

Licensing & Examination Overview

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- Licensing Stats
- Examination Program Update
- Administrative Actions
- Senior Exploitation Laws
- REG BI Update
- Cybersecurity Update
- IA Handbook & Ohio Securities Bulletin
- COVID-19 Updates & Relief
- Renewal Reminders



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Division of Securities Staff

- Office – 5 (section chief, examination program administrator, licensing program administrator, two administrative support personnel)
- Field Examination – 5 securities specialists (headquartered in Central and Northeast Ohio)
- 1 vacancy – Licensing Compliance Counsel



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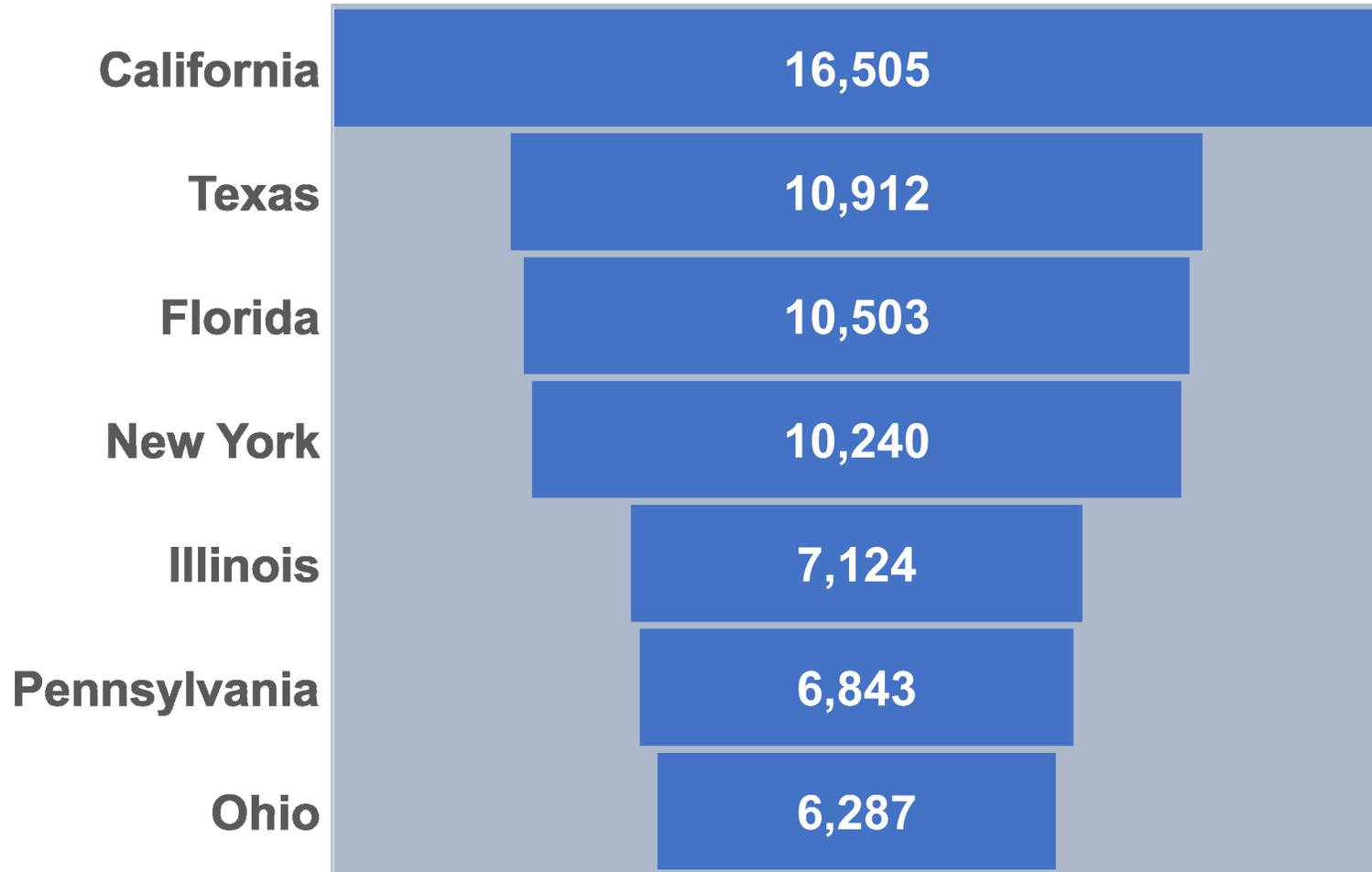
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Licensing Stats

	FY 2019	FY 2020	+/- change
Salespersons	190,222	194,101	2.04%
Dealers	1,950	1,884	-3.38%
State-Registered IAs	862	865	0.35%
SEC-Registered IAs	2,028	2,064	1.78%
IARs	20,031	20,423	1.96%
Investment Officers	100	103	3.00%
Total Population	215,193	219,440	1.97%

BD Branch Office Locations - 2019



Examination Program Update

- FY Stats (July 1, 2019 – June 30, 2020):
 - Examinations (IA, BD, Issuer, For-Cause) – 308
 - IA Pre-licensing Examinations – 42
- Common Examination Deficiencies:
 - Annual Updating Amendment
 - Financial Disclosure Reporting
 - Advertising Concerns
 - Regularly update client profiles and client suitability information
 - Business Continuity Plan considerations
 - Compliance and Supervisory Policies re: Mandatory Reporters
 - Cybersecurity Practices



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Administrative Actions (July 2019 – present)

- Order 19-033, *In re: SageGuard Wealth Management & Raymond Erker* – Revocation Order
- Order 19-041, *In re: Garry Savage Sr. and Advanced Strategies Agency* – Revocation Order
- Order 19-042, *In re: Solium Financial Services LLC* – Cease and Desist Order
- Order 20-001, *In re: Conscious Life Planning & Christopher McLaren* – Termination Order
- Order 20-002, *In re: Porter Financial Planning & Mickey Porter* – Termination Order
- Order 20-003, *In re: Prestige Financial Group & Zachary Beavers* – Termination Order



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Ohio Senior Exploitation Law – Mandatory Reporters

- ORC 5101.63 (Adult Protective Services law, not Securities law)
- September 2018 – Investment Advisers & “financial planners”
- March 2019 – added: Dealers, Salespersons, IARs
- <http://www.odjfs.state.oh.us/forms/num/JFS08095/pdf/>



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Duty to Report – ORC 5101.63

- Any mandatory reporter who has reasonable cause to believe that an adult
 - is being abused, neglected, or exploited; or
 - is in a condition which is the result of abuse, neglect, or exploitation
- Shall immediately report to the Ohio County Dept of Job and Family Services - Adult Protective Services for the county of residence of the adult



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Who is covered by the law?

“Adult” =

- (1) any person 60 or older within Ohio;
- (2) who is handicapped by the infirmities of aging or who has a physical or mental impairment which prevents the person from providing for the person’s own care or protection; and
- (3) who resides in an independent living arrangement

- MUST HAVE ALL THREE



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Immunity for Mandatory Reporters

- A person who makes a report, testifies, or acts responsibly in the discharge of their official duties under this law:
 - Shall be immune from civil/criminal liability
 - Unless the person acted in bad faith or with malicious purpose
- Employers shall not take any detrimental action or retaliate against employees for reporting under this law



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Consequences: Failure to Report

- Fine of up to \$500, per ORC 5101.99
- Breach of your fiduciary duty?
- Violation of firm policy?
- License impact (“good business repute”)?



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When in doubt, report!

- Life Threatening Emergency? – Call 911
- Reasonable suspicion is enough
- Reporting is available 24/7
- Reports are confidential investigation records
- Anonymous Reports by phone: 855-644-6277
 - However, you may be asked to follow up with written documentation
- In writing, via new online portal
 - <https://aps.jfs.ohio.gov>



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If this is an emergency or life-threatening situation Call 911.

The Ohio Department of Job and Family Services (ODJFS) oversees the investigation of vulnerable adults ages 60 and older in cases of abuse, neglect, and exploitation. If you suspect a vulnerable adult is being abused, neglected, or exploited, you may report it by either using this online reporting system or calling the State of Ohio's Adult Protective Services Hotline at 855-644-6277 (855-OHIO-APS). If you wish to report anonymously, please call the State of Ohio's Adult Protective Services Hotline.



Ohio Adult Protective

Services Online Referral

Log in From OH|ID

Regulation Best Interest Update

- Feb-March: NASAA Reg BI Exam Initiative; comprehensive national examination of firm practices prior to implementation of Reg BI
- 34 participating jurisdictions (including Ohio)
- Examined more than 2,000 BD and IA firms representing more than 360,000 investment professionals and 68 million retail investment accounts.
- September: NASAA's Regulation BI Implementation Committee released a [Report](#) detailing the results



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Regulation Best Interest Update

- Exams revealed differences between BD (suitability) standard vs. IA (fiduciary) standard, such as:
 - IAs generally took more conservative approaches overall
 - Broker-dealers offered a more diverse set of product offerings
 - 2/3 of all firms surveyed did not offer complex, risky products like private offerings, variable annuities, non-traded REITS, or leveraged- or inverse-ETFs
- When complex products were sold, BDs were:
 - 2x more likely to recommend leveraged or inverse ETFs
 - 7x more likely to recommend private placements
 - 8x more likely to recommend variable annuities
 - 9x more likely to recommend non-traded REITs



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Cybersecurity Update

- New NASAA Materials – updated checklists and guidance
- SEC – Risk Alert: Safeguarding Client Accounts against Credential Compromise (September 15, 2020)
 - Key takeaways:
 - Strong Password Policies and Procedures
 - Multi-Factor Authentication (MFA)
 - CAPTCHA
 - Controls to Detect and Prevent (Monitoring, Firewalls, Limiting Access)



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Ohio IA Handbook & Securities Bulletin

- Ohio IA & IAR Handbook (March 2020 version)

https://www.com.ohio.gov/documents/secu_OhioAdvisoryPackage.pdf

- Not receiving the quarterly Ohio Securities Bulletin?

<https://www.com.ohio.gov/secu/bulletins.aspx>



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COVID-19 Relief

- Emergency Relief: On March 27, Governor DeWine signed H.B. 197, emergency legislation to provide relief to businesses and Ohioans in light of the COVID-19 crisis. The bill automatically extended renewal deadlines for all existing Division licenses that would otherwise expire during the crisis and gives licensees the same extension to complete any other actions that are necessary to maintain those licenses and registrations.
- The extension provided all licensees/registrants a 90-day window *after* the emergency period has ended, but no later than December 1, 2020.



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Renewal Reminders:

- November 16 – Preliminary renewal statements available
- December 14 – Payment Deadline: Preliminary Renewal payments
- December 26 – Last Day to submit form filings prior to year-end
- Dec 27- Jan 1 – CRD/IARD systems unavailable. Late payments and filings cannot be submitted during this time
- January 2 – CRD/IARD fully operational. Firms that “Failed to Renew” on time and were systematically termed on 12/31/19 may begin the process of re-applying in Ohio



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