

Securities Program Goal		Agency/Program #: 3401-04-G1
		Division: Securities Division
		Program:
Agency Name:	State Auditor's Office	
Agency Contact:	Lynne Eggan	444-2040
LFC Contact:	Representative Sesso, Representative Taylor	
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Program or Project Description:

The Securities Program is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The program is also responsible for the investigation of unregistered and fraudulent securities transactions, and resolving investor complaints and other investment related issues.

Fund Name:	Appropriation, Expenditure and Source				Approp & Expenditure numbers are as of April 15, 2008
	2008		2009		
	Approp.	Expended	Approp.	Expended	
General Fund	0	0	0	0	
State Special	859,459	610,541	892,221	0	
Federal Funds	0	0	0	0	
Total:	\$859,459	\$610,541	\$892,221	\$0	

Legislative Goal(s):

Protect the investor, persons engaged in securities transactions, and the public interest

Legislative Performance Measures:

1. Regulation of the securities industry through a comprehensive broker-dealer and investment adviser firm examination program to ensure firms have adequate policies and procedures to prevent and detect potential violations of the Securities Act of Montana. At least six comprehensive examinations begun or completed during the current biennium. Results of the exams will be compared with previous exam periods to determine level of compliance and the determination of whether themes or trends appear related to sales or business practice violations.
2. Continuation of the investor education and law enforcement training programs. At least one investor education forum and law enforcement training program each month, spread geographically across the state for the remainder of the biennium. Feedback from previous forums will be used to tailor presentations and sessions to provide the most effective and timely information. Surveys will be distributed following scheduled sessions to provide more immediate information about whether the information offered by the agency meets participant expectations.

	2009 Biennium Significant Milestones:	Completion Dates	
		Target	Actual
1	Investor Education Seminars, total of 16 (8 per year), geographically dispersed throughout state	6/30/2009	
2	Law Enforcement Trainings, total of 6 (3 per year) geographically dispersed throughout state	6/30/2009	
3	Capital Formation Seminars, total of 6 (3 per year), geographically dispersed throughout state	6/30/2009	
4	Broker-dealer branch office examinations, total of 20 (10 per year). Broker-dealer firms that have not previously been examined by agency.	6/30/2009	
5	Continuing staff education. Each securities staff employee will attend at least one NASAA funded and sponsored training event. Total of 12.	6/30/2009	

Administrative Actions. Minimum of 25 proposed and resolved administrative actions. Levy fines totaling at least \$75,000 annually.

6/30/2009

Agency Performance Report:

Milestone #1 The Securities Division has applied for a \$156,000 grant from the Investor Protection Trust that it will likely receive on May 2, 2008. With these funds the agency will host investor education programs in most, if not all, of the following locations during the month of June – October, 2008: Billings, Red Lodge, Big Timber, Harlowton, White Sulphur Springs, Hardin, Bozeman, Livingston, Three Forks, Belgrade, Manhattan, Butte, Anaconda, Philipsburg, Deer Lodge, Dillon, Whitehall, Missoula, Hamilton, Stevensville, Darby, Superior, Kalispell, Polson, Bigfork, Whitefish, Libby, Great Falls, Lewistown, Fort Benton, Conrad, Choteau, Stanford, Havre, Shelby, Chinook, Chester, Cut Bank, Malta, Miles City, Jordan, Glendive, Circle, Sidney, Glasgow and Wolf Point. (The cities/towns in bold will be 2 ½ hour events, the others will be 1 ½ hour events.)

Milestone #2 The Securities Department hosted law enforcement trainings in Missoula, Dillon, Hamilton and Great Falls in the fall of FY 2008. Additionally, it provided law enforcement training at the Senior Fraud Summit on October 22, 2007 in Helena. In May 2008 it will partner with the Montana Area on Aging for another summit that will include law enforcement training.

Milestone #3 The Securities Department has been inundated with regulatory issues regarding the volatile stock market, auction rate securities as well as in planning its campaign Montana Investor Awareness Campaign: Targeting the People the Con Artists Target to be done during the months of June – October 2008 as outlined in Milestone #1 above. As a result, capital formation seminars will be placed on hold until FY 2009.

Milestone #4 The Securities Department has examined 8 broker-dealer branch offices and investment advisor firms from July 1, 2007 to date and is currently completing a substantial examination of First Interstate's sixteen branch offices.

Milestone #5 The Securities Department sent an analyst to broker-dealer training; 2 analysts to NWCCI senior fraud training; 1 analyst and 1 policyholder services staff to NASAA/NAIC annuity training; 1 attorney and 2 investigators to attorney/investigator training in FY 2007.

Milestone #6 The Securities Department has issued 19 administrative actions to date during FY 2008 and has levied \$77,950 in fines.

LFD Narrative:

LFD ASSESSMENT: On-Track

DATA RELEVANCE: The information reported in the Agency Performance section relates to the legislative goals and performance measures.

APPROPRIATION STATUS: Appropriation and expenditure data were provided

COMMENTS/ISSUES: The workgroup may wish to dismiss this goal from further review, with the exception of conducting 3 Capital Formation Seminars during FY 2008 the SAO is on track to meet or exceed the selected measurements for the period. The workgroup may wish to request further information on the regulatory issues relating to auction rate securities and the information included in the Montana Investor Awareness Campaign.

OPTIONS:

- 1) Dismiss from further review
- 2) Review again in October 2008
- 3) Request additional information
- 4) Upgrade or downgrade the rating



Version	Date	Author
	5/20/2008	

Change Description