

# Budget Overview

## North Dakota Securities Department

Karen Tyler

Securities Commissioner

Wednesday, March 15, 2023

NORTH  
Dakota

Be Legendary.

# STATUTORY AUTHORITY

- Securities Act N.D.C.C. 10-04
- Commodities Act N.D.C.C. 51-23
- Franchise Investment Law N.D.C.C. 51-19
- Pre-Need Funeral Services Law N.D.C.C. 43-10.1

# REGULATORY POLICY OBJECTIVES AND FUNCTIONS

## Investor Protection and Legitimate Capital Formation

- Regulation of Capital Formation
- Registration of Industry Firms and Professionals
- Examinations of Industry Firms and Professionals
- Investigation of Investment Fraud and Misconduct
- Delivery of Investor Education and Finlit Programs

# DEPARTMENT REVENUE AND BUDGET

21-23 Revenue Estimate: **\$23 million**

21-23 Budget: **\$2.8 million**

23-25 Revenue Estimate: **\$23 million**

23-25 Budget Request: **\$3.3 million**

# BUDGET REQUEST DETAIL

- **\$204,583** Executive budget changes for salary and benefits
- **\$25,000** Increased IT and audit costs
- **\$135,000** Blockchain and crypto investigation analytics
- **\$150,000** One-time tech systems enhancements

# HISTORICAL REVENUE AND EXPENDITURES

## 20 Year Totals

- **\$187,669,496** Earned
- **\$17,122,852** Spent
- **\$170,546,644** Net to General Fund

# REVENUE SOURCES

- Fees for registration of securities and filings for exemptions from registration
- Fees for registration of investment industry firms and professionals

# REGISTRATION DATA (12/31/2022)

- 1,179 Broker-Dealer Firms
- 114,396 Broker-Dealer Agents
- 873 Investment Adviser Firms
- 1,681 Investment Adviser Representatives



# OTHER REQUESTED INFORMATION

- No one-time funding in current budget
- No audit findings in last audit
- No federal funding source for the Dept.
- No ARPA funding appropriated in special session
- Other legislation impacting budget – SB 2325

# ELECTRONIC SECURITIES FILING SYSTEMS

All securities filings supported through 2 electronic filing systems.  
No paper filings, no paper payments.  
Approximately 25,000 filings/year.

1. Electronic Filing Depository (EFD)
  - Form D – Accredited Investor
  - Non-traded REITs
  - Franchise filings
  - Mutual Funds/Unit Investment Trust
2. Securities Filing Portal – all other filing types

# INVESTIGATIONS / ENFORCEMENT ACTIONS

- Sale of Unregistered Promissory Notes
- Fee-For-Funding Fraud
- Precious Metals Fraud
- Crypto Cases – Unregistered Securities, Bankruptcies, Fraud
- Private Placement Fraud
- Ponzi Schemes
- Social Media-Influenced Fraud

# FOCUS ON STATE REGISTERED INVESTMENT ADVISERS

- Modernized Examination Program
- Comprehensive Regulatory Guidebook
- Compliance Bulletins

# FOCUS ON SENIORS

- **N.D.C.C. 10-04-08.5** Financial Exploitation of Seniors and Vulnerable Adults
- **SB 2325** Restitution Assistance Fund for Senior Victims of Investment Fraud

## NORTH DAKOTA SECURITIES DEPARTMENT

### WHO WE ARE

**10**  
Team Members

### WHAT WE DO

We **protect** investors and **support** legitimate capital formation.

### WHY WE DO IT

In a **securities transaction**, it is the investor that carries the risk. Investor confidence in the **integrity of our capital markets** drives economic **growth** and financial security.

### WHAT WE EARN

**\$22.3**  
million

- Industry Registration
- Securities & Franchise Filings



2019-2021

### WHAT WE SPEND

**\$2.8**  
million

- Salaries
- Operating



2021-2023

### WHO WE SERVE

#### Investors

who seek to build wealth and financial security by investing in our capital markets.



#### Business Owners

who seek to raise capital from investors by issuing securities.



#### Industry

firms and professionals who want to do business with North Dakota investors.



#### Teachers & Students

who support and benefit from financial capability programs.



#### Seniors

who are target #1 and need to learn about financial fraud and exploitation.

**65+**

## NORTH DAKOTA SECURITIES DEPARTMENT

### HOW WE SERVE



#### Industry Registration

Investment firms and professionals that want to do business in the state must be approved and registered by the Department.



#### Examinations

Routine and for-cause examinations of the books and records of investment firms uncover deficiencies and act as a deterrent against misconduct.



#### Investigations & Enforcement

The Department investigates investment fraud and misconduct and takes enforcement actions as necessary. Criminal referrals are made when appropriate.



#### Capital Formation Regulation

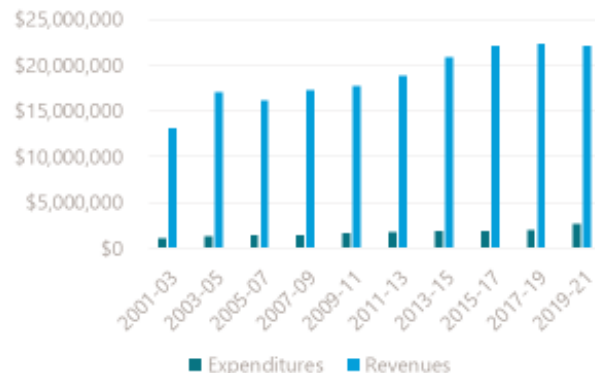
Businesses issuing securities in exchange for investment capital must appropriately register the offering with the Department or qualify for an exemption.



#### Investor Education & Outreach

Programs and content offered by the Department help our citizens build financial knowledge and capability, and also help them recognize and avoid investment fraud.

### REVENUE IMPACT



### 20 Year Totals

**\$187,669,496** Earned

**\$17,122,852** Spent

**\$170,546,644** GF Net

### 2021-2023 B-T-D BY THE NUMBERS

Conducted  
**251**  
Examinations  
and  
Investigations

Processed  
**157,435**  
Industry  
Registrations

Reached  
**8,101**  
Students with  
Financial  
Literacy  
Programs

Recovered  
**\$5.4**  
Million  
For Investors

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