State regulators brought hammer down on unregistered advisers more than registered ones in 2017

But NASAA said among cases brought against registered entities, the number of investment adviser cases 'significantly outnumbered' broker-dealer cases for the first time

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By **Mark Schoeff Jr.**

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State securities regulators brought more enforcement actions in 2017 against unregistered financial advisers than against those who were registered, an indication in part of the rising number of digital currency fraud cases.

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In its **2018 enforcement report**, the North American Securities Administrators Association said its U.S. members brought 675 actions

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against unregistered individuals and firms compared with 647 against those who are registered. The totals represent a 24% increase in disciplinary actions against unregistered entities and a 9% increase for those registered.

The 2018 report covers 2017 statistics.

The group also said state regulators had 515 cases pending against unregistered advisers last year.

"In light of recent state enforcement efforts against fraudulent activity involving cryptocurrencies, it would not be surprising to see a sustained high level of investigations and actions against unregistered individuals and firms in the coming months," the report stated.

The Securities and Exchange Commission also recently **brought a cryptocurrency case** against unregistered brokers.

"The states, like the SEC, are dealing with the explosion of cryptocurrencies being offered and sold as securities," said David Chase, president of an eponymous law firm and a former SEC enforcement attorney.

In cases brought against registered entities, state regulators said that for the first time, the number of investment-adviser cases "significantly outnumbered" broker-dealer cases. State regulators filed 377 IA cases, a 32% increase from 2016, and 270 B-D cases, an 11% decrease.

Overall, state regulators conducted 4,790 investigations and took 2,105 enforcement actions in 2017, up from 4,341 investigations and 2,017 actions in 2016.

They obtained $486 million in restitution for investors in 2017, compared with $231 million in 2016, while they levied $79 million in fines last year compared with $682 million in 2016. The steep drop in the fine total is attributable to an outlier case in 2016. The 2017 total is more typical, according to NASAA spokesman Bob Webster.

"The results from this year's enforcement survey demonstrate that state securities regulators continue to play a critical role in protecting investors and holding securities law violators responsible for the damage that they cause to individual investors specifically and to the integrity of our capital markets in general," NASAA president and head of the Vermont Commission of Financial Regulation **Michael S. Pieciak** said in a statement.

State regulators said many enforcement actions reflect their efforts to protect senior investors.

The **NASAA model rule** to combat senior financial abuse, which requires reporting of suspected incidences to state regulators and state adult protective services agencies, has been adopted in 18 states. State regulators brought enforcement actions involving more than 1,100 elderly victims last year.

"This is evidence that the educational and awareness campaign that has been made a full-court press by regulators is beginning to show results," Mr. Chase said.

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