



NASAA Insight

The Voice of State & Provincial Securities Regulation
Fall, 2016

Minnesota Commerce Commissioner Mike Rothman Elected NASAA President

Minnesota Commissioner of Commerce Mike Rothman began a one-year term in September after having been elected president of the North American Securities Administrators Association (NASAA), the oldest international organization devoted to investor protection and responsible capital formation.

In his inaugural address at NASAA's 2016 Annual Conference in Providence, Rhode Island, Rothman issued a call for greater collaboration among regulators at all levels of government.

"Working together is critical to our common regulatory imperative and mission: to protect investors from fraud and abuse, maintain fair and efficient financial markets, and support responsible capital formation to make a better economy," Rothman said.



"Investors trust that 'someone' is keeping watch to make sure that the businesses and individuals who manage their money are doing so responsibly. We are that 'someone,'" said NASAA President and Minnesota Commerce Commissioner Mike Rothman at NASAA's 2016 Annual Conference in Providence, Rhode Island.

NASAA's Senior\$afe Training Week Reaches More Than 700 Investment Services Professionals Across the Nation

NASAA recently announced the successful completion of the first Senior\$afe Training Week, which provided training on how to identify and report suspected cases of senior financial exploitation.

Programs were held across the United States reaching more than 700 investment services professionals, ranging from individual stockbrokers and investment advisers to compliance executives.

Mike Rothman, NASAA President and Minnesota Commissioner of Commerce, said NASAA members used Senior\$afe Training Week (October 2-8) to promote greater awareness among financial services employees about the red flags of

senior financial exploitation.

"Combating financial exploitation of investors, especially older Americans, is a top priority for state securities regulators," said Rothman. "Investment services providers are uniquely positioned to help protect seniors and identify financial abuse on the front lines. We believe the Senior\$afe training program is an essential resource for these industry professionals. We will continue to conduct training programs in the months ahead to reach many more investment professionals."

Additional trainings are scheduled for November and December. Check the Senior\$afe Training calendar on the Serve Our Seniors website (serveourseniors.org) for details.

President's Message: Mike Rothman



The Annual Conference was a terrific way to kick off my year as NASAA's president. Thank you again to everyone who worked so hard on a fantastic program! The panels and speakers were exceptional. In particular, it was great to hear from SEC Chair Mary Jo White on her views of key regulatory and diversity issues. I hope we will continue the

very important discussions we started on diversity, and we will look for ways to do so.

In my first remarks as NASAA President, I announced our new board members and section leaders, and laid out our top goals for the year.

We have a strong leadership team, and I'm truly excited about the opportunities we have to strengthen relationships with our federal counterparts, and collaborate and undertake key initiatives to strengthen the protection of investors.

I am joined on NASAA's new Board of Directors by:

- President-elect Joseph Borg, Alabama;
- Past President Judith Shaw, Maine;
- Michael Pieciak, Vermont, Treasurer;
- Shonita Bossier, Kentucky, Secretary;
- Kevin Anselm, Alaska;
- Tom Cotter, Alberta;
- Pamela Epting, Florida; and
- Melanie Senter Lubin, Maryland.

NASAA's new Section Chairs are:

- Broker-Dealer: Andrew Hartnett, Missouri;
- Corporation Finance: William Beatty, Washington;
- Enforcement: Laura Posner, New Jersey;
- Investment Adviser: Andrea Seidt, Ohio; and
- Investor Education: Karen Tyler, North Dakota.

Our board and section chairs represent a wide variety of talent and strong experience. As a board, we are committed to working with the Corporate Office staff and all NASAA members to build on our success of this past year.

As NASAA president for the coming year, I will build on our strengths and accomplishments.

We will focus on making NASAA an even better organization ... stronger in our service to our state and provincial members ... and, above all, stronger in supporting our responsibilities to protect the investing public.



NASAA's 2016-2017 leadership team. From left, IE Section Chair Karen Tyler, Board Member Kevin Anselm, Board Member Pamela Epting, Treasurer Michael Pieciak, Past President Judith Shaw, IA Section Chair Andrea Seidt, President Mike Rothman, President-elect Joe Borg, Corporation Finance Section Chair Bill Beatty, Enforcement Section Chair Laura Posner, Board Member Melanie Lubin, Broker-Dealer Section Chair Andrew Hartnett, Secretary Shonita Bossier, and Board Member Tom Cotter.

Our priority issues for the year — cybersecurity, enforcement, protecting seniors, providing investor education and helping to facilitate responsible capital formation, in fact nearly all the issues we work on — revolve around a key priority: collaboration.

This is nothing new. It builds on one of NASAA's greatest strengths as an organization. But there is always more we can do.

Over the course of the year, I would like NASAA members to look at additional opportunities for multi-jurisdictional investigations, examinations and other initiatives. This includes efforts that would engage our Canadian and Mexican members. Especially on the enforcement front, we know that bad actors do not respect state, provincial or national borders. We need to enhance our collaboration across borders.

NASAA has a distinguished history — with a strong and proud record of helping its members fulfill their responsibility to protect investors and ensure financial-market integrity.

NASAA's mission has never been more important than it is today. We are living in an ever-changing and ever-more-complex financial world. It is a world that constantly presents new challenges to investors — and also new challenges to us, as regulators.

We have a full, exciting agenda ahead of us for the coming year, and I look forward to working with all of you!

NASAA Supports SEC Effort to Modernize Rules on Intrastate and Regional Securities Offerings

The Securities and Exchange Commission recently voted to adopt final rules to facilitate intrastate and regional securities offerings. The SEC action includes changes to the intrastate offering exemption for Securities Act Rule 147, the adoption of a new exemption, and the expansion of the small offering exemption under Rule 504 of Regulation D.

Mike Rothman, NASAA President and Minnesota Commissioner of Commerce, said the SEC's vote represents "a significant step" toward better alignment with modern technology and business practices.

"These changes will allow small companies to make better use of state crowdfunding and limited offering exemptions to raise capital," Rothman said. "Investors and small companies also will benefit from changes to capital formation rules that include significant investor protections and preserve state authority. We look forward to closely reviewing the final rules and working with the Commission in their implementation."

A week before the vote a bipartisan group of 15 members of the House Financial Services Committee, led by Reps. Tom Emmer (R-MN) and Gwen Moore (D-WI), wrote to SEC Chair Mary Jo White commending the agency for proposing amendments to Rule 147 and to Rule 504 and strongly encouraging their adoption.

Rothman said the much needed improvements to Rules 147 and 504 could provide a tremendous benefit to small businesses in the 35 U.S. jurisdictions that have regulations to implement intrastate crowdfunding exemptions.

New Guide Outlines Practices, Procedures for Protecting Seniors and Vulnerable Adults from Financial Exploitation

NASAA has developed a guide to assist broker-dealer and investment adviser firms in developing practices and procedures to detect and address instances of diminished capacity in senior and other clients and suspected cases of senior financial exploitation. The guide is available in the Industry section of the Serve Our Seniors website (serveourseniors.org).

The new guide highlights steps that firms can take to identify and respond to issues that are common in working with senior investors, including new tools that may be available under state law. The guide is structured around five key concepts: identifying vulnerable individuals; governmental reporting; third-party reporting; delaying disbursements from client accounts; and continuing regulatory cooperation following reports or disbursement delays.

The guide was compiled after substantial research and consultation with a broad range of experts, including securities industry associations representing broker-dealers and investment advisers, advocacy organizations for seniors, and other organizations representing agencies on the front lines of addressing senior financial exploitation and diminished capacity issues.

NASAA Coordinated Exams Focus on Broker-Dealer Policies and Procedures for Senior Investors

Preliminary findings of coordinated examinations of broker-dealer firms by state securities regulators show that while improvements have been made in how firms interact with their elderly clients, some firms lack formal written procedures on key areas related to senior investors.

"The preliminary findings from the coordinated examinations indicate that efforts to highlight the need for procedures that focus on senior investor matters have been successful at effecting change, but continued progress is necessary to best serve our aging population," said NASAA Past President and Maine Securities Administrator Judith Shaw.

The 2016 NASAA coordinated examination initiative, which included 62 exams, focused largely on activity in senior client accounts at the examined firms. NASAA Broker-Dealer Section Chair and Missouri Securities Commissioner Andrew Hartnett said the coordinated exams sought information on whether the subject broker-dealer had implemented written procedures specific to four key issues: the suitability of recommendations to senior investors; communications with seniors; escalation protocols in the case of suspected elder abuse; and escalation practices in response to signs of diminished capacity.

About 39 percent of the exams resulted in findings that the firm had established written procedures addressing all four of these areas. Twenty percent of the exams found that the firm had not established written procedures addressing any of the four areas.

2016 Annual Conference

Diversity in Today's Financial Marketplace

Conference Highlights Importance of Increasing Diversity for Market Participants and the Challenges of Serving & Protecting an Increasingly Diverse Client Base



Maria D'Alessandro, Conference Chair and Rhode Island Deputy Director of Securities, Commercial Licensing and Gaming and Athletics, welcomes attendees to Providence.



NASAA Executive Director Joseph Brady provides attendees with an update on NASAA's accomplishments in a variety of areas over the past year.



"In our increasingly multi-cultural society, embracing diversity and fostering inclusion are essential for continued business success. It's also the right thing to do," Debbie Matz, immediate past chair of the National Credit Union Administration said during her remarks, which opened the conference with a focus on how credit unions have expanded their membership base by reaching out to new and diverse communities of investors, the opportunities for the securities industry and changing corporate culture from within to build a more inclusive workforce.



Pennsylvania Secretary of Banking and Securities Robin Wiessmann (left) moderates a panel on gender diversity in the financial services industry with Kathryn Daniels of the Canada Pension Plan Investment Board and Nadine Augusta of the Depository Trust and Clearing Corporation.



Professor Wendy Schiller, chair of Brown University's Political Science Department, discusses the 2016 race for the White House and Congress.

2016 Annual Conference

Then-NASAA President Judith Shaw conducts a wide-ranging interview of SEC Chair Mary Jo White covering subjects ranging from her efforts to address diversity in the financial markets and boardrooms to various regulatory initiatives underway at the SEC.



Elder protection advocate Philip Marshall, grandson of Brooke Astor, shares his powerful personal story of elder fraud and abuse at the Investor Education Section Forum. During the Forum, NASAA also released its Guide For Developing Practices and Procedures For Protecting Senior Investors and Vulnerable Adults From Financial Exploitation.



Moderator and Vermont Commissioner of Financial Regulation Michael Pieciak discusses capital formation for women and minority-owned startups with Olufunmilayo B. Arewa, (center), law professor at the University of California, Irvine, and Liza Benson, a partner at the venture capital firm StarVest Partners.



Kentucky Securities Director Shonita Bossier leads a discussion focused on protecting and serving an increasingly diverse client base. Panelists included Theodore Miles of the District of Columbia Department of Insurance, Securities and Banking; Julia A. Peloso-Barnes of Morgan Stanley; and Jeremy Smith of The Aspen Institute (pictured).

NASAA President Mike Rothman delivers his inaugural address at NASAA's Presidential Luncheon and issues a call for greater collaboration among regulators at all levels of government: "Collaboration and working together is critical to our common regulatory imperative and mission: to protect investors from fraud and abuse, maintain fair and efficient financial markets, and support responsible capital formation to make a better economy," Rothman said. "We also plan to build on our multi-jurisdictional registration systems and technology, to enhance uniformity and efficiency in regulation."

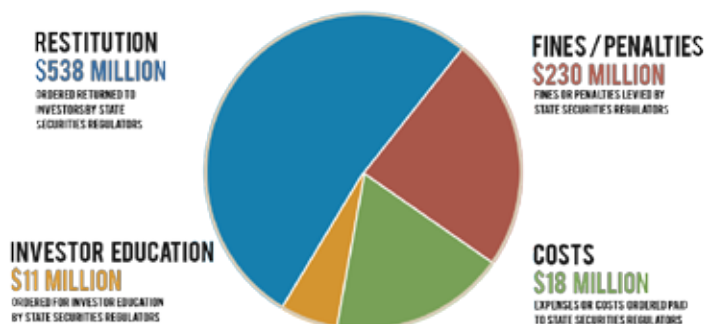


SNAPSHOT: NASAA 2016 Enforcement Report Based on 2015 Data

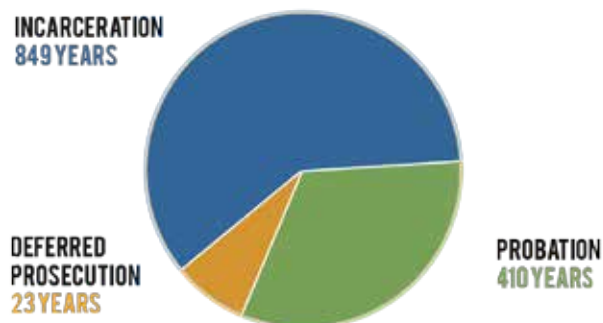


NASAA annually conducts an enforcement survey of its U.S. members, analyzes the data and identifies trends. This year, 52 U.S. jurisdictions responded to the survey. The results demonstrate that NASAA members are well-prepared to aggressively protect the integrity of financial markets and investors from fraud. Visit nasaa.org for the full report.

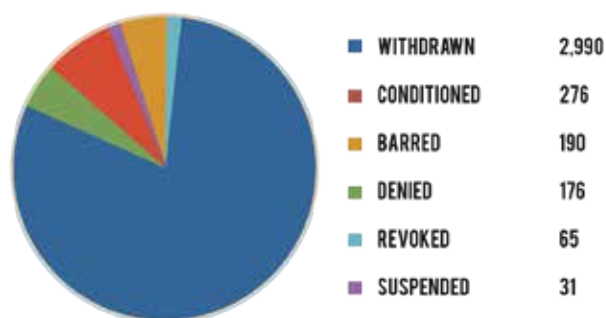
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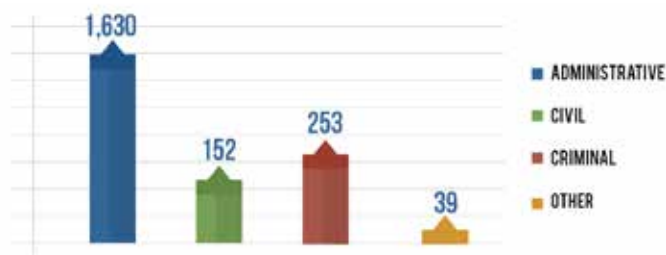
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LICENSE SANCTIONS



ENFORCEMENT ACTIONS



NASAA Members Approve Model Rule & Uniform Notice Filing for Federal Crowdfunding Offerings

NASAA's membership in September voted to approve a model rule and uniform notice filing form for federal crowdfunding offerings.

The model rule requires a notice filing for issuers conducting a federal crowdfunding offering in those states where either the issuer has its principal place of business or where 50 percent or more of the aggregate amount of the offering has been purchased.

The uniform notice filing form simplifies the filing process for issuers by incorporating documents filed on EDGAR and including consent to service of process language in the form's signature block.

New Form U-1 and Revised Form U-2 Approved by NASAA Membership

NASAA's membership approved a new Form U-1, uniform application to register securities, and a revised Form U-2, uniform consent to service of process used by NASAA jurisdictions in connection with registered and exempt securities offerings.

With limited exceptions, all NASAA jurisdictions require completion of the Form U-1 in order to register securities by coordination or qualification. The new Multistate Form U-1 will assist issuers in their efforts to obtain approval of their offerings in multiple states, particularly with regard to approval through the coordinated review program.

Issuer participation in the coordinated review process has increased significantly with the creation of the Regulation A-Tier 1 Coordinated Review Program. Issuers that have availed themselves of this new program have expressed a strong interest in having access to a single Form U-1 that would accommodate all participating jurisdictions.

Form U-2 was updated following a variety of changes at several regulatory agencies. The revised form contains updates to aspects of the information pertaining to the listed service of process agencies to ensure accuracy. In addition to updating the reference information, additional changes were made to modernize and simplify the form.

Corporation Finance Statements of Policy Revisions Approved by NASAA Members

Prompted by the implementation of NASAA's Regulation A-Tier 1 Coordinated Review Program, NASAA members voted to approve revisions to four Corporation Finance-related Statements of Policy.

The revised Statements of Policy concern: Preferred Stock, Promoter's Equity Investments, Specificity in the Use of Proceeds and Unequal Voting Rights. The revised policy statements are available the NASAA website.

NASAA Proposes Adding 10% Liquid Net Worth Concentration Limit for Aggregate REIT Investments

NASAA has proposed to amend its Statement of Policy regarding Real Estate Investment Trusts by adding a uniform concentration limit of 10 percent of an individual's liquid net worth, applicable to their aggregate investment in a REIT, its affiliates, and other non-traded REITs.

The proposal also includes a carve-out for accredited investors under the income and net worth standards set forth in Regulation D, Rule 501.

By providing a uniform concentration limit for average investors of 10 percent of their liquid net worth, this proposal seeks to provide a balance of investor protection and flexibility for investors to build wealth.

The proposed amendment signifies further effort to more uniformly regulate non-traded REITs in NASAA member jurisdictions and NASAA looks forward to reviewing comments from the public as this important proposal moves forward.

NASAA Reviewing Comments on Proposed Electronic Initiatives Policy

It has become increasingly important for NASAA members to address the appropriate use of technology when conducting a securities offering especially now as technology continues to progress through more aspects of the securities industry.

Several issuers are implementing technologies that allow prospective investors to receive offering documents and subscription agreements electronically, as well as the ability to execute these documents using an electronic signature. These issuers have requested relief through no-action letters among other methods in order to gain state approval of these initiatives.

As more issuers seek to implement similar programs, NASAA's Board of Directors has begun the process to provide a tool to enable NASAA members to establish uniform guidelines to govern these initiatives and to streamline the process for industry participants.

NASAA currently is reviewing public comments on a proposed Electronic Initiatives Statement of Policy that addresses requirements and restrictions for an issuer or agent if they choose to provide offering documents and/or subscription agreements over the Internet or by other electronic means and to allow them to be executed using an electronic signature.

NASAA: Because Every Investor Deserves Protection

About NASAA

The North American Securities Administrators Association (NASAA) is a voluntary association of securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.

Organized in 1919, NASAA is the oldest international organization devoted to investor protection.

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.



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NASAA Recognizes Member Accomplishments

At its annual conference in Providence, Rhode Island, the North American Securities Administrators Association presented several awards to recognize the accomplishments of many of the volunteers who dedicate their service to help advance the association's goals.

This year's ceremonies marked the debut of NASAA's Patricia D. Struck Award, honoring the service of former NASAA President and Wisconsin Securities Administrator Patty Struck.

The inaugural award was presented to Ronak Patel, former Texas Deputy Securities Commissioner in recognition of his dedication to investor protection and commitment to educating and mentoring fellow regulators.

"Your approach to securities regulation is one of diplomacy, respect, and intellect, not unlike the person for whom this award is named," NASAA Past President Judith Shaw said in presenting the award.

NASAA's highest honor, the Blue Sky Cube, was presented to Shaw and Montana Deputy Securities Commissioner Lynne Egan.



Judith Shaw presents Ronak Patel with the inaugural Patricia D. Struck Award.

Former NASAA member representatives Kathryn Daniels, of Ontario, and Eric Wilder, of Connecticut, were honored with NASAA's Outstanding Service Award. Former NASAA member representative Victoria Reider, of Pennsylvania, received NASAA's Meritorious Service Award.

Members of the Investor Education Section's Elder Outreach Project Group received NASAA's Outstanding Team Service Award. They include chair Bernice Geiger, of New Mexico; Theresa Kong Kee of Hawaii; Kelly May of Kentucky; Anna Rushton of South Carolina; Jillian Sarmo of Colorado; Jennifer Shaw of Oklahoma; and Kathleen Titsworth of Connecticut.