

The Regulatory Role of the State Securities Board

John Morgan
Texas Securities Commissioner
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AGENCY OVERVIEW



Rusk Building, Austin

Staff

- 104 employees authorized
- Professional staff includes attorneys, accountants, and financial examiners
- Offices: Austin, San Antonio, Corpus Christi, Houston, Dallas, Lubbock

THE TEXAS SECURITIES ACT

- Registration of securities
- Registration of dealers, agents, investment advisers, IARs
- Inspections
- Enforcement

REGISTRATION

BY THE NUMBERS

- 58,000 securities registration and notice filings processed (FY 2015)
- 310,807 individuals and businesses authorized to sell securities or render investment advice (FY 2015)
- \$225.7 million in revenue collected from registrants (FY 2015)

4

ENFORCEMENT

- Largest division with 34 employees
- 40% of Agency's budget
- Focus:
 - Stopping ongoing illegal offerings
 - Criminal prosecution
- Common enforcement and investigative concerns:
 - Unregistered individuals
 - Promissory notes and high-yield programs
 - Currency or stock trading schemes
 - Oil and gas

CRIMINAL PROSECUTIONS

State:

- Collaboration with district attorneys throughout the state
- Enforcement attorneys serve as special prosecutors
- The Agency provides investigative and litigation support

Federal:

- Enforcement staff attorneys appointed as Special Assistant U.S. Attorneys

INSPECTIONS & COMPLIANCE

- 30% of Agency's budget
- Responsible for 1,400 state-registered firms not registered with FINRA or SEC
- Periodic on-site inspections
- Investigates complaints
- Pursues administrative actions
- Close coordination and information-sharing with FINRA and SEC

7

CROWDFUNDING

Intrastate Equity Crowding


- Board-approved rules effective Nov. 17, 2014
- Provides exemption from registration of securities offered through a crowdfunding portal or registered dealer
- Applies only to *intrastate* offerings
- \$5,000 limit for non-accredited investors – per offering
- Issuers generally limited to raising \$1M over 12-month period
- Eight registered portals
- 30+ offerings

8

COMMUNICATIONS & INVESTOR EDUCATION

NEW WEBSITE LAUNCHED OCT. 2015

Easier access to the most relevant information for visitors

 Subscribe to publications including news releases, updates on enforcement actions, notification of Agency rulemaking

- Social media



9

INVESTOR EDUCATION INITIATIVES

Selected publications and programs

2016 Texas Investor Guide: Strategies for Investing Wisely and Avoiding Financial Fraud



Everyone's Investment Guide: A Six-Part Interactive Guide to the Basics of Investing

Seniors: Financial self defense; regulatory initiatives; sections on fraud, unsuitable investments, and common investor threats

10

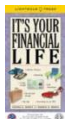
INITIATIVES

Military: *A Salute to Smart Investing* and *Veterans Handbook: Tactics for Civilian Life*



Teachers: *The Basics of Saving and Investor Education* (TEA approved curriculum)

Students and others starting their financial life: *It's Your Financial Life*



11

FOCUS ON SENIORS



- From 2010 to 2050 the number of Texans over 65 is expected to triple; Nationally 10,000 each day
- Aging population means increase in varying levels of diminished capacity
- Nationally, half of people in their 80s suffer from significant cognitive impairment
- Regulatory responses being developed by state, federal, and industry groups
- Increasing amount of research on financial education for seniors, family members, caregivers

12
