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## *Texas State Securities Board*

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January 22, 2013

The Honorable John Carona  
Chair, Senate Committee on Business & Commerce  
P.O. Box 12068  
Austin, Texas 78711

RE: Quarterly Update

Dear Chairman Carona:

Pursuant to the request of the Senate Committee on Business & Commerce, below is the quarterly update of information relating to the Texas State Securities Board.

### **Enforcement Activities**

Since the last Quarterly Update the Agency has assisted prosecutors in criminal actions in Taylor, Hood and Hidalgo counties for securities fraud, theft, and executing a document by deception. At the request of District Attorneys, Agency personnel have been appointed as special prosecutors in 13 cases in other areas of the state. The Agency also continues to work closely with federal prosecutors in the Northern and Western Districts of Texas on several cases. Since the last Update, new investigations have been opened which relate to the fraudulent sale of oil and gas interests, notes purportedly backed by real estate or other assets, and investments offering fixed returns designed to appeal to retirees or others living on fixed incomes.

### **Recent Federal Legislation**

As I previously reported to this Committee, there is concern that certain sections of the Jumpstart Our Business Startups (JOBS) Act signed by the President in April of last year may dramatically limit the ability to stop a fraudulent public offering in progress. Under the legislation, the U.S. Securities and Exchange Commission (SEC) is charged with adopting rules to fully implement the provisions of the law that will permit offerings to be made to the public using general solicitation (i.e., television and newspaper advertisements, internet websites, and public events.) The SEC is expected to issue these rules in the coming months. State registration requirements are preempted under the law and state authority is limited to after-the-fact fraud investigation and

enforcement. These investigations are resource intensive, time consuming, and seldom result in the recovery of funds fraudulently taken.

**Agency Performance**

Since the last Update the Agency processed 13,873 securities filings and the renewal of 280,963 registrations of securities dealers, agents, investment advisers and investment adviser representatives. The Agency deposited \$62.1 million in renewal fees to the general revenue fund, an increase of about 3% over the previous year. The Agency hired additional examiners authorized through the contingent revenue rider approved during the last legislative session to help regulate and inspect the increased number of investment advisers registered in Texas. The Agency now has oversight of approximately 1,549 investment adviser firms.

Please contact me at (512) 305-8302 if you have any questions.

Sincerely,



JOHN MORGAN  
Securities Commissioner