



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

Andy Beshear
Governor

Ray Perry
Deputy Secretary

500 Mero St.2SW19
Frankfort, KY 40601
Phone: (502) 573-3390
Fax: (502) 573-8787
<http://kfi.ky.gov>

Kerry B. Harvey
Secretary

Charles A. Vice
Commissioner

DFI JOINS MULTISTATE OPPOSITION TO SEC PROPOSAL
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Kentucky's Department of Financial Institutions (DFI) raised concerns today about an exemption proposed by the Securities and Exchange Commission (SEC). Thirty state securities administrators—including Marni Rock Gibson, DFI's Director of Securities—sent [a letter](#) asking the SEC to meet with states before acting.

The [proposed order](#) would exempt private placement finders from having to register as brokers under the Securities and Exchange Act. Private companies—those not listed on a public exchange or market—hire “finders” to locate potential investors.

“Currently, there is limited oversight of actors in the private markets, which opens investors to a higher risk of fraud,” Gibson said. “This proposal would essentially exempt finders from any regulatory oversight, which we believe is a step in the wrong direction. We would like to see states and the federal government work together to strengthen investor protections in the private markets.”

“This proposal runs directly counter to the public interest and, if ordered, will actually harm rather than protect investors,” the joint letter said. “Given both perennial concerns about and recent incidents of extraordinarily harmful frauds perpetuated by persons acting as finders, the last thing state securities regulators expected to see was a Commission proposal that facilitates unlicensed intermediaries in the private market.”

The state administrators' letter accompanied a separate [comment letter](#) from the National Association of State Securities Administrators. “NASAA opposes the proposal because it seeks to expand the private markets without providing any commensurate effort to protect investors from the enhanced risk of fraud in an unregulated environment,” Lisa A. Hopkins, NASAA President and West Virginia's Senior Deputy Securities Commissioner, said in [a press release](#).