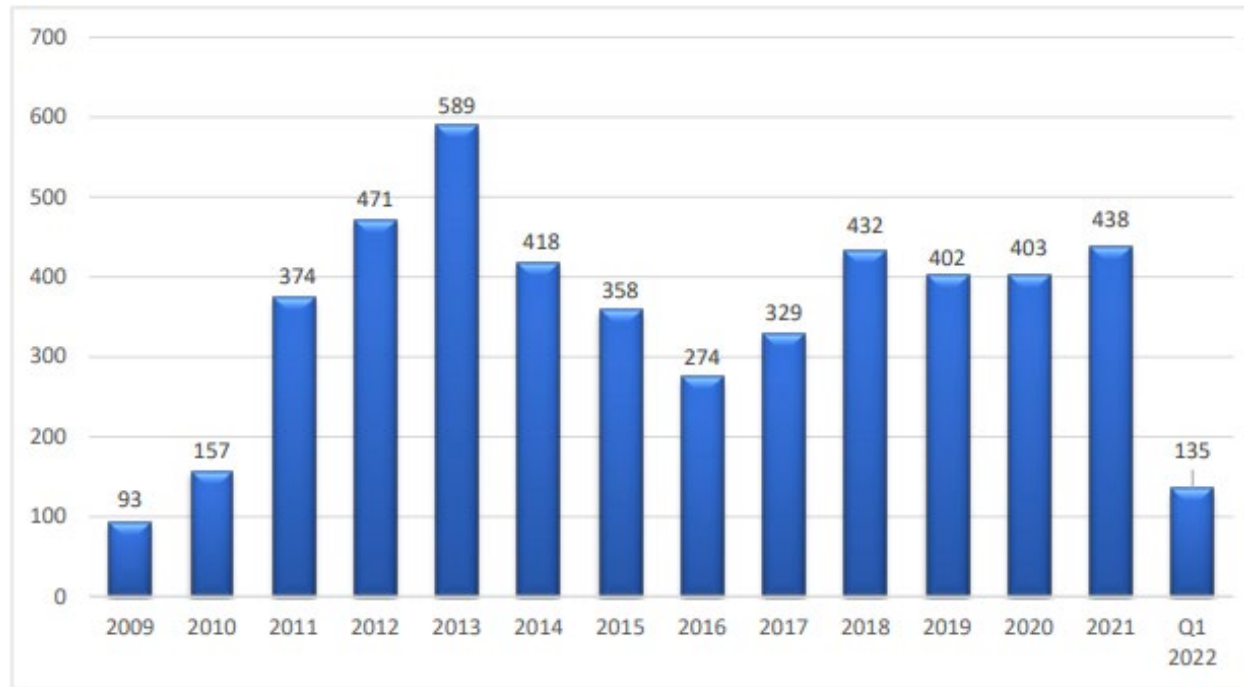
- **Marni Gibson**, Kentucky Securities Director
- **Ann Harris**, Florida Chief, Bureau of Registration
- **Natasha Hurt**, NASAA Senior Manager,  
Regulatory Services

# NASAA Priorities

- Regulation BI
- Unpaid Arbitration Awards
- Consumer Protection – Senior Issues and Diminished Capacity
- Continuing Education for IARs
- Expungement

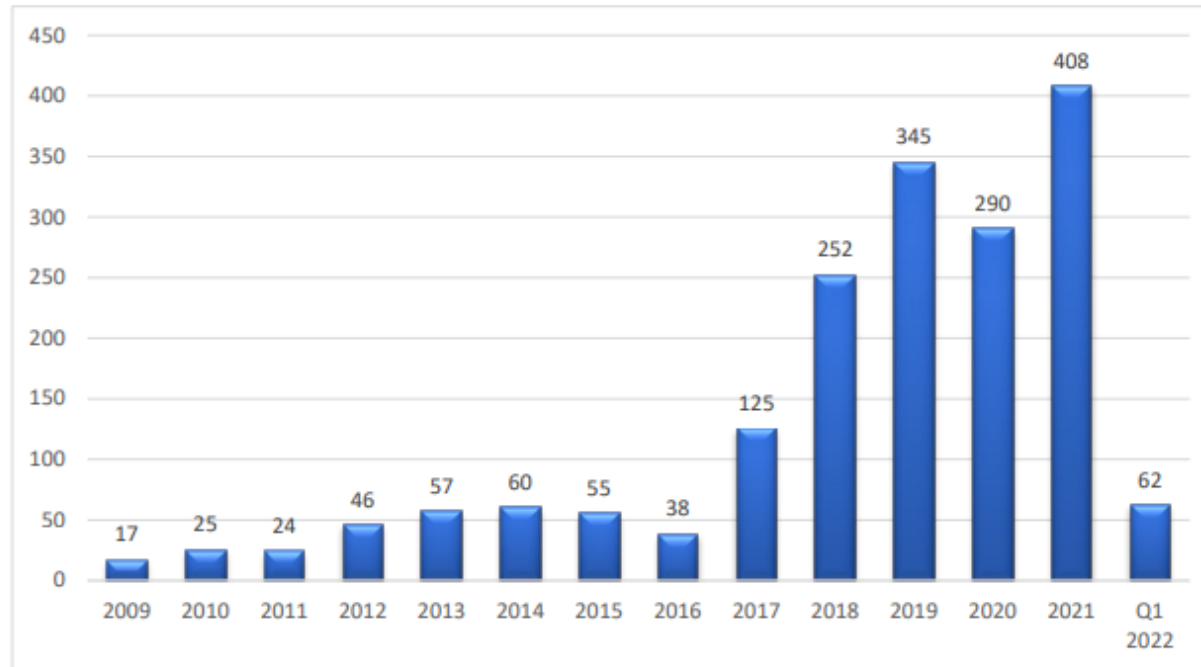
# Expungement

Rule 2080 Waiver Requests



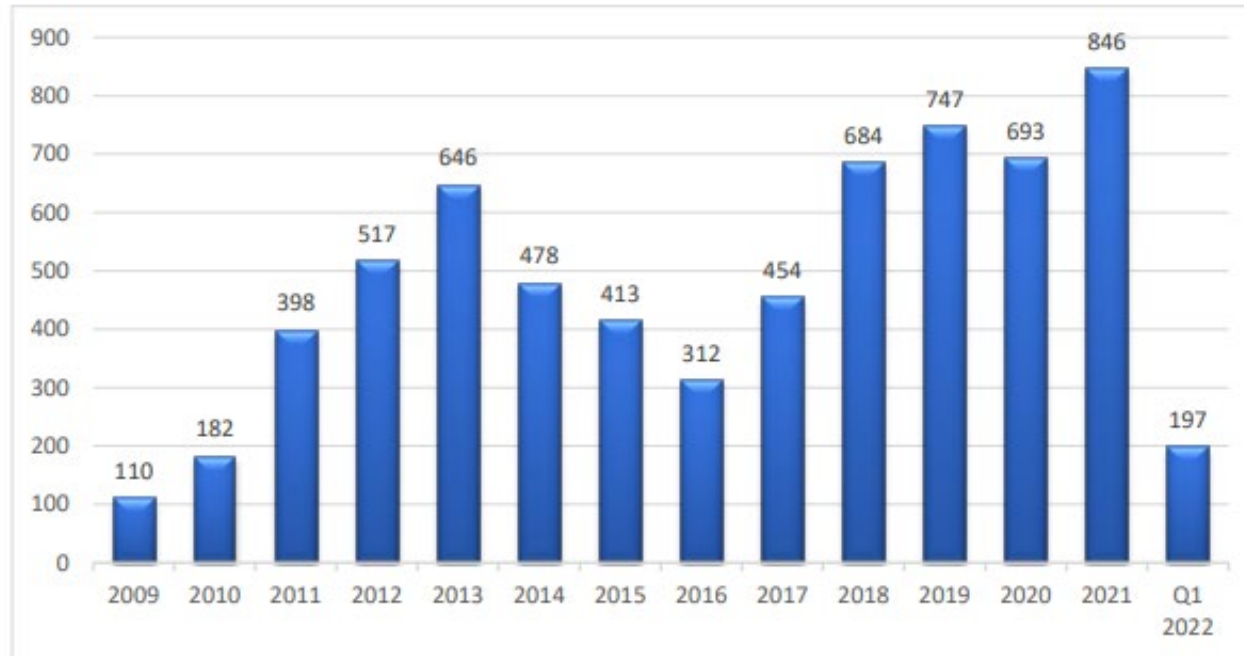
# Expungement

Rule 2080-Related Litigation  
(Some Prior Waiver Requests)



# Expungement

Combined Rule 2080 Waiver Requests & Litigations





# Model Rule – Unpaid Arbitration Awards

ADOPTED MAY 17, 2022

# Regulation Best Interest



NASAA's Regulation Best Interest Implementation Committee released its [Phase I report](#) in September 2020.



On 11/4/2021, the Reg BI Implementation Committee released its [Phase IIA report](#).



The Phase IIB



# 2021 Enforcement Report

## NASAA 2021 Enforcement Report

Based on an Analysis of 2020 Data



## Data Points

### COMPLAINTS & INVESTIGATIONS

Complaints Received: **5,498**  
Investigations Initiated: **5,501**

The statistics above reflect the number of complaints received and investigations initiated. These formal investigations are supplemented by extensive efforts to informally resolve complaints and referrals. As such, investigations differ widely in their complexity and in the number of suspects and victims involved, the amount of time required to conduct an investigation can range from a few weeks to several years.

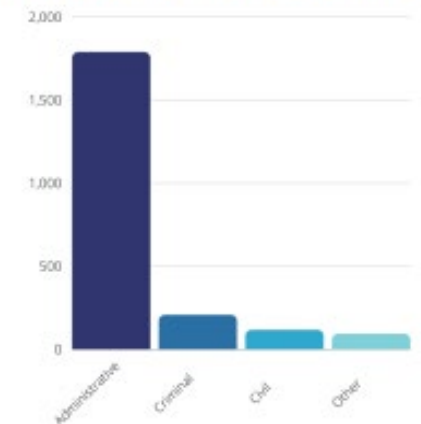
### ENFORCEMENT ACTIONS

Administrative: 1,788  
Criminal: 206  
Civil: 116  
Other: 92  
**Total: 2,202**

### TOP PRODUCTS SUBJECT TO INVESTIGATION



### ENFORCEMENT ACTIONS



While statistics and information regarding the broker-dealer population have always been fairly easy to obtain, information on state-registered investment advisers has been more elusive. The following facts and figures present a snapshot of the current status of state-registered investment advisers.

17,371

Total State-Registered IAs  
[Net Decrease of 83  
State-registered IAs from  
2020-2021]

### Top 5 State-Registered IAs Increase from 2020 – 2021

1. Florida – 53
2. Texas – 46
3. Tennessee/  
North Carolina – 14
4. Missouri – 12
5. Utah – 10

**Top 5 Most State-Registered IAs (Home State)**  
[As of 12/31/21]

1. California – 2,881
2. Texas – 1,386
3. Florida – 1,156
4. New York – 790
5. Illinois – 720

Top 5 Most State-Registered IAs (Total)  
[As of 12/31/21]

1. Texas – 4,228
2. California – 3,662
3. Florida – 1,867
4. New York – 1,321
5. Illinois – 1,013

Total State-Registered IAs AUM  
**\$412,808,679,777**

### State-Registered Investment Advisers East/West of the Mississippi

West 8,026 [46.2%] —  — East 9,345 [53.8%]

**27,648**

Total State-Registered IA Registrations  
[Net Increase of 236 Registrations from 2020-2021]

322

Average State-Registered  
IA per Jurisdiction

SEC Registered IA Map

State	SEC Registered IAs
CT	445
DE	41
DC	53
GU	0
MD	22
MA	61
NH	66
NJ	315
PR	30
RI	47
VT	30
VI	0
AK	12
HI	22
WA	275
OR	155
CA	1772
NV	61
UT	42
WY	18
MT	6
ND	252
SD	14
NE	68
KS	20
OK	324
TX	873
LA	163
AR	26
MS	72
AL	37
GA	30
FL	737
SC	76
NC	291
VA	208
PA	66
NY	571
CT	129
MA	330
NH	9
VT	277
ME	248
RI	75
MA	506
CT	1687
NY	38

12,278

Total SEC Notice Filed IAs  
[Net Increase of 895  
SEC Notice Filed IAs  
2020-2021]

**Top 5 Most SEC Notice  
Filed Investment  
Advisers  
[As of 12/31/21]**

1. California - 1,772
2. New York - 1,687
3. Texas - 873
4. Florida - 737
5. Massachusetts - 613

### Top 5 SEC Notice Filed Investment Advisers Increase from 2020 – 2021

1. Florida – 130
2. California – 106
3. Texas – 94
4. Washington – 41
5. New York – 32

**103,668**

Total SEC Notice Filed IA Registrations  
[Net Increase of 6,867 registrations  
2020-2021]

227

Average SEC Notice F  
per jurisdiction

SEC Notice Filed Investment Advisers

West 4,721 [38%] ———— ▲ ———— East 7,557 [62%]

Exam Type	Percentage
Hybrid of on-site and desk exams	27.91%
Only desk exams	23.26%
Only on-site exams	11.63%
Primarily desk exams, with flexibility for on-site exams	11.63%
Primarily on-site exams, with flexibility for desk exams	25.58%

\*Out of a total of 43 responses

# Senior Issues and Diminished Capacity

- NASAA supports the Empowering States to Protect Seniors from Bad Actors Act. (May 2022)
- May 2022 webcast – NASAA's Senior Issues and Diminished Capacity Committee Presents.
- NASAA and the SEC jointly hosted an older investor roundtable featuring AARP. (April 2022)
- FINRA, NASAA and SEC Urge Investors to Establish a Trusted Contact. (September 2021)
- Released an updated legislative commentary for the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation. (September 2021)



# State Regulation and Policy Updates

# Arkansas

- The Arkansas Securities Department has an update to their non-profit securities exemption.



# Montana

- Montana has recently changed their CRD settings to become a manual state.

# Ohio

- Effective 9/30/21, legislation was passed creating the Ohio Investor Recovery Fund (codified in RC 1707.47 and 1707.471). This Fund provides restitution assistance awards for certain victims of securities violations.
- *The Division's proposed rules to administer the fund are available at: <https://www.com.ohio.gov/ProposedRules.aspx>. These rules are currently under legislative review.*

# IAR CE Adoption

- Kentucky (effective 1/1/2023)
- Maryland (effective 1/1/2022)
- Michigan (effective 1/1/2023)
- Mississippi (effective 1/1/2022)
- Vermont (effective 1/1/2022)
- Wisconsin (effective 1/1/2023)
- *Several others pending*

# Investment Adviser Representative

CONTINUING EDUCATION



# Investment Adviser Representative Continuing Education Model Rule

- NASAA's IAR CE Committee developed a Model Rule, which was approved by NASAA's membership in November 2020.
- Jurisdictions began the adoption process in 2021.
- Maryland, Mississippi and Vermont successfully adopted with a 1/1/2022 effective date.

**NASAA Model Rule on Investment Adviser Representative Continuing Education (Model Rule 2002-411(h) or 1956-204(b)(6)-CE)**  
(Adopted 11/24/2020)

- (1) **IAR Continuing Education.** Every investment adviser representative registered under section 404 of the 2002 Act (or 201 of the 1956 Act) must complete the following IAR continuing education requirements each Reporting Period:
- (A) **IAR Ethics and Professional Responsibility Requirement.** An investment adviser representative must complete six (6) Credits of IAR Regulatory and Ethics Content offered by an Authorized Provider, with at least three (3) hours covering the topic of ethics; and
- (B) **IAR Products and Practice Requirement.** An investment adviser representative must complete six (6) Credits of IAR Products and Practice Content offered by an Authorized Provider.
- (2) **Agent of FINRA-Registered Broker-Dealer Compliance.** An investment adviser representative who is also registered as an agent of a FINRA member broker-dealer and who complies with FINRA's continuing education requirements is considered to be in compliance with the subrule (1)(B) IAR Products and Practice Requirement for each applicable Reporting Period so long as FINRA continuing education content meets all of the following baseline criteria as determined by NASAA:
- (A) The continuing education content focuses on compliance, regulatory, ethical, and sales practices standards.
- (B) The continuing education content is derived from state and federal investment advisory statutes, rules and regulations, securities industry rules and regulations, and accepted standards and practices in the financial services industry.
- (C) The continuing education content requires that its participants demonstrate proficiency in the subject matter of the educational materials.
- (3) **Credentialing Organization Continuing Education Compliance.** Credits of continuing education completed by an investment adviser representative who was awarded and currently holds a credential that qualifies for an examination waiver under Rule USA 2002 412(e)-1(d) comply with subrules (1)(A) and (1)(B) of this rule provided all of the following are true:



# Investment Adviser Representative Continuing Education Model Rule

- As of the date of this presentation, Kentucky, Michigan and Wisconsin have finalized adoption with a 1/1/2023 effective date.
- Other jurisdictions are in the process.
- NASAA's IAR CE Resources Page is consistently updated as new jurisdictions adopt.

## IAR CE Member Adoption

The jurisdictions listed below have either implemented an IAR CE requirement or have informed NASAA's IAR CE Committee they are planning to adopt an IAR CE requirement in 2022. Please note, this list will be updated as new information becomes available.

### Jurisdictions

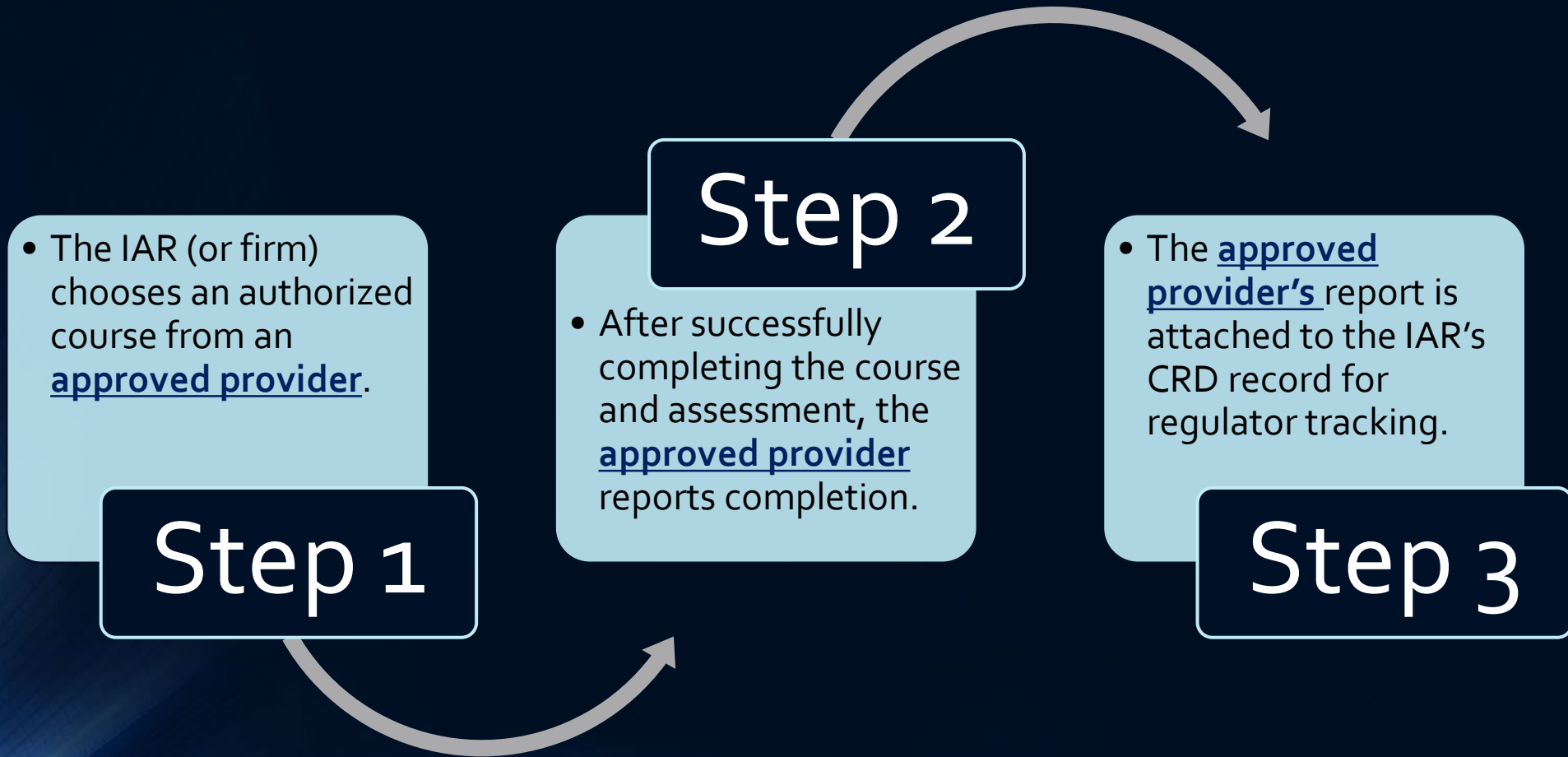
- Arkansas\*
- Kentucky (1/1/2023 effective date)
- Maryland
- Michigan (1/1/2023 effective date)
- Mississippi
- Nevada\*
- Vermont
- Washington, D.C.\*
- Wisconsin (1/1/2023 effective date)

*\*State adoption is planning to be finalized in 2022. If that is the case, implementation in that state will not occur until January 1, 2023. This page will be updated periodically as states adopt IAR CE or determine that they will implement the program in 2023.*

# IAR CE Model Rule Requirements

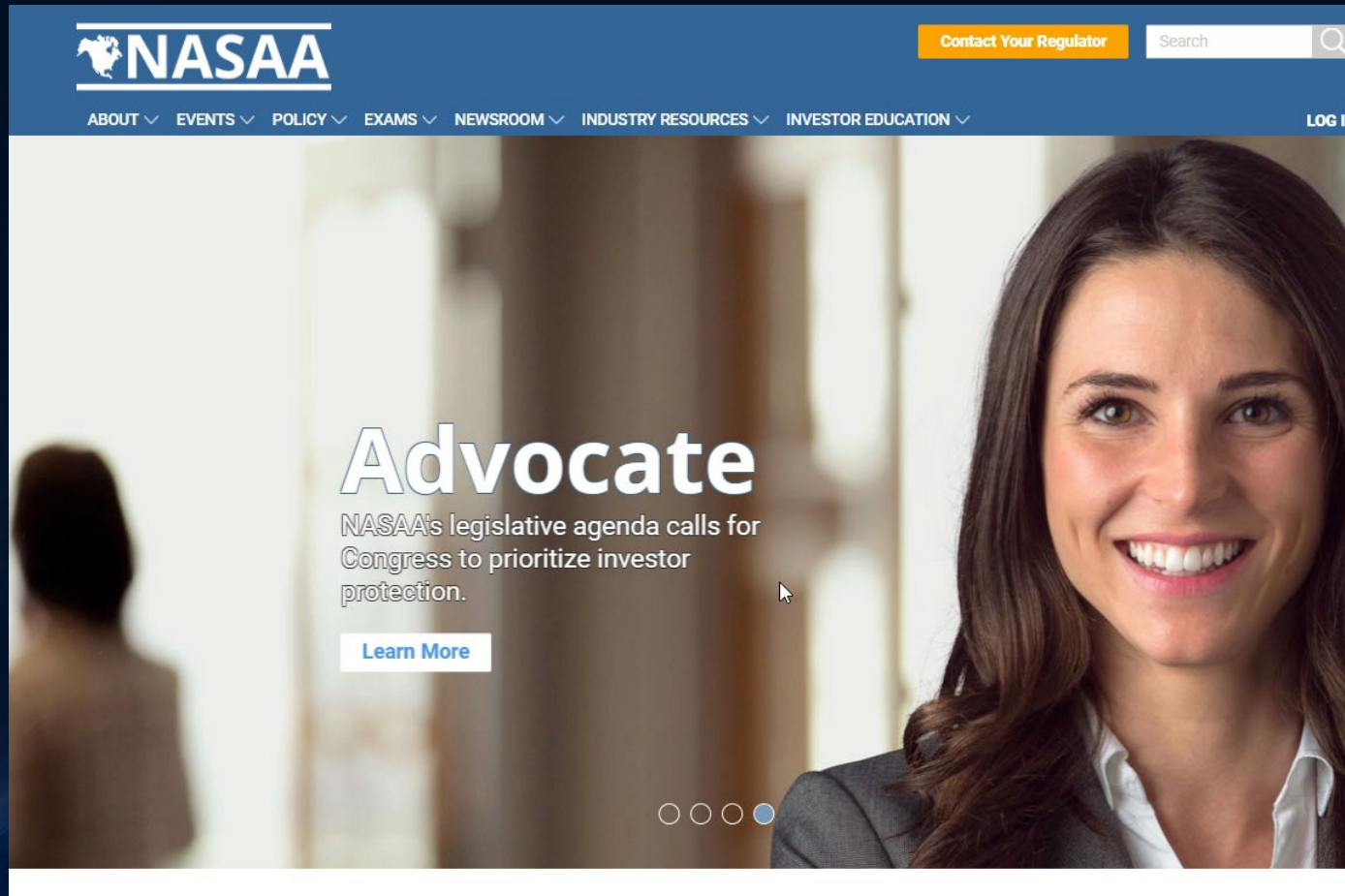
- 12 CONTINUING EDUCATION CREDITS ANNUALLY
  - 6 credits of Ethics and Professional Responsibility
  - 6 credits of Products and Practice
  - Individuals dually licensed as IARs and RRs may submit their FINRA Regulatory Element CE for IAR CE Products and Practice credit.
  - Individuals holding a professional designation can have the provider submit the CE for IAR CE credit as long as the course has been approved for IAR CE.
  - IARs may take more than 12 credits. However, the extra credit cannot be carried forward into a future reporting period.
  - Individuals that do not complete their IAR CE by Dec 31<sup>st</sup> will renew with a CE status of “deficient.”
  - Individuals that do not complete their IAR CE by Dec 31<sup>st</sup> of the second year, will fail to renew.

# How does IAR CE Work?



# Where can I find approved providers?

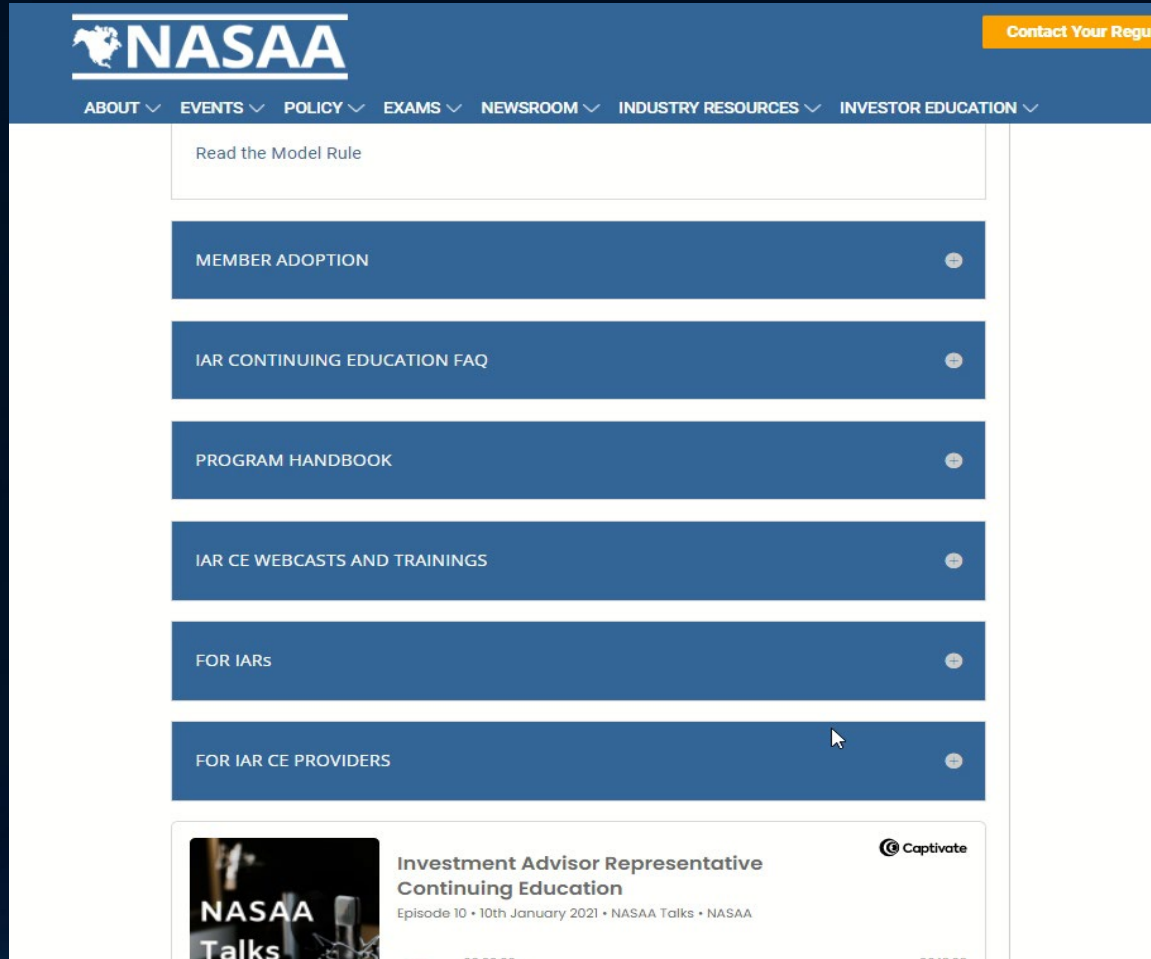
NASAA'S IAR CE RESOURCE PAGE





# Where can I find approved providers?

## NASAA'S IAR CE RESOURCE PAGE



The screenshot displays the NASAA website's IAR CE Resource Page. The header features the NASAA logo on the left and a "Contact Your Regulator" button on the right. Below the header is a navigation bar with links for ABOUT, EVENTS, POLICY, EXAMS, NEWSROOM, INDUSTRY RESOURCES, and INVESTOR EDUCATION. The main content area includes a "Read the Model Rule" link and a list of resource links: MEMBER ADOPTION, IAR CONTINUING EDUCATION FAQ, PROGRAM HANDBOOK, IAR CE WEBCASTS AND TRAININGS, FOR IARs, and FOR IAR CE PROVIDERS. At the bottom, there is a promotional banner for "Investment Advisor Representative Continuing Education" (Episode 10) and a Captivate logo.

**NASAA**

Contact Your Regulator

ABOUT ▾ EVENTS ▾ POLICY ▾ EXAMS ▾ NEWSROOM ▾ INDUSTRY RESOURCES ▾ INVESTOR EDUCATION ▾

Read the Model Rule

MEMBER ADOPTION

IAR CONTINUING EDUCATION FAQ

PROGRAM HANDBOOK

IAR CE WEBCASTS AND TRAININGS

FOR IARs

FOR IAR CE PROVIDERS

**NASAA Talks**

Investment Advisor Representative Continuing Education

Episode 10 • 10th January 2021 • NASAA Talks • NASAA

Captivate



# What do I look for when choosing a course for IAR CE credit?

- IS THE CE PROVIDER AN APPROVED PROVIDER?
- DOES THE CE PROVIDER STATE THAT THE SPECIFIC COURSE QUALIFIES FOR IAR CE CREDIT?
- DOES THE COURSE GIVE YOU CREDIT FOR THE IAR CE COMPONENT YOU NEED?

*(ETHICS AND PROFESSIONAL RESPONSIBILITY VS. PRODUCTS AND PRACTICE)*

# How do I know my course was reported?

FINRA'S FINANCIAL PROFESSIONAL GATEWAY (FINPRO)

# How do I know my course was reported?

IAR Continuing Education					
<div><div></div><div>To learn more about IAR Continuing Education, please see <a href="#">NASAA IAR CE Website</a>. IAR CE requirement exists because one of the states that you are currently registered with has opted in to participate in IAR CE. <a href="#">Click here</a> to view the list of participating states.</div></div>					
2022	Complete	Total Credits 12.0 of 12.0		Due Date 12/30/2022	
Course Provider	Course Name	Course ID	Completion Date	Credit Type	# of Credits
S11111	Marry Monroe	C77613	03/02/2022	Products & Practice	0.0 <div></div>
S11111	Selomon Wilson	C51621	03/02/2022	Products & Practice	6.0
S11111	Janet Mathews	C24981	03/02/2022	Ethics & Professional Responsibility	6.0
S11111	Janet Anthony	C99666	03/02/2022	Ethics & Professional Responsibility	0.0 <div></div>
If you do not see a course you completed above please contact your course provider.					
<a href="#">VIEW FULL IAR CE TRANSCRIPT</a>					



How can an IA firm track IAR  
CE for their employees?

Can a firm be an IAR  
CE provider?



# IAR CE Program Handbook



**NASAA** Investment Adviser Representative  
Continuing Education Program



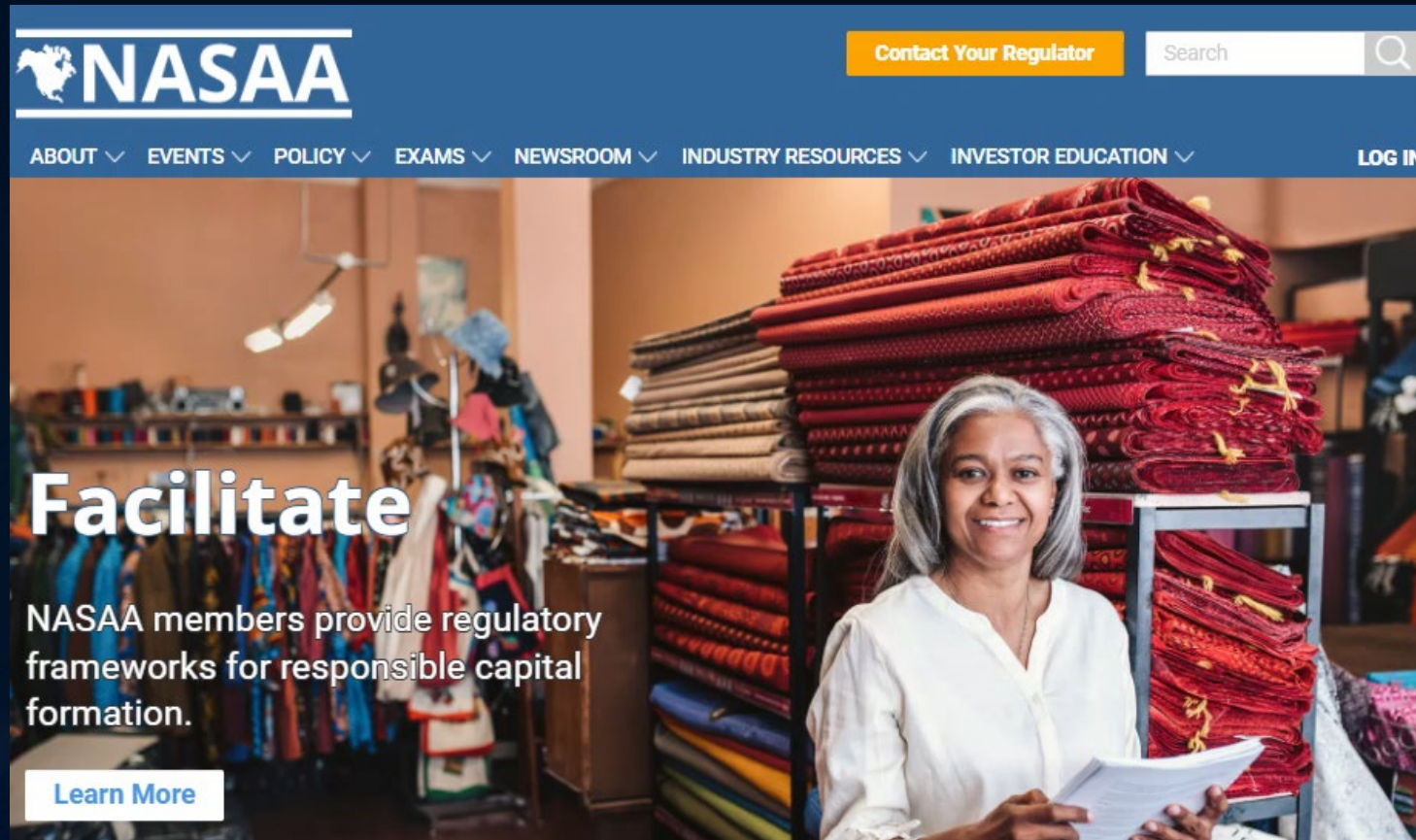
SEPTEMBER 2021

[nasaa.org](https://nasaa.org)

protecting investors for over 100



# IAR CE Resources Page



The screenshot shows the top portion of the NASAA website. The header is a solid blue bar. On the left is the NASAA logo, which includes a stylized map of North America and the acronym 'NASAA'. To the right of the logo is an orange button labeled 'Contact Your Regulator'. Further right is a search bar with the placeholder text 'Search' and a magnifying glass icon. Below the header is a navigation menu with the following items: 'ABOUT', 'EVENTS', 'POLICY', 'EXAMS', 'NEWSROOM', 'INDUSTRY RESOURCES', 'INVESTOR EDUCATION', and 'LOG IN'. Each item has a small downward arrow indicating a dropdown menu. The main content area features a large photograph of a woman with grey hair, wearing a white blouse, smiling and holding a document. She is standing in front of a large stack of folded red and orange patterned fabrics. To the left of the woman, the word 'Facilitate' is written in a large, white, sans-serif font. Below this word, the text 'NASAA members provide regulatory frameworks for responsible capital formation.' is displayed in a smaller, white, sans-serif font. At the bottom left of the hero section, there is a white button with the text 'Learn More' in blue.

**NASAA**

Contact Your Regulator

Search

ABOUT ▾ EVENTS ▾ POLICY ▾ EXAMS ▾ NEWSROOM ▾ INDUSTRY RESOURCES ▾ INVESTOR EDUCATION ▾ LOG IN

## Facilitate

NASAA members provide regulatory frameworks for responsible capital formation.

[Learn More](#)

# State Exam Validity

IN RESPONSE TO FINRA'S  
MAINTAINING QUALIFICATION PROGRAM



# Questions?

[www.nasaa.org](http://www.nasaa.org)

Exam Questions: [Exams@nasaa.org](mailto:Exams@nasaa.org)

IAR CE Questions: [IARCE@nasaa.org](mailto:IARCE@nasaa.org)