

supervisory control procedures that independently test, verify, and modify, where necessary, the members' supervisory procedures; (2) require that office inspections be conducted by independent persons and include, at a minimum, the testing and verification of certain supervisory procedures; (3) expand upon a member's supervisory and recordkeeping requirements with respect to changes in customer account name or designation in connection with order executions; and (4) clarify the time limit on time-and-price discretionary authority. The comment period expired on January 17, 2003. We have received numerous comment letters, which Commission staff and SRO staff are currently reviewing.

G. Amendments to Broker-Dealer Recordkeeping Rules

The participants will discuss the Commission's recent amendments to its broker-dealer recordkeeping rules, Exchange Act Rules 17a-3 and 17a-4, in light of certain interpretive questions regarding the amendments.³³

H. Examination Issues

State and federal regulators also will discuss various examination-related issues of mutual interest, including examination priorities, summits and examinations.

(3) Investment Management Issues

A. Electronic Filing and the Investment Adviser Registration Depository ("IARD")

Investment advisers applying for registration, or already registered, with the Commission file their registration statements and amendments electronically through the IARD. Most states also permit investment advisers and investment adviser representatives to register by filing through the IARD. The agenda for the conference is expected to include a discussion of the operations and finances of the IARD during 2002. The participants also are expected to discuss issues related to future plans for the IARD and for the public disclosure website for investment adviser information, the IAPD.

B. Current Issues and Rulemaking Initiatives

The participants are expected to discuss recent rulemaking initiatives under the Investment Advisers Act of 1940³⁴ that deal with enhanced public disclosure of proxy votes, compliance issues, updated custody requirements, and advisers giving investment advice

over the Internet. Developments in the model state law area and competency tests for investment adviser representatives also may be discussed. The participants may consider the continuing education needs of investment advisers and discuss approaches for enhancing an adviser's understanding of relevant state and federal regulatory responsibilities.

C. Examination of Advisers

The agenda for the meeting will include a discussion of examination protocols used by states and the Commission as well as the sharing of information among regulators. Recent enforcement matters of particular relevance also may be discussed.

(4) Investor Education and Assistance Issues

The Commission and NASAA currently sponsor a number of programs to educate investors on how to invest wisely and to protect themselves from fraud and abuse. The states and NASAA have a long-standing commitment to investor education, and we intend to complement those efforts to the greatest extent possible. During the investor education working group session, participants at the conference are expected to discuss the following investor education initiatives and potential joint projects:

A. Facts on Saving and Investing Campaign

Five years ago, in the spring of 1998, the Commission and NASAA in conjunction with the Council of Securities Regulators of the Americas ("COSRA") launched the Facts on Saving and Investing Campaign. Led primarily by individual states and Canadian provincial securities regulators, the campaign is an ongoing, grassroots effort to educate individuals about saving, investing, and avoiding financial fraud. During the working group session, participants will discuss this year's campaign.

B. Youth Initiatives

During the working group session, NASAA will brief the Commission staff on the progress of "Financial Literacy 2010," an unprecedented financial literacy program launched in the spring of 1998 by NASAA, the NASD, and the Investor Protection Trust. FL2010 aims to encourage—and make it easier for—teachers in every state to teach the basics on saving and investing to high school students. Representatives from individual states and the Commission also will share information concerning

other financial literacy efforts targeted toward youth.

C. Education on Troubling Trends and "Top 10" Scams

From time to time, NASAA publishes a list of the top 10 investment scams that state securities regulators have been combating. This list not only raises public awareness about potential investment scams, but also helps to shape investor education initiatives.

Representatives from NASAA and the Commission will discuss troubling trends they have noted recently and will explore ways in which NASAA and the Commission can work together to warn the investing public about problematic products.

D. Online Investor Protection

NASAA will discuss ongoing state initiatives to enhance investor protection online, including the status of the Investing Online Resource Center. Similarly, the Commission staff will discuss its continuing efforts to educate investors on how to use the Internet to invest wisely.

E. Senior Educational Outreach Efforts

NASAA members and the Commission staff will discuss ongoing educational programs aimed at educating seniors. Since seniors are a large segment of the population that are targeted for scams, many individual states have set up educational outreach programs aimed toward seniors. Representatives from individual states will share information concerning these outreach programs.

F. New Programs on Investor Education

Participants in the working group session will brainstorm ideas for new investor education programs, including joint NASAA and Commission initiatives.

G. Investor Education Resources

Participants will discuss the most efficient and effective ways to provide educational resources to individuals at both a national and a grassroots level.

(5) Enforcement Issues

In addition to the above topics, state and federal regulators will talk about various enforcement-related issues of mutual interest. As in the past, it is anticipated that representatives of the SROs and the Justice Department will participate in this meeting. Included on the agenda for their session will be identification of the current enforcement priorities of the organizations present and a discussion of the more important investment scams

³³ 17 CFR 240.17a-3, and 240.17a-4.

³⁴ 15 U.S.C. 80b-1 *et seq.*