

NASAA Insight

The Voice of State & Provincial Securities Regulation

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NASAA Hosts Second Capital Formation Roundtable to Share Ideas and Hear From CorpFin Innovators

Following the success of last year's inaugural Capital Formation Roundtable, NASAA again brought together leading experts in corporation finance and investor protection from throughout North America in June.

"Our roundtables provide an opportunity for an open dialogue regarding issues important to issuers, investors, and regulators," said NASAA President and Maine Securities Administrator Judith Shaw.

Shaw said NASAA members remain at the forefront of fostering capital formation for small businesses, entrepreneurs and investors in their states.

"Realizing that new technologies, new modes of investing, and a global, interconnected marketplace, requires new ideas and creative solutions, NASAA and its members have been involved in numerous efforts to facilitate capital formation, promote U.S. job growth and protect investors," she said.

"But if we are to regulate effectively, we cannot do so in a vacuum," Shaw said. "Last year's inaugural roundtable provided an opportunity for us to step back and listen to a variety of voices sharing ideas about capital formation."

Topics at this year's roundtable included an update on NASAA capital formation initiatives; an overview of capital raising in private markets; access to public markets; and online marketplace lending.

"We look forward to continuing this important dialogue with the capital formation community," Shaw said.



NASAA President and Maine Securities Administrator Judith Shaw welcomes participants to NASAA's second Capital Formation Roundtable for state securities administrators, small business and investor advocates, academics and members of the capital formation community.

See Page 7 for an update of NASAA capital formation initiatives.

NASAA Sets Oct. 2-8 as SeniorSafe Training Week

In recognition of World Elder Abuse Awareness Day, NASAA on June 15 announced that it has designated October 2-8 as "SeniorSafe Training Week" and is encouraging its members to use the NASAA version of SeniorSafe to help train broker-dealers and investment advisers on recognizing and reporting suspected cases of elder financial exploitation.

The SeniorSafe training program was created in Maine for use by banks and credit unions in order to increase identification and reporting of suspected cases of elder financial exploitation. NASAA collaborated with the Maine Council for Elder Abuse Prevention to rework the program to make it available for broker-dealers and investment advisers as well as banks and credit unions.

Meanwhile, NASAA applauded the passage of the SeniorSafe Act of 2016 (H.R. 4538) by the House of Representatives on July 5 and urged the Senate to adopt the legislation.

"NASAA commends the House of Representatives for its resounding approval of the SeniorSafe Act of 2016 and

looks forward to working closely with members of the Senate to secure its passage and bring much needed protections against financial exploitation to people aged 65 and over one step closer to becoming law," said NASAA President Judith Shaw.

"Senior financial exploitation is a critical policy challenge and NASAA appreciates that the full House of Representatives united to help increase the likelihood that trained financial services professionals will recognize and report such exploitation to state securities regulators and other appropriate governmental authorities," Shaw said.

The SeniorSafe Act approved by the House and bipartisan legislation in the Senate sponsored by Sen. Susan Collins of Maine and Sen. Claire McCaskill of Missouri would remove barriers that may have frustrated efforts to report suspected cases for senior financial exploitation.

"The SeniorSafe Act also is an important complement to the SeniorSafe training for financial institutions developed by NASAA in conjunction with the Maine Council for Elder Abuse Prevention," Shaw said.

President's Message: Judith Shaw



I'd like to share some thoughts as I enter the final months of my NASAA presidency.

As you know, NASAA members play an important role in helping to facilitate responsible capital formation which, in turn, protects our investors on Main Street as well as our local entrepreneurs and small businesses.

I was pleased that NASAA had the opportunity in June to host its second Capital Formation

Roundtable in Washington, DC to provide an opportunity for a dialogue around issues important to issuers, investors, and regulators.

NASAA and its members have made significant strides to enhance the efficiency of the capital formation process for small businesses and entrepreneurs seeking investment to grow their businesses, while also providing important protections for investors.

This issue of the *NASAA Insight* contains a brief update on the status of three of those initiatives: NASAA's Electronic Filing Depository (EFD); NASAA's coordinated review program for Regulation A offerings; and intrastate crowdfunding.

In May, the SEC's Regulation CF took effect and the United States entered a new era in crowdfunding. I believe this milestone gives state regulators another opportunity to increase our collaboration with our federal partners.

I was pleased to announce that NASAA's Board approved the release for public comment of NASAA's proposed model rule and uniform notice filing for federal crowdfunding offerings, demonstrating how states and our federal counterparts can work together.

We share the same mission and should be strong partners in the fight to protect investors and generate renewed confidence in the capital markets.

We have a long history of partnering with our colleagues at the federal level in the area of investor education and I am glad to expand that to industry outreach but outreach is not enough.

We must identify the barriers to full and meaningful partnership and collaboration in enforcement, examination, and capital formation as well.

During my term as NASAA president, I have met with the leadership of the SEC and FINRA to identify barriers and build bridges between us. We are on the same team – we share common goals – together we can accomplish so much more.

No issue lends itself better to coordination, collaboration, and cooperation than the protection of our senior investors.

Those of you who have followed my involvement with the Maine Council for Elder Abuse Prevention or read my testimony before the Senate Special Committee on Aging know that this is an issue that is very personal for me.

As the Administrator of a geographically large and rural state with the oldest population in the country, I believe a community based and holistic approach to the growing problem of elder financial exploitation is critical. All regulators, law enforcement, industry, advocates, and citizens must come together to confront this problem.

Senior investor protection is critical as our population ages and social isolation increases particularly in more rural areas. Indeed, in my tiny hometown in northern Maine, 25 percent of residents are 65 or older and live alone.

As many of you know, NASAA has embarked upon a series of initiatives focused on seniors and other vulnerable adults. We are not in this fight alone and I look forward to continuing to work with our federal partners at the SEC to close the holes in our safety net of support and protection for vulnerable investors.

I was particularly pleased that NASAA members had an opportunity to hear directly from Maine's senior senator, Susan Collins, at our Spring Conference. I consider Senator Collins a role model both as a leader and as a woman and sincerely appreciate her efforts, along with Sen. McCaskill of Missouri and members of the House of Representatives, to advocate so strongly for constructive ways to protect our nation's elders from financial exploitation.

From left, NASAA President-elect Mike Rothman of Minnesota; NASAA President Judith Shaw of Maine; U.S. Senator Susan Collins; and NASAA Spring Conference Chair Kevin Anselm of Alaska; pictured at NASAA's Spring Conference Keynote Luncheon in Washington, DC.





NASAA President Judith Shaw presents NASAA's Lifetime Achievement Award in memory of former Wisconsin Securities Administrator Patricia Struck. Accepting the award are Ms. Struck's husband, Lawrence Bechler, and her three sons: Thomas, Stephen and Jonathan.

NASAA Announces Award to honor **Patricia Struck**

NASAA President Judith Shaw announced during the Public Policy Conference the creation of a special award to honor the memory of Wisconsin Securities Administrator and former NASAA President Patty Struck.

"For all that Patty was as a leader, colleague, and mentor, she was first and foremost a friend," Shaw said in announcing the Patricia D. Struck Award.

The award is meant to honor Ms. Struck's many contributions to NASAA. Ms. Struck died in December 2015.

NASAA Speaks at Global **WEAAD** 2016 Summit

NASAA President and Maine Securities Administrator Judith Shaw addressed the Second Global World Elder Abuse Awareness Day (WEAAD) Summit at the Securities and Exchange Commission in Washington, DC.

Shaw's remarks at the summit, which marked WEAAD's 11th anniversary, focused on national legislation and policy issues affecting senior investors.

She also highlighted NASAA's SeniorSafe training for financial services professionals and NASAA's ServeOurSeniors website.

Summit participants also heard from SEC Chair Mary Jo White; Kathy Greenlee, Assistant Secretary for Aging, Administration for Community Living; and other leading national and international elder protection advocates gathered to raise awareness about elder abuse, neglect, and exploitation.

NASAA Seeks Public **Input** on **Crowdfunding** Model

In a step toward providing guidance to issuers and promoting uniformity, NASAA announced on May 16 that its Board of Directors has approved the release for public comment of a proposed model rule and uniform notice filing form for federal crowdfunding offerings.

Judith Shaw, NASAA President and Maine Securities Administrator, said 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 within the form.

"Ultimately, NASAA believes that the adoption of a model rule and uniform notice filing form by those states that require notice filings will be a benefit to both issuers and regulators," Shaw said.

NASAA Members Adopt **Reg A Tier-2** Notice Model

On May 15, 2016, NASAA members voted to approve a model rule intended to provide model language that states may adopt to require notice filings in Tier 2 offerings under federal Regulation A.

While states are preempted from requiring the registration of such offerings, states may require the filing of all documents filed with the SEC, together with a consent to service of process and the fee that would otherwise be required in the absence of preemption, solely for notice purposes.

State authority to adopt such a rule may derive from statutory provisions under state law that authorize notice filings in connection with offerings of covered securities, offerings under Section 18(b)(3), and/or offerings under Section 18(b)(4).

**ServeOur
Seniors.org**

**Visit NASAA's new website for
senior-related resources**

2016 NASAA Public Policy Conference

Conference Spotlights Enforcement and Deterrence in Today's Financial Markets



Maine Senator Susan Collins (right) shares a moment with NASAA President and Maine Securities Administrator Judith Shaw before the Senator's keynote address.



Discussing the problem of elder abuse and financial exploitation, Maine Senator Susan Collins, chair of the Senate Special Committee on Aging, said "Maine has led the way in confronting this problem through SeniorSafe, on which Judy Shaw was the driving force." She also outlined steps the committee has taken to fight elder financial exploitation, including its recently released booklet, Fighting Fraud.



Kevin Anselm, Conference Chair and Director of Alaska's Division of Banking and Securities (left) opens the Public Policy Forum during this year's Spring Conference.



Utah Securities Division Director Keith Woodwell (left) moderates a discussion examining the role enforcement serves as an extension of public policy. Panelists included (from left): John Coffee, Professor, Columbia University Law School; Andrew Ceresney, SEC Director of Enforcement; Laura Posner, NASAA Enforcement Section Chair and New Jersey Securities Bureau Chief; and Monica Kowal, Vice-Chair, Ontario Securities Commission.

Conference Chair Kevin Anselm (left) interviews Catherine Christian, head of the Elder Abuse Unit of the Manhattan District Attorney's office during a wide-ranging discussion of elder financial abuse and exploitation.



NASAA President Judith Shaw presents former New York Investor Protection Bureau Chief Chad Johnson with NASAA's Outstanding Service Award. Former Delaware Investor Protection Director Owen Lefkon also was honored with an Outstanding Service Award earlier in the conference.



Moderator and Texas Securities Commissioner John Morgan (above) addresses panelists (left) while leading a discussion of the prosecutorial challenges of financial crime.



Telemachus P. Kasulis (second from left), Deputy Chief of the Securities and Commodities Task Force at the U.S. Attorney's Office for the Southern District of New York discusses the increasing complexity of white collar crime with fellow panelists (from right) Chad Johnson, Partner, Quinn Emanuel and former New York Investor Protection Bureau Chief; Steve Feaga, Deputy Director, Legal & Prosecution, Alabama Securities Commission; and Brandon L. Garrett, author and professor, University of Virginia School of Law.

Maine Senator Susan Collins Delivers Conference Keynote Address

The following is adapted from remarks delivered by Senator Susan Collins at NASAA's Public Policy Conference on May 16, 2016.

Thank you, Judy. It is a great pleasure to meet with you, and to welcome you to Washington. Throughout the United States and the provinces of Canada, your commitment to the integrity of financial markets merits a hearty, "Thank you, merci beaucoup!"

It is an honor to be here to see the Lifetime Achievement Award presented to the family of Patricia Struck. Her informed, expert leadership was of great benefit to this association and to our financial system.

In her inaugural address last fall as your 98th president, Judy Shaw described the challenge that brings you to Washington and us together today: in this age of technology, borders are virtually nonexistent. It is essential that state, provincial, and territorial regulators continue to strengthen partnerships with their federal counterparts to protect investors and to bolster public confidence in capital markets.

In her role as Securities Administrator and in mine as Senator, Judy and I serve a large, rural state with our nation's oldest median age. In Maine, it is crucial that the growing problem of senior financial exploitation is addressed not only in the state and national capitals, but on the front lines in every community as well.

The Maine state motto is "Dirigo" – Latin for "I Lead," and Maine has indeed led the way in confronting this challenge through our SeniorSafe initiative. The first program of its kind in the United States, SeniorSafe brings together Maine's Office of Securities, the Department of Professional and Financial Regulation, the Council for Elder Abuse Prevention, Legal Services for the Elderly, and area aging agencies in a collaborative effort.

Most important, this initiative serves on the front lines. More than 300 employees of banks, credit unions, and other financial services businesses throughout Maine had been trained to spot the signs of financial exploitation and to report their concerns to the proper authorities. A critical component of Maine's SeniorSafe law is the limited liability protection it provides tellers and others who are able to report concerns in good faith, without fearing that they will be sued for violating the privacy and confidentiality laws that govern financial institutions.

Maine SeniorSafe keeps money in the hands of its rightful owners – the people who worked and saved their whole lives for secure retirements. I am grateful for your association's support for the legislation I have introduced with Senator Claire McCaskill to expand SeniorSafe nationwide. And I appreciate your association's longstanding focus on protecting seniors.

"I appreciate your association's long-standing focus on protecting seniors," Senator Susan Collins said during the keynote address at NASAA's Public Policy Conference.



In fact, 10 years ago, I participated in an Aging Committee hearing on how seniors can protect themselves against investment fraud. Patty Struck, then president of NASAA, was among our witnesses. Her list of self-defense tips for older investors has helped my work on this issue ever since.

As Chairman of the Aging Committee, protecting seniors against financial exploitation and scams is one of my highest priorities. Due to the epidemic of fraud perpetrated against seniors and the extent to which victims are unsure of where they should turn for help, in January the Aging Committee published a comprehensive guide, titled, *Fighting Fraud: U.S. Senate Aging Committee Identifies Top 10 Scams Targeting Our Nation's Seniors*.

This guide is based upon data the Committee gathered in 2015 through our toll-free Fraud Hotline. The Hotline was established in November of 2013 and is staffed by experienced fraud investigators. Last year, the Hotline received calls from more than 1,100 seniors across the country. That toll-free number, by the way, is 1-855-303-9470.

Our report raises awareness of these threats to seniors and their families and provides extensive anti-fraud resources. It also sends a powerful message to scammers that they are being hunted down and they will face justice. While tangible progress has been made in countering scams, new scams are cropping up and it is evident that more work remains to be done.

The Aging Committee remains focused on scams targeting seniors in order to encourage a more effective response across both state and international borders. We must ensure that law enforcement has the tools it needs to pursue these criminals and that our seniors have the information to protect themselves against this horrendous crime. And we must empower our first line of defense – the men and women of our financial service industry -- to report suspected cases of fraud to the proper authorities without concern of being sued.

Your association is an invaluable part of this effort, and I thank you.

NASAA Capital Formation Initiatives Update

From Page 1

NASAA plays an important role in coordinating state efforts to promote capital formation. What follows is a brief update of capital formation activities since last year's inaugural Capital Formation Roundtable, at which NASAA leaders and innovators and corporation finance practitioners first met to discuss the state and provincial regulations, policies and actions that affect the ability of small businesses to raise capital.



Participants at the 2016 NASAA Capital Formation Roundtable gather to discuss how state and provincial securities regulators can work more cooperatively and effectively with investors, the regulated community, and advocates for both in shaping the future of state and provincial capital formation regulation.

NASAA Responds to Issuer Concerns

NASAA members have drafted two Statements of Policy initiated in response to issues raised at the first Capital Formation Roundtable.

At their annual meeting in September, NASAA members are expected to vote to approve a Statement of Policy regarding a proposed multistate Form U-1, which is used to register securities, and a revised Form U-2, which is a uniform consent to service of process used by NASAA jurisdictions in connection with registered and exempt securities offerings.

NASAA members also have issued for public comment a Statement of Policy on the use of electronic offering documents and electronic signatures.

Electronic Filing Depository (EFD)

NASAA's Electronic Filing Depository (EFD) is an online system that allows issuers to submit to state securities regulators notice filings for Regulation D, Rule 506 offerings. Since its launch in December 2014, NASAA's EFD has been used to facilitate more than 41,000 notice filings (including initial filings, amendments, terminations and renewals) with state securities regulators, including more than 18,000 since the beginning of 2016. EFD is modernizing and streamlining an issuer's experience with notice filings, which are copies of Form Ds, with state securities regulators. Currently, 45 jurisdictions accept forms through the system, and NASAA is actively working with the remaining states to bring them onto the system. "EFD is a great example of how leveraging technology allows NASAA and states to be nimble in working with filers, and we hope over the not too far future to continue to add additional forms to the system," said NASAA President Judith Shaw. This system interfaces with the SEC's EDGAR system and allows the public to search and view, free of charge, state Form D filings.

Coordinated Review for Regulation A Offerings

NASAA has successfully designed a modernized and simplified review process for Regulation A Tier 1 offerings. NASAA's "Multi-State Coordinated Review Program," which was first implemented in April 2014, allows for filings to be made in one place and distributed electronically to all states. Coordinated Review also sets up a streamlined and coordinated review process among all the states in which an issuer has filed. Since the program's launch, 12 filings have been reviewed, all within the program's 21-day review period. This innovation is not only reducing regulatory compliance costs on small businesses attempting to raise capital under Regulation A but is setting a new service standard for the benefit of filers and investors alike.

Intrastate Crowdfunding

Since the first crowdfunding statute was enacted in Kansas in 2011, intrastate crowdfunding has spread to 35 jurisdictions throughout the United States and is currently in effect in 29 of those jurisdictions. There have been 177 filings to date, including a broad array of local businesses that have turned to intrastate crowdfunding to help launch or expand their operations, including breweries, exercise studios, family-run farms, technology companies, a barbershop, a dog groomer, a sushi restaurant, an ice cream maker, and a baseball bat maker among other ventures.

About Us

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.

NASAA: Because Every Investor Deserves Protection



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