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NASAA President Proposes Expanded Role of State Securities Regulators in Testimony Before U.S. Senate Banking Committee

WASHINGTON (March 26, 2009) – With the nation’s financial services regulatory structure under heavy scrutiny, the North American Securities Administrators Association (NASAA) offered the U.S. Senate Committee on Banking, Housing, and Urban Affairs a series of constructive reform proposals that advance the interests of Main Street investors through enhanced state securities regulation.

NASAA President and Colorado Securities Commissioner Fred Joseph, testifying during a hearing on enhancing investor protection and the regulation of securities markets, brought the invaluable contributions of state securities regulators to the attention of lawmakers.

“Our proximity to individual investors puts us in the best position, among all law enforcement officials, to deal aggressively with securities law violations,” Joseph said. “In light of the demonstrable value of state securities regulation, we urge Congress to reject any attempts to preempt or otherwise restrict the role of state securities regulators.”

Joseph recommended entrusting the states with an even broader authority over investment advisers. “The Madoff case illustrates the horrific consequences we face when an investment adviser’s illegal activity goes undetected and unchecked for an extended period,” he said. Joseph also called upon Congress to encourage the Securities and Exchange Commission to expand the class of investment advisers that are subject to state securities regulation and increase the states’ enforcement authority over large investment advisers.

Congress also should apply the fiduciary duty to all financial professionals who give investment advice – broker-dealers and investment advisers alike, Joseph testified. “This step will enhance investor protection, eliminate confusion and even promote regulatory fairness,” he said. “For all financial professionals, the interests of the client must come first at all times.”

Joseph pointed to the National Securities Markets Improvement Act (NSMIA), which preempted states from prohibiting offerings made under Rule 506 of Regulation D, as an example of misguided legislation that has limited the states’ ability to address fraud in its earliest stages. “Since the passage of NSMIA, we have observed a steady and significant rise in the number of offerings made pursuant to Rule 506 that are later discovered to be fraudulent,” he said. “NASAA believes the time has come for Congress to reinstate state regulatory oversight over Rule 506 offerings.”

NASAA also supports subjecting derivatives to more comprehensive regulation, establishing an independent risk-assessment body, examining the business models of national credit rating agencies, reforming the arbitration system and increasing consumer access to private actions, Joseph said.

The complete text of Commissioner Joseph’s testimony is available [here](#).

NASAA’s membership consists of the securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.



DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.