

NASAA Insight

The Voice of State & Provincial Securities Regulation

Spring 2015



NASAA Unveils Policy Priorities for 114th Congress



From left: NASAA President Bill Beatty of Washington, Mike Pieciak of Vermont, Andrew Hartnett of Missouri, and NASAA President-elect Judy Shaw of Maine deliver NASAA's policy priorities during a Capitol Hill briefing.

The North American Securities Administrators Association (NASAA) recently released its pro-investor legislative agenda highlighting the policy priorities of state securities regulators for the 114th Congress.

"We believe that fulfillment of these policy goals will help in the prosecution of investment fraud, ensure open, honest and transparent markets, and allow smart, efficient capital formation, even for the smallest of

companies without undermining investor protection," NASAA President and Washington Securities Director Bill Beatty said at a recent briefing on Capitol Hill.

NASAA's legislative agenda includes four overarching principles. Within each principle are specific areas for Congressional action, investigation and consideration.

The principles include:

- Expand and Strengthen Protections for Senior Investors,
- Promote Investor Confidence Through Effective Regulation,
- Promote a Fair and Transparent Marketplace for Retail Investors, and
- Facilitate Capital Formation Through Federal-State Partnerships.

(Complete Agenda Inside on Pages 4-8)

SEC Regulation A Rule Fails to Fully Recognize State Role

On March, 25, 2015, the Securities and Exchange Commission voted unanimously to adopt a rule related to the offer and sale of securities pursuant to Section 3(b) of the Securities Act of 1933, as mandated by Title IV of the Jumpstart Our Business Startups Act.

Bill Beatty, NASAA President and Washington Securities Director, issued the following statement after the vote:

"We appreciate that all five Commissioners recognize the efforts of state securities regulators and NASAA to successfully implement a modernized and streamlined Coordinated Review program for Regulation A offerings to help small and emerging businesses raise investment capital. The program has been lauded for effectively streamlining the state review process that promotes efficiency by providing centralized filing, unified comments, and a definitive timeline for review.

"However, it appears that the SEC has adopted a rule that fails to fully recognize the significant benefits of this program to issuers and investors alike. We continue to have concerns that the rule does not maintain the important investor protection role of state securities regulators."

NASAA Survey Finds Investor Confusion Over Brokerage Fees

New research from NASAA finds investors are confused when it comes to the fees charged by brokerage firms to service and maintain their accounts.

"Our research shows that investors are confused and unaware of how much their brokerage firm charges to serve and maintain their investment accounts," said Bill Beatty, Washington Securities Director and president of NASAA. "Investors tell us fees are important and they want to see improved disclosure."

Commissioned by NASAA, the independent research firm ORC International conducted a public opinion poll by surveying 1,072 investors with a brokerage account across the continental United States by telephone from January 8-25, 2015 regarding their awareness of service and maintenance fees charged by brokerages over the lifetime of an account.

The omnibus survey asked investors with brokerage accounts about their awareness of brokerage service and maintenance fees and about different approaches toward improving fee disclosure.

(Continued on Page 9)

President's Message: Bill Beatty



The past few months have been both busy and productive for NASAA, as you'll read on the following pages. For example, we launched our long-awaited Electronic Filing Depository (EFD) to offer efficiencies for issuers and improved transparency for investors; saw the first securities offering cleared by

our new multistate coordinated review program for Regulation A offerings, and made significant strides in our combined effort with industry and fellow regulators to protect senior investors, especially those with diminished capacity.

Although our recent Public Policy Conference touched upon several of these accomplishments, I'd like to take this opportunity to raise awareness of the steps NASAA members are taking to combat senior financial exploitation, a serious and growing societal issue.

This work is particularly urgent because as our population continues to age at an unprecedented rate, the number of older investors targeted by unscrupulous financial salespeople and, in certain instances, family members or caregivers, also continues to grow.

With at least a third of our members' enforcement actions involving senior investors, NASAA has formed a Board-level committee dedicated to tackling the challenges confronting senior investors, regulators and securities industry professionals.

The Committee on Senior Issues and Diminished Capacity, which includes representatives from a broad cross-section of NASAA members, is working with broker-dealer and investment adviser firms, as well as senior advocates, to develop regulatory, enforcement, and investor education initiatives to prevent the financial exploitation of seniors. Because addressing senior exploitation requires a holistic approach, NASAA also formed an advisory council of experts from government, business, senior advocacy organizations, academia and medical and legal practitioners to ensure diverse input. The Committee and Advisory Council held an inaugural meeting in March in Washington.

Through the committee, state securities regulators are investigating legislative and regulatory changes that can address diminished capacity issues in the context of senior financial exploitation. The committee also is working to develop best practices for industry practitioners.

The committee's work also includes an outreach program, which features training for NASAA members on areas related to diminished capacity, support for first-responders in financial institutions and a new website, *ServeOurSeniors*, to provide resources to senior investors, caregivers, industry and policymakers.

We plan on showcasing the committee's work at our annual conference in September.

What's Inside Spring, 2015

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- **NASAA Legislative Agenda**
- **Brokerage Fee Survey Highlights**
- **Corp Fin Corner**
- **2015 Public Policy Conference**

NASAA Issues Cybersecurity Advisory

Reminds Investors to Discuss Cybersecurity With Their Financial Professionals

With an ever-growing list of financial institutions targeted by organized cyber-attacks, NASAA recently issued an advisory reminding investors of the importance of understanding how their personal information is being protected by financial firms.

"The increasing reliance on technology in our daily lives could leave our sensitive financial information more vulnerable to unwanted viewing or theft without proper safeguards in place," said Bill Beatty, NASAA President.

Last fall, NASAA reported that 62 percent of state-registered investment adviser firms participating in a NASAA pilot survey had undergone a cybersecurity risk assessment, and 77 percent had established policies and procedures related to technology or cybersecurity.

"Investors should think about the safety of their financial information, and talk with their investment professionals about what steps firms are taking to safeguard client information," Beatty said.

To help investors with that discussion, Beatty suggests asking the following questions:

- Has the firm addressed which cybersecurity threats and vulnerabilities may impact its business?
- Does the firm have written policies, procedures, or training programs in place regarding safeguarding client information?
- Does the firm maintain insurance coverage for cybersecurity?
- Has the firm engaged an outside consultant to provide cybersecurity services?
- Does the firm have confidentiality agreements with any third-party service providers with access to the firm's information technology systems?
- Has the firm ever experienced a cybersecurity incident where, directly or indirectly, theft, loss, unauthorized exposure, use of, or access to customer information occurred? If so, has the firm taken steps to close any gaps in its cybersecurity infrastructure?
- Does the firm use safeguards such as encryption, antivirus and anti-malware programs?
- Does the firm contact clients via email or other electronic messaging, and if so, does the firm use secure email and/or any procedures to authenticate client instructions received via email or electronic messaging, to work against the possibility of a client being impersonated?

"As a customer, you have the right to ask these questions and get answers you can understand in writing," Beatty said. "This is all part of the process of doing your due diligence and becoming an informed investor."

Senate Learns About Innovative Program to Fight Senior Exploitation



Maine Securities Administrator and NASAA President-elect Judy Shaw testifies before the Senate Special Committee on Aging as Philip Marshall, grandson of philanthropist and socialite Brooke Astor listens.

In testimony before the Senate Special Committee on Aging, Maine Securities Administrator Judith Shaw called financial exploitation one of the most serious issues facing seniors and outlined an innovative approach Maine is taking to tackle the problem.

"Addressing senior financial exploitation is difficult but critical. Many in our elderly population are vulnerable due to social isolation and distance from family and other support networks. The days of Americans growing old in communities, surrounded by generations of family members, are fading into the past," Shaw testified during a February 4 hearing entitled: "Broken Trust: Combating Financial Exploitation of Vulnerable Seniors."

"This is a community problem that requires a holistic solution. We must all come together to weave a new safety net for our elderly, breaking down barriers and walls that have kept us from seeking achievable solutions," said Shaw, who also serves as co-chair of the Maine Council for Elder Abuse Prevention.

Shaw outlined for the committee Maine's successful SeniorSafe program, a public/private training and outreach initiative launched last year to increase identification and reporting of elder financial exploitation—specifically, by financial institutions.

The program includes training for tellers, other front-line staff and managers on the red flags of elder abuse and financial exploitation and where to report suspicions of fraud.

"The benefits of this type of reporting and referral system are far-reaching," Shaw said.

NASAA Legislative Agenda for the 114th Congress

Expand and Strengthen Protections for Senior Investors

Senior financial exploitation is a serious and growing societal issue. As America's population ages at an unprecedented rate, older investors continue to be targeted by unscrupulous financial professionals and, in certain instances, family members or caregivers. Medical conditions that affect cognitive ability are also more prevalent among seniors. Meanwhile, more and more wealth is concentrated in the hands of seniors. These trends all contribute to the unfortunate acceleration of senior financial fraud.

State securities regulators are on the frontline of protecting investors through financial education and enforcement efforts. However, given the factors noted above, we believe that a collaborative approach is needed to address the unique challenges that come with preventing and addressing financial exploitation and fraud perpetrated against senior investors. Congress should explore ways in which state and federal regulators and law enforcement can coordinate on initiatives to expose scam artists and protect vulnerable seniors and older Americans.

Establish Senior Investor Protection Partnership Grant Program

State securities regulators are well positioned to partner with local and national businesses, senior organizations, and law enforcement agencies to identify scams, fraud and exploitation occurring in their communities. Similarly, federal regulators and federal law enforcement agencies are well positioned to leverage resources on a national and international scale. Congress should investigate ways in which state and federal regulators and law enforcement agencies can combine resources, share information, and collaborate in new and innovative ways to prevent and combat elder financial exploitation.

State regulators have worked to form these partnerships through outreach to prosecutors, police units, other regulators, and adult protective service units. In some states, that outreach includes partnerships with banks, brokers, investment advisers, doctors, lawyers, and other service providers who may be able to identify senior exploitation. We encourage Congress to consider creating a grant program funded through the U.S. Department of Health and Human Services or other appropriate agency that would allow state regulators to deepen and accelerate those partnerships, to further investor education, and to better combat senior financial exploitation. We also note that Congress has recognized the acute need to enhance resources in this area, and enacted bipartisan legislation providing for precisely such grants, but that up to now such grants have not been funded.

Reduce Reliance on Payment Systems Most Conducive to Fraud

State securities regulators encourage Congress to explore methods to prevent the unauthorized theft of sensitive financial information from investors, particularly seniors or investors with diminished capacity. Some prepaid debit card companies have taken such steps, such as using an in-person swipe method to reload cards rather than the "PIN" method. We believe opportunities exist to prevent the flow of funds from investment portfolios of senior investors. We encourage Congress to explore and investigate those opportunities.

Diminished Capacity Legislation

State securities regulators are investigating legislative and regulatory changes that can address diminished capacity issues in the context of senior financial exploitation. With at least a third of its members' enforcement actions involving senior investors, NASAA formed a Board-level committee dedicated to tackling the challenges confronting senior investors, regulators and securities industry professionals. The Committee on Senior Issues and Diminished Capacity, which is comprised of representatives from a broad cross-section of NASAA members, seeks to work with broker-dealer and investment adviser firms, as well as senior advocates, to develop regulatory, enforcement, and investor education initiatives to prevent the financial exploitation of seniors.

Addressing senior exploitation requires a holistic approach, and NASAA has formed an advisory council of experts from government, business, senior advocacy organizations, academia and medical and legal practitioners to ensure diverse input. We look forward to sharing the results of our investigation with Congress, and also encourage Congress to reexamine the Gramm-Leach-Bliley Act to ensure that important privacy provisions do not inadvertently allow scam artists to exploit investors with diminished capacity.

Promote Investor Confidence Through Effective Regulation

Public confidence in the financial markets is one of America's greatest competitive advantages, drawing capital investment to businesses and creating a robust economic marketplace. Effective regulation of those markets requires sufficient resources, access to information critical to investigations, effective civil penalties, and sustained federal-state coordination. It also requires that regulators maintain sufficient independence to act in the interests of the investing public. We encourage Congress to consider each of these priorities in its agenda for the 114th Congress.

SEC Examination of Federally Registered Investment Advisers

State securities regulators urge Congress to provide sufficient resources to the U.S. Securities and Exchange Commission (SEC) in order to improve the oversight of federally registered investment advisers (IAs). Due to a combination of appropriations shortfalls and growth in the SEC's responsibilities following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act and other statutes, approximately 40% of all SEC registered investment advisers have never been examined. During fiscal year 2014, the SEC was able to conduct annual examinations of only 10% of the roughly 11,000 federally registered IAs nationwide. At this rate, a federally registered IA is examined only once every 10 years, which is simply inadequate to detect or credibly deter fraud.

Section 914 of the Dodd-Frank Act directed the SEC to study the options and costs of enhancing IA oversight. The report's first recommendation was that Congress authorize the SEC to assess "user fees" on IAs it examines and use the revenue derived from such fees to fund additional IA examinations. In November 2013, the SEC's Investor Advisory Committee (IAC) voted unanimously to adopt a resolution urging the SEC to formally seek Congressional authorization to augment its examination program through revenue derived from user fees.

State securities regulators strongly support the user fee approach recommended by the SEC staff in the agency's Section 914 report and the recommendation of the IAC. This position is supported by a broad and diverse group of industry associations, consumer and investor advocacy organizations, the SEC's Investor Advocate, and certain SEC Commissioners. We encourage Congress to address this policy priority in the 114th Congress.

Sustained Federal-State Coordination Regarding Cybersecurity Challenges

State securities regulators regulate almost two-thirds of the investment adviser population, and are focused on ensuring that those firms and their representatives are addressing cybersecurity risks inherent in their business model. As Congress considers or creates new structures to allow information sharing regarding cybersecurity among law enforcement agencies and regulators, and between government and the financial services industry, we strongly urge Congress to include state securities, insurance, and banking regulators in those discussions and in any new framework. Congress should further ensure that states have immediate access to information affecting their jurisdiction, whether maintained by federal regulators or self-regulatory organizations.

Law Enforcement Access to Information Stored on ISPs

State securities regulators appreciate Congress' bipartisan interest in modernizing privacy protections relating to information stored on Internet service providers (ISPs), but urge Congress not to inadvertently or unjustifiably curtail crucial investigatory authorities utilized by state regulators.

As civil law enforcement agencies, many state securities regulators rely on subpoenas, not warrants, to obtain critical information for their investigations; in fact, many state regulators have no independent authority to obtain a search warrant from a court. Federal legislation that would—in all cases—require a search warrant to access information stored on ISPs would also prevent state securities regulators from accessing such information even under the most urgent and compelling circumstances. Such restrictions would impede states' ability to conduct civil and criminal cases, thereby harming investors.

We understand that the 114th Congress may consider legislation requiring state governmental entities to obtain a search warrant before accessing the contents of an electronic communication from an ISP. However, we strongly recommend that Congress include a mechanism to enable civil law enforcement agencies, including state securities regulators, to maintain access to such information through subpoenas. SEC Chair Mary Jo White proposed a limited subpoena authority during the 113th Congress, whereby civil law enforcement agencies without the ability to obtain a warrant could maintain access to investigatory information by issuance of subpoenas subject to a heightened evidentiary standard, and we believe that this proposal strikes a sensible balance.

Deterring Fraud With Effective Civil Penalties

Federal securities laws limit the amount of civil penalties that the SEC can impose on an institution or individual. For enforcement to be an effective deterrent, there must be a real risk of punishment. Aggressive administrative, civil and criminal enforcement activities, including efforts to deter wrongdoing, to disgorge ill-gotten gains, and to provide damages and restitution for aggrieved investors, are the only proven remedy.

Hearings in the wake of the financial crisis established that the present statutory limitation on the SEC's authority to pursue civil penalties significantly ties the hands of the SEC in performing its enforcement duties—a view that SEC Chair Mary Jo White recently has echoed. NASAA supported bipartisan legislation, the Stronger Enforcement of Civil Penalties Act, sponsored by Senators Jack Reed (D-RI) and Charles Grassley (R-IA), in the 113th Congress and will continue to support similar legislation in the 114th Congress. This legislation would increase the monetary penalties in administrative and civil actions involving securities law violations, raise the financial stakes for repeat offenders, and link penalties to the scope of harm and associated investor losses. NASAA also supports extending the time period the SEC has to seek civil penalties for securities law violations from five to ten years, and allowing the SEC to impose tougher consequences for “bad actors”.

Promote a Fair and Transparent Marketplace for Retail Investors

State securities administrators are committed to fostering a fair and transparent marketplace. Transparency makes markets more efficient and reduces opportunities for manipulation and fraud. Similarly, informed investors increase overall market confidence, which encourages ordinary retail investor participation. State securities regulators are, however, increasingly concerned that advances in technology and other factors have made it possible for sophisticated market participants—hedge funds, high-frequency traders, proprietary dark pools, and others—to identify and exploit informational asymmetries in order to maximize profits, often to the detriment of retail investors.

NASAA hopes to work with the 114th Congress to bolster and expand fairness and transparency in many important areas, including improved investor dispute resolution, access to market information, and disclosure of investment fees charged by broker-dealers.

Uniform Fiduciary Standard for Financial Professionals

Section 913 of the Dodd-Frank Act directed the SEC to study differences in the standards of care required of broker-dealers and investment advisers who provide personalized investment advice. The study found that while investment advisers are subject to a strict “fiduciary duty” standard, broker-dealers are subject to more lenient standards governing their conduct. The establishment of a uniform fiduciary duty standard governing the conduct of broker-dealers and their agents is crucial for the protection of investors. A fiduciary standard for broker-dealers will guarantee that all financial professionals providing investment advice to retail investors will act in the best interests of their clients and, in turn, enhance investor confidence in the securities markets. NASAA urges the 114th Congress to exercise its oversight authority to encourage the SEC to conduct rulemaking to subject broker-dealers to the same fiduciary duty standard currently applicable to investment advisers when offering personalized investment advice to retail investors.

Information Disparities and Conflicts-of-Interest that Harm Ordinary Investors

Investor confidence in the U.S. financial markets is based on the perception of transparency, accountability and a level playing field. From revelations of collusive rigging of benchmark interest rates, to allegations that financial institutions provide undisclosed, unfair advantages to an elite class of high-frequency traders, recent events have revealed serious issues undermining the confidence in our financial system.

We encourage the 114th Congress to investigate these issues, including equity market structure, in order to identify conflicts of interest that operate to the detriment of ordinary retail investors. This inquiry could include oversight of the SEC's "holistic review" of U.S. equity market structure and the creation and implementation of its proposed consolidated audit trail. It could cover potential conflicts of interest for broker-dealers who own and operate dark pools, and who profit from volume in such pools. Another area ripe for investigation is conflicts of interest inherent in the "maker taker" system and payment for order flow arrangements. Finally, Congress might investigate conflicts of interest in for-profit exchanges that are simultaneously seeking to increase shareholder earnings while acting as self-regulatory organizations, responsible for enforcing compliance with their rules and the federal securities laws.

Equitable Recourse & Mandatory Arbitration Contracts

Every year thousands of investors file complaints against their stockbrokers. However, almost every brokerage firm, and an increasing number of investment adviser firms, include mandatory pre-dispute arbitration clauses in their customer account agreements. These clauses require investors to submit all disputes that they may have with the brokerage firm to arbitration. If cases are not settled, the only alternative is arbitration administered by the Financial Industry Regulatory Authority (FINRA).

State securities regulators believe that investor confidence in fair and equitable recourse is critical to the health of our securities markets and long-term investments by retail investors. Although Congress gave the SEC rulemaking authority to act in this area, in the more than four years since the Dodd-Frank Act was signed into law the SEC has not conducted rulemaking or begun to examine the impact of mandatory pre-dispute arbitration clauses on the public and investors. NASAA urges the SEC to exercise its authority, but in the absence of such action, supports Congressional action to codify Section 921 of the Dodd-Frank Act by prohibiting the use of mandatory pre-dispute arbitration clauses. At a minimum, we urge Congress to exercise its oversight authority and investigatory responsibility to require the SEC to gather quantitative and qualitative data that would establish the analytical foundation for future rulemaking.

Standardized Disclosure of Broker-Dealer Fees

Transparency is a cornerstone of a properly functioning market because it allows market participants to quickly and easily compare prices, products and firms. NASAA recently issued a report examining fee disclosure practices in the brokerage industry. The study uncovered disparities in how broker-dealers disclose the maintenance and service fees they charge their customers. While broker-dealers may be complying with the technical requirements governing fee disclosures, NASAA's report concluded that the disclosures lose their effectiveness when hidden in small print, embedded in lengthy account opening documents, or varied in terminology that does not define the service provided.

NASAA has convened a working group consisting of state securities regulators and representatives of FINRA, the Securities Industry and Financial Markets Association (SIFMA), the Financial Services Institute (FSI), and representatives of broker-dealer firms to develop improved broker-dealer fee disclosure. NASAA similarly encourages Congress to request that the Government Accountability Office study the impact of fee disclosure practices on investors and consumers.

Facilitate Capital Formation Through Federal-State Partnerships

State securities regulators share Congress' desire to improve the U.S. economy through improved access to capital for small and emerging businesses. The reality of new technologies, new modes of investing and a global, interconnected marketplace requires new ideas and creative solutions. It also requires the partnership of Congress, the SEC and state securities regulators.

Toward this shared goal, state securities regulators and NASAA have provided assistance in crafting "intrastate" crowdfunding laws in a growing number of states, and have successfully designed a modernized and simplified process—a Coordinated Review program—for Regulation A and Regulation A+ offerings. NASAA and the states also have implemented an electronic filing system called the Electronic Filing Depository (EFD), which interfaces with

Legislative Agenda

the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, to allow private company issuers to electronically file their Form D in multiple states. This system is expected to expand to include other state securities filings.

State Leadership in Innovation to Promote Capital Formation

By virtue of our proximity and accessibility to local businesses and investors, state regulators are at the forefront of homegrown innovation. Since passage of the JOBS Act, sixteen states and the District of Columbia have enacted state-based crowdfunding laws or regulations and other forms of limited offering exemptions for small businesses, through exemptions and registrations. At least a dozen other states are actively considering similar exemptions and/or registrations.

State securities administrators understand that Congress is concerned about the utility of Title III of the JOBS Act for certain issuers. We encourage Congress and the SEC to work with NASAA and use our experience with intrastate crowdfunding to inform any new federal policymaking in this area. We also encourage Congress to evaluate the best use of the SEC's resources, and the steps that states have taken to facilitate access to capital for small and emerging businesses, in considering any state preemption legislation. Further, to the extent that Congress continues to consider the needs of entrepreneurs and small and emerging companies, it should remove any impediments to state-driven capital formation initiatives.

Implementation of the JOBS Act Consistent with Congressional Intent

In 2012, Congress passed the Jumpstart Our Business Startups (JOBS) Act, a law designed to facilitate access to capital for small and emerging businesses, and to create job growth. The JOBS Act imposed complicated changes to the securities laws, and required the SEC to address new and untested issues in its rulemaking. We anticipate the finalization of those rules, and plan to work with the SEC to implement the rules, including Titles II, III and IV.

With regard to Title IV (commonly referred to as Regulation A+), we urge the SEC to implement the law consistent with legislative intent and pursuant to a Congressional directive to maintain state registration authority for those offerings. We strongly oppose the SEC's proposed definition of "qualified purchaser," which is contrary to the plain meaning of the term in the Securities Act of 1933, its legislative history and prior SEC pronouncements. The intent of Congress that the definition refer to purchaser qualification rather than the specified type of security is without question. Finally, we encourage Congress to review NASAA's Coordinated Review program—a streamlined and simplified 21-day review process—which is designed to encompass both Regulation A and Regulation A+ filings.

In the 113th Congress, NASAA commented on additional legislative proposals commonly referred to as "JOBS Act 2.0." We strongly encourage the 114th Congress to consider and evaluate the full impact of the JOBS Act, after implementation and rulemaking, before proposing additional changes to the federal securities laws. We believe the best approach to facilitate small business access to capital is smart regulation, and we hope to work with the 114th Congress to fulfill that mission.

Review the Accredited Investor Definition

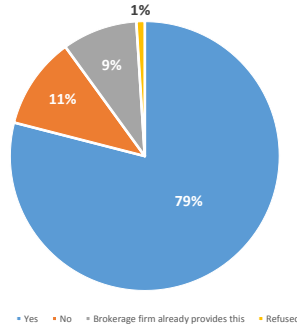
Section 413 of the Dodd-Frank Act gave the SEC a clear mandate to undertake a review of the definition of accredited investor every four years, and to make adjustments or modifications for the protection of investors, in the public interest, and in light of the economy. In recent years the amount of capital invested in the private markets has significantly expanded. This trend, away from public offerings toward private placements, underscores the importance of examining this critically important definition to ensure that it is effective and reflects the current economy.

State securities regulators recommend that the 114th Congress use its oversight authority to encourage the SEC to review and evaluate the definition of accredited investor, and to obtain any data the SEC needs to assess the current definition, including the number and types of investors, and the amounts being raised, in the current private placement market. We further support the SEC's proposed amendments to Regulation D and Form D filings in order to better evaluate market practices in Rule 506 offerings, which continue to be among the most common investment product or scheme involved in state enforcement efforts. We believe that a firm understanding of private offerings and microcap issuers will allow the SEC to make any necessary adjustments to the accredited investor definition.

Highlights of NASAA's Broker-Dealer Fee Survey

Complete details are available on NASAA's website at www.nasaa.org

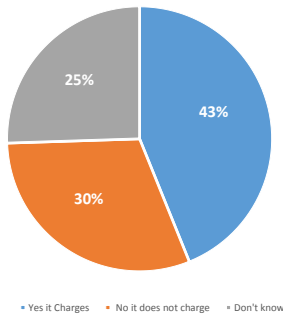
5. Would you like your brokerage firm to provide a separate chart that lists its service and maintenance fees that is simple to read and is easy to understand?



Investors Want Clear and Easy Access to Fee Information

Nearly eight of every 10 investors (79 percent) would like their brokerage firm to provide a separate chart that lists its service and maintenance fees in a format that is simple to read and understand.

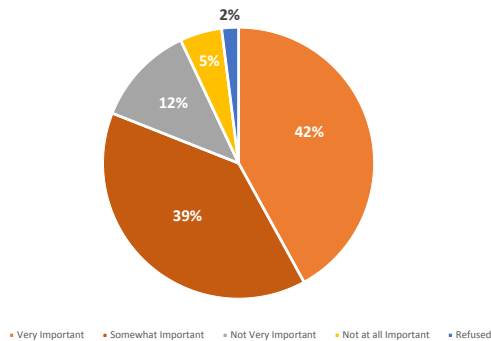
1. Do you know whether your brokerage firm charges fees to service and maintain your brokerage account in addition to investment commissions?



Investors Are Confused About Brokerage Service and Maintenance Fees

Brokerage firms routinely charge fees to serve and maintain brokerage accounts, yet nearly one-third (30 percent) of investors said their firm had no such charges and one-quarter (25 percent) indicated they did not know whether they were being charged in addition to investment commissions.

4. How important is the amount of fees you pay for services and account maintenance over the lifetime of your account?



Fees Matter to Investors

Nearly all investors (81 percent) said the amount of fees they pay for services and account maintenance over the lifetime of their account is important to them.

NASAA's Coordinated Review Program Setting New Service Standards Benefiting Investors and Issuers

NASAA's Coordinated Review Program for small business securities offerings is demonstrating its value as a new tool to help small business owners and entrepreneurs raise capital to fuel their ventures.

"Our new system is setting service standards for state review of Regulation A offerings, including increased speed and efficiency of these reviews," said NASAA President Bill Beatty.

"We now have a robust program in place that has been used for the filing and registration of Regulation A offerings in multiple states," Beatty said.

On January 30, 2015, the first issuer to participate in the program, Groundfloor Finance, Inc., received notification that its offering had been cleared in all NASAA jurisdictions where Groundfloor sought registration. Two additional multi-state offerings have subsequently been filed and are progressing as planned.

"So far, in every instance, the Coordinated Review Program has met or exceeded the operational guidelines under which offerings are reviewed," Beatty said.

"States have effectively and convincingly responded to questions surrounding the costs and efficiency in state registration of Regulation A offerings," Beatty said.

The Coordinated Review Program, which is operational in 46 states and 49 NASAA jurisdictions, streamlines state registration of offerings under both Section 3(b)(1) and 3(b)(2) of the Securities Act and allows for coordination between jurisdictions where an issuer files for registration.

The program includes strict review and comment timeframes for participating states, generally no more than a total of 21 business days from start to finish for an offering with no application deficiencies.

Under the SEC's new Regulation A rule, offerings of up to \$20 million will be eligible to benefit from the new streamlined state system, but would be subject to an additional federal review.

NASAA has encouraged the SEC to examine the Coordinated Review Program's success.

NASAA Launches Streamlined Electronic Filing Depository

EFD Offers Efficiency for Issuers and Improved Transparency for Investors

NASAA's new online Electronic Filing Depository (EFD) is up and running.

The system, launched in December 2014, enhances the efficiency of the regulatory filing process for certain exempt securities offerings.

Developed by NASAA, EFD is an online system that allows an issuer to submit a Form D for a Regulation D, Rule 506 offering to state securities regulators and pay related fees. The EFD website also enables the public to search and view, free of charge, Form D filings made with state securities regulators through EFD.

EFD is available at: <https://www.efdnasaa.org>.

"We are very pleased to provide the EFD system to create an efficient, streamlined system for state Form D filing requirements. Issuers will benefit from this uniform and effective regulatory tool, which also strengthens investor protection by improving the transparency of Form D filings," said Bill Beatty, NASAA president.

Rule 506 of Regulation D is a "safe harbor" for the private offering exemption of Section 4(a)(2) of the Securities Act and also provides an exemption for public offerings to verified accredited investors. Issuers relying on the Rule 506 exemption do not have to register their offerings of securities with the SEC or state securities

regulators, but they must file what is known as a "Form D" with the SEC and state securities regulators. Form D contains limited information about the securities being offered and the issuer offering those securities.

Beatty said the EFD system initially will be limited to Form D filings for Regulation D, Rule 506 offerings, but added that NASAA expects the filing system will be expanded to include additional state securities registration and notice filing materials.

"By embracing technology, states are providing innovative capital formation solutions to benefit issuers and investors alike," Beatty said.

NASAA's EFD website offers a suite of tools to filers and regulators. The EFD system will be available 24 hours a day, seven days a week, unless the website is undergoing maintenance. In addition to the filing fees required by the states, there is a one-time \$150 system use fee for each offering filed through EFD.

This one-time system fee covers initial, amendment and renewal filings made through EFD.

Beatty also noted that the filing of a Form D with the SEC and with a state securities regulator does not mean that the SEC or any state securities regulator has approved the securities or passed any judgment on the soundness of the securities as an investment. "If you have questions about a particular offering, you should contact the securities regulator in your state," he said.



SEC Investor Advocate Fleming Delivers Conference Keynote Address

The Importance of Smart Regulation

The following is an excerpt of remarks delivered by SEC Investor Advocate Rick Fleming on April 14, 2015 at NASAA's Public Policy Conference. The full text is on: www.sec.gov

As you know, many people start with an assumption that all regulation is bad for business. Some lobbyists and politicians in D.C. certainly believe this, and while they may pay lip service to investor protection, the result of their consistent policy positions would leave investors naked and hungry.

Over the course of my career, I have often given speeches in which I have portrayed securities regulation as a balancing act between capital formation and investor protection, and I've illustrated the point by showing a picture of a scale with capital formation on one side and investor protection on the other. But, I've come to believe in a better illustration—one in which investor protection is portrayed as the foundation upon which capital formation is built. In reality, regulation allows capital formation to flourish by giving investors the confidence they need to invest.

The key is that regulation must be smart. Dumb regulation manifests itself in a variety of ways: it puts pointless burdens on business, fails to reflect changing technology, is overly protective of turf, or, even worse, leaves investors as sheep to be sheared. Smart regulation, in contrast, provides a sufficient level of protection to bolster confidence without needlessly burdening the regulated entities. . . .

However, in large part, states are the places where smart regulation can flourish. You are closer to Mom and Pop investors, closer to small businesses, and in tune with the needs of both. New ideas can be tested and, when necessary, can more easily be discarded.

Often, smart regulation requires coordination between states and a willingness to give up some of your own preferences in order to foster consistent rules from state to state. Toward that end, I applaud your adoption of the coordinated review program for offerings conducted under the new Regulation A. This program is forward-thinking and a potential game-changer in state regulation. . . .

By innovating in the ways you regulate, whether through multijurisdictional coordination or unique intrastate exemptions, you can spur innovation and entrepreneurship in your states and provinces. And you also provide a layer of protection that investors need, which gives them the confidence to invest in the offerings you oversee.

Because your role is so important, the states need to stay in the game and retain relevancy. Investors are counting on you. And, if they stop to think about it, small businesses are counting on you, too.



Opening session speakers, from left: Conference Chair Chad Johnson, New York Investor Protection Bureau Chief; Chester McPherson, Acting Commissioner, District of Columbia Department of Insurance, Securities and Banking; and SEC Investor Advocate Rick Fleming.



NASAA President and Washington Securities Director Bill Beatty outlines NASAA policy priorities in opening address.



Ohio Securities Commissioner Andrea Seidt leads a discussion on how states serve as laboratories of capital innovation with (from left) Steven Davidoff Solomon, UC Berkeley School of Law; Nick Bhargava, co-founder of Groundfloor Finance, Inc. and Mike Pieciak, NASAA Corporation Finance Section Chair and Deputy Commissioner of the Vermont Securities Division.



British Columbia Securities Commissioner Brenda Leong (left), moderates a discussion focusing on technological innovation with Randee Pavalow, Aequitas Innovations; Paul Glenn, Investment Advisers Association, Mike Sha, SigFig; and Andrew Hartnett, Missouri Securities Commissioner.

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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