

NASAA Investment Adviser Section 2024 Annual Report

Highlighting 2023–2024 Section Activities



Introduction



The North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA members include 68 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, Canada, and México.

NASAA members have continued their work to fairly, effectively, and efficiently regulate investment advisers in 2023-2024. NASAA's members leverage enhancements in technology and time-tested examination techniques to monitor and examine investment advisers in their jurisdictions. These efforts help to prevent and root out fraud in the advisory space, enhance investor protection, and ensure investment advisers comply with their fiduciary and regulatory obligations. NASAA's Investment Adviser Section and Project Groups, with assistance from the NASAA Corporate Office, have provided tools for state and provincial securities regulators to do their important work, along with helpful guidance materials for investors and investment advisers alike. The Section and Project Groups look forward to continuing this important work in the coming year.

NASAA's 2023-2024 Investment Adviser Section Annual Report provides an updated snapshot of the investment adviser population in the United States, an updated profile of the average state-registered investment adviser, as well as a recap of the work of NASAA's Investment Adviser Section over the past year.

This Annual Report also highlights recent data about state-registered and federal covered investment advisers across jurisdictions and provides updates on outreach to investment advisers conducted by states and provinces in the last year.

We hope NASAA members and outside stakeholders, particularly state-registered investment advisers, find this report useful. We welcome suggestions on ways to improve future editions. If there is anything the Investment Adviser Section can do to help with state investment adviser regulation, please contact NASAA.

Sincerely,

A handwritten signature in blue ink that reads "Alisa D. Goldberg". The signature is written in a cursive, flowing style.

Alisa Goldberg

Chair of Investment Adviser Section

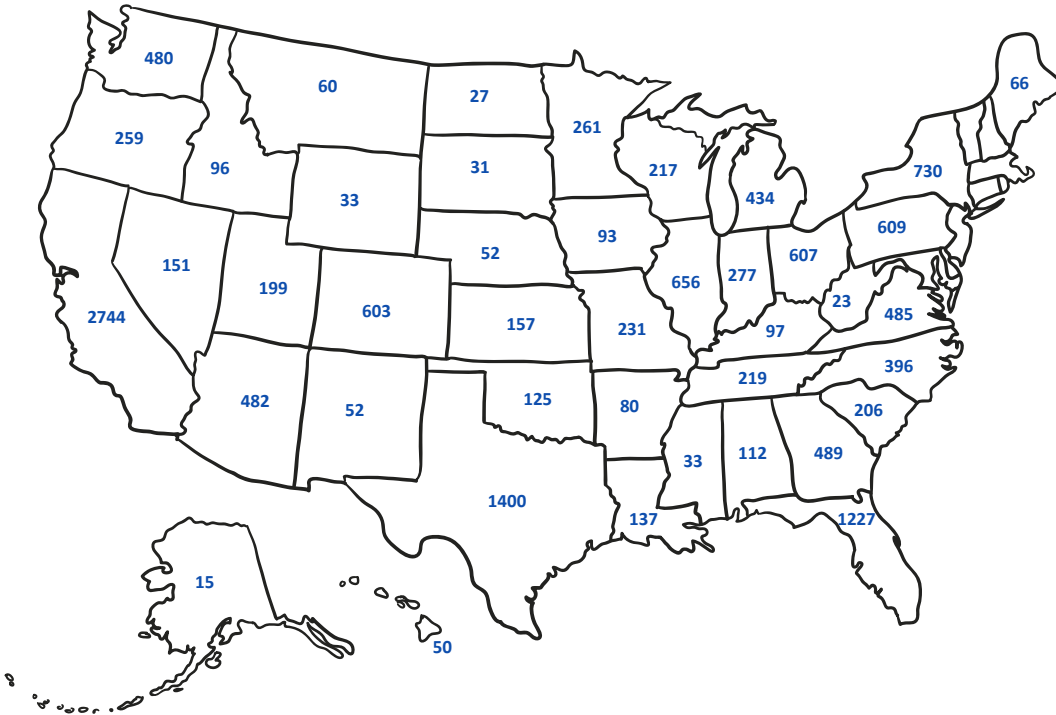
COMMITTEE MEMBERS:

Stephen Brey (Vice Chair, MI), Nick Doyle (NB), Ronald Allman (IN), Jacob Strait (TN), Marco Villar (MX), Tung Chan (CO), Lauren Munschauer (MA), Dominique Kelly (Staff Liaison, NASAA)

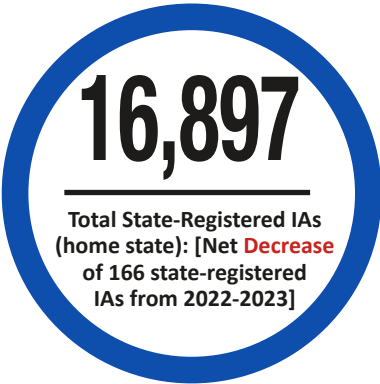
Section 1: IA Statistics

While statistics and information regarding the broker-dealer population have always been fairly easy to obtain, information on state-registered investment advisers has been more elusive. The following facts and figures from regulatory filings present a snapshot of the status of state-registered investment advisers as of December 31, 2023.

State Registered IA Map



- CT – 307
- DE – 37
- DC – 30
- GU – 0
- MD – 354
- MA – 630
- NH – 145
- NJ – 551
- PR – 35
- RI – 52
- VT – 32
- VI – 4



Top 5 Most State-Registered IAs (Home State) [As of 12/31/23]

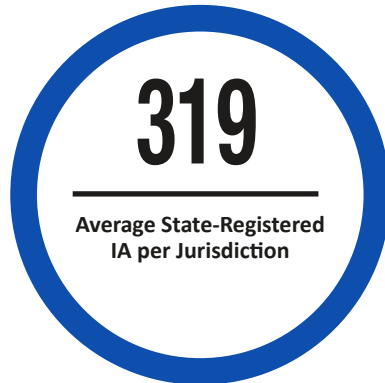
1. California – 2,744
2. Texas – 1,400
3. Florida – 1,227
4. New York – 730
5. Illinois – 656

Top 5 Most State-Registered IAs (Total) [As of 12/31/23]

1. Texas – 4,628
2. California – 3,643
3. Florida – 1,960
4. New York – 1,299
5. Illinois – 942

Top 5 State-Registered IAs Increase from 2022-2023

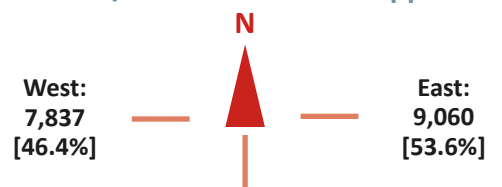
1. Florida – 38
2. Texas – 14
3. Virginia – 12
- 4-5. Kansas/Michigan – 1



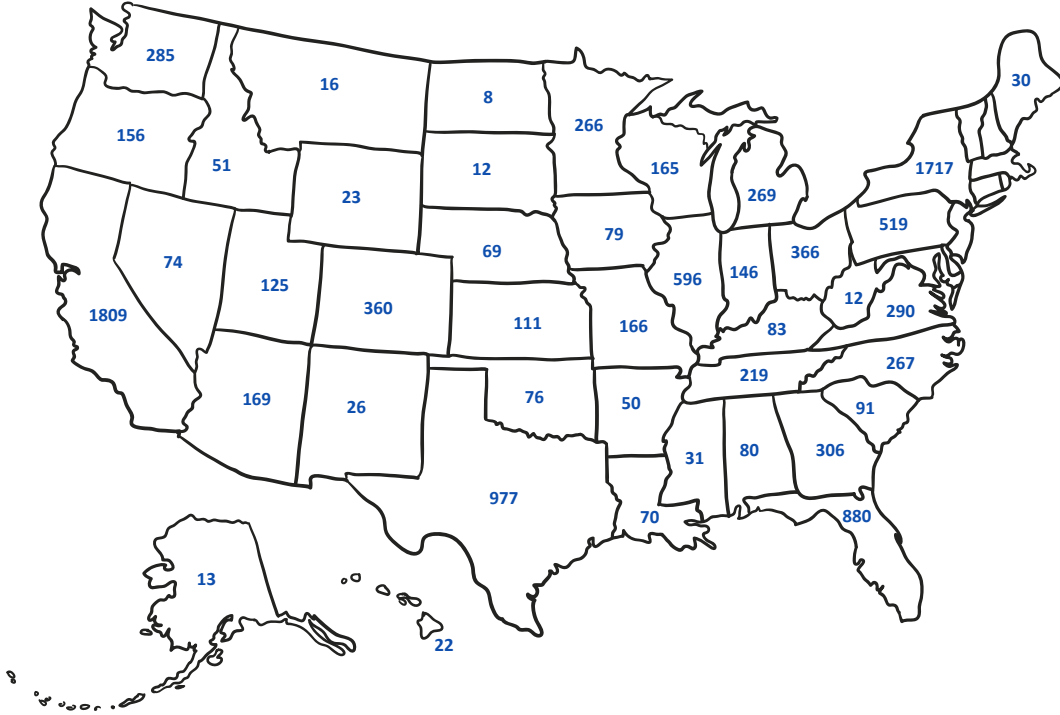
Total State-Registered IAs AUM

\$361,805,693,471
 [Net **Decrease** of \$59,634,070,829 from 2022-2023]

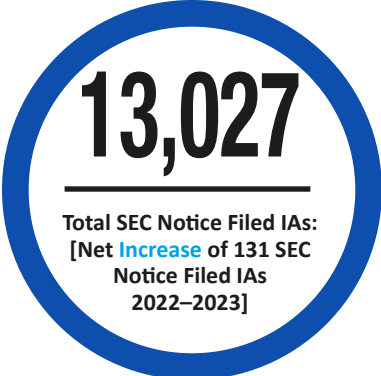
State-Registered Investment Advisers East/West of the Mississippi



SEC Registered IA Map



- CT – 486
- DE – 46
- DC – 55
- GU – 0
- MD – 234
- MA – 610
- NH – 73
- NJ – 318
- PR – 42
- RI – 50
- VT – 32
- VI – 0



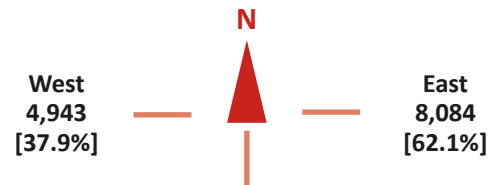
- Top 5 Most SEC Notice Filed Investment Advisers (Home State) [*As of 12/31/23]**
1. California – 1,809
 2. New York – 1,717
 3. Texas – 977
 4. Florida – 880
 5. Massachusetts – 610

- Top 5 Most SEC Notice Filed Investment Advisers (Total) [*As of 12/31/23]**
1. Texas – 7,403
 2. California – 6,319
 3. Florida – 6,232
 4. New York – 5,128
 5. Illinois – 3,161

- Top 5 SEC Notice Filed Investment Advisers Increase from 2022–2023**
1. Florida – 61
 2. Texas – 52
 3. Utah – 11
 4. Puerto Rico – 8
 5. Colorado/Indiana/Kentucky/Nevada – 7



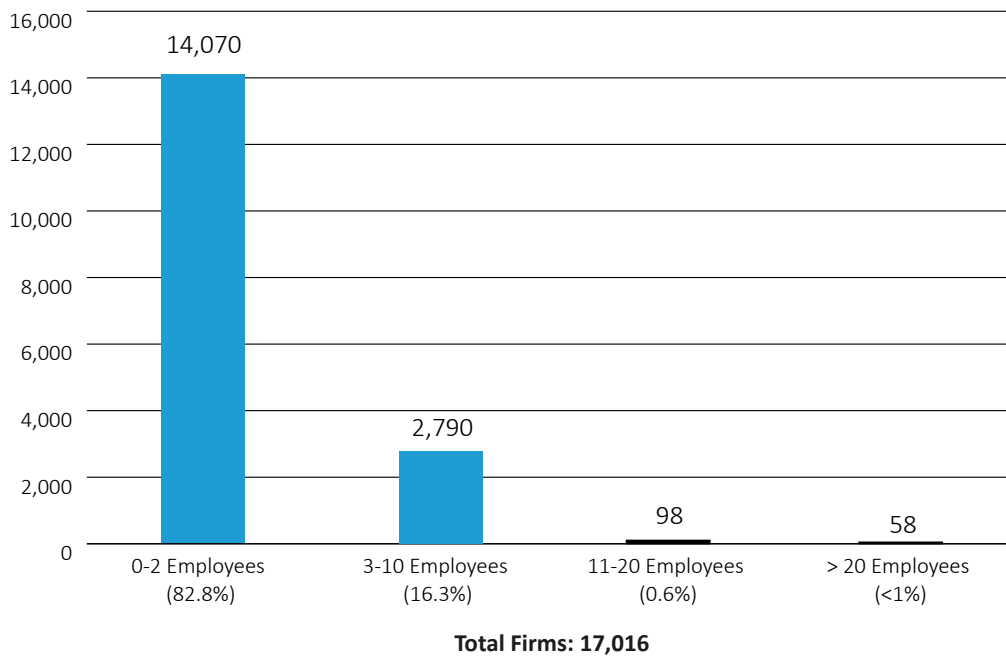
SEC Notice Filed Investment Advisers East/West of the Mississippi



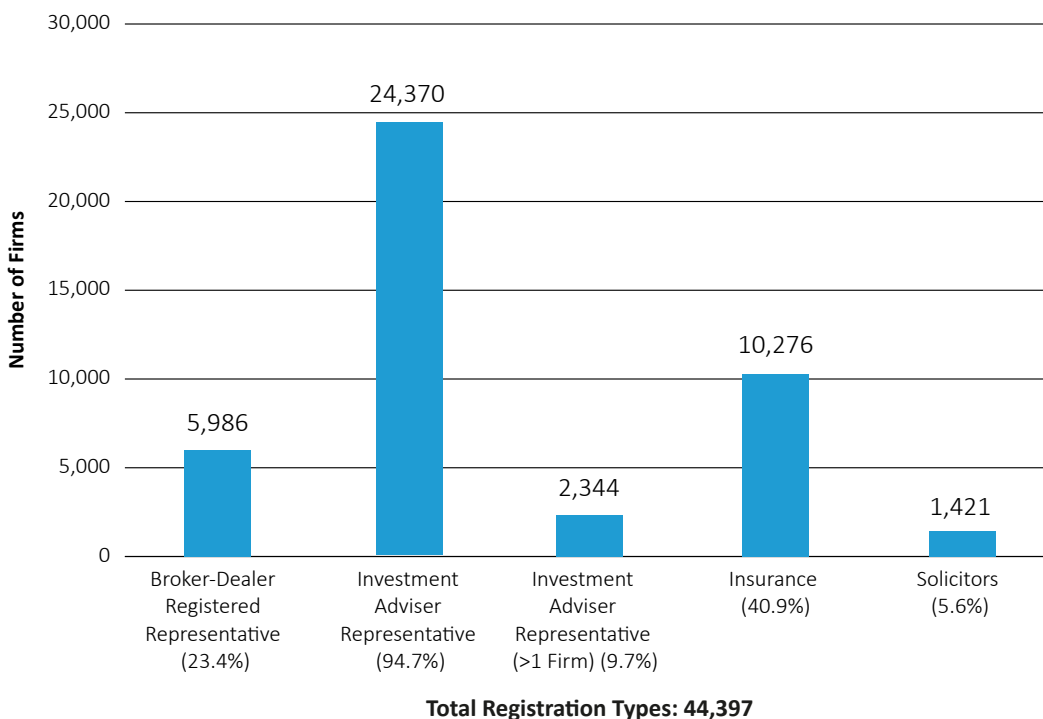
Section 2: State-Registered IA Profile

Profile of State-Registered Investment Advisers for 2023

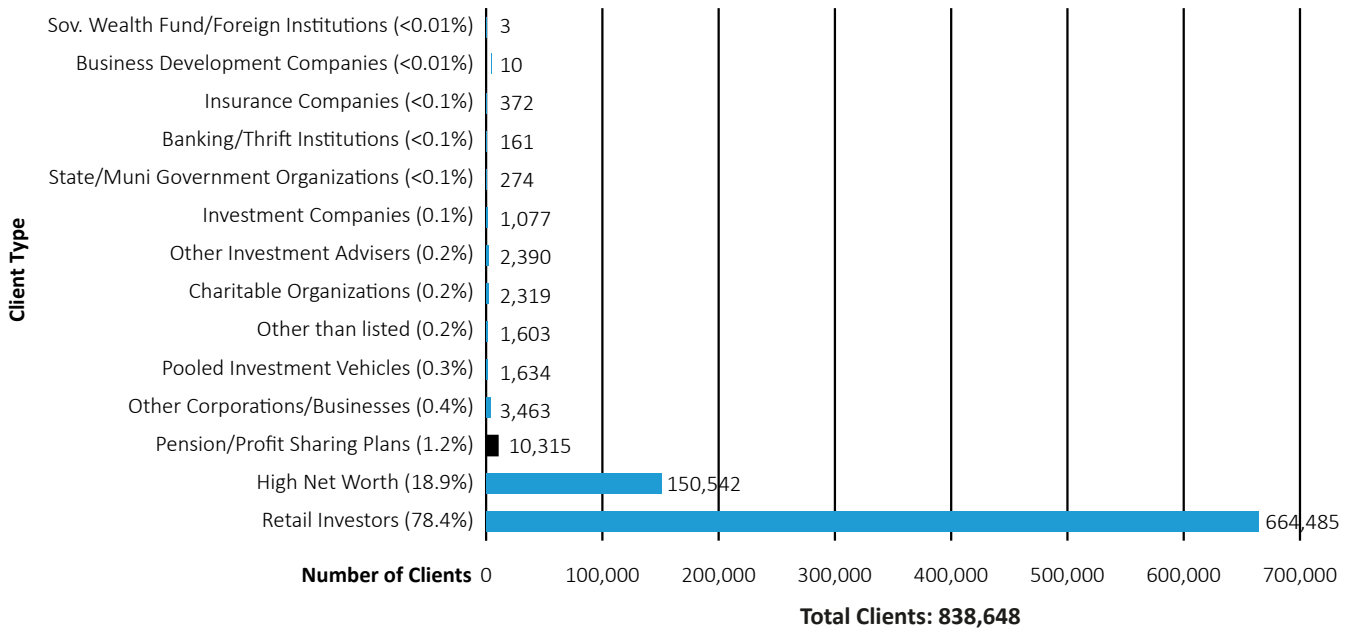
Size of State Registered Investment Adviser Firms



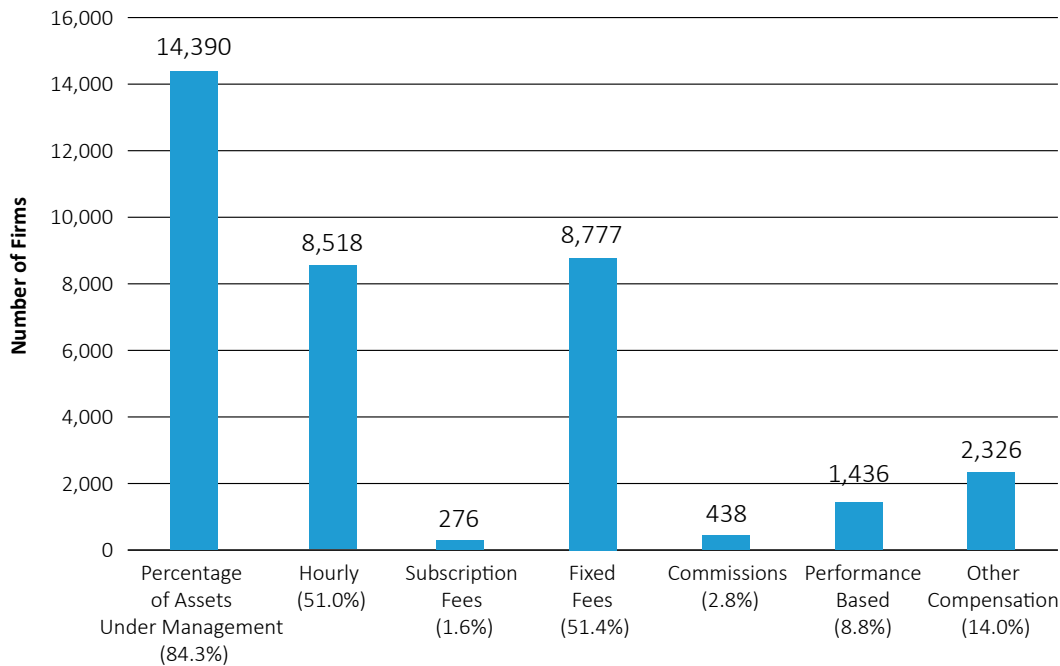
Registration Types



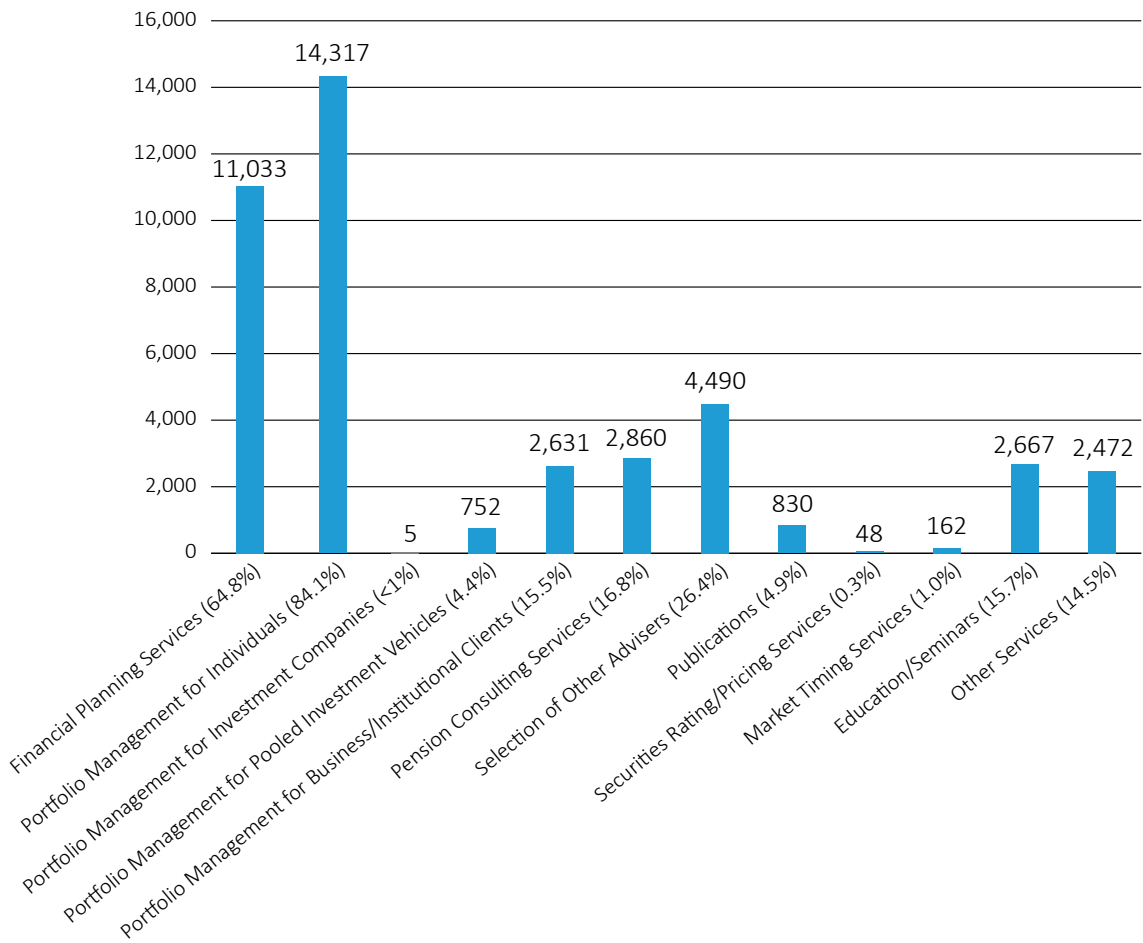
Client Types



Types of Fees Charged



Services Provided



Section 3: Project Group Reports

CYBERSECURITY AND TECHNOLOGY PROJECT GROUP

Clay Johnson (Chair, KS)

Kit Chao (CA)

Grant Loyle (WA)

Paul Park (GA)

Aaron Rodebeck (IN)

AJ Sipherd (NE)

Ryan Sullivan (MT)

Nicole West (DC)

From 2023 into 2024, the Cybersecurity and Technology Project Group restructured its past work product and organizational life using the new NASAA Spaces functionality and reevaluated the current cybersecurity efforts and resources of industry trade associations. The project group is seeking ways to best coordinate efforts with the NASAA Board-level Cybersecurity Committee, to promote adoption and development of NASAA cybersecurity model rules, and support investment advisers' cybersecurity efforts and effective use of technology. This includes collaboration and coordination with the Board-level Cybersecurity Committee on the development of strategic topical products that will improve both NASAA member and industry cybersecurity knowledge and expertise.

The project group is conducting an informal survey of the experiences of the jurisdictions that have adopted NASAA cybersecurity model rules. The project group anticipates that this will (1) allow the group to gather resources that adopting jurisdictions found effective in the adoption and implementation process and to make those resources available to other NASAA

members who wish to adopt the rules, and (2) help evaluate the effectiveness of the current model rules as technology evolves and new threat vectors present themselves.

With respect to assisting state-registered investment advisers with cybersecurity and effective use of technology, the above initiatives will permit the development of straightforward guidance and tools that NASAA members can use with advisers to identify the regulators' most important cybersecurity priorities and permit advisers to harvest low-hanging fruit consistent with these priorities. For example, platforms and technologies already in use by state-registered advisers often have built in features that would immediately enhance security if utilized more broadly.

The project group has monthly meetings via Microsoft Teams to discuss future goals and plans to better assist NASAA, state securities regulators, and state-registered investment advisers.

OPERATIONS PROJECT GROUP

Mark Kissler (Chair, WA)

Anthony Campen (CO)

Elizabeth Guido (NC)

Anne Letcher (GA)

Brett O'Sullivan (CA)

Katherine Perkins (MS)

Glen Sgobbo (OH)

Tay Sisoukrath (AR)

The Operations Project Group worked on a project to draft a survey to determine the extent to which jurisdictions are utilizing the web-based NASAA Examination Module system known as NEMO, including reasons why a jurisdiction may not be using the platform. This project, which included collaboration with the NASAA Board-level NEMO Training and Support Committee and NASAA Corporate Office staff, will, in part, help determine any necessary changes to the NEMO content (summary

module and sub-modules) to increase jurisdiction participation and enhance the user experience. The group anticipates continuous work on survey response action items. Additionally, the project group has been busy identifying and discussing emerging trends and issues for investment advisers, including FinTech services, third-party compliance consultants, unlicensed office assistants placing trades, among other topics.

REGULATORY POLICY & REVIEW PROJECT GROUP

Jonathan Bashi (Co-Chair, NY)

Stephen Brey (Co-Chair, MI)

Carlo Canty (MT)

Christina Herd (GA)

Brook Kellerman (WA)

Judith Keilp (NJ)

Emily Kisicki (VT)

Theresa Klobucher (MA)

The Investment Adviser Regulatory Policy and Review Project Group has continued discussing and developing policy related to investment adviser regulation over the past year.

The project group meets monthly by video to discuss relevant topics and projects underway that span the entire landscape of the regulation of investment advisers. Many topics affecting advisers and regulators have been discussed, including fee models, marketing, cybersecurity, use of artificial intelligence, custody and safeguarding clients' assets, recordkeeping, Investment Adviser Representative Continuing Education (IARCE) and the Exam Validity Extension Program (EVEP), trusted contacts, digital asset recommendations, private fund adviser requirements, and many others.

The project group has sought member input on model rule proposals addressing advertising and trusted contacts, and has continued developing rule language addressing other topics pertinent to investment advisers that it hopes to present to the membership and the public in the coming year. It also continues to work on guidance documents that address topics of concern among regulators and the investment adviser industry.

The project group's priorities in the coming year will primarily involve finalizing several in-process model rule proposals and guidance documents. The topics covered by these projects are relevant to regulators and to industry, and the project group looks forward to sharing its work with stakeholders.

RESOURCES & PUBLICATIONS PROJECT GROUP

Lindsay M. Fedler (Co-Chair, WI)

April Odom (Co-Chair, TN)

Jeffrey Eaby (CO)

Alfreda Evans (NV)

Joseph Joslin (AR)

Judith Keilp (NJ)

Holly Mack-Kretzler (WA)

Elizabeth Mullin (CT)

Paul Park (GA)

Lindsey Stout (KY)

In December 2023, the project group began planning an in-person meeting for May 2024 focused on drafting and revising compliance content for state-registered investment advisers to be distributed by NASAA throughout the year. The group also began planning the question content for the 2024 Investment Adviser Survey and determined how to best assist the other Investment Adviser Section project groups.

The Resources and Publications Project Group spent early 2024 working on the Investment Adviser Survey, which was sent out in late February and received a robust response rate. The project group also met virtually to discuss compliance article topics to be developed during the group's in-person meeting in 2024. The project group settled on topics covering suitability, common examination deficiencies and how to prevent them, and disclosure of outside business activities. The project group met to revise and refine the compliance articles, as well as discuss future continuing education opportunities with NASAA. The articles were published in August 2024.

Co-Chairs April Odom and Lindsay Fedler presented at NASAA's Investment Adviser Training in Minneapolis, Minnesota in April 2024 to help train regulators on examination procedures, suitability documentation, and effective and concise writing for deficiency letters and other communications with registrants. All presentations were well received and sparked lively discussions during the Question and Answer portion of the panel.

The project group also reviewed and analyzed data from the Investment Adviser Registration Depository (IARD) and the Investment Adviser Survey for the IA Section's Annual Report, covering 2023 to 2024 activities, for release at the NASAA Fall Conference in Vancouver, British Columbia. The Annual Report highlights the state-registered investment adviser industry, trends in registration, regulator outreach events for investment advisers and other financial professionals, and all the work performed by the Section and its project groups during late 2023 to 2024. It also incorporates some of the data from the Investment Adviser Survey on examination trends, deficiencies, and model rule adoption and implementation.

TRAINING PROJECT GROUP

William Baldwin (Co-Chair, WA)

Aaron Cooper, CFE (Co-Chair, MS) *through June 2024

Adam Hillier (AB)

Lauren Hitt (AL)

Mike Kirwin (NH)

Dylan Landes (VA)

Kelly Lent (CT)

Jennifer Miller (AR)

Johnny Salinas, Jr. (TX) *through May 2024

Kirsten Soltner (PA)

Lindsey Stout (KY)

Judy Watkins (NJ)

Lonnie Martin (Lead Staff Liaison, NASAA)

Arthur An (Staff Liaison, NASAA)

The Investment Adviser Training Project Group has three primary tasks. First, the project group conducts an annual training. Second, the project group facilitates three webinars. Third, the project group monitors and updates the core content of the Investment Adviser Training Tracks.

This year's Investment Adviser Training was a three-day event held April 16 to 18, 2024, in Minneapolis, Minnesota. It was a hybrid training program with both virtual and in-person participation. This hybrid training program allowed for an increase in participation and engagement. More than 400 people attended either virtually or in-person. In addition to the hybrid training program, there was also a concurrent Licensing and Registration Training. The project group met with members of the Licensing and Registration Training Group to discuss logistical issues and concurrent sessions with both training groups. All in all, the project group spent approximately five

months of the year planning the training program. From brainstorming topics to crafting the agenda to obtaining speakers and to running the program, there was no shortage of work to be done!

Additionally, the project group held a webinar for NASAA members on July 17, which was a continuation of the IA Training session "Emerging IA Practices as Seen by Compliance Consultants." It was one of the most attended sessions and had the most audience participation in the form of questions and comments. The project group plans to host two more webinars in 2024, scheduled for October 16 and December 4.

Lastly, the project group continuously reviews the Investment Adviser Training Track under NASAA Learning. This year, the project group did a deep dive into the current content and made significant updates to the modules and questions.

ZONES PROJECT GROUP

Angela Scott (Chair, Canada–NS)

Veronica Rodriguez (CO) *Chair through April 2024

Zone 1 (Northeast) Chris Dagley (MA)

Zone 2 (Southeast) Aaron Cooper, CFE (MS) *through June 2024

Zone 3 (Mid-Atlantic) Regina (Gina) Hart (PA)

Zone 4 (Central) Will Pultinas (OH)

Zone 5 (South Central) Tommy Green (TX)

Zone 6 (Mountain) OPEN

Zone 7 (Western) William Baldwin (WA)

Zone 8 (Canadian) Angela Scott (NS)

Member jurisdictions within NASAA have been separated into eight zones, and the Zones project group is comprised of eight project group members, each assigned to one zone. IA Zones maintains a zone communication system, including electronic communication and quarterly calls for each zone region. In addition, IA Zones coordinates information sharing among the jurisdictions, and between the NASAA Corporate Office and the NASAA members, on issues of importance regarding investment advisers. The project group also identifies issues of importance in the investment adviser area, such as patterns, trends, issues, and best practices.

During the first quarter of the 2024 fiscal year, the project group sent out the IA Training Project Group survey and compiled results. For the remainder of 2024, the project group expects to send out several other surveys and compile the results for the IA Resources and Publications Project Group, NASAA IA Annual Survey, and IA Section.

During the first two quarters of the 2024 fiscal year, the project group played an important role in communication and connection among the eight zones. The project group held seven quarterly zone calls throughout the jurisdictions. These recurring quarterly meetings have continued to be successful as jurisdictions continue to work remotely and stay connected to examination trends and best practices.

As part of the 2024 Investment Adviser Training, IA Zones facilitated the discussions for the eight zones breakout sessions for the in-person attendees in Minneapolis, Minnesota. Topics discussed during each meeting ranged from compensation models, exploring unreasonable and excessive fees, suitability issues, adoption of new regulations, and investment products with regards to concentrated positions and alternative investments such as crypto currency. For those individuals who could not attend in person, IA Zones is planning to host three virtual breakout webinars in August 2024.

Section 4: Investment Adviser Enforcement & Outreach

Enforcement Actions Involving Investment Advisers

State securities regulators continued to resolve major deficiencies and violations of securities laws and rules uncovered during examinations in 2023. The top ten causes of enforcement actions (both litigated and settled short of a hearing) were:

1. Failure to register as an investment adviser.
2. Failure to register as an investment adviser representative.
3. Fraud.
4. Failure to maintain adequate compliance policies and procedures.
- 5-6. Breach of fiduciary duty, failure to disclose conflicts of interest (tie).
7. Fees
8. Violating adviser's existing policies and procedures.
9. Suitability violations.
- 10-13 *Equities, *ETFs, *private placements, failure to disclose a disciplinary action (four-way tie).

*These products were involved in formal or informal action against a state-registered investment adviser or investment adviser representative, as reported in the Investment Adviser Section's annual Survey on Investment Adviser Matters.

Investment Adviser Outreach

ARKANSAS

On September 22, 2023, the Arkansas Securities Department held an in-person presentation to 42 registered representatives of Trutoro (CRD No. 169291) at its firm's annual compliance symposium about the Senior Safe Act and Arkansas' Vulnerable Adults Act.

OHIO

On October 20, 2023, Ohio held its Annual Ohio Securities Conference in Columbus, Ohio. The conference included opening remarks from Ohio Securities Commissioner Andrea Seidt, a discussion of securities laws by the Honorable Hester M. Peirce from the Securities and Exchange Commission, and presentations by regulatory and industry representatives on innovation in securities products, cryptocurrencies, Regulation Best Interest, and private placements.

KANSAS

The Securities Division of the Kansas Department of Insurance hosted an in-person compliance training session in Wichita, Kansas, on February 28, 2024. State-registered investment advisers, broker-dealers, and insurance professionals were invited to participate in the event, which included presentations on emerging trends/hot topics, elder exploitation, common exam deficiencies, and cybersecurity. The training ended with a compliance roundtable where presenters addressed attendees' questions and specific issues in an open dialogue format. The in-person compliance training session had been approved beforehand by NASAA and Prometric, therefore training participants were eligible to receive continuing education credits.

WISCONSIN

On October 12, 2023, and March 20, 2024, the Wisconsin Division of Securities held a “New Adviser Roundtable” virtually via Microsoft Teams. The roundtable is held several times a year for advisers newly registered during the prior quarter. Topics discussed are the exam process and what advisers should expect on exams, IAR CE, and recordkeeping requirements with some time for questions from the attendees. The roundtable gives advisers the opportunity to meet Division staff, meet other newly registered advisers, get insights on Wisconsin registration requirements, and ask any questions they may have about getting their firm off to a good start.

VERMONT

On November 2, 2023, the Vermont Securities Division held its second annual Investment Adviser Symposium. The event featured guest speakers from FINRA’s Investor Education Foundation and FINRA’s Vulnerable Adults and Seniors team, as well as speakers from the Division on continuing education requirements and common examination deficiencies. The symposium, held via Microsoft Teams, had 39 attendees, which is approximately seventy percent of state registered investment adviser firms in Vermont. Additionally, compliance consultants and attorneys representing Vermont-registered investment advisers were also allowed to attend.

TENNESSEE

The Tennessee Securities Division hosted an in-person Investor Adviser Forum for all registered investment advisers and local broker-dealers on November 2, 2023. The forum covered legislative updates, fiduciary duty, exam deficiencies and resolutions, IAR CE updates, fraudulent scams and trends, and building an effective compliance program. Speakers included Assistant Commissioner Elizabeth Bowling, Chief Counsel Anthony Glandorf, Associate Counsel Jacob Strait, Director of Registration April Odom, Director of Financial Services Investigation Unit (FSIU) Michele Stone, and Director of Investor Education Rachel Carden. The event was well attended with over 60 registrants.

BRITISH COLUMBIA

The British Columbia Securities Commission hosted its annual Registrant Outreach session on November 30, 2023. Topics discussed included relevant investment management experience for registration by Edwin Leong, Lead Compliance Analyst; and Robert Frey, Registration Officer; common examination issues by Colleen Ng and Crystal He, both Senior Compliance Analysts, as well as by Edwin Leong, Lead Compliance Analyst; actions and lessons learned from enforcement actions involving registrants by Jason Chan, Senior Compliance Analyst and Janice Leung, Manager, Adviser/IFM Compliance; as well as the British Columbia Securities Commission’s new whistleblower program by Mark Hilford, Deputy Director of Enforcement, and Janice Leung, Manager, Adviser/IFM Compliance. The session was held virtually with over 200 attendees.

ONTARIO

The Registrations, Inspection and Examination (RIE) Division of the Ontario Securities Commission held its annual Registration Outreach Roadshow. These roadshows are informal sessions between RIE’s registration team and the compliance and registration teams of registrants. The Registrant Advisory Committee, comprised of 14 external members, met quarterly with members of the RIE branch with the objective of advising on issues and challenges faced by registrants in interpreting and complying with Ontario securities law. The quarterly meetings were also an opportunity for feedback on the development and implementation of policy and rule making initiatives that promote investor protection, fair and efficient capital markets, and contribute to the stability of the financial system. The Registrant Outreach Program held educational seminars and webinars for registrants on various topics of interest.

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 68 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, Canada, and México.

In the United States, NASAA is the voice of state securities agencies responsible for efficient capital formation and grass-roots investor protection. Their fundamental mission is protecting investors who purchase securities or investment advice, and their jurisdiction extends to a wide variety of issuers and intermediaries who offer and sell securities to the public.

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. Through the association, NASAA members also participate in multi-state enforcement actions and information sharing.

For more information, visit: www.nasaa.org.

