

## **Investor Advocates and State Securities Regulators Call on SEC to Rethink JOBS Act Rule**

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In a press-teleconference this afternoon, **Arkansas State Securities Commissioner Heath Abshure**, who is also president of the **North American Securities Administrators Association**, joined three investor advocates in sharply criticizing the Securities and Exchange Commission's first JOBS Act rulemaking – one that allows the mass marketing of private offerings. Abshure, along with **Cristina Martin Firvida** of the **AARP**, **Heather Slavkin Corzo** of the **AFL-CIO**, and **Barbara Roper** of the **Consumer Federation of America**, called on the SEC to withdraw its proposal and craft a new rule that promotes capital formation without sacrificing investor protection. (The comment period on the rule expired last week.)

“People don't seem to think so, but this is a drastic change to the face of securities regulation,” **Abshure** said. “Rule 506 offerings already are the most frequent financial product at the heart of state enforcement investigations and actions. Lifting the advertising ban on these highly risky, illiquid offerings, without requiring appropriate safeguards, will create chaos in the market and expose investors to an even greater risk of fraud and abuse. Without adequate investor protections to safeguard the integrity of the private placement marketplace, investors should and will flee from the market, leaving small businesses without an important source of capital.”

“The Commission itself has acknowledged that lifting the ban on general solicitation in private offerings will increase the risk of fraud, potentially harming investors and issuers alike,” said **Barbara Roper, Director of Investor Protection for the Consumer Federation of America and the chair of the Investor Issues task force of Americans for Financial Reform**. “While the Commission is required by the JOBS Act to lift the solicitation ban, it also has an obligation to adopt rules that protect investors and promote market integrity and the authority to do so. A number of reasonable, concrete proposals have been suggested that, if adopted, would significantly improve safeguards for investors in private offerings. Its rule proposal completely ignores those suggestions. It cannot in good conscience continue to do so.”

**Cristina Martin Firvida, Director of Financial Security and Consumer Affairs, Government Affairs, AARP**, emphasized the threat to older investors. “Unregistered

securities have already emerged as one of the main vehicles for fraud involving older investors, and allowing the widespread marketing of these products has the potential to greatly increase the problem,” she said. “In lifting the ban on general solicitation, the SEC must ensure that investors are protected and market integrity is maintained. AARP urges the Commission to go back to the drawing board to strengthen investor protections in its proposed rule and safeguard the nest eggs of those who are likely to be targets of unscrupulous operators once the ban is lifted.”

**Heather Slavkin Corzo, senior legal and policy advisor of the AFL-CIO’s Office of Investment**, pointed out that hedge funds and private equity funds could be among the rule’s biggest users and beneficiaries. “The last thing regulators and legislators need to be doing in response to the financial crisis is rolling back investor protections that are designed to make the markets function more transparently and fairly and improve investor confidence,” Corzo said. “The SEC’s proposed rule would open the door for private equity and hedge funds, typically only offered to the most sophisticated investors, to advertise to the general public without putting in place basic disclosure requirements that would allow investors to make informed decisions about the products being offered. This is the wrong way to go. We urge the SEC to help restore investor confidence by withdrawing its proposal and issuing a new rule that incorporates critical investor protections.”

#### **Related Links:**

NASAA letter: <http://www.nasaa.org/wp-content/uploads/2011/07/NASAA-Comment-Letter-to-SEC-re-Rule-506.pdf>

AFR/AFL letter:

<http://ourfinancialsecurity.org/blogs/wp-content/ourfinancialsecurity.org/uploads/2012/10/General-Solicitation-Comment-FINAL-10-5-12.pdf>

CFA letter:

<http://www.consumerfed.org/pdfs/Comments.General%20SolicitationLetter.10.3.12.pdf>