

North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

May/June 2017 SECURITIES NEWSLETTER Vol. 9, No. 5

State Officials Give Wake County Seniors Tips for Avoiding Financial Predators

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**NC Securities Division
Investor Protection
Hotline**

1-800-688-4507

Mailing Address:



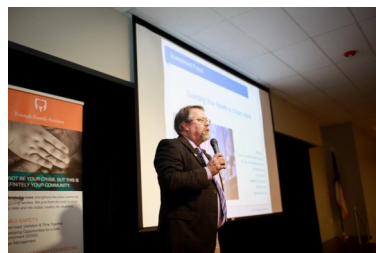
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NC Secretary of State Elaine Marshall joined Attorney General Josh Stein and other state government agency representatives in Wake Forest on May 18 for a Scam Jam seminar to give seniors and others the tools they need to avoid financial criminals.

Secretary Marshall stressed the role of the Secretary of State’s Securities Division Agents as the State’s top cops against investment fraud.



Sec. Marshall addressing the Scam Jam goes in Wake Forest.



SOSNC Investor Education Program Director John Maron presented information about securities enforcement.

“We search for investment crooks all the time. We go undercover. We try to break up those circles of silence in communities when we get some hint there’s a scam there.”

Marshall also urged seniors to turn on their “scam-dar” to be on constant lookout for scam artists trying to draw them and their loved ones into investment cons.

“When it comes to money, I want you to question every single investment sales pitch that comes your way...Always check all sales offers. Check all of the people making the investment sales offers—before you ever take out your checkbook. No exceptions.”

Marshall also spoke to the audience about a new initiative to help consumers steer clear of the dangers of fake online pharmacies.

According to the National Association of Boards of Pharmacy, ninety-seven percent of online pharmacies are illegitimate and selling fake or sub-standard medications.

At the core of the initiative is a search engine at verifybeforeyoubuy.org that that allows consumers to check out any online pharmacy they’re considering using. Simply cut and paste the exact URL, or internet address, of an online pharmacy into the search engine to learn its status.



In the News

Please check out this recent [WNCN story](#) on SOSNC’s new initiative to combat fake online pharmacies and counterfeit prescription drugs.



NASAA Study Examines Broker-Dealer Senior Practices and Procedures

Study Shows How Firms Can Help to Guard Senior Investors From Harm

Download the full NASAA report [here](#).

A new [study](#) from the North American Securities Administrators Association (NASAA) released in recognition of World Elder Abuse Awareness Day offers an inside look at the dangers seniors face from financial fraud and exploitation, and broker-dealer procedures to help protect senior clients.



The study, prepared by the NASAA Broker-Dealer Section's Investment Products and Services Project Group, presents findings of a survey of the senior-related practices and procedures of more than 60 broker-dealer firms throughout the United States. The study includes information about firm supervisory procedures, training, escalation and reporting of senior issues, resolution of senior issues, and use of trusted contact forms.



“Being face-to-face with clients puts financial services professionals on the frontlines when it comes to stopping suspected cases of senior financial fraud and exploitation. As the U.S. population ages, the financial industry can help detect and report financial crime and abuse of the elderly and other vulnerable adults,” said Mike Rothman, NASAA President and Minnesota Commissioner of Commerce.

Data collected for the study show responding firms reported nearly 2,300 cases of suspected senior-related fraud or exploitation to authorities in 2015. The vast majority of these escalated external reports (45 percent) involved customers in the 81-90 year age group. Reporting by firms to adult protective services occurred in at least 62 percent of internally escalated cases, but less frequently to local law enforcement (4 percent) or state securities regulators (less than 1 percent).

The study also collected examples of how broker-dealers prevented or resolved senior issues. More than half of the examples involved attempts by family members or third parties to access senior customers' accounts or funds or other potential forms of unauthorized access.

In one example, a broker-dealer contacted adult protective services because an elder client on a church ministry trip met a prisoner (serving a long sentence for murder) and was attempting to add the prisoner as a beneficiary to her million-dollar account.



Additional senior-related schemes broker-dealers said they thwarted or reported include:

- A client who believed someone needed assistance to collect a \$7 million settlement delayed due to identity theft.
- A client who thought a large inheritance was coming from China due to the death of a business partner, but instead was educated by the broker-dealer on advance fee scams.
- A client who tried to send \$200,000 in a \$4.5 million sweepstake scam, but instead the broker-dealer contacted the client's son.

A client who wanted to send a wire transfer to a European woman needing money to come to the United States.

The study found that while more than half (54 percent) of the responding firms lacked a formal policy defining senior customers, 90 percent had either a dedicated team or at least some type of internal process for addressing senior issues. In addition, nearly all (95 percent) provided some type of training on senior issues, with the most common topic being recognizing signs of elder financial abuse.

Also, 94 percent had a formal process to internally report concerns regarding diminished capacity and/or elder financial abuse. Most firms (81 percent) indicated they had a decision-maker responsible for reporting concerns to agencies or authorities outside of the firm. Less than half (41 percent) had developed a form for customers to identify an emergency or trusted contact person.

Included in the study is a checklist of recommended areas of consideration for firms working toward improving their senior-related policies and procedures. The full study is available in the Broker-Dealer section of the NASAA website (nasaa.org) and in the Industry section of NASAA's Serve Our Seniors website (serveourseniors.org).

Elder Investment Fraud and Financial Exploitation

The NC Secretary of State's Office offers an informative [guide](#) to help seniors, their caretakers and medical professionals fight financial elder abuse. Developed at the Baylor School of Medicine in Texas, the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention program is designed to train medical professionals and others who work with senior citizens to spot the signs that a senior may have fallen prey to investment fraud, or may be particularly vulnerable to investment scams.

Elder Investment Fraud
Securities fraud perpetrated against seniors. Investment fraud can take many forms, including unsuitable investments, fraudulent offerings, unregistered products, unlicensed advisers/brokers or theft or misappropriation of funds.

Why is Elder Investment Fraud important to you?

- Your financial health affects your overall health.
- The quality of proper nutrition and healthcare are both affected by finances.
- Many aspects of normal aging and disease can contribute to your vulnerability to fraud and exploitation. We're all at risk.
- Changes in your ability to make important decisions can leave you vulnerable to someone who may handle your affairs differently than you would.
- The population of older adults vulnerable to investment and financial fraud is large and growing.

RESOURCES
North Carolina Department of the Secretary of State
1-800-688-4507
www.sosnc.com
The North Carolina Department of the Secretary of State licenses and regulates financial services professionals and provides consumer protection information.
National Center on Elder Abuse
1-800-677-1116
www.ncea.aaa.gov
NCEA works with State and local partners to ensure that older Americans live with dignity and without abuse.
United Way
www.211.org
2-1-1 is a phone number that connects callers to information about available health and human services.
Adult Protective Services
919-733-3055
www.dhhs.state.nc.us/aging/adult/ocs/afis_apps.htm
APS protects older adults from abuse and exploitation through investigation and intervention.
North American Securities Administrators Association
www.nasaa.org
NASAA is the association of state securities regulators responsible for grass-roots investor protection. Visit NASAA's online Senior Investor Resource Center.
Investor Protection Trust
www.investorprotection.org
IPT works to provide the objective investor education needed to make investment decisions.

Patient Education

EIFFE PREVENTION PROGRAM

Learn how to protect yourself and your family from senior financial exploitation

Logos for Department of State, North Carolina, NASAA, and Investor Protection Trust.

EIFFE is designed to train medical professionals and others who work with seniors to spot the signs that a senior may have fallen prey to an investment scam, or may be particularly vulnerable to fraud. Senior citizens, family members and anyone acting as a caregiver to the elderly are all encouraged to learn more about how to protect themselves and their loved ones from investment scams.



FINRA Podcast

Check out this new [podcast](#) from FINRA detailing the key investing concepts of return and rate of return.

It's a great primer on rate of return for folks who are new to investing!



Sign up for Our RSS Feed!

Sign up for SOSNC's RSS (Really Simple Syndication) feed to receive our monthly Securities newsletter direct to your computer.

And follow SOSNC on Twitter, Facebook, LinkedIn and YouTube for more frequent updates on everything from investor education to trademarks enforcement and charitable solicitation regulation.

Click on the icons below to go to SOSNC's social media accounts!



The New Number to Reach SOSNC

SOSNC is upgrading to a modernized department-wide telephone system, which will mean new phone numbers for most of the agency. But the only number most customers need to know is the department's new central number, 919-814-5400. Calling that number will route customers to any section of the Secretary of State's Office.

While all NCSOS individual staffers' phone numbers will be changing due to the switch, the agency's current fax numbers and toll-free numbers—including the NC Investor Hotline (800-688-4507)—are not changing.



SOSNC on YouTube

Have questions about filing annual reports for your business corporation or LLC, or perhaps becoming a notary public? A series of informative videos available now on [SOSNC's YouTube channel](#) has you covered!

Our videos cover how to file annual reports for LLCs and business corporations, what to do if you've received a notice about annual reports you owe, and much more!

CFPB Director Meets with NC Secretary of State

Consumer Financial Protection Bureau Director Richard Cordray visited Raleigh last week and met with NC Secretary of State Elaine F. Marshall to discuss North Carolina's electronic mortgage closing program, the first such statewide pilot program for fully electronic, paperless mortgage closings in the nation.

North Carolina recorded its [first fully electronic](#) mortgage closing in May in the town of Hickory.

CFPB published a [study](#) in 2015 on the potential benefits of electronic closings, or "eClosings".



NC Secretary of State Elaine Marshall and CFPB Director Richard Cordray discussing the fine points of North Carolina's eClosing program.



Investor Bulletin: Be Cautious of SAFEs in Crowdfunding

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to educate investors about a type of security, often described as a SAFE (a "Simple Agreement for Future Equity"), that may be offered in crowdfunding offerings.

In May 2016, SEC rules went into effect allowing individual investors to participate in [securities-based crowdfunding](#). Crowdfunding generally refers to a financing method in which money is raised through soliciting relatively small individual investments or contributions from a large number of people. Crowdfunding provides individual investors an avenue to participate in the capital raising activities of start-up and early-stage companies and businesses.

New risks in crowdfunding investing. Being able to invest at the early stages of a venture also exposes investors to new and additional risks that may not be as prevalent with investments in publicly listed companies. For example, investing in a crowdfunding opportunity may come with increased speculative risk in connection with whether the venture succeeds at all as well as the increased illiquidity associated with investing in a company not listed on a stock exchange. You can explore these and other risks and learn about how you can invest in securities-based crowdfunding in our [Investor Bulletin](#) regarding crowdfunding.

Some issuers have been offering a new type of security as part of some crowdfunding offerings—which they have called the SAFE. A SAFE is very different from traditional common stock and it is important to understand these differences in order to make an informed investment decision that is right for you.

What are SAFEs?

A SAFE is an agreement between you, the investor, and the company in which the company generally promises to give you a future equity stake in the company if certain trigger events occur. Not all SAFEs are the same and the very important terms governing when you may get the future equity may vary across the SAFEs being offered in different crowdfunding offerings. Despite its name, a SAFE may not be "simple" or "safe."

What is important to keep in mind about SAFEs?

It is important to understand the terms of any SAFE in which you are investing through a crowdfunding offering. Here are some things to keep in mind:

- *The most important thing to realize about SAFEs is that you are not getting an equity stake in return. SAFEs are not common stock.* Common stock represents an ownership stake in a company and entitles you to certain rights under state corporate law and federal securities law. A SAFE, on the other hand, is an agreement to provide you a future equity stake based on the amount you invested if—and only if—a triggering event occurs. SAFEs do not represent a current equity stake in the company in which you are investing. Instead, the terms of the SAFE have to be met in order for you to receive your equity stake.

- *SAFEs may only convert to equity if certain triggering events occur.* Because SAFEs convert to actual equity in the future based on some future event, it is important to understand what exactly triggers the conversion of the SAFE. The terms of the SAFE may have it trigger in a number of different scenarios that may—or may not—occur in the future with respect to the company. For example, a SAFE may be triggered if the company is acquired by or merged with another company. Other triggers may be an [initial public offering](#) of securities by the company or another round of financing involving equity securities.
- *Depending on its terms, a SAFE may not be triggered.* Despite the identified triggers for conversion of the SAFE, there may be scenarios in which the triggers are not activated and the SAFE is not converted, leaving you with nothing. For example, if a company in which you invested makes enough money that it never again needs to raise capital, and it is not acquired by another company, then the conversion of the SAFE may never be triggered.



In another example, if a SAFE specifically triggers upon an offering of preferred stock, but the company subsequently raises money by instead selling more SAFEs, common stock or convertible notes, or by getting a conventional bank loan, then the SAFE will not convert despite the company having raised more capital.

Convertible notes are another type of security that has been offered in crowdfunding opportunities. Convertible notes are essentially debt obligations in which the investor agrees to loan money to the company. In exchange, the investor receives a promise of repayment, interest on the loan for a period of time and an ability to convert the outstanding amount into equity of the company at some triggering event. *Different from SAFEs, convertible notes generally represent a current legal obligation by the company to you for the outstanding amount of the note.*

Keep in mind other possible provisions of the SAFE. In addition to the trigger mechanism, there are also other components of SAFEs that you should understand. Some things to better understand include the following:

- *Conversion terms.* These are the specific terms by which the amount you invested in the SAFE gets converted into equity. Is it just your original investment or does the SAFE provide for an amount that offers value over time similar to interest on a loan? How does the valuation of the company at the future financing play into how many shares you will get upon conversion of your SAFE?
- *Repurchase rights.* Is there a provision in the SAFE that allows the company to repurchase your future rights to equity instead of it being converted to equity? Do you have any say in whether your right is repurchased and at what price?
- *Dissolution rights.* What happens to your SAFE and the money you invested if the company ends up dissolving?
- *Voting rights.* SAFEs do not represent current equity stakes in the company so do not have voting rights similar to common stock. But are there particular circumstances mentioned in the SAFE that allow you a voice on matters pertaining to your SAFE?

SAFEs were designed for a specific type of startup. SAFEs were developed in Silicon Valley as a way for venture capital investors to quickly invest in a hot startup without burdening the startup with the more labored negotiations an equity offering may entail. Oftentimes, for the venture capital investor, it was more important to get the investment opportunity, and possible future opportunities, with the startup than it was to protect the relatively small investment represented by the SAFE. In addition, the various mechanisms of the SAFE, from the triggering events to the conversion terms, were designed to best operate in the context of a fast growing startup likely to need and attract additional capital from sophisticated venture capital investors. This may or may not be the case with the crowdfunding investment opportunity you are exploring.



There is nothing standard or simple about a SAFE. Various terms from the triggering events to the conversion price are subject to different treatment by different companies offering SAFEs. It is important to read and understand the company’s disclosure regarding the SAFE it is offering as well as the terms set forth in the actual agreement.

Where can I go for help?

If you have a question, concern or complaint about an investment, or you think you have encountered fraud, please contact the NC Secretary of State’s Securities Division:

[North Carolina Department of the Secretary of State](http://www.sosnc.gov)

The Securities Division

PO Box 29622

Raleigh, NC 27626-0622

Telephone: (800) 688-4507

Telefax: (919) 807-2183

Email: secdiv@sosnc.gov

Five Minutes Could Save Your Life Savings!



Is that individual offering you an investment opportunity licensed to sell securities in North Carolina? Is the investment opportunity itself registered? Know before you sign!

While registration in and of itself is no guarantee against fraud, not being registered is a very big red warning flag. We urge you to take five minutes to call our NC Securities Hotline at 1-800-688-4507 to see if the person you have been dealing with – perhaps even for years – is properly registered and/or has a disciplinary history.

Pick up the phone and call us. You owe it to yourself and your family to check.



New information will help U.S. improve financial literacy

From the CFPB Consumer Blog
By Gail Hillebrand

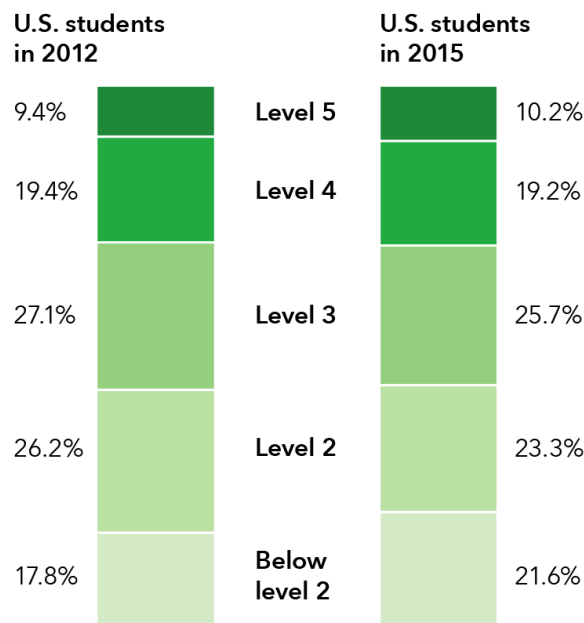
New information recently [released](#) by the Consumer Financial Protection Bureau shows how well American teens understand financial concepts and can apply them to their own situations. The Organization for Economic Co-operation and Development (OECD) published results of the [2015 Program for International Student Assessment \(PISA\) financial literacy assessment](#). This new information will help us develop targeted programs and initiatives to ensure our young people move toward adulthood with the financial knowledge, skills, and habits that could help them to reach their own goals in their adult financial lives.

This information is a result of the OECD adding a section on financial literacy to their PISA in 2012 and continuing to include it in 2015. PISA is given every three years to 15-year-olds in countries around the world. It also assesses students' reading, math, and science skills.

What we can learn from the 2015 financial literacy component of PISA

Comparing the U.S. results of the financial literacy component of PISA in 2012 and 2015 by the five proficiency levels

The U.S. has not had a major change between 2012 and 2015



Source: Organization for Economic Cooperation and Development (OECD), Program for International Student Assessment (PISA) 2012, 2015 www.oecd.org/pisa

Notes: To reach a particular proficiency level, a student must correctly answer a majority of items at that level. Students were classified into financial literacy levels according to their scores. Percentages may not sum to totals because of rounding.

While the results show there is room to improve, there are some bright spots.

1. One promising thing is that 66.5 percent of the teens in the U.S. said they discuss money matters with their parents weekly or monthly. In most participating countries, students who had talks with their parents at least sometimes did better than those who did not talk to their parents about money.

2. Holding a bank account was associated with higher financial literacy results even after taking into account family economic circumstances. In the U.S., students who hold a bank account performed better in financial literacy by over 20 score points than students of similar socio-economic status who do not have a bank account.



How we prepare the next generation for the complex financial choices that they will face as adults is of fundamental importance.

At the CFPB, we are committed to helping everyone who wants to help our nation's children build money skills. There are roles for parents, teachers, librarians, education policy leaders, financial institutions, and others to help our nation's children develop the money skills that will help them as adults.

How you can help children and youth to develop financial literacy

We are working to support those most involved in youth financial education, and we are looking to people like you in communities around the country to help.



Here are some resources to explore:

[Money as You Grow](#) - This site has activities for parents and guardians to teach children about money at different stages in their development. Additionally, there is the [Money as You Grow book club](#), a resource that provides discussion guides to use with children's books.

[Guide for advancing K-12 financial education](#) - This recently updated guide seeks to connect community and education leaders with information, insights, and best practices about what works in K-12 financial education.

[Building blocks to help youth achieve financial capability](#) - This report can help educators understand the childhood origins of financial capability and well-being, and identify those roots in order to find promising practices.

[Personal Finance Teaching Pedagogy](#) - In this guide for teachers, we've identified teaching techniques and learning strategies to address the three building blocks that develop in childhood and support the development of lifelong personal finance decision-making skills.

For more information about PISA and to view the just-released 2015 results, please visit the [National Center for Education Statistics site](#).

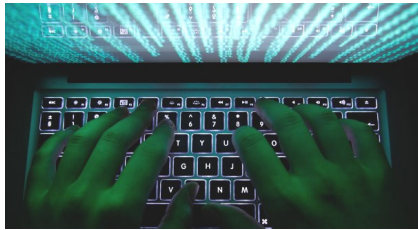


Cybersecurity Threats to Financial Services Industry, Investors Explored at NASAA Roundtable

Leading cybersecurity experts [convened](#) in Washington on June 23rd at the North American Securities Administrators Association's (NASAA) Cybersecurity Roundtable to assess current cyber threats to the financial services industry, how industry is responding to this threat, and regulatory efforts underway to help small- and mid-sized investment adviser and broker-dealer firms protect critical client information from cybercriminals.



“Cybersecurity is a growing challenge for the securities industry and for securities regulators at all levels,” said NASAA President and Minnesota Commissioner of Commerce Mike Rothman. “No securities firm or investment adviser of any size can afford the loss in client trust – much less financial losses – that will result from a serious cybersecurity failure. And no investor should have his or her personal information compromised or hard earned money stolen.”



Calling cyberattacks “one of the greatest threats globally to our financial sector,” Rothman noted that the number of data breaches in the United States reached an all-time high last year, and the financial cost of these cyberattacks on businesses continues to grow.

“There’s no question that cyberattacks are going to increase,” Rothman said. “These threats to the public mean that, as regulators, we must be vigilant. It is important that securities firms and professionals have the tools and information they need for cybersecurity. It is also essential to have the proper regulatory expectations and guidance in place for the securities industry.”

The roundtable brought together cybersecurity and information technology specialists from the Federal Bureau of Investigation, the U.S. Department of the Treasury, the U.S. Securities and Exchange Commission, state securities agencies, FINRA, and financial services industry representatives.

“NASAA believes cybersecurity, like many of the issues we face, requires a collaborative approach involving industry and regulators,” Rothman said. “We are looking at new ways to provide resources for regulators and industry members to address cybersecurity issues and we will continue to work as collaboratively as we can so that we are all better prepared against cyberattacks.”



NASAA is the oldest international organization devoted to investor protection. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the provinces and territories of Canada, and Mexico.



Hurricane Watch: Don't Let This Year's Storm Season Blow in Disaster-Related Stock Fraud

From [FINRA Staff](#)

Hurricane Season is officially here—and [predictions](#) are already swirling that 2017 could produce an above-average number of storms. It may not be possible to predict when the next hurricane or other [natural disaster](#) will take place, but one thing you can count on is that, when it happens, scammers will try to take advantage of the situation.



The tips below will help you protect against stock scams that tout the promise of huge gains in the wake of the next “big one.”

In years past, stock promotions touted “massive run ups” in a stock’s price in the aftermath of the storm “as demand to repair homes skyrockets.” You can expect unsolicited faxes and spam about investments that exploit a variety of hurricane-related opportunities. Best bets for scams include stocks associated with clean-up or rebuilding and those that purport to take advantage of refinery issues and the rising cost of oil and gas.

These actions may culminate in a classic “pump and dump” fraud. Investors are lured with aggressive and optimistic statements about the business through press releases, emails and other promotions intended to create demand for the company’s shares (the pump). Once the share price and volume spike, the fraudsters behind the scam sell off their shares at a profit and stop hyping the stock, causing the price to fall and leaving investors with worthless, or near-worthless, stock (the dump).



It’s conceivable that some of the claims that are being made may be true, but they could turn out to be fraudulent hot air. Just like a hurricane, they can be very damaging, in this case to your portfolio.

Spotting Potential Hurricane Investment Scams

Unsolicited text, email and other types of spam about investments that exploit a major disaster frequently include:

- Price targets or predictions of swift and exponential growth.
- The use of facts from respected news sources to bolster claims of a price run up, for example that some percentage of the billions of dollars it will take to rebuild after the hurricane will contribute directly to a company’s bottom line.
- Mention of contracts or affiliations with federal government agencies or large well-known companies.
- Standard corporate developments, like contracting with a supplier, presented as major events.
- Statements about how much easier it is for low priced stocks to skyrocket in value in comparison to higher-priced stocks.
- Pressure to invest immediately, such as “You must act now!”

Four Tips to Avoid Getting Scammed

To avoid potential scams, make sure you get the information you need to make a wise investment choice.

1. Investigate before you invest. Never rely solely on information you receive in an unsolicited e-mail, text message or other form of communication. It's easy for companies or their promoters to make glorified claims about new products, lucrative contracts, or the company's revenue, profits, or future stock price.



2. Do some sleuthing. Find out who is at the controls of a company before you invest. A basic Internet search is a good place to start. Proceed with caution if you turn up indictments or convictions of company officials, or news reports that raise red flags. Likewise, try to contact the company and its personnel. Non-working phone numbers and bogus business addresses often can be revealed through a simple phone call or Internet search.

3. Find out where the stock trades. Most stock pump-and-dump schemes involve stocks that do not trade on The NASDAQ Stock Market, the New York Stock Exchange or other registered national securities exchanges. Instead, these stocks tend to be quoted on an over-the-counter (OTC) quotation platform like the OTC Bulletin Board (OTCBB) or the OTC Link Alternative



Trading System (ATS) operated by OTC Markets Group, Inc. Companies that list their stocks on registered exchanges must meet minimum listing standards. For example, they must have minimum amounts of net assets and minimum numbers of shareholders. In contrast, companies quoted on the OTCBB or OTC Link generally do not have to meet any minimum listing standards (although companies quoted on the OTCBB, OTC Link's OTCQX and OTCQB marketplaces are subject to some initial and ongoing requirements).

4. Read a company's SEC filings. Most public companies file reports with the SEC. Check the [SEC's EDGAR database](#) to find out whether the company files with the SEC. Read the reports and verify any information you have heard about the company. But remember the fact that a company that has registered its securities or has filed reports with the SEC doesn't mean that the company will be a good investment.

If you're suspicious about an offer or if you think the claims might be exaggerated or misleading, please [contact FINRA](#). Complaints about unsolicited emails, text messages and other communication may also be directed to the Federal Communications Commission. You can file a complaint online at the FCC's Web site: www.fcc.gov.



NASAA Reports More Firms Using Model Fee Table

Voluntary Guidelines Help Investors Understand and Compare Miscellaneous Broker-Dealer Fees

The North American Securities Administrators Association (NASAA) has [announced](#) that nine additional securities firms have agreed to provide to their clients a fee disclosure schedule based on a model developed by NASAA's Model Fee Disclosure Working Group.

NASAA President and Minnesota Commissioner of Commerce Mike Rothman commended the following firms for agreeing to use the NASAA model Fee Disclosure Schedule: Fidelity Investments; Prudential Financial, Inc.; 1st Global; Cambridge Investment Research Inc.; Commonwealth Financial Network; FSC Securities Corp.; Royal Alliance Associates Inc.; SagePoint Financial Inc. and Woodbury Financial Services Inc.



NASAA President and Minnesota Commissioner of Commerce Mike Rothman

The addition of these firms brings to 13 the number of firms using fee schedules based on the NASAA Model Fee Disclosure Schedule. The other firms are: LPL Financial LLC, Morgan Stanley Smith Barney LLC, Prospera Financial Services, and Signator Investors, Inc.

The NASAA Model Fee Disclosure Schedule helps investors better understand and compare various broker-dealer miscellaneous account and service fees and to provide guidelines to make fee disclosure accessible and transparent. The working group's goal is to develop meaningful account and service fee disclosure and transparency. They must be simple to read, easily accessible and helpful for retail investors to understand and compare fees.

"This collaborative initiative between regulators and industry helps increase the transparency of fee disclosure for investors," said Rothman. "I commend all firms that have taken the initiative to help bring uniformity to the disclosure of broker-dealer service and maintenance-related fees and I encourage the implementation of this sound business practice to others to provide the same level of disclosure to their clients."

The Working Group consisted of state securities regulators, representatives of the Financial Industry Regulatory Authority (FINRA), the Securities Industry and Financial Markets Association (SIFMA), the Financial Services Institute (FSI), LPL Financial LLC, Morgan Stanley Smith Barney LLC, Prospera Financial Services, and Signator Investors, Inc.

The group was formed in 2014 following the release of a study by NASAA's Broker-Dealer Section uncovering a wide disparity in how broker-dealers disclose the fees they charge customers. In 2015, NASAA released the results of a national opinion research poll that found investor confusion about the fees charged by brokerage firms to service and maintain their accounts. Additional information is available on NASAA's [Model Fee Disclosure Resource Center](#).



CFTC Strengthens Anti-Retaliation Protections for Whistleblowers and Enhances the Award Claims Review Process

On May 22, the U.S. Commodity Futures Trading Commission (CFTC) unanimously [approved](#) amendments to the CFTC’s Whistleblower Rules that will, among other things, strengthen the CFTC’s anti-retaliation protections for whistleblowers and enhance the process for reviewing whistleblower claims.

Based on a reinterpretation of the CFTC’s anti-retaliation authority under the Commodity Exchange Act (CEA), the CFTC or the whistleblower may now bring an action against an employer for retaliation against a whistleblower. The amendments also prohibit employers from taking steps to impede a would-be whistleblower from communicating directly with CFTC staff about a possible violation of the CEA by using a confidentiality, pre-dispute arbitration or similar agreement.



“The Whistleblower Program is an integral part of the Division’s efforts to identify and prosecute unlawful conduct. The Commission’s approval of these rules today will further strengthen and enhance our efforts to protect customers and promote market integrity,” said James McDonald, the Director of the Division of Enforcement.



Part 165 of CFTC’s Regulations provides the basic framework of the agency’s Whistleblower Program. In addition to strengthening anti-retaliation protections, the new amendments will add efficiency and transparency to the process of deciding whistleblower award claims and will, in many respects, harmonize the CFTC’s rules with those of the U.S. Securities and Exchange Commission’s whistleblower program.

The amended rules establish a claims review process which will utilize a Claims Review Staff, in place of the Whistleblower Award Determination Panel, to consider and issue a Preliminary Determination as to whether an award claim should be granted or denied. A whistleblower will then have an opportunity to request to view the record and may contest the Preliminary Determination before the CFTC issues a Final Determination.

The amendments also make changes to other key areas, such as whistleblower eligibility requirements, and make clear that, with limited exceptions, a whistleblower may receive an award in a Covered Action, a Related Action, or both. In addition, the amendments authorize the Whistleblower Office to handle facially ineligible award claims that do not relate to a Notice of Covered Action, a final judgment in a Related Action, or a previously filed Form TCR (Tip, Complaint or Referral). The amended rules will go into effect 60 days after publication in the Federal Register.



FINRA Offers Continuing Education Courses to CFP Professionals

Nearly 60 E-Learning Classes Now Eligible for CE Credits Following CFP Board Review

The Financial Industry Regulatory Authority (FINRA), in conjunction with the Certified Financial Planner Board of Standards, Inc. (CFP Board), has [announced](#) that the CFP Board has authorized continuing education credits (CE) for FINRA e-learning courses offered to all CERTIFIED FINANCIAL PLANNER® professionals, including those who are registered representatives with FINRA member firms.

Effective immediately, nearly 60 of FINRA’s e-learning courses will be eligible for CE credits for CFP professionals, who must complete a minimum of 30 CE hours every two years as part of the requirements for CFP certification renewal. FINRA administers CE courses through two programs – the Firm Element and the Regulatory Element.



The courses available for CFP professionals will be offered through the Firm Element program, which requires broker-dealers to establish a formal training program to keep covered registered persons up to date on job and product-related subjects. The Regulatory Element program focuses on compliance, regulatory, ethical and sales-practice standards.

FINRA’s courses, which were subjected to a rigorous evaluation and review by the CFP Board’s Council on Education, will enable CFP professionals who are also registered representatives with FINRA to receive CE credits in anti-money laundering, communications with the public, cybersecurity, senior investor issues, insider trading and more. Courses can be found at www.finra.org/elearning.

“Recognizing the large number of registered representatives who are also CFP professionals, we have worked with the CFP Board to expand our e-learning program,” said FINRA President and CEO Robert Cook. “This program reflects FINRA’s efforts to continuously improve the training, compliance tools and other services offered to our registered representatives and firms.”

“The CFP Board and FINRA have a long history of working together to protect investors and ensure compliance,” said Kevin Keller, CFP Board’s Chief Executive Officer. “We are pleased to now have FINRA working with us on this initiative, offering top-notch CE courses that are timely and informative.”

The expanded CE program is just one example of how FINRA is looking for opportunities to enhance services and provide additional resources to key stakeholders. The effort is part of FINRA360, an organizational self-evaluation and improvement initiative aimed at ensuring that FINRA is operating as the most effective self-regulatory organization (SRO) it can be.



Calendar of Upcoming Events

A representative from the Securities Division will be giving an anti-fraud presentation on the following dates and locations. Dates and times are subject to cancellation (although cancellations are rare), so please call the contact number listed to confirm the event is still on before leaving for it. All presentations are free and open to the public unless otherwise indicated. If you would like to schedule a speaker for your church, business, group or organization, please contact [John Maron](#) or [Leo John](#) at (800) 688-4507. For a complete list of all upcoming events, please check out our online [calendar](#).

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|---------|------------|--|
| 6/30/17 | Asheville | “Crowdfunding in North Carolina” hosted by Venture Asheville & Asheville Chamber of Commerce. Location: RISC Networks, 81 Broadway. Time: Noon -- 1:30 PM. This event is free. Leo John of the NC Department of the Secretary of State Securities Division will discuss federal and state crowdfunding laws and the new financing options they offer for startups and small businesses. For additional information, please contact Claire Chender at cchender@ashevillechamber.org . |
| 7/14/17 | Raleigh | “Investment Fraud: Guarding Your Assets in a Scary World” presentation to The Cypress of Raleigh Club, Inc.. Location: 8801 Cypress Lakes Drive. Time: 3:00 PM - 4:00 PM. This event is free, but open only to Cypress of Raleigh residents and their guests. A representative of the NC Department of the Secretary of State Securities Division will give a presentation on investment frauds aimed at the elderly as well as on the Advance Health Care Directive Registry which the Department maintains. For more information, please contact Katharine H. Ward, Health Service Navigator, at (919) 518-8941. |
| 7/15/17 | Greensboro | “Crowdfunding in North Carolina” with the Greensboro Chapter of the American Association of Individual Investors. Location: Griffin Recreation Center, 5301 Hilltop Road, Room 105. Time: 10:00 AM -- 11:00 AM. This event is free, but open to AAI members and their guests only. Leo John of the NC Department of the Secretary of State Securities Division will discuss federal and state crowdfunding laws and the new financing options they offer for startups and small businesses. For additional information, please contact Allen Rembert at arembert45@gmail.com . |
| 7/19/17 | Raleigh | “Crowdfunding in North Carolina” CLE at the Wake County Bar Association meeting. Location: Campbell Law School, 225 Hillsborough Street. Time: 7:30 AM - 8:30 AM.
“Crowdfunding in North Carolina” CLE at the Wake County Bar Association meeting. Free, but open to Wake County Bar Association members only. For more information, contact Colleen Glatfelter at colleen@wakecountybar.org . |

- 7/20/17 Wilmington “Crowdfunding in North Carolina” presentation. Location: UNC-Wilmington Center for Innovation and Entrepreneurship 803-G South College Road. Time: 6:00 PM -- 8:00 PM. This event is free and open to members and nonmembers. Registration link to come but to save your spot until then, please email cie@uncw.edu. Please continue to check <http://uncw.edu/cie/events/index.html>. Because of legislation passed by the NC General Assembly in July 2016, startups in North Carolina can now raise up to \$2 million from average investors using their own website or a registered funding portal. A further simplified option, called the Local Public Offering (LPO), permits raising up to \$250,000 without use of a website. Think of this as a friends-and-family round except now any North Carolina resident can back an offering. These options include various safeguards for investors while expanding fundraising avenues for startups. A representative of the NC Department of the Secretary of State’s Office will cover recent developments in investment crowdfunding, including data on what has worked and what has not in crowdfunding, why breweries, distilleries and customer-driven companies are leading the pack; how more than 300 startups have filed for federal crowdfunding; why NC’s LPO option is unique among states.
- 7/24/17 Fayetteville “Basics of Incorporating a Business in North Carolina “ presentation. Location: NCCEED 230 Hay Street. Time: 5:30 PM -- 7:00 PM. This event is free, but registration is requested. In this educational session, a representative of the NC Department of the Secretary of State will provide an introduction to the various factors to consider when trying to decide between types of business entities. It’s also a discussion of the administrative process, the paperwork that has to be filed and some common issues to keep in mind when incorporating a venture in North Carolina. For more information or to register, please contact Lexi Hasapis at lhasapis@ncceed.org.
- 7/25/17 Sanford “Crowdfunding in North Carolina” Location: Central Carolina Community College SBC, Dennis A . Wicker Civic Center, 1801 Nash Street. Time: 6:00 PM -- 8:00 PM. This event is free. Leo John of the NC Department of the Secretary of State Securities Division will discuss federal and state crowdfunding laws and the new financing options they offer for startups and small businesses. For additional information, please contact Terri Brown at tbrow513@cccc.edu.
- 8/3/17 Fayetteville “Trademarks in North Carolina” presentation. Location. NCCEED 230 Hay Street. Time: 9:00 AM -- 10:30 AM. Is your company name important to you? Did you spend time and money developing a logo or a slogan? Small business owners that answer yes should consider registering for a trademark as a way to protect the business brand. North Carolina’s trademarks registry is administered by the N.C. Secretary of State’s Office, while federal trademarks are overseen by the U.S. Patent and Trademark Office. This seminar focuses on various aspects of trademarks – from choosing between a federal or a state trademark or both to filing for one. Attendees can expect to get an overview of the costs, benefits and pitfalls of trademarks. Leo John from the North Carolina Securities Division will be conducting a presentation on the process of filing a trademark application in North Carolina. For more information, contact Lexi Hasapis at lhasapis@ncceed.org.

- 8/3/17 Sanford “Trademarks in North Carolina” presentation. Location: Central Carolina Community College SBC, Dennis A. Wicker Civic Center, 1801 Nash Street. Time: 1:00 PM -- 3:00 PM. Is your company name important to you? Did you spend time and money developing a logo or a slogan? Small business owners that answer yes should consider registering for a trademark as a way to protect the business brand. North Carolina’s trademarks registry is administered by the N.C. Secretary of State’s Office, while federal trademarks are overseen by the U.S. Patent and Trademark Office. This seminar focuses on various aspects of trademarks – from choosing between a federal or a state trademark or both to filing for one. Attendees can expect to get an overview of the costs, benefits and pitfalls of trademarks. Leo John from the North Carolina Securities Division will be conducting a presentation on the process of filing a trademark application in North Carolina. For more information, contact Terri Brown at tbrow513@cccc.edu.
- 8/10/17 Raleigh “Crowdfunding in North Carolina” webinar hosted by N.C. Growing Together Project, NC State University. Time: 10:00 AM -- 11:00 AM. This event is free, but registration is required. Register [online](#). Because of legislation passed by the NC General Assembly in July 2016, startups in North Carolina can now raise up to \$2 million from average investors using their own website or a registered funding portal. A further simplified option, called the Local Public Offering (LPO), permits raising up to \$250,000 without use of a website. Think of this as a friends-and-family round except now any North Carolina resident can back an offering. These options include various safeguards for investors while expanding fundraising avenues for startups. A representative of the NC Department of the Secretary of State’s Office will cover recent developments in investment crowdfunding, including data on what has worked and what has not in crowdfunding, why breweries, distilleries and customer-driven companies are leading the pack; how more than 300 startups have filed for federal crowdfunding; why NC’s LPO option is unique among states. Contact: Emily M. Edmonds, email emelders@ncsu.edu.
- 8/24/17 Charlotte “Investment Fraud: Guarding Your Assets in a Scary World” presentation to the Kiwanis Club of Charlotte. Location: Dilworth Neighborhood Grille, 911 E Morehead Street. Time: Noon-1:15 PM. This event is free, but open to members of the Kiwanis Club of Charlotte and their guests only. A representative of the NC Department of the Secretary of State Securities Division will give a presentation on spotting the red flags of investment fraud. For more information, contact Gerald Applefield at gerald.applefield@bejs.com.
- 8/31/17 Fayetteville “Crowdfunding - Do’s and Don’ts” Location: NCCEED 230 Hay Street. Time: 9:00 AM -- 10:30 AM. This is a free event. Leo John of the NC Department of the Secretary of State Securities Division will discuss federal and state crowdfunding laws and the new financing options they offer for startups and small businesses. For additional information, please contact Lexi Hasapis at lhasapis@nceeed.org.

9/5/17	Manteo	<p>“Scam Jam” anti-fraud presentation. Location: Dare County Senior Center 950 Marshall C Collins Drive. Time: 10:00 AM -- 2:00 PM. This event is free and open to the public. Representatives of the NC Department of the Secretary of State Securities Division, NC Department of Justice Consumer Protection Division, and the NC Department of Insurance Senior Health Insurance Information Program will provide information on how you can protect yourself from falling victim to a wide range of scams. Topics will include identity theft, how to establish a protective ‘freeze’ on one’s credit report, securities fraud, charitable giving fraud and medical/Medicare fraud. Attendees have learned how to keep their credit card information from being compromised, how to obtain truly free credit reports, how to protect themselves from being taken in by Ponzi schemes and other illegitimate investment come-ons, how to protect oneself against being taken advantage of by donation scams during times of national or international disaster and how to help reduce the more than 62 billion dollars in fraud that occurs each year in the Medicare program alone. Do not miss this important workshop! Bring your friends and family members! For more information, please contact Laura Alvarico at lalvarico@albemarlecommission.org.</p>
9/6/17	Hertford	<p>“Scam Jam” anti-fraud presentation. Location: Perquimans County Senior Center, 1072 Harvey Point Road. Time: 8:30 AM -- 11:30 AM. This event is free and open to the public. Representatives of the NC Department of the Secretary of State Securities Division, NC Department of Justice Consumer Protection Division, and the NC Department of Insurance Senior Health Insurance Information Program will provide information on how you can protect yourself from falling victim to a wide range of scams. Topics will include identity theft, how to establish a protective ‘freeze’ on one’s credit report, securities fraud, charitable giving fraud and medical/Medicare fraud. Attendees have learned how to keep their credit card information from being compromised, how to obtain truly free credit reports, how to protect themselves from being taken in by Ponzi schemes and other illegitimate investment come-ons, how to protect oneself against being taken advantage of by donation scams during times of national or international disaster and how to help reduce the more than 62 billion dollars in fraud that occurs each year in the Medicare program alone. Do not miss this important workshop! Bring your friends and family members! For more information, please contact Laura Alvarico at lalvarico@albemarlecommission.org.</p>
9/6/17	Edenton	<p>“Scam Jam” anti-fraud presentation. Location: Chowan County Senior Center, 204 E Church Street. Time: 1:00 PM -- 4:00 PM. This event is free. Details as described above.</p>
9/12/17	Dunn	<p>“Understanding crowdfunding – the new option for local financing in N.C.” Location: Harnett County Small Business Center, Triangle South Enterprise Center 600 S. Magnolia Avenue. Time: 6:00 PM -- 8:30 PM. This presentation is planned as an overview of investment crowdfunding for businesses that may want to utilize this option. For more information, please contact Marinetta Pavlic at mpavl306@cccc.edu</p>

- 9/21/17 Hendersonville Fourth Annual “Aging in Place. It’s In Your Future.” Fall Conference in Hendersonville. Location: TBA. No cost to attend, but registration is requested and opens up on July 1, 2017. Please visit <http://agingprojectsinc.org/> for more information. A representative of the North Carolina Securities Division will be attending The Aging Projects, Inc.’s Fourth Annual “Aging in Place. It’s In Your Future.” National Fall Conference. This conference will feature national, regional and local presenters on aging in place. Engage in informative workshops, gather resources from various providers, and enjoy free health screenings and special exhibits. Attendees will have the opportunity to network with each other, learn about local resources in your community that can help with aging in place successfully, and attend the national awards presentation. For additional information, please contact president@agingprojectsinc.org.
- 10/6/17 Hickory “Scam Jam” anti-fraud presentation. Location: Harvest Bible Chapel 909 US-70. Time: TBA. Representatives of the NC Department of the Secretary of State Securities Division, NC Department of Justice Consumer Protection Division, and the NC Department of Insurance Senior Health Insurance Information Program will provide information on how you can protect yourself from falling victim to a wide range of scams. Topics will include identity theft, how to establish a protective ‘freeze’ on one’s credit report, securities fraud, charitable giving fraud and medical/Medicare fraud. Attendees have learned how to keep their credit card information from being compromised, how to obtain truly free credit reports, how to protect themselves from being taken in by Ponzi schemes and other illegitimate investment come-ons, how to protect oneself against being taken advantage of by donation scams during times of national or international disaster and how to help reduce the more than 62 billion dollars in fraud that occurs each year in the Medicare program alone. For more information, please contact Christina Franklin at christina.franklin@wpcog.org.
- 10/23/17 Raleigh Hispanic Outreach Conference.” Location: Raleigh Marriott City Center, 500 Fayetteville Street. Time: 10:15 AM -- 12:00 PM. A representative of the NC Department of the Secretary of State Securities Division will join representatives from the FTC and the BBB Council to participate in a panel discussion during the Hispanic Outreach Conference hosted by the Better Business Bureau of Eastern NC. This panel, lasting from 10:00 AM - 12:00 PM, will discuss the importance of a referral system between organizations and what services the offices offer. Topics will also include government issues as well as prevalent scams you see in Hispanic communities and society at large. The discussion will highlight agencies and organizations that can provide assistance in areas that BBB does not. For more information, please contact Claire Abshire at cabshire@raleigh.bbb.org



News from the Regulators

The following are links to selected public notices issued by one or more securities regulator. Click the links to view the full notices. These are offered for informational purposes only.

[SEC Names Stephanie Avakian and Steven Peikin as Co-Directors of Enforcement](#)

June 8, 2017— The Securities and Exchange Commission has announced that Acting Director of the Division of Enforcement Stephanie Avakian and former federal prosecutor Steven Peikin have been named Co-Directors of the Division of Enforcement. The Division of Enforcement is the agency’s largest unit with more than 1,200 investigators, accountants, trial attorneys, and other professionals.

“There is no place for bad actors in our capital markets, particularly those that prey on investors and undermine confidence in our economy,” said Chairman Jay Clayton. “Stephanie and Steve will aggressively police our capital markets and enforce our nation’s securities laws as Co-Directors of the Division of Enforcement. They have each demonstrated market knowledge, impeccable character, and commitment to public service, and I am confident their combined talents and experience will enable them to effectively lead the Division going forward.”

Ms. Avakian was named Acting Director of the SEC’s Division of Enforcement in December 2016 after serving as Deputy Director of the Division since June 2014. Before being named Deputy Director, Ms. Avakian was a partner at Wilmer Cutler Pickering Hale and Dorr LLP, where she served as a vice chair of the firm’s securities practice and represented financial institutions, public companies, boards, and individuals in a broad range of investigations and other matters before the SEC and other agencies.

“I have been extremely impressed by the work of the Division of Enforcement under Stephanie’s leadership, and I am delighted that she will continue to use her judgment and knowledge to lead the Division,” said Chairman Clayton. “She has a first-class legal mind, has the respect of her colleagues in the Washington and regional offices, and, most importantly, is dedicated to the SEC’s mission.”

From 1996 to 2004, Mr. Peikin served as an Assistant U.S. Attorney in the Southern District of New York. He was Chief of the Office’s Securities and Commodities Fraud Task Force, where he supervised some of the nation’s highest profile prosecutions of accounting fraud, insider trading, market manipulation, and abuses in the foreign exchange market. As a prosecutor, Mr. Peikin also personally investigated and prosecuted a wide variety of securities, commodities, and other investment fraud schemes, as well as other crimes.

[Fee Rate Advisory #3 for Fiscal Year 2017](#)

May 31, 2017—The Securities and Exchange Commission today announced that starting on July 4, 2017, the fee rates applicable to most securities transactions will be set at \$23.10 per million dollars. Consequently, each SRO will continue to pay the Commission a rate of \$21.80 per million for covered sales occurring on charge dates through July 3, 2017, and a rate of \$23.10 per million for covered sales occurring on charge dates on or after July 4, 2017. For more information on the term “charge date,” please refer to Rule 31(a)(3) and Exchange Act Release No. 49928 at <http://www.sec.gov/rules/final/34-49928.htm>.

[Raleigh Investment Advisor Sentenced to Prison for Orchestrating Ponzi Scheme on Clients](#)

June 7, 2017—United States Attorney John Stuart Bruce [announced](#) that on June 6 in federal court Chief United States District Judge James C. Dever, III sentenced Huge Monroe Dyson, 67, of Holly Springs, North Carolina, to serve 48 months in federal prison, for committing Mail Fraud. Dyson was also ordered to forfeit the proceeds of the offense, to make restitution, and to serve three years of supervised release.

Between 1993 and 2012, Dyson was a registered representative and financial advisor who was employed at two financial services firms in Raleigh, where he provided financial advice to various investor clients. During that same time period, Dyson created a fictitious entity, known as “Keyport Oil,” which purported to be an oil and gas limited partnership. Dyson actively marketed Keyport Oil to his clients and represented that it was a real company that was engaged in petroleum drilling operations in another state.

At the sentencing Dyson argued that he should be sentenced to probation to permit him an opportunity to make restitution to his defrauded clients. The court heard argument, however, that since the scheme unraveled in 2012, Dyson had made no effort to repay the investors the money he stole. In fact, the investors had previously sued Dyson in state court and obtained a judgment against him for the same fraud, but Dyson had paid nothing on the judgment. The Court rejected Dyson’s request, and sentenced him to prison for four years.

Investigation of this case was conducted by the Federal Bureau of Investigation. Assistant United States Attorney William M. Gilmore represented the United States.

All investors are strongly encouraged to contact the Securities Division at (919) 733-3924 or toll-free at (800) 688-4507 to check that their investment professional is properly registered ***before*** transferring any assets to that person’s control. One five-minute telephone call to the Securities Division could protect your entire life’s savings from being stolen from you. For a wealth of investor education information, please visit our web site, www.sosnc.gov. Click on the yellow box entitled “Investment Securities.”

This newsletter is produced by the Investor Education Program of the Securities Division of the North Carolina Department of the Secretary of State. If you have questions or comments about this publication, or would like to schedule an investor education presentation with your group or organization, please email [John Maron](mailto:John.Maron), Director of the Investor Education Program, or call (919) 814-5560.

Please help us publicize the educational information in this mailing by forwarding it to your contacts around the state.

If you no longer wish to receive mailings from the Securities Division, please send an email to: jmaron@sosnc.gov with “Remove from mailing list” in the subject line.

Remember that if an investment sounds too good to be true, it *probably* is!