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NASAA Insight

The Voice of State & Provincial Securities Regulation

NASAA

"Our agenda focuses on the legislative changes that are most relevant to the millions of Main Street Americans who look to Wall Street, regulators, and lawmakers to help them build and safeguard their financial security. … Our legislative priority is to protect investors by preserving state securities regulatory authority over those who offer investment advice and sell securities."

Fred Joseph
NASAA President
Colorado Securities Commissioner

States Offer Pro-Investor Legislative Agenda for 2009

With so much at stake for the United States' economy, NASAA's top legislative priority is to protect investors by preserving state securities regulatory authority over those who offer investment advice and sell securities. NASAA's legislative agenda also offers several pro-investor issues for the 111th Congress to consider to strengthen investor confidence in our nation's financial markets and their regulators. This year, NASAA framed our legislative proposals in terms of five Core Principles for Regulatory Reform.

Within the general framework of the Core Principles, NASAA offers a number of specific proposals that will help preserve the best features of our regulatory system, while instituting new measures to adequately protect the investing public and our markets as a whole.

In keeping with NASAA's long tradition, our agenda focuses on the changes that are most relevant to the millions of Main Street Americans who look to Wall Street, its regulators, and lawmakers to help them build and safeguard their financial security.

NASAA unveiled its legislative agenda at a Jan. 29 press conference at the National Press Club in Washington, DC.

NASAA President Fred Joseph outlines NASAA's 2009 legislative agenda and meets the press at the National Press Club in Washington, DC.

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NASAA Outlines 5 Core Principles for Regulatory Reform

NASAA unveiled five core principles for regulatory reform to allow state securities regulators – the layer of regulatory protection closest to Main Street investors – to share their priorities for financial services regulatory reform with the Obama Administration and the 111th Congress.

"Our system of financial services regulation must be improved to better protect our investors, our markets, and our economy as a whole," said NASAA President and Colorado Securities Commissioner Fred Joseph. "To serve all of these vital interests, Congress and the Administration, working together with federal and state regulators, as well as self-regulatory organizations, should take steps to ensure that our new approach is strong, comprehensive, collaborative, and efficient."

The following principles would help achieve those objectives:

>> Preserve the system of state/federal collaboration while streamlining where possible.
>> Close regulatory gaps by subjecting all financial products and markets to regulation.
>> Strengthen standards of conduct, and use "principles" to complement rules, not replace them.
>> Improve oversight through better risk assessment and interagency communication.
>> Toughen enforcement and shore up private remedies.

NASAA members discussed these principles in detail at the Dec. 11 Regulatory Reform Roundtable.

See p. 6. >>

President's Message: Fred Joseph

While it's tempting to hibernate through the worsening economic winter, NASAA has been hard at work on a new legislative agenda for financial services regulatory reform and investor protection.

NASAA is committed to collaborating with the Obama Administration and the 111th Congress as the new financial services regulatory structure unfolds to ensure that the emerging system protects the interests of Main Street investors, something the states securities regulators have advocated for nearly 100 years.

Main Street American investors look upon Wall Street, its regulators, and lawmakers to help them build and safeguard their financial security. At this critical time in the nation's history, it's imperative that the system of financial services regulation be improved to better protect investors, markets, and the economy as a whole. Main Street investors deserve a regulatory structure that is collaborative, efficient, comprehensive, and strong.

NASAA outlined specific recommendations to help achieve those objectives at our Dec. 11 Regulatory Reform Roundtable (see p. 6) and in our 2009 Legislative Agenda (see the Special Report on p. 4). NASAA also has intensified its investor protection initiatives in the wake of the Bernie Madoff scandal (see p. 3 for a look at NASAA's investor protection activities).

Throughout the United States and Canada, state and provincial securities regulators have a long history of providing national leadership on issues of real concern to Main Street investors. The unique experiences of NASAA members on the front lines of investor protection provide a framework for our ongoing efforts to guide the financial services policy debate in a positive, progressive direction.

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Executive Director's Message: Russ Iuculano

Change has come to Washington, and the NASAA Corporate Office is looking forward to working with the Obama Administration and the 111th Congress in reforming the nation's financial services regulatory architecture. While we anticipate a flurry of positive legislative and regulatory changes designed to better protect Main Street investors, we also expect to strengthen the longstanding cooperative relationship between state and federal securities regulators.

We were fortunate to have SEC Commissioner Luis Aguilar as the keynote speaker at our Winter Enforcement Conference. His remarks were not only supportive of NASAA's Core Principles, but also recognized that communication and coordination among regulators must be a priority for regulatory reform. Moreover, Commissioner Aguilar offered specific suggestions to strengthen the collaborative partnership between NASAA and the SEC to facilitate enforcement efforts (see p. 7 for Commissioner Aguilar's remarks).

Thanks to their unique position on the front lines of investor protection, state securities regulators bring a crucial level of expertise to the dialogue on regulatory reform.

The NASAA Corporate Office will continue to reach out to Congress and the SEC to ensure state regulators maintain their integral role in protecting investors.

Avoiding **Affinity Fraud** & **Ponzis**

NASAA Alerts Investors to Warning Signs of Fraud

The ongoing investigation into Bernard Madoff's alleged $50 billion investment fraud scheme drew international attention to three major threats to investors – Ponzi schemes, affinity fraud, and breach of trust between investment advisers and clients.

Madoff's ties to the Jewish community reportedly facilitated his alleged scam, a hallmark of affinity fraud. In this type of fraud, unscrupulous financial advisers exploit their connections to religious, minority, and professional groups to overcome potential investors' skepticism.

"Anyone, regardless of income, education, faith, or profession, can become a victim," said NASAA President Fred Joseph. "While the vast majority of investment services providers are honest professionals, the potential for fraud should concern us all. The risk of fraud is magnified as investors seek higher returns in today's troubled markets."

> *"Anyone, regardless of income, education, faith, or profession, can become a victim."*
> **Fred Joseph**
> **NASAA President**

According to NASAA statistics, some 80,000 people nationwide fell victim to religious-based affinity fraud from 1998-2001, losing more than $2 billion.

When victims are approached by someone with a shared background, "there's less suspicion, there's less concern," Joseph Borg, Alabama Securities Commissioner, recently told the Associated Press.

In response to the Madoff scandal, NASAA offered the public a series of tips on how to avoid dishonest investment advisers, how to spot Ponzi schemes, and how to avoid affinity fraud.

Most states require investment adviser representatives to pass an examination, undergo background checks, renew their registration annually, and report changes in their businesses or addresses promptly. States also review an applicant's disciplinary history and financial stability prior to allowing the investment adviser to conduct business in a given jurisdiction.

States also protect investors by actively pursuing a program of on-site examinations – some unannounced – of small investment advisers and careful screening of promotional materials.

Feeling the SQUEEZE

NASAA Launches Program to Help Sandwich Generation

NASAA launched a new investor education program to provide members of the Sandwich Generation–adults who are raising children while taking care of aging parents–with the tools they need to be financially prepared.

"Millions of adults are facing a generational sandwich that's putting an economic squeeze on everyone involved," said NASAA President and Colorado Securities Commissioner Fred Joseph. "Nearly half of those in the Sandwich Generation don't have enough money to finance their own retirement but consider paying for their children's college tuition a parental responsibility, all while juggling the rising costs of care for their parents."

NASAA's "Sandwich Generation: Caught in the Middle" Outreach program is designed to help the estimated 16 million adults sandwiched in the middle of competing financial responsibilities with information and guidance on practical steps they can take to shore up their financial future. The program urges adults to conduct a "Financial Check-up" in the following areas: Your Children, You, and Your Parents. The program was developed by NASAA's Pre-Retiree Outreach Project Group.

SEC to Regulate EIAs

The U.S. Securities and Exchange Commission adopted a rule to subject equity-indexed annuities (EIAs) to regulation under federal securities laws, a move that will help protect millions of investors, many of them senior citizens, from the abusive and fraudulent sale of EIAs. The rule removes the regulatory uncertainty that has surrounded EIAs since they were introduced in the late 1990s.

"Equity-indexed annuities are extremely complex investment products that have often been used as instruments of fraud and abuse," NASAA said in a statement applauding the new rule. "For years, they have taken an especially heavy toll on our nation's most vulnerable investors, our senior citizens for whom they are clearly unsuitable."

SEC Chairman Christopher Cox thanked NASAA for its leadership on the issue of EIAs and seniors. "NASAA has led the way in highlighting the potential for sales practice abuses in the promotion of equity-indexed annuities for older investors," Cox said at the Dec. 17 meeting where the commission adopted the rule with a 4-1 vote.

Under the new rule, the SEC can address abuses in the sale of EIAs with the regulatory tools available under federal securities laws, ranging from mandatory registration and disclosure requirements to strong suitability standards and antifraud remedies.

Special Report

NASAA's Pro-Investor Legislative Agenda

1. PRESERVE SYSTEM OF STATE/FEDERAL COLLABORATION, STREAMLINING WHERE POSSIBLE

Protect Strong State Regulatory Structure for Capital Markets. State regulation is an essential component of our current regulatory structure and it must be preserved. In the area of securities regulation, the states have a century-long track record of investor protection. They bring experience, resources, and passion to the job of licensing professionals, conducting examinations, and bringing enforcement actions – both civil and criminal – against those who prey on our nation's citizens. The states also serve as a local resource that investors can turn to for help when they have been exploited. State regulators also play a key role in educating investors in communities across the country about the perils of investment fraud.

Restore State Authority. Since 1996, there has been a steady stream of regulatory, judicial, and legislative initiatives designed to preempt state securities regulation. In addition to preserving state regulatory authority for the benefit of consumers, NASAA believes the time has come for Congress to reverse some of these ill-advised actions.

Increase Financial Education. NASAA urges Congress to fund programs to cultivate financial education partnerships among federal, state, and nonprofit entities, such as the newly created President's Advisory Council on Financial Literacy and the National Financial Education Network of the U.S. Treasury Department's Financial Literacy Education Commission.

2. CLOSE REGULATORY GAPS BY REGULATING ALL FINANCIAL PRODUCTS AND MARKETS

Increase Transparency of Derivative Instruments. NASAA believes that Congress, at a minimum, should pass legislation to subject derivatives to much more comprehensive regulation. Legislation should be enacted to make the over-the-counter derivative markets more transparent and subject to effective oversight. NASAA supports recent efforts to provide clearing services for certain credit default swap contracts, but suggests that Congress explore the necessity of imposing a much broader range of regulatory safeguards over the derivative markets.

Regulate Hedge Funds. NASAA has long supported regulation of hedge fund advisers in a manner that will provide greater transparency to the marketplace while not overburdening the hedge fund industry. Advisers to hedge funds should be subject to the same standards of examination as other investment advisers.

3. STRENGTHEN STANDARDS OF CONDUCT; USE "PRINCIPLES" TO COMPLEMENT, NOT REPLACE RULES

Impose Fiduciary Duty on All Financial Professionals. The conduct of investment advisers, broker-dealers, and financial planners has become increasingly blurred in recent years, and most investors do not understand the legal obligations that each group owes to their clients. NASAA urges Congress to apply the fiduciary duty to all financial professionals who give investment advice regarding securities—broker-dealers and investment advisers alike. This step will enhance investor protection, eliminate confusion, and even promote regulatory fairness by establishing conduct standards according to the nature of the services provided, not the licensing status of the provider.

Strengthen Regulation of Short Sale Transactions. Legitimate short selling plays an important role in the market, including contributing to efficient price discovery, increasing market liquidity, and facilitating hedging and other risk management activities. However, short sales can be used to manipulate the market and drive down the price of shares. NASAA believes that to limit instances of abuse, Congress and the SEC should require that the corresponding security actually be located and allocated to the short position, reinstate the uptick rule to limit rapid selling of borrowed shares, and require all money managers who exercise discretion over accounts with at least $100 million in traded securities to report new short sale positions to the SEC on a weekly basis.

Update & Strengthen Accredited Investor Definition. NASAA has long advocated for adjusting the definition of "accredited investor" in light of inflation and has expressed concern at the length of time the thresholds contained in the definition have remained static. Raising the standard for individual investors will provide greater protection for investors and will aid state regulators in enforcement activities by furthering more accurate suitability determinations for those individuals who choose to take greater risks.

4. IMPROVE OVERSIGHT THROUGH BETTER RISK ASSESSMENT AND INTERAGENCY COMMUNICATION

Eliminate Conflicts with Credit Rating Agencies. Credit rating agencies play a vital role in our capital market. However, it is now clear that credit rating agencies contributed to the turmoil in our credit markets with inaccurate ratings due in large part to a faulty business model. NASAA regards the SEC's recently finalized rules, which were intended to curb conflicts of interest and increase transparency and accountability, as a constructive first step. Congress must examine the models that rating agencies use and the assumptions they rely upon in determining ratings to ensure that they accurately reflect risks.

Enhance Review of New Regulatory Initiatives. NASAA also supports enhancing congressional review and increasing the transparency of the regulatory initiatives that impact

How Congress Can Help Protect Investors

investors. The SEC has pursued a number of significant policy initiatives in financial services regulation without the input of a formal public comment process.

5. TOUGHEN ENFORCEMENT AND SHORE UP PRIVATE REMEDIES

Increase Protection for Seniors. One of the highest priorities of NASAA's membership is to protect vulnerable investors from investment frauds. Given the number of baby boomers moving toward retirement who are watching their hard-earned investment portfolios decline in value, it is important that state securities regulators work together with Congress to protect those who will be the most vulnerable to investment fraud.

State securities regulators strongly support enactment of S. 2794, the Senior Investor Protection Act of 2008, which is based on NASAA's Model Rule on the Use of Senior-Specific Certifications and Professional Designations.

Fraudulent investment sales to seniors will remain a problem of epidemic proportion as long as the benefits to the perpetrators outweigh the costs. Enhanced penalties for senior abuse—ranging from fines to jail terms—should help to raise those costs, deter law violations, and appropriately punish those who exploit seniors.

Remove Hurdles to Private Action. NASAA encourages Congress to re-examine and remove some the hurdles facing private plaintiffs who seek damages for securities fraud. The pendulum has swung too far in the direction of limiting private rights of action. Congress should hold hearings to examine whether private plaintiffs with claims for securities fraud have fair access to the courts.

Improve Arbitration System. NASAA believes a major step toward improving the integrity of the arbitration system is to remove the mandatory industry arbitrator whose industry ties automatically put the investor at an unfair disadvantage.

This proposal makes pre-dispute mandatory arbitration agreements to arbitrate employment, consumer, franchise, or civil rights disputes unenforceable. NASAA supports this legislation and suggests that it be amended to clarify that its provisions extend to securities arbitration.

Congress should also review the manner in which arbitrations are conducted to determine if there is sufficient disclosure of potential conflicts by panel members; if the selection, qualification, and composition of the panels is fair to the parties; if arbitrators receive adequate training; if explanations of awards are sufficient; and if the system is fast and economical for investors.

For more information about NASAA's Legislative Agenda, please contact NASAA Director of Policy Deborah Fischione House at 202-737-0900.

The complete text of the Legislative Agenda is available on the NASAA website at www.nasaa.org.

NASAA's Core Principles for Regulatory Reform

1. PRESERVE SYSTEM OF STATE/FEDERAL COLLABORATION, STREAMLINING WHERE POSSIBLE.
The major challenge of regulating our financial markets can only be met through the combined efforts of state and federal regulators. State securities regulators must not be preempted or marginalized as mere advisers to federal authorities. We should look for opportunities within this collaborative framework to make regulation more streamlined and efficient.

2. CLOSE REGULATORY GAPS BY SUBJECTING ALL FINANCIAL PRODUCTS AND MARKETS TO REGULATION.
An enormous amount of capital is traded through esoteric investment instruments on opaque financial markets that are essentially unregulated. Our system must be more comprehensive and transparent, so that all financial markets, instruments, and participants are subject to effective regulation through licensing, oversight, and enforcement.

3. STRENGTHEN STANDARDS OF CONDUCT; USE "PRINCIPLES" TO COMPLEMENT, NOT REPLACE RULES.
We should impose the fiduciary duty—in addition to existing standards—on all securities professionals who dispense investment advice, including broker-dealers. We need to revisit our accounting standards and capital requirements. We must also recognize that a "principles-based" approach to regulation is no substitute for a clear and strong system of prescriptive rules.

4. IMPROVE OVERSIGHT THROUGH BETTER RISK ASSESSMENT AND INTERAGENCY COMMUNICATION.
We should enhance our ability to manage risk in all financial markets. The keys to this reform are better detection, communication, and intervention. These improvements are best achieved not by creating a new federal regulator, but rather by improving the tools and methods that existing agencies have at their disposal for identifying and limiting risk.

5. TOUGHEN ENFORCEMENT AND SHORE UP PRIVATE REMEDIES.
We should toughen punishments for those who violate the law and increase enforcement budgets for state and federal regulators, including the SEC. In addition, we must remember that the private rights and remedies of injured consumers are an essential complement to government enforcement efforts aimed at deterring fraud.

NASAA Members Discuss Regulatory Reform

NASAA members recently convened on Capitol Hill to promote a set of five core principles for regulatory reform to guide the Obama Administration and the 111th Congress. The Dec. 11 Regulatory Reform Roundtable injected a plan for positive and progressive change into the ongoing policy debate over the future of financial services regulation.

The roundtable was moderated by Colorado Securities Commissioner and NASAA President Fred Joseph. Panelists included Texas Securities Commissioner Denise Voigt Crawford, Alabama Securities Commission Director Joseph Borg, Illinois Securities Department Director Tanya Solov, Maryland Securities Commissioner Melanie Senter Lubin, and Delaware Securities Commissioner James Ropp. This article was adapted from a portion of their discussion.

Joseph: Last Sunday on *Meet the Press*, President-elect Obama said the centerpiece of his economic recovery would be, and I quote, "a strong set of new financial regulations in which banks, rating agencies, mortgage brokers, the whole bunch of folks, started having to be much more accountable and behave much more responsibly." He specifically called for transparency, openness, and fair dealing in the financial markets. I'm going to ask each one of you how does each one of our core principles fit into President-elect Obama's vision for regulatory reform.

Crawford: My principle was to preserve our system of state/federal collaboration in some form or other. I think that it would be a big mistake for us to revert to a one-size-fits-all regulatory model. It would be very dangerous. It would be counter-productive. It would be anti-investor, and it would be anti-investor confidence. So it's very important to preserve the innovation and maybe even try to promote a little more innovation among securities regulators so that we don't have these gaps and we don't get ourselves into this sort of mess again.

Borg: The President-elect called for transparency, openness, and fair dealing in our financial markets. The opposite of transparency, of course, is opaqueness. What we refer to in my remarks as the "shadow banking system," the closed lack of transparency in structured products, the CMOs, the SIVs, everything we heard about, if you think about that for a second, the companies, the investment companies and the banks that invested in all these products, they didn't know there was any risks involved? What does that tell you about transparency? Openness – if you're going to have openness, that goes to my comments on interagency communication and an architecture to create information sharing, which does not exist. And fair dealing in our financial markets, what is it about the shortsightedness of the industry that has now destroyed all investment banks on Wall Street, thinking in terms of short-term profits instead of long-term health of the company? Maybe that's a failure of corporate governance principles. But, certainly, the fair dealing has not existed, and history has shown that when you don't deal fair, it does catch up with you.

Solov: I think we should all share President-elect Obama's vision because transparency, openness, and fair dealing in our financial markets will not only benefit Main Street investors; it will benefit Wall Street and the firms. So I'm definitely in favor of that vision. I should mention that when President-elect Obama was the senator in Illinois, he co-sponsored a bill that strengthened the Illinois Securities Act. And some of the provisions of that bill included provisions for asset seizure and forfeiture, which has allowed the Securities Department to seize assets and actually give monies back to victims of fraud, which is very important. I think then-Senator Obama

From left: Delaware Securities Commissioner Jim Ropp, Maryland Securities Commissioner Melanie Lubin, Illinois Securities Director Tanya Solov, Alabama Securities Commission Director Joe Borg, and Texas Securities Commissioner and NASAA President-elect Denise Voigt Crawford.

exhibited his zeal for protecting investors, and I think that his statement about transparency, openness, and holding individuals accountable and responsible is very important. And as I mentioned with regard to regulatory gaps, we do have to have accountability, and we have to have responsibility, and any gaps in that area certainly must be closed.

Lubin: I think that the President-elect has called for a strong new set of financial regulations, not just financial principles. There are a lot of financial services regulators out there. We really need to look at the universe in a new way and say people can't be territorial. The world isn't made that way anymore, and I think the fact that what ostensibly started as a mortgage meltdown and it's now caused the entire world to go into a recession is pretty disturbing. The lines between regulators need to go away. People need to talk to each other more, cooperate, understand what's going on, and really create a new set of regulations where people behave more responsibly. Behaving more responsibly means understanding that you're not just playing with your firm's money. You're playing with your own money, with your customers' money, and playing should never even be part of the equation. It's very sad that I have to say to people that you have to worry about the return *of* your money as much as you have to worry about the return *on* your money.

Ropp: Isn't it interesting that President-elect Obama is able to illustrate each of our five principles in one of his statements? I look at the part that you quoted, "Folks start having to be much more accountable," and I think that talks about enforcement. Basically, without enforcement, rules are meaningless or principles are meaningless. If nobody believes that they're going to be backed up by enforcement, nobody's going to follow the rules whether they call them rules or principles, so, obviously, strong enforcement is necessary.

Aguilar: SEC, NASAA Relations Key to Strong Enforcement

SEC Commissioner Addresses NASAA's Winter Enforcement Conference

(*This article is adapted from Commissioner Luis A. Aguilar's January 10, 2009 speech at the NASAA Winter Enforcement Conference.)*

In this time of market turmoil, where confidence in the integrity and trustworthiness of the securities markets has been damaged, there is an overwhelming need for strong enforcement of the securities laws — by the states, foreign regulators, and the SEC.

As many of you know, I became an SEC commissioner just over five months ago. In my first speech after being appointed, I expressed concern with the potential drop off in large investigations and the dramatic decline in the past few years in the amount of penalties that the Commission seeks and collects.

Recently, it has been nearly impossible to turn on a TV or pick up a newspaper without seeing headlines criticizing the SEC and questioning whether the SEC is committed to aggressive and robust enforcement. In my experience, this is not an accurate perception of the dedication of the SEC's staff.

However, there is no question that the time is now for the SEC to answer its critics by demonstrating its commitment to be the markets watchdog. In my view, in terms of immediate actions, the SEC should: eliminate its penalty pre-authorization pilot program; rebuild and empower its enforcement staff; and concentrate its resources on cases with greater reach into the market.

Communication and coordination among regulators must also be a priority for regulatory reform. From my short experience, these arrangements could and should work better and more effectively.

I think a strong, collaborative relationship between NASAA and the SEC is critical to pursuing robust enforcement efforts. There are many ways to do this. One suggestion would be to consider establishing a standing SEC-NASAA Task Force in order to monitor financial activity across North America, consider the accumulated risk, and share and discuss recommendations for appropriate action. Another suggestion to improve and strengthen this relationship would be to have a NASAA representative at the SEC.

I think either idea, and perhaps others, could substantially improve collaborative efforts and would benefit investors around the nation and North America, as state, provincial, and federal enforcement officials work together to implement regulatory reform and spot fraudulent schemes.

Your role is vital to the well-being of our financial markets — and your efforts are greatly acknowledged and appreciated by your colleagues at the SEC. The SEC looks forward to continuing our collaborative efforts.

In these volatile times, the role of the SEC and NASAA has never been more important. The several thousand men and women who devote themselves to law enforcement and the protection of investors, markets, and capital formation represent this nation's finest. I am both proud and humbled to work side-by-side with them.

The full text of Commissioner Aguilar's speech is available on the SEC website at: http://www.sec.gov/news/speech/2009/spch011009laa.htm.

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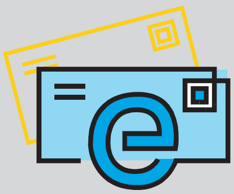

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Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. NASAA members license firms and their agents, investigate violations of state and provincial law, file enforcement actions when appropriate, and educate the public about investment fraud.

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NASAA, SEC Waive IARD System Fee

NASAA joined the Securities and Exchange Commission (SEC) in October 2008 in waiving the initial set-up and annual system fees paid by investment adviser firms to maintain the Investment Adviser Registration Depository (IARD) system. NASAA will continue to waive those system fees paid by investment adviser representatives (IARs) this year.

Fred J. Joseph, NASAA President and Colorado Securities Commissioner, said, "The IARD system promotes effective and efficient investor protection through readily accessible disclosure while offering a consistent and streamlined registration process for investment advisers and their representatives. Given the current economic climate, we are pleased that the IARD system's ongoing success has allowed us to maintain the system fee waivers put in place in 2005 for investment adviser firms and also to fully waive for the first time the system fees paid by investment adviser representatives."

"The IARD system promotes effective and efficient investor protection through readily accessible disclosure while offering a consistent and streamlined registration process for investment advisers and their representatives."

For 2009, NASAA will waive payment of initial and renewal IARD system fees by state-regulated investment adviser firms and investment adviser representatives' initial and renewal fees.

The IARD system is an Internet-based national database for the collection and dissemination of information about individuals and firms in the investment advisory field sponsored by NASAA and the SEC and operated by FINRA. The system contains the employment and disciplinary histories of more than 25,000 investment adviser firms and nearly 250,000 individual investment adviser representatives. IARD system fees are used for user and system support and for enhancements to the system.