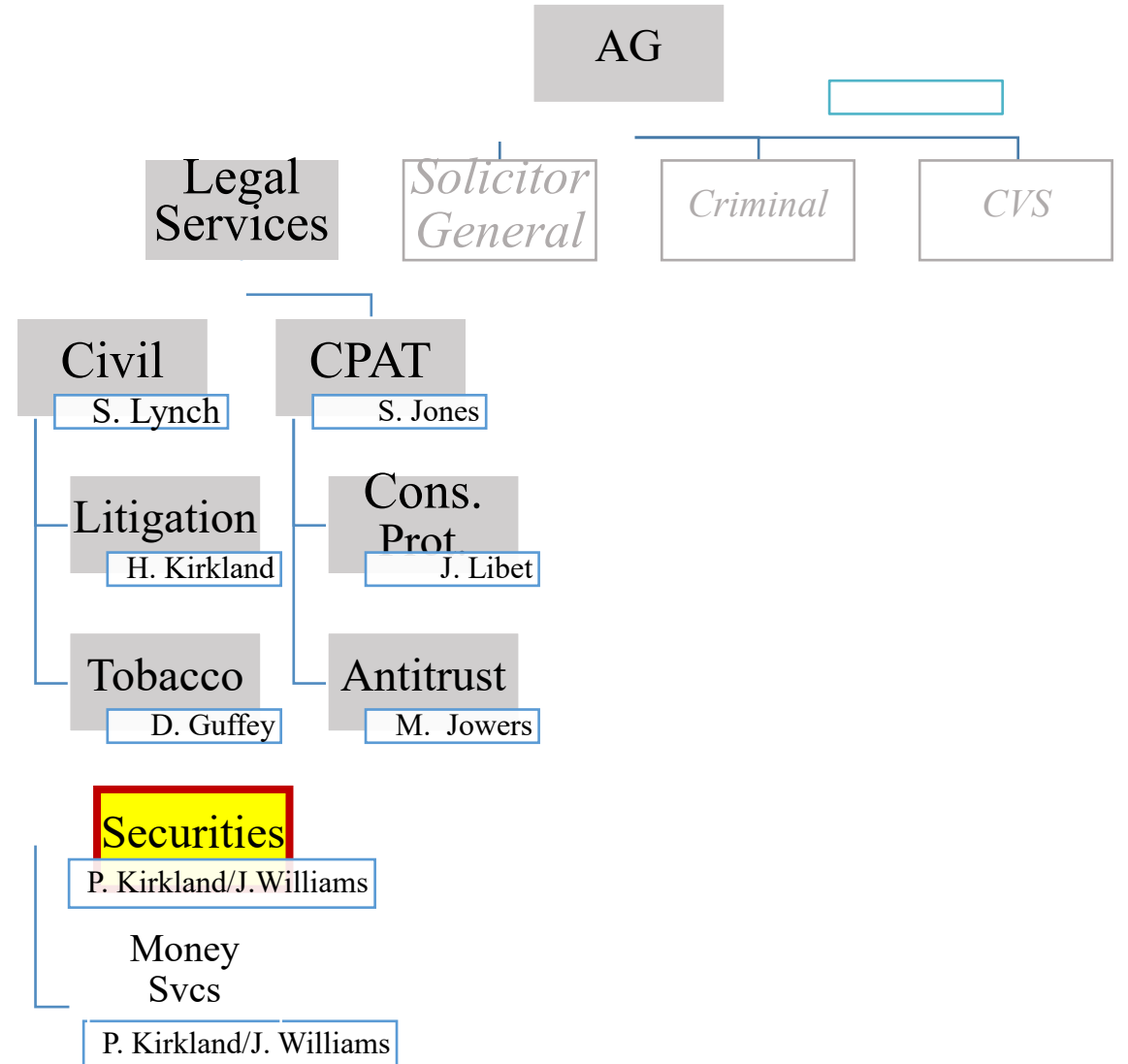




Securities Section

- Registration
- Enforcement
- Outreach



Personnel

	Turnover	Number of Employees	
		Leave unit during year	In unit at end of year
2016-17	6%	1	16
2017-18	19%	3	15
2018-19	37%	5	12
2019-20	17%	2	12

Note:

- 2018-19 turnover
 - 20% - employment outside of state government
 - 40% - employment with another state agency
 - 20% - retirement
 - 20% - internal transfer

Exit interviews or surveys conducted?

2016-17	Yes
2017-18	Yes
2018-19	Yes
2019-20	Yes

Employee satisfaction tracked?

2016-17	No
2017-18	Yes
2018-19	No
2019-20	No

Overview

AG is the Securities Commissioner for the State. This section assists the AG in fulfilling the duties to enforce the S.C. Uniform Securities Act of 2005.

Duties include:

- registration of broker-dealers, broker-dealer agents, investment advisers, and investment adviser representatives prior to their doing business in this state
- registering certain securities offerings
- receiving notice filings for mutual funds, unit investment trusts, and other federal covered securities
- conducting routine and for cause examinations
- investigating allegations of violations of securities laws and taking appropriate action
- promoting investor education to help the investing public make informed decisions and avoid being defrauded

Mission

- Protect investors
- Promote integrity, fairness, and full disclosure in the state's securities markets
- Facilitate legitimate capital formation



Securities Registration

Note: On the following slides the 2019-20 Total Cost of Service and Cost per unit have been updated and are different from the numbers previously submitted on the PER but have been corrected herein.”

What is a security?

Definition of a Security:

- Examples: stocks, bonds, and mutual funds
- An investment in a common enterprise with the expectation of profits to be derived from the efforts of others
- A financial asset that has value and can be bought or sold

Securities offering:

- Securities offered in S.C. must be registered, notice-filed, or exempt
- Examples:
 - Registered: Offerings from smaller companies not traded on a stock exchange
 - Notice-filed: Form D, mutual funds
 - Exempt: Exchange traded offerings, small transactions

Securities Law:

- State securities laws preceded federal securities laws
- Some aspects of state law were pre-empted by federal law
- S.C. law impacted by federal law, as well as uniformity with other states

*Who must
comply
with the
S.C.
Uniform
Securities
Act of
2005?*

Broker-Dealers (only obligated to provide one-time advice)

- Brokerage firm buys and sells securities for customer accounts
- Recommendations must be in the best interest of customers
- Generally paid a commission; Employees are “agents”
- Registered with Securities and Exchange Commission (“SEC”), Financial Industry Regulatory Authority (“FINRA”) and with the Securities Division
 - FINRA works under the supervision of the SEC and acts as the first line of oversight for the brokerage industry

Investment Advisers (ongoing relationship with clients)

- Firm of financial professionals who provide guidance to investors to help them make investing decisions. Firm may also manage an investor’s portfolio
- Investment advisers are fiduciaries
- Generally paid a % of the assets managed, or an hourly fee for a financial plan
- Employees are “representatives”
- Registered with SEC AND “notice-filed” with the Securities Division
 - Firms with > \$100M in assets under management
- Registered with Securities Division, and other states where they do business
 - Firms with < \$100M in assets under management
 - Note: Those in this category that are headquartered in S.C. are referred to as “**S.C. Home-State Registered Investment Advisers**”

FIRMS AND EMPLOYEES WHO SELL THE PRODUCTS

	2017	2018	2019	2020	
Registered Broker-Dealers (firms)	1,653	1,637	1,612	1,613	↑
Registered Broker-Dealer Agents (employees)	188,733	195,964	202,856	206,885	↑
Registered/ Notice-Filed Investment Advisers (firms) -includes all firms	1,980	2,164	2,233	2,324	↑
Registered Investment Adviser Representatives (employees)	8,814	9,553	9,457	9,598	↑
SC Home-State Registered Investment Advisers (firms) Firm with < \$100M in assets under management + HQ in S.C.	178	186	185	198	↑

BROKER-DEALERS AND AGENTS

Registration of Broker-Dealers (firms) (Service #38)

Review the application for persons wishing to register in this state as a broker-dealer and issue registration approval if the application is not denied

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
	2016-17	1,653.00	\$5.42	0.10	\$8,964.73	0.05%
Registration Approval	2017-18	1,637.00	\$5.04	0.10	\$8,258.31	0.01%
	2018-19	1,612.00	\$5.36	0.10	\$8,632.86	0.01%
Filing Fee-\$310	2019-20	1,613.00	\$5.45	0.10	\$8,787.31	0.01%

Registration of Agents (employees of broker-dealer firms) (Service #39)

Review the application for persons wishing to register in this state as broker-dealer agents or agents of issuers and issue registration approval

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
	2016-17	188,733.00	\$0.15	0.32	\$29,049.71	0.15%
Registration Approval	2017-18	195,964.00	\$0.14	0.32	\$26,836.18	0.05%
	2018-19	202,856.00	\$0.12	0.30	\$24,362.38	0.04%
Filing Fee-\$110	2019-20	206,885.00	\$0.12	0.30	\$24,758.24	0.03%

INVESTMENT ADVISERS AND REPRESENTATIVES

Registration of Investment Advisers (firms with <\$100M in assets under management) (Service #40)

Review the application for persons wishing to register in this state as an investment adviser, and issue registration approval

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Registration Approval	2016-17	321.00	\$86.40	0.35	\$27,735.31	0.14%
	2017-18	350.00	\$78.50	0.37	\$27,474.06	0.05%
	2018-19	341.00	\$87.61	0.37	\$29,874.60	0.04%
	2019-20	366.00	\$82.89	0.37	\$30,336.05	0.03%
Filing Fee-\$210						

Notice Filing of Federal Covered Investment Advisers (firms with >\$100M in assets under management) (Service #42)

Accept the notice filing for federal covered investment advisers doing business in this state, and issue a notice of acceptance

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Notice of Acceptance	2016-17	1,659.00	\$0.63	0.01	\$1,038.43	0.01%
	2017-18	1,814.00	\$0.53	0.01	\$966.07	0.00%
	2018-19	1,892.00	\$0.58	0.01	\$1,093.07	0.00%
	2019-20	1,958.00	\$0.57	0.01	\$1,115.56	0.02%
Filing Fee-\$210						

Registration of Investment Adviser Representatives (employees at firms with > \$100M and < \$100M in assets under management) (Service #41)

Review the application for persons wishing to register as an investment adviser representative of an investment adviser, and issue registration approval

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Registration Approval	2016-17	8,814.00	\$1.78	0.19	\$15,720.81	0.08%
	2017-18	9,553.00	\$1.51	0.19	\$14,427.07	0.02%
	2018-19	9,457.00	\$1.66	0.19	\$15,720.01	0.02%
	2019-20	9,598.00	\$1.66	0.19	\$15,958.78	0.03%
Filing Fee-\$55						

What products are sold?

Investment
Advisers can give
advice about any
product.

Broker-Dealers
with Series 7
license can sell
any product.

Securities Registration

- Typically a larger national or regional interstate offering of non-federal covered securities that is registered at both the federal and state level
- Used frequently by non-traded real estate investment trusts

Non-Profit Exemption Letters

- Filings by churches and church extension funds raising funds for facility acquisition/expansion (e.g., raising money to build new sanctuary or to lend to member churches)
- Offering is exempt, but must meet S.C. filing requirements

Mutual Fund/UIT Notice Filings

- Companies that pool money from many investors to invest in securities such as stocks, bonds and short-term debt

Regulation D Notice Filings (aka Rule 506 filing)

- Allows companies to raise private capital by selling securities to high-net-worth investors in a transaction that is exempt from SEC and state registration
- Used frequently by hedge funds and real estate syndicators

Reg A, Tier 2 Notice Filings

- Allows access to private capital by investors with lower net worth than Reg D

PRODUCTS

	2017	2018	2019	2020	
Securities Registration Section 35-1-303; Section 35-1-304; Section 35-1-305; Section 35-1-702(a); Regulation 13-302 Accept securities registration request filing, review and issue comments, as necessary, and, if not denied, issue a registration letter for offerings	71	56	40	32	↓
Non-Profit Exemption Letters Section 35-1-201(7); Regulation 13-202 Review nonprofit debt securities offerings in this state, issue comments, as necessary, and issue a clearance letter when all comments have been satisfied	52	52	44	38	↓
Mutual Fund/UIT Notice Filings Section 35-1-302(a); Section 35-1-702(a); Regulation 13-301 Accept the notice filing of federal covered securities that are Investment Companies as defined by Section 18(b)(2) of the Securities Act of 1933	9,314	9,010	8,977	8,734	↓
Regulation D Notice Filings Section 35-1-302(c); Section 35-1-702(a); Regulation 13-308 Accept the notice filing for federal covered securities under Regulation D Rule 506 of the Securities Act of 1933 and issue a notice of acceptance	1,406	1,555	1,728	1,774	↑
Regulation A, Tier 2 Notice Filings Section 35-1-203; Order Number 16017 [2020 Update: Regulation 13-309] Accept filings relying on federal Regulation A rules and issue a notice of acceptance. As of the date of this filing, there is a pending regulation to incorporate the Order listed above. [2020 Update: Order Number 16017 was adopted as Regulation 13-309, effective June 26, 2020]	26	29	44	74	↑

How is the Attorney General's Office involved?

Securities Registration (Non-federal covered securities)

- Accept securities registration request filing, review and issue comments, as necessary, and, if not denied, issue a registration letter for offerings
- Issues which are not "federal covered securities" must register either by coordination (§35-1-303) or qualification (§35-1-304)
 - Under the coordination approach, issuers file copies of their federal registration statements and amendments with the state, plus additional documents, such as the underwriter's agreement or articles of incorporation
 - Any security may be registered by qualification, whether or not another type of registration is available. (2005 Act 110, Section 1). Used primarily for intrastate offerings sold within SC only

Agency Service #37

See S.C. Code Section 35-1-303; Section 35-1-304; Section 35-1-305; Section 35-1-702(a); Regulation 13-302

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Single Unit Registration Letter	2016-17	71.00	\$803.44	0.59	\$57,044.55	0.29%
	2017-18	56.00	\$969.08	0.59	\$54,268.57	0.09%
Filing Fee--\$500	2018-19	40.00	\$1,241.04	0.58	\$49,641.61	0.07%
	2019-20	32.00	\$784.88	0.64	\$25,116.19	0.06%

*How is the
Attorney
General's
Office
involved?*

Nonprofit Organization Securities Offering

- Review nonprofit debt securities offerings in this state, issue comments, as necessary, and issue a clearance letter when all comments have been satisfied
- This allows non-profit organizations to raise capital within the State as they may in other states. Provides statutory authority for the state to adopt rules with respect to notes, bonds, debentures and other evidences of indebtedness issued by nonprofit organizations. (2005 Act No. 110, Section 1)

Agency Service #32

See S.C. Code Section 35-1-201(7); Regulation 13-202

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Clearance Letter	2016-17	52.00	\$513.55	0.21	\$26,704.60	0.14%
	2017-18	52.00	\$415.93	0.19	\$21,628.18	0.04%
Filing Fee-\$150	2018-19	44.00	\$328.92	0.16	\$14,472.40	0.02%
	2019-20	38.00	\$169.85	0.16	\$6,454.30	0.02%

*How is the
Attorney
General's
Office
involved?*

Mutual Fund and other Federal Covered Securities

- Accept the notice filing of federal covered securities that are Investment Companies as defined by Section 18(b)(2) of the Securities Act of 1933
- This is designed to create a uniform approach at the state level for notice filings of these "federal covered securities" and gives the Securities Commissioner the authority to require the filing of SEC notice documents. (2005 Act No. 110, Section 1)

Agency Service #35

See S.C. Code Section 35-1-302(a); Section 35-1-702(a); Regulation 13-301

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Notice of Acceptance	2016-17	9,314.00	\$1.23	0.14	\$11,479.77	0.06%
	2017-18	9,010.00	\$1.17	0.14	\$10,565.63	0.02%
Filing Fee-\$546	2018-19	8,977.00	\$1.24	0.14	\$11,156.30	0.02%
	2019-20	8,734.00	\$1.34	0.14	\$11,711.68	0.05%

*How is the
Attorney
General's
Office
involved?*

Federally Covered Securities under Regulation D

- Accept the notice filing for federal covered securities under Regulation D Rule 506 of the Securities Act of 1933
- This is designed to create a uniform approach at the state level for notice filings of these "federal covered securities" and gives the Securities Commissioner the authority to require the filing of SEC notice documents. (2005 Act No. 110, Section 1)

Agency Service #36

See S.C. Code Section 35-1-302(c); Section 35-1-702(a); Regulation 13-308

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Notice of Acceptance	2016-17	1,406.00	\$27.13	0.53	\$38,138.57	0.19%
	2017-18	1,555.00	\$20.42	0.48	\$31,750.89	0.05%
Filing Fee-\$300	2018-19	1,728.00	\$13.88	0.35	\$23,981.58	0.04%
	2019-20	1,774.00	\$18.60	0.40	\$32,989.49	0.05%

*How is the
Attorney
General's
Office
involved?*

Federal Covered Securities under Regulation A

- Accept filings relying on federal Regulation A rules
- As of the date of this filing, there is a pending regulation to incorporate the Order listed above. [2020 Update: Order Number 16017 was adopted as Regulation 13-309, effective June 26, 2020.]
- Grants authority to the Securities Commissioner to respond to changing circumstances by relaxing the conditions to qualify for an exemption. (2005 Act No. 110, Section 1)

Agency Service #34

See S.C. Code Section 35-1-203; Order Number 16017 [2020 Update: Regulation 13-309]

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Notice of Acceptance	2016-17	26.00	\$569.82	0.18	\$14,815.22	0.08%
	2017-18	29.00	\$474.80	0.18	\$13,769.29	0.02%
Filing Fee-\$500	2018-19	44.00	\$307.10	0.18	\$13,512.51	0.02%
	2019-20	74.00	\$210.16	0.18	\$15,551.50	0.01%



Additional Services

The next slides only contain information on services that are associated with this section of the agency.

Review fairness of the terms and conditions of an entity's exchange of securities when one S.C. company is acquiring another S.C. company

(Agency Service #31)

<u>Does law require it:</u>
No
<u>Assoc. Law(s):</u>
Section 35-1-202(9); Order Number 16044 [2020 Update: Regulation 13-207]
<u>Purpose (as understood by agency):</u>
To provide a state counterpart to the exemption in Section 3(a)(10) of the Securities Act of 1933. (2005 Act No. 110, Section 1)
<u>Customers:</u>
Business entities

- Review an application, conduct a hearing, and, if approved, issue an approval of the fairness of the terms and conditions of an entity's exchange of securities for one or more outstanding securities, claims, or property interests, or partly in exchange and partly for cash
- Allows a company to rely on an exemption from the federal registration requirements, creating a significant savings in cost and time for the business, while providing adequate disclosure for a voting shareholder to make an informed decision

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Single Unit:	2016-17	2.00	\$14,349.31	0.19	\$28,699.22	0.15%
Fairness Hearing	2017-18	1.00	\$21,068.88	0.15	\$21,068.88	0.04%
Filing Fee-\$5,000	2018-19	1.00	\$16,284.67	0.13	\$16,284.67	0.02%
	2019-20	0.00	0.00	0.00	\$0.00	0.00%

Does law require it:

No

Assoc. Law(s):

Section 35-1-203; Section 35-1-702(a);
Regulation 13-204; Regulation 13-205;
Regulation 13-206

Purpose (as understood by agency):

Grants authority to the Securities Commissioner to respond to changing circumstances by relaxing the conditions to qualify for an exemption. (2005 Act No. 110, Section 1).

Customers:

Issuers of Securities

Review filings made under Registration Exemptions

(Agency Service #33)

- Review filings made under Federal Regulation D Rule 504 and Rule 505, the Accredited Investor Exemption, and the Intrastate Offering Exemption, issue comments, as necessary, and issue a notice of acceptance when all comments have been satisfied

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Single Unit						
Notice of Acceptance	2016-17	8.00	\$831.58	0.07	\$6,652.62	0.03%
	2017-18	4.00	\$1,555.67	0.07	\$6,222.69	0.01%
Filing Fee-\$300	2018-19	8.00	\$723.47	0.07	\$5,787.76	0.01%
	2019-20	2.00	\$3,127.72	0.07	\$6,255.45	0.05%

Does law require it:

No

Assoc. Law(s):

Section 35-1-407; Section 35-1-408;
Section 35-1-409

Purpose (as understood by agency):

It is intended to avoid unnecessary interruptions of business by specifying procedures for a change in control (§35-1-407), expedite the transfer to a new employer (§35-1-408), and allow for a withdrawal of a registration or application before it becomes effective (§35-1-409). (2005 Act No. 110, Section 1)

Customers:

Broker-dealers, agents, investment advisers, and investment adviser representatives.

Review Filings that Make Changes in Registrations

(Agency Service #43)

- Whenever there is a material change in a registration, the termination or transfer of employment, or the withdrawal of a registration, the broker-dealers, agents, investment advisers, and investment adviser representatives must notify the state Securities Commissioner (i.e., Attorney General in S.C.).
- At present this is not tracked. It is highly automated, and the software program does not track the number of units periodically updated.

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
<u>Single Unit</u>						
Notice of Acceptance	2016-17	NA	NA	0.01	\$459.23	0.00%
	2017-18	NA	NA	0.01	\$414.03	0.00%
No filing fee	2018-19	NA	NA	0.01	\$481.86	0.00%
	2019-20	NA	NA	0.01	\$478.10	0.00%

Audit and Inspect Records of Broker-Dealers and Investment Advisers

(Agency Service #44)

- Periodically, or for other special cause, audit or inspect the records of broker-dealers and investments advisers
- Focus is on entities registered in S.C. (i.e., firms, and employees of firms, with less than \$100M in assets under management)

Does law require it:

No

Assoc. Law(s):

Section 35-1-411(d)

Purpose (as understood by agency):

To provide that, subject to all applicable privileges, and without the necessity of a subpoena, the Securities Commissioner may audit or inspect the files of a broker-dealer or investment adviser, and that failure to submit to a reasonable audit or inspection is a violation.

Customers:

Broker-dealer and investment adviser firms, State of South Carolina

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Communication of Findings	2016-17	41.00	\$5,447.44	1.94	\$223,345.00	1.14%
	2017-18	59.00	\$3,315.28	1.83	\$195,601.56	0.33%
	2018-19	59.00	\$3,315.18	1.75	\$195,595.56	0.29%
	2019-20	61.00	\$3,398.62	1.81	\$207,315.66	0.26%

Does law require it:

No

Assoc. Law(s):

Section 35-1-504; Regulation 13-503

Purpose (as understood by agency):

To require the filing of certain sales materials, and allow for the Securities Commissioner to bring an action to prevent publication, should it be necessary.

Customers:

Issuers of Securities, State of South Carolina

Accept Filing of Sales and Advertising Literature related to a security or investment advice about securities

(Agency Service #46)

- Anyone selling in S.C. must file the prospectus, pamphlet, circular, form letter, advertisement, sales literature, or other advertising relating to a security or investment advice regarding securities.

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>	
Single Unit	Acknowledgment of Filing	2016-17	NA	NA	0.05	\$3,216.34	0.02%
		2017-18	NA	NA	0.05	\$2,932.94	0.00%
	No filing fee	2018-19	NA	NA	0.05	\$3,090.79	0.00%
		2019-20	NA	NA	0.05	\$3,660.73	0.01%

Does law require it:

No

Assoc. Law(s):

Section 35-1-605(d)

Purpose (as understood by agency):

The purpose is to allow the Securities Commissioner to provide guidance to persons attempting to comply with the securities laws.

Customers:

The General Public

Provide Interpretative Opinions and Issue No Action Determinations

(Agency Service #51)

- Accept and review requests from individuals about proposed actions and, where appropriate, provide interpretative opinions or issue determinations that no proceeding or action will be instituted if that person takes the specified act, practice or course of business they propose to take

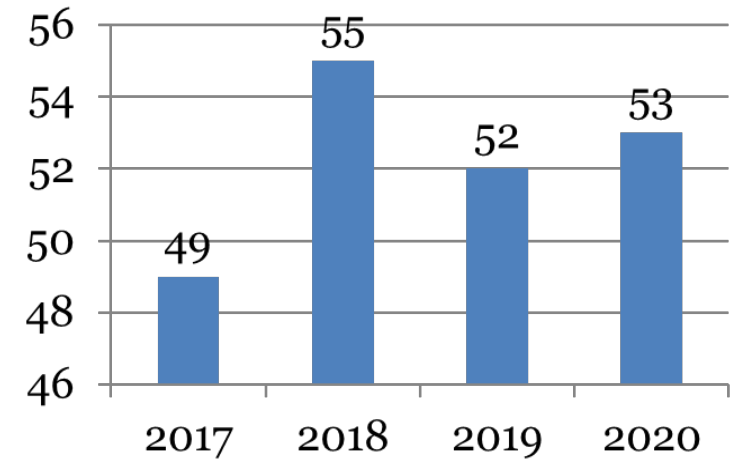
		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Single Unit						
No Action Letter or Interpretative Opinion Letter	2016-17	4.00	\$809.00	0.03	\$3,236.00	0.02%
	2017-18	0.00	0.00	0.00	\$0.00	0.00%
	2018-19	2.00	\$1,398.19	0.03	\$2,796.38	0.00%
Filing Fee-\$150	2019-20	0.00	0.00	0.00	\$0.00	0.00%

Investor Education

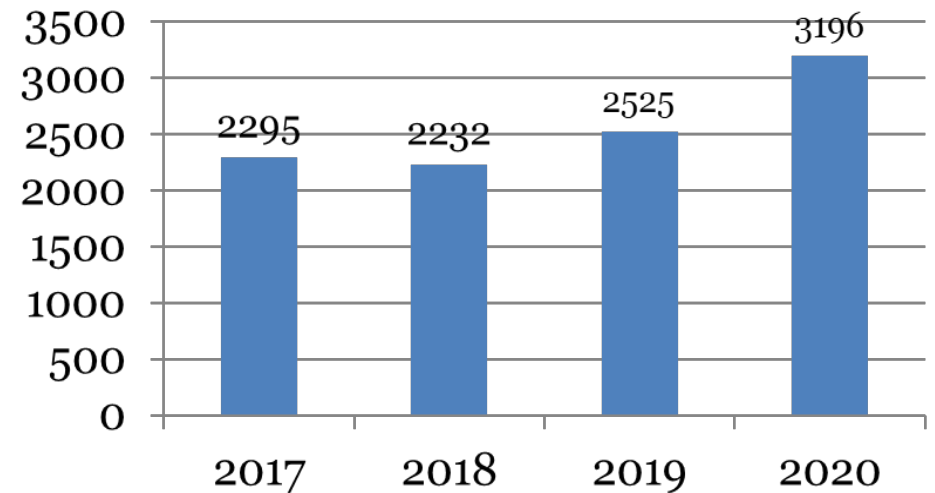
(Agency Service #47)

- Develop and implement investor education initiatives to inform the public about investing in securities and the prevention and detection of fraud
- Outreach initiatives include senior citizens, military and professional groups, and law enforcement
- The lack of financial acumen among public investors, seniors, and students continues to be demonstrated in recent industry and regulatory studies. The importance of investor financial literacy is increasingly crucial, given the decades' long shift from defined benefit retirement plans to defined contribution plans, where employees are left to direct their own retirement accounts. (2005 Act No. 110, Section 1)

Meetings Held



Attendees



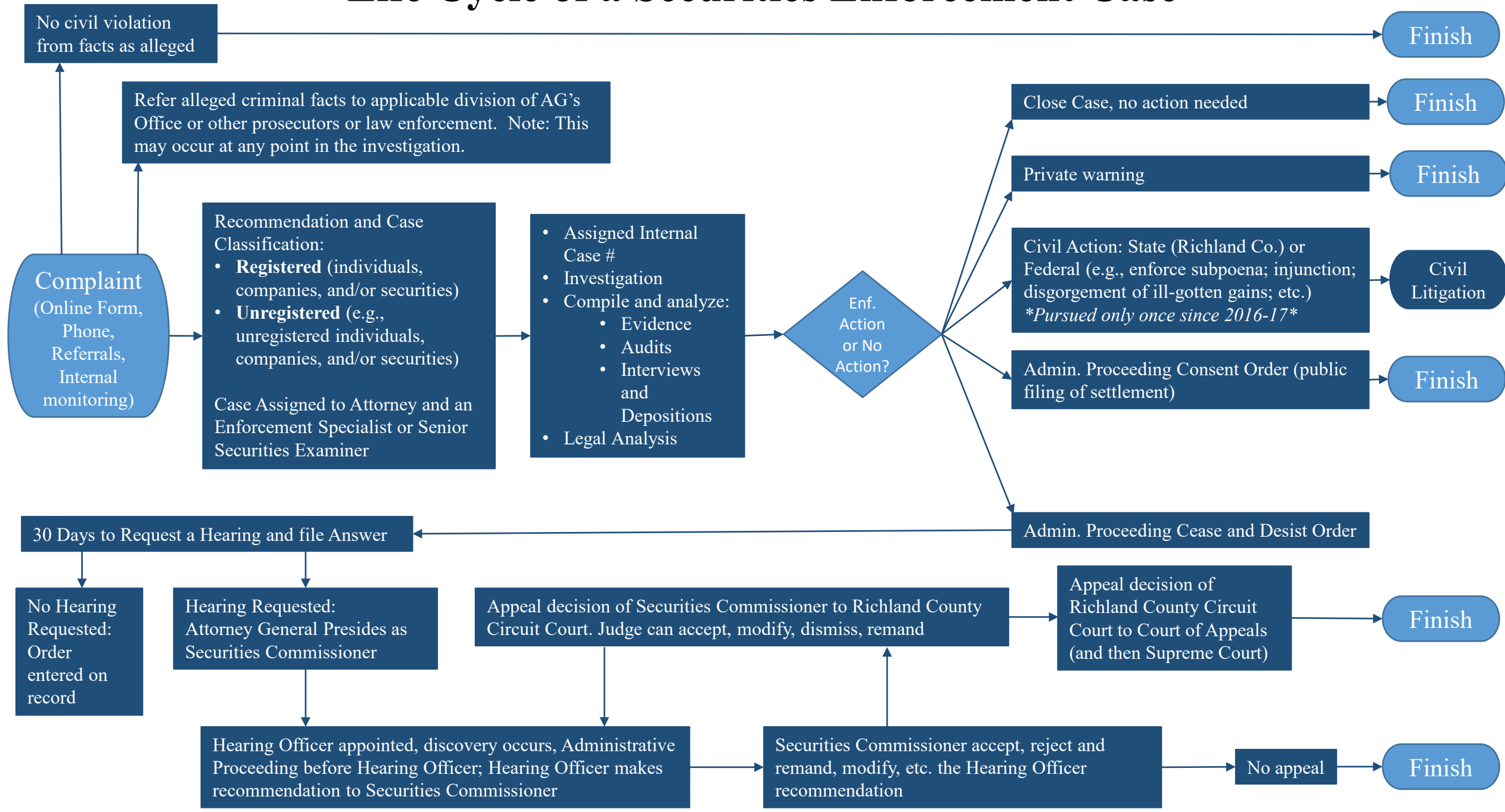
	Customers	Single Unit		Number Served	Units provided	Cost per unit	Employee equivalents	Total Cost of service	% of total agency costs
Does law require it:	Investing Public and Law Enforcement	Presentation Tailored to Audience	2016-17	2,295	49.00	\$1,322.84	0.99	\$64,819.36	0.33%
No			2017-18	2,232	55.00	\$1,174.70	0.99	\$64,608.72	0.11%
Assoc. Law(s):			2018-19	2,525	52.00	\$1,403.87	1.01	\$73,001.37	0.11%
Section 35-1-601(d)			2019-20	3,196	53.00	\$1,392.61	1.01	\$73,808.53	0.09%



Securities Enforcement

Note: On the following slides the 2019-20 Total Cost of Service and Cost per unit have been updated and are different from the numbers previously submitted on the PER but have been corrected herein.”

Life Cycle of a Securities Enforcement Case





Securities Enforcement

The Life Cycle of a Securities Enforcement Case:

1. Opening a Case

- Division receives
 - referral from Securities Registration, SEC, another state, or FINRA; or
 - tip or complaint from the general public or media.
- Division determines that a case is warranted and creates a case file.
- A “case” includes investigations where no formal action occurs.
- Division generally categorizes a case as one of the following:
 - i. “private placement” case (a case involving an unregistered securities offering to limited pool of investors);
 - ii. “unregistered” case (a case involving unregistered individuals and/or securities); or
 - iii. case involving a registered respondent – an IA or IAR, BD or BD Agent.
- A primary Attorney and an Enforcement Specialist or Senior Securities Examiner are assigned to the case.



Securities Enforcement

The Life Cycle of a Case:

2. Conducting Investigation / Audit

- The Division gathers documents, conducts interviews, processes data, etc.

3. Next Steps

- The Division determines whether to close a case or whether the case warrants further action – either public or private action.
- If warranted, the Division issues a public Order, which is published on OAG's website.
- Public Orders include Orders to Cease and Desist, Administrative Orders, and Consent Orders.
- Orders can impose licensing sanctions, penalties, fees and costs associated with the Division's action, etc.



Securities Enforcement

The Life Cycle of a Case:

4. Hearing Process

- A Respondent can resolve a case by entering into a Consent Order—a settlement—which waives the right to a hearing.
- If a Cease and Desist or Administrative Order is issued, a Respondent has 30 days to answer the Order and request a hearing.
- If a hearing is not requested, the Order is final by operation of law.
- If a hearing is requested, the Attorney General as Securities Commissioner will hear the action or will assign a hearing officer to oversee the litigation and make a recommendation to the Securities Commissioner.
- The Securities Commissioner will make a final determination and issue a final order. The final Order can impose licensing sanctions, penalties, fees and costs associated with the Division's action, etc.
- The final Order can be appealed.



Associated Services

The next slides only contain information on services that are associated with this section of the agency.

Take Administrative Actions (e.g., suspend/revoke registration, cease and desist orders, etc.)

(Agency Service #45)

Does law require it:

No

Assoc. Law(s):

Section 35-1-306; Section 35-1-412;
Section 35-1-604; Section 35-1-609 [2020
Update: Régulation 13-604]

Purpose (as understood by agency):

§35-1-306 is available to prevent an offering going forward that is fraudulent or unlawful; §35-1-412 authorizes the Securities Commissioner to seek a sanction based on the seriousness of the misconduct; §35-1-604 allows the Securities Commissioner to initiate an administrative action summarily; and §35-1-609 sets forth the procedures for judicial review. (2005 Act No. 110, Section 1)

Customers:

State of South Carolina

(1) Issue administrative orders, as necessary, to

(i) deny, suspend, or revoke a securities registration;

(ii) deny, condition, or limit an application of, revoke, suspend condition, or limit the registration of, or censure, bar or impose a civil penalty on a broker-dealer, agent, investment adviser, or investment adviser representative; and

(iii) cease and desist violating the laws.

(2) Hold an administrative hearing if requested.

(3) Take appropriate steps if final orders are appealed.

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>	
Single Unit	Administrative Order	2016-17	36.00	\$14,825.64	4.69	\$533,722.98	2.72%
		2017-18	30.00	\$14,152.64	3.81	\$424,579.17	0.71%
		2018-19	23.00	\$16,299.93	3.26	\$374,898.48	0.56%
		2019-20	7.00	\$40,537.68	2.44	\$283,763.78	0.34%

<u>Does law require it:</u>
No
<u>Assoc. Law(s):</u>
Section 35-1-602
<u>Purpose (as understood by agency):</u>
To allow the Securities Commissioner to open investigations and subpoena appropriate witnesses and documents.
<u>Customers:</u>
State of South Carolina

Conduct Investigations

(Agency Service #48)

Investigations and Subpoenas - Conduct investigations and subpoena witnesses or documents as is deemed necessary or appropriate to determine if there are violations of the securities laws.

		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
<u>Single Unit</u>						
Investigations and cases conducted by the Securities Division	2016-17	61.00	\$8,868.77	5.37	\$540,994.91	2.76%
	2017-18	57.00	\$8,856.78	5.28	\$504,836.30	0.85%
	2018-19	56.00	\$7,904.90	5.02	\$442,674.63	0.66%
	2019-20	38.00	\$8,045.36	3.24	\$305,723.60	0.43%

Does law require it:

No

Assoc. Law(s):

Section 35-1-603

Purpose (as understood by agency):

To broaden civil remedies available when the Securities Commissioner believes that a violation has occurred. A primary purpose of a broad range of potential sanctions is to enable the Securities Commissioner to better tailor appropriate sanctions to particular misconduct. (2005 Act No. 110, Section 1)

Customers:

State of South Carolina

Enforcement in Court

(Agency Service #49)

Bring an action in the Richland County Court of Common Pleas to enforce the securities laws and to obtain injunctions, restraining orders, declaratory judgments, asset freezes, the appointment of a receiver, and other appropriate relief.

<u>Single Unit</u>		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Court Pleadings	2016-17	0.00	0	0.01	\$699.08	0.00%
	2017-18	0.00	0	0.01	\$585.54	0.00%
	2018-19	1.00	\$2,754.32	0.03	\$2,754.32	0.00%
	2019-20	0.00	0	0.00	\$0.00	0.00%

Does law require it:

Yes

Assoc. Law(s):

Section 35-1-604(f); Section 35-1-604(h);
Section 35-1-606(b); Section 35-1-606(c)

Purpose (as understood by agency):

The purpose is to inform the general public of the enforcement actions or orders taken against persons in this state, and of the forms, opinions and regulatory orders issued by the Securities Commissioner.

Customers:

Department of Revenue, Secretary of State and General Public

Send Final Orders to Appropriate Agencies and Publish Online for the Public

(Agency Service #50)

- Final Orders and Public Availability - Send copies of final orders to the Department of Revenue and the Secretary of State; publish the administrative orders on the Attorney General's website; and make all rules, forms, interpretive opinions, and orders available to the public.
- Substantially all orders, forms and opinions are published on the Attorney General's Office website. The Secretary of State and the Department of Revenue have agreed that they receive notice by the publication on the website.

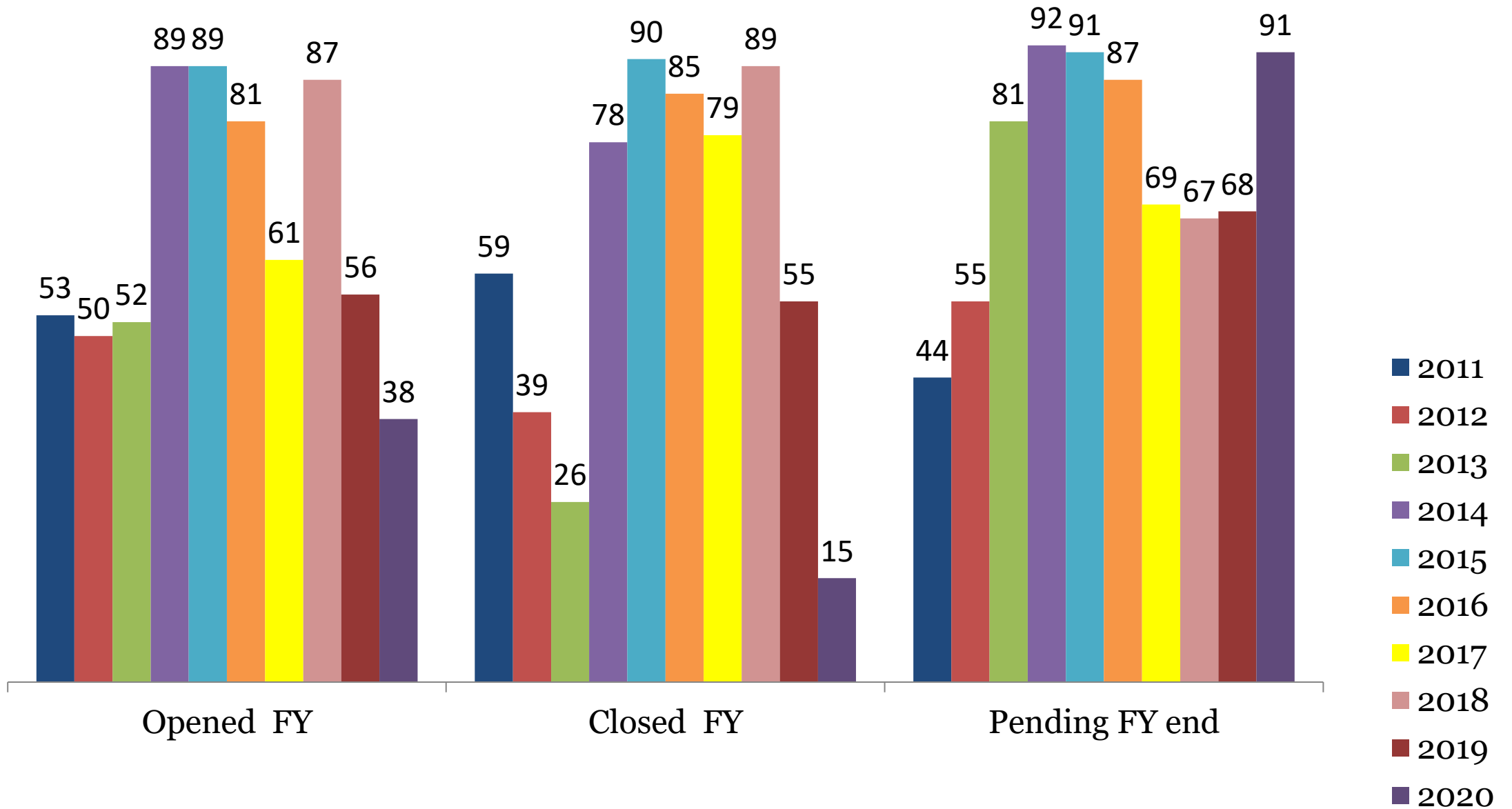
		<u>Units provided</u>	<u>Cost per unit</u>	<u>Employee equivalents</u>	<u>Total Cost of service</u>	<u>% of total agency costs</u>
Single Unit Each order posted to the Attorney general website	2016-17	36.00	\$37.43	0.02	\$1,347.51	0.01%
	2017-18	30.00	\$41.37	0.02	\$1,240.99	0.00%
	2018-19	23.00	\$57.89	0.02	\$1,331.46	0.00%
	2019-20	7.00	\$138.61	0.02	\$970.25	0.00%



Associated Performance Measures

The next slides only contain information on performance measures that are associated with services covered earlier in this presentation.

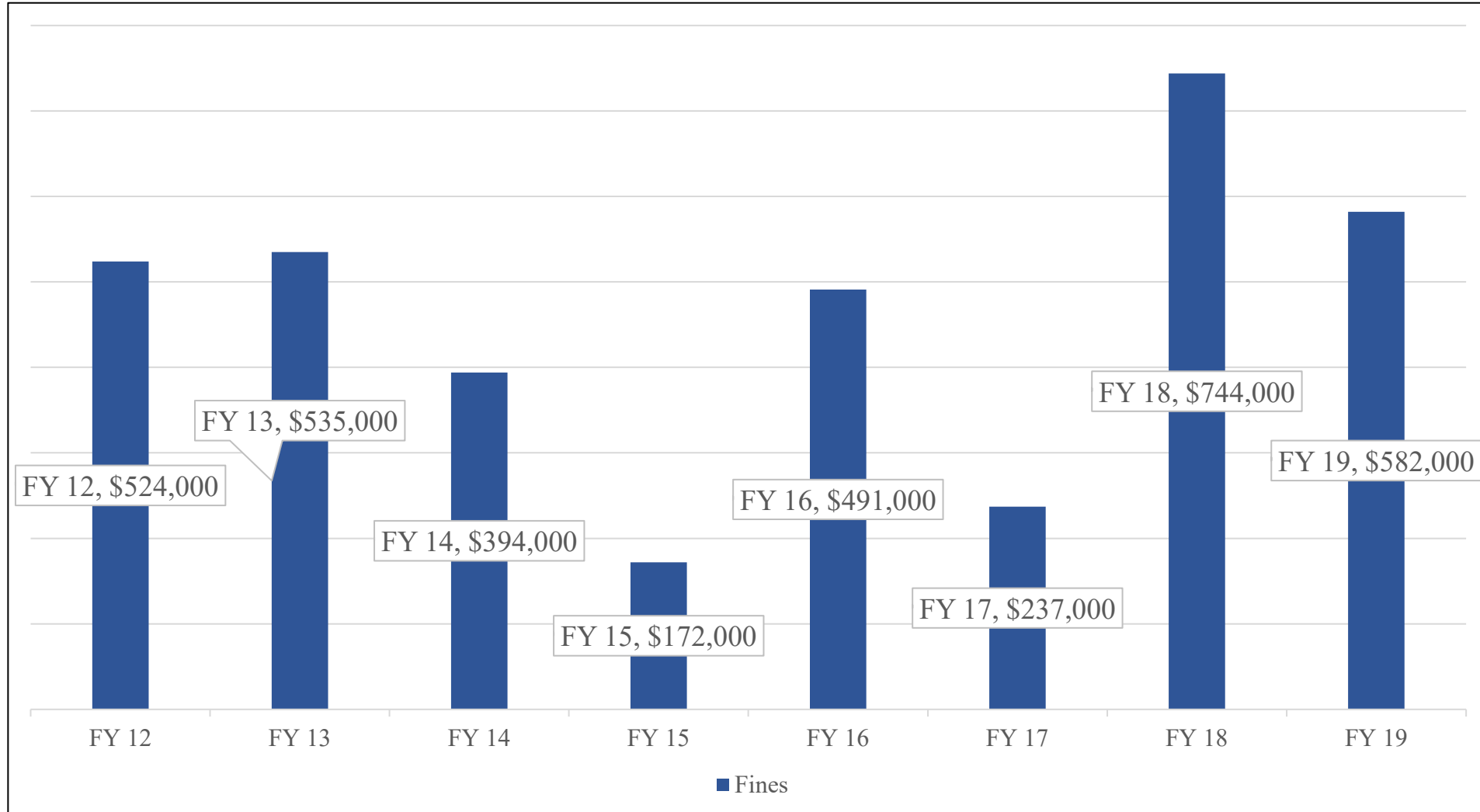
SECURITIES ENFORCEMENT CASES



The Division has observed that when the economy is performing well, the number of complaints are down.

Securities Fines

The purpose of Securities Fines are to curb unlawful activity, not generate revenue.





Associated Successes

The next slides only contain information on services that are associated with this section of the agency.

Administrative Hearing Regulations

Governs Processes for an Administrative Hearing



SUBARTICLE 6 ADMINISTRATION AND JUDICIAL REVIEW

13-604. Procedures for Administrative Hearings before the Securities Commissioner.

A. This regulation shall apply to Administrative Hearings held pursuant to Sections 35-1-306, 35-1-412, and 35-1-604.

B. To the extent that they do not conflict with the definitions set forth in Section 35-1-102, the terms below have the following meanings:

(1) "Administrative Hearing" means a proceeding before the Hearing Officer under the South Carolina Uniform Securities Act of 2005.

(2) "Administrative Order" means an order issued under Sections 35-1-306, 35-1-412, and 35-1-604 of the South Carolina Uniform Securities Act of 2005 that may lead to an Administrative Hearing.

(3) "Division" means the Securities Division of the South Carolina Attorney General's Office.

(4) "Hearing Officer" means either the Securities Commissioner or the person designated in accordance with this regulation by the Securities Commissioner to preside over an Administrative Hearing.

(5) "Party" means a Respondent in the proceeding and the Division.

(6) "Respondent" means a person against whom an Administrative Order is issued under the South Carolina Uniform Securities Act of 2005.

C. Time and Place of Filings.

(1) After the request for a hearing has been filed with the Division, all filings must be made with the Hearing Officer assigned to the case and shall contain the file number assigned to the case by the Division.

(2) After a Hearing Officer has been assigned, a pleading, motion, or other paper, is considered filed when it is received by the Hearing Officer.

(3) Unless otherwise specifically provided by law or this regulation, computation of any time period prescribed by this regulation or by an order of the Securities Commissioner begins with the first day following the act or event that initiates the time period. The last day of the time period so computed is included unless it is a Saturday, Sunday, State holiday, or any other day on which the Division is closed, in which event the period runs until the end of the next business day.

(4) If a notice or other filing is served by mail or e-mail and the Party served is entitled or required to take some action within a prescribed time period after service:

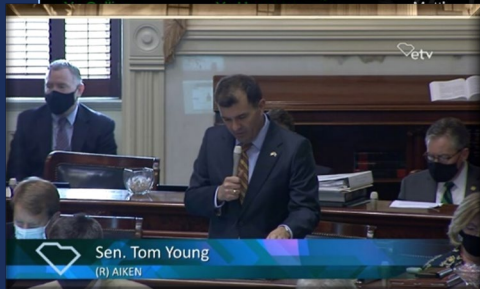
(a) The date of mailing is the date of service; and

Protection of Vulnerable Adults from Financial Exploitation Act

- Gives bankers and investors the chance to say No for 30 days if they believe a senior is being tricked into liquidating funds.

S 425 PAGE 6 Alexander
Passage of Bill

Y Alexander	Y Cox, B.	Y Herbersman	Y May	Y Rutherford
Y Allison	Y Cox, W.	Y Hewitt	Y McCabe	Y Sandifer
Y Anderson	Y Crawford	Y Hill	Y McCravy	Y Simrill
Y Atkinson	Y Dabney	Y Hiott	Y McDaniel	Y Smith, G.M.
Y Bailey	Y Daning	Y Hixon	Y McGarry	Y Smith, G.R.
Y Ballentine	Y Davis	Y Hosey	Y McGinnis	Y Smith, M.M.
Y Bamberg	Y Dillard	Y Howard	Y McKnight	Y Stavrakis
Y Bannister	Y Elliott	Y Huggins	Y Moore, J.	Y Stringer
Y Bennett	Y Erickson	Y Hyde	Y Moore, T.	Y Taylor
Y Bernstein	Y Felder	Y Jefferson	Y Morgan	Y Tedder
Y Blackwell	Y Finlay	Y Johnson, J.E.	Y Moss, D.C.	Y Thayer
Y Bradley	Y Forrest	Y Johnson, J.L.	Y Moss, V.S.	Y Thigpen
Y Brawley	Y Fry	Y Johnson, K.O.	Y Murphy	Y Trantham
Y Brittain	Y Gagnon	Y Jones	Y Murray	Y Weeks
Y Bryant	Y Garvin	Y Jordan	Y Newton, B.	Y West
Y Burns	Y Gatch	Y Kimmons	Y Newton, W.	Y Wetmore
Y Bustos	Y Gilliam	Y King	Y Nutt	Y Wheeler
Y Calhoun	Y Gilliard	Y Kirby	Y Oremus	Y White
Y Carter	Y Govan	Y Ligon	Y Ott	Y Whitfield
Y Caskey	Y Haddon	Y Long	Y Parks	Y Williams
Y Chumley	Y Hardee	Y Lowe	Y Pendarvis	Y Williams
Y Clyburn	Y Hart	Y Lucas	Y Pope	Y Willis
Y Cobb-Hunter	Y Hayes	Y Magnuson	Y Rivers	Y Wooten
Y Cogswell	Y HendersonMyers	Y Martin	Y Robinson	Y Yow
		Y Rose		



abc COLUMBIA NEWS WATCH LIVE SPORTS WEATHER PROGRAMMI

Governor McMaster signs bill to help protect vulnerable adults from scammers

Jul 28, 2021 6:22 PM EDT by Mike Olson

abc COLUMBIA

COLUMBIA, SC (WOLO)– Governor Henry McMaster signed a bill designed to prevent the elderly and other vulnerable adults from falling prey to scammers. Wednesday afternoon, the governor signed the bill that gives financial institutions the authority to decline certain financial transactions if fraud is suspected.

Officials say scam artists frequently target our state's senior citizens.

“Taking advantage of vulnerable adults for financial gain happens all too often in this country,” said Governor Henry McMaster. “Enabling our financial institutions to take action and fight back is an important step in protecting South Carolinians from exploitation and will help to ensure their financial security.”

The law takes effect immediately.



Legal Services - Law Recommendations

The next slides only contain information on recommendations for law changes that are associated with this section of the agency.

LAW CHANGE RECOMMENDATION #2

Law: S.C. Code Section 35-1-604. Administrative Enforcement.

Current Law: In part, Subsection (f) requires that the Securities Commissioner forward final orders issued under §35-1-604 of the SC Uniform Securities Act of 2005 to the SC Department of Revenue and the SC Secretary of State.

Recommendation: Modify to delete the final sentence in this section requiring forwarding of final orders to the Department of Revenue and Secretary of State.

Basis for Recommendation: The Department of Revenue and Secretary of State have indicated that they believe publication of final orders on our website sufficiently puts them on notice of an action. They do not object to this change.

Others Potentially Impacted: Department of Revenue and Secretary of State

SECTION 35-1-604. Administrative Enforcement.

(f) If a petition for judicial review of a final order is not filed in accordance with Section 35-1-609, the Securities Commissioner may file a certified copy of the final order with the clerk of a court of competent jurisdiction. The order so filed has the same effect as a judgment of the court and may be recorded, enforced, or satisfied in the same manner as a judgment of the court. ~~A copy of a final order must be forwarded to the South Carolina Department of Revenue and the South Carolina Office of the Secretary of State.~~

LAW CHANGE RECOMMENDATION #3

Law: S.C. Code Section 35-1-602. Investigations and Subpoenas.

Current Law: Subsection (e) provides a means by which the Securities Commissioner can compel a recalcitrant respondent to provide documents or testimony. Specifically, this section provides “use immunity” from prosecution, where the testimony or record compelled may not be used directly or indirectly against an individual in a criminal case. The SC Supreme Court has held South Carolina only recognizes transactional immunity, noting that anything less than transactional immunity is unconstitutional.

Recommendation: Modify the statute to remove the unconstitutional “use immunity” provision. Modify the SC Reporter’s Comments, which incorrectly states, “[t]his provision provides a clarification of the procedure for obtaining use immunity, but it does not change current law which provides for it.”

Basis for Recommendation: The South Carolina Supreme Court, in a number of cases stemming from *Ex Parte Johnson*, 187 S.C. 1, 196 S.E. 164 (1938), has held that use immunity is unconstitutional in South Carolina.

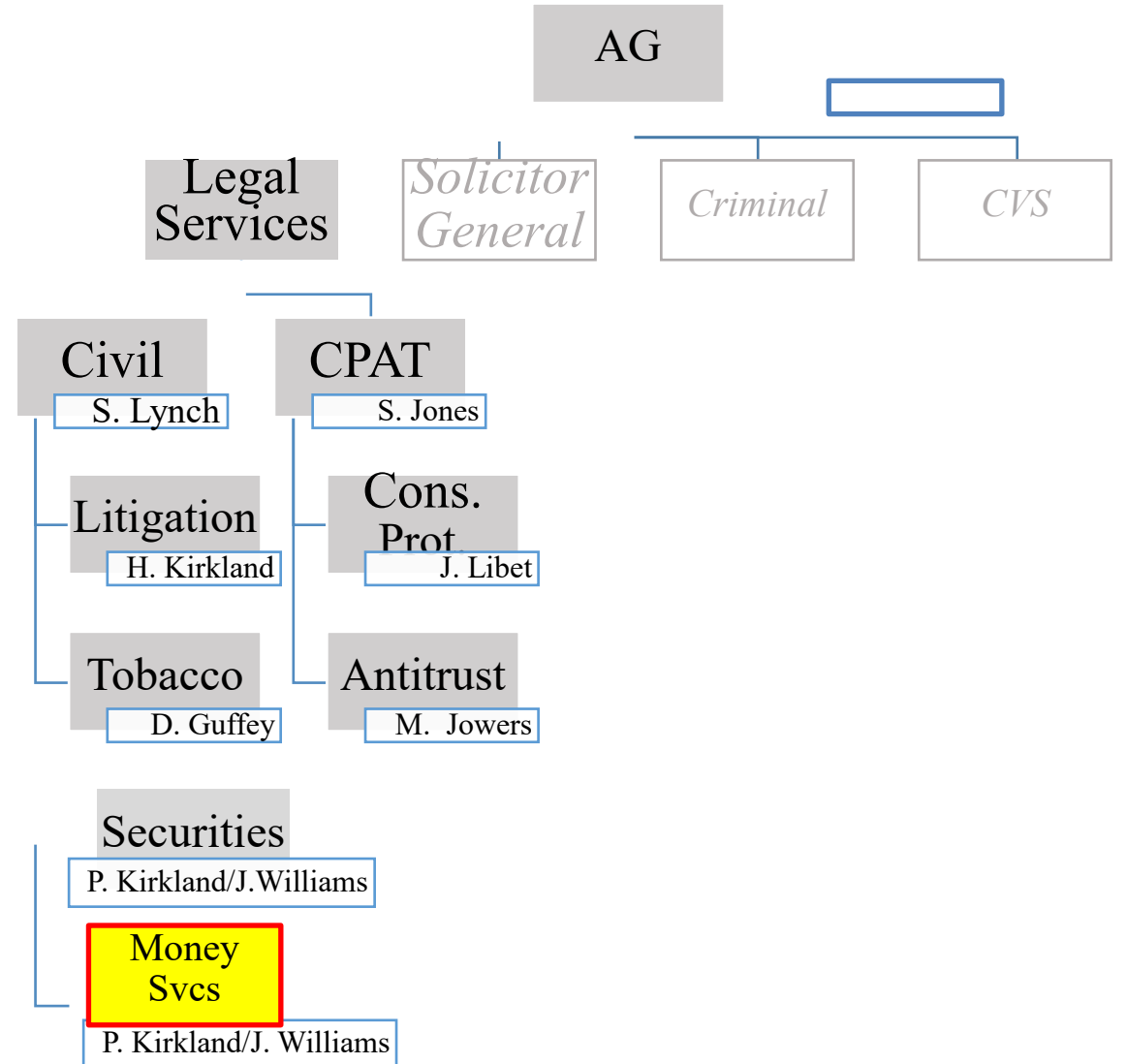
Others Potentially Impacted: None

SECTION 35-1-602. Investigations and Subpoenas.

(e) An individual is not excused from attending, testifying, filing a statement, producing a record or other evidence, or obeying a subpoena of the Securities Commissioner under this chapter or in an action or proceeding instituted by the Securities Commissioner under this chapter on the ground that the required testimony, statement, record, or other evidence, directly or indirectly, ~~may tend to incriminate the individual or subject the individual to a criminal fine, penalty, or forfeiture~~ would violate the individual's privilege against self-incrimination. If the individual refuses to testify, file a statement, or produce a record or other evidence on the basis of the individual's privilege against self-incrimination, the Securities Commissioner may apply to the Richland County Court of Common Pleas to ~~compel the testimony, the filing of the statement, the production of the record, or the giving of other evidence~~ determine whether such a privilege applies to the particular statement, record, or other evidence in question. If the court determines such a privilege to apply, the Securities Commissioner may then choose to request that the court issue an order compelling the testimony, statement, or production of the record in question. The individual shall not be subject to criminal prosecution for any transaction, matter, or thing related to the testimony, record, or other evidence compelled under such an order ~~may not be used, directly or indirectly, against the individual in a criminal case, except in a prosecution~~ for a case of perjury, or contempt, or otherwise failing to comply with the order.



Money Services Division



See Handout