

**PARTIES PRESENT**

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**SECURITIES COMMISSION**

Gary Cornia	Chair
Brent A. Cochran	Commissioner
Lyle White	Commissioner
Lyndon Ricks	Commissioner
Peggy Hunt	Commissioner

**DIVISION OF SECURITIES**

Thomas A. Brady	Division Director
Sabrina Afridi	Administrative Assistant
Ken Barton	Manager of Compliance
Dave Hermansen	Manager of Enforcement
Bryan Cowley	Manager of Registration and Licensing
Karen McMullin	Investor Education Coordinator
Francswai Grayson	Securities Analyst
Chip Lyons	Securities Analyst
Liz Blaylock	Investigator

**ASSISTANT ATTORNEY GENERALS**

Robert Wing	Counsel for Division
Jen Korb	Counsel for Division
Joni Ostler	Counsel for Division
Paula Faerber	Counsel for Division

**DEPARTMENT OF COMMERCE**

Bruce Dibb	Administrative Law Judge
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**WELCOME AND CALL TO ORDER**

**9:17 AM**

Meeting commenced.

Chair Gary Cornia

**APPROVAL OF MINUTES**

**NOVEMBER 7, 2019**

Commissioner Brent Cochran made a motion to approve the Minutes and Commissioner Lyndon Ricks seconded the motion.

✓ The motion was approved unanimously.

**DIRECTOR'S REPORT**

**THOMAS A. BRADY**

**COVID-19 Update**

Director Brady began his report by discussing how the Division has been addressing the pandemic. All division employees have been authorized to telework fulltime and come to the office as needed until further notice. The Department and management are working together to make sure employees have the proper technological tools, such as laptops. There has not been a significant disruption in productivity but given the high demand, laptops are backordered. The Division staff have been teleworking for the past couple of months and are handling the transition well. In the event employees come into the office, the Department and the staff have been practicing social distancing and wearing masks in public areas. As the State of Utah has transitioned into the *orange phase*, the Division has notified the industry that the building is closed to the public. A date has not yet been provided on when the building will be open to the public but Director Brady anticipates it will be in a month or so. Director Brady concluded his report by explaining how COVID-19 has impacted the Division's work product and how the Division is proactively responding. The Division anticipates an increase in complaints that are COVID-19 related. Thus, the Division is working with North American Securities Administrators Association (NASAA) on a task force to help stop COVID-19 related scams.

**SECTION REPORTS**

**COMPLIANCE**

**KEN BARTON**

**2020 Year-to-date Exam Statistics**

Ken Barton began the Compliance report by explaining exams related to securities licensed entities as well as agents: The total YTD exams Compliance completed for 2020 is 14 – Mr. Barton explained the exams as follows:

- 13 compliance examinations, 12 of which were for-cause and opened as a result of an investor complaint or Regulatory Agency Referral. The for-cause exams YTD are very high and these exams take priority over routine exams. Compliance is working on 2019 exams that involved two large nation-wide schemes. Mr. Barton hopes the Compliance section concludes 2019 exams so they're able to work on routine exams during the second half of the current year.
- 1 Investment Adviser Licensing approval exam.

**ENFORCEMENT**

**DAVE HERMANSEN**

**Complaints**

Mr. Hermansen began the Enforcement report by explaining the number of outstanding complaints that are not being investigated have dropped from the forties to mid-twenties. Mr. Hermansen described how complaints are currently at a steady flow but anticipates a rise within a couple of months, due to the economic effects of COVID-19.

→ 51 cases are under currently under investigation.

#### **Administrative Actions**

Mr. Hermansen then discussed the status of Administrative Actions as follows:

- 5-7 Orders to Show Cause are currently in the drafting stage.
- 5 Orders to Show Cause have been issued since the last Commission Meeting.

#### **Criminal Actions**

Mr. Hermansen discussed how COVID-19 has impacted Enforcement criminal actions as all court appearances have been postponed until further notice such as: trials, preliminary hearings, and sentencings. For example, Rust Rare Coin, one of the larger cases, was scheduled to be a two-week trial in May but has been postponed.

- 1 case has been screened for criminal prosecution and Mr. Hermansen anticipates 2-3 more cases to be screened within the next couple of months.

### **INVESTOR EDUCATION**

**KAREN MCMULLIN**

#### **Events**

Ms. McMullin began the Investor Education report by providing an update for events, which have either been canceled, postponed, or rescheduled due to the COVID-19 pandemic and social distancing restrictions. The events are as follows:

- Women in the Money conference was postponed. The event sponsors: Utah Financial Empowerment Coalition and the Utah Office of the State Treasurer, may reschedule the event for fall of 2020.
- AARP rescheduled the 2020 Real Possibilities University events for: September 28, 2020, in Layton, October 6, 2020, in St. George and October 20, 2020, in Sandy.

### **REGISTRATION AND LICENSING**

**BRYAN COWLEY**

Mr. Cowley began the Registration and Licensing report by providing an update on how COVID-19 has impacted the industry and what they're doing to mitigate disruption in the licensing process. Mr. Cowley explained how getting would-be licensees through FINRA's exam process has been problematic due to COVID-19. Prometric testing centers have been shut down since the middle of March and broker-dealers have seen an increase in phone traffic due to the closure of their brick and mortar retail brokerages. Everything has transitioned to phone and online, also known as click and mortar. FINRA announced it is testing an online proctored exam functionality which it expects to launch on a limited basis in the near future. FINRA will begin with the: SIE, 6, 7, 63, 66 and expand their offerings within the next month or so. Prometric planned on reopening on May 1, 2020, which Mr. Cowley believes should help relieve the bottleneck. There have been a few broker-dealers that wanted the states to consider promulgating a temporary license program for persons who submitted a Form U4 but had not taken and passed the requisite qualification exams. Based on Prometric reopening and FINRA's online proctored exam functionality, Mr. Cowley believes a temporary licensing program is currently unnecessary.

### **EDUCATION AND TRAINING FUND REPORT**

**BRYAN COWLEY**

Commissioner Brent Cochran made a motion to approve the report and Commissioner White and Commissioner Hunt seconded the motion.

- ✓ With discussion, the Commission approved the Education and Training Fund (i.e. budget) unanimously.

**CONSIDERATION AND APPROVAL OF PROPOSED ORDERS**

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**In the matter of: Ryan L. Farr | SD-17-0025**

**Stipulation and Consent Order | Presenter: Francswai Grayson**

Mr. Farr agreed to the Proposed Order and under this Order, Mr. Farr neither admits nor denies the Division's Findings of Facts and Conclusions of Law. Mr. Farr agrees to cease and desist from violating the Act and comply with the requirement of the Act in all future business in this state. Mr. Farr agrees to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.

Under this Order, Mr. Farr agrees to pay a total fine of \$6,000 to the Division pursuant to the terms set forth in paragraph 51.

Commissioner Cochran made a motion to approve the Order and Commissioner Ricks seconded the motion. Commissioner Hunt made a note for the record that she will abstain from the approval as she has recently joined a new law firm and has not run a conflict check, yet.

✓ With discussion from Commissioner Hunt, the Commission approved the Order.

**In the matter of: Benjamin D. Williams | SD-17-0028**

**Stipulation and Consent Order | Presenter: Francswai Grayson**

Mr. Williams agreed to the Proposed Order and under this Order Mr. Williams neither admits nor denies the Division's Findings of Facts and Conclusions of Law. Mr. Williams agrees to cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah. Mr. Williams agrees to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah. Under this Order, Mr. Williams agrees to pay a total fine of, \$13,000 to the Division pursuant to the terms set forth in paragraph 100.

Commissioner White made a motion to approve the Order and Commissioner Ricks seconded the motion. Commissioner Hunt made a note for the record that she will abstain from the approval as she has recently joined a new law firm and has not run a conflict check, yet.

✓ With discussion from Commissioner Hunt, the Commission approved the Order.

**MOTION TO ADJOURN**

**9:48 AM**

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Chairman Cornia, called for a motion to adjourn the meeting. Commissioner White made the motion and Commissioner Cochran seconded the motion.

✓ The Commission unanimously voted to adjourn the meeting.

The next scheduled Securities Commission meeting is on, August 6<sup>th</sup> and 7<sup>th</sup>, 2020 at 9:00 AM (both days).

APPROVED: \_\_\_\_\_

GARY CORNIA, CHAIR

DATE

PENDING