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*"The Mission of the New Mexico Regulation and Licensing Department is to ensure New Mexicans receive quality care and services from qualified professionals".*

**New Mexico outlines opposition to SEC's proposed federal broker-dealer exemption for private placement**

**Santa Fe** - The New Mexico Securities Division of the Regulation and Licensing Department is among 30 state securities regulators to raise concerns about a recent proposal by the U.S. Securities and Exchange Commission's (SEC) that would make more investors vulnerable to sales pitches for high-risk private securities from unregistered and unsupervised financial brokers.

Interim Director Benjamin Schrope said the SEC recently released a proposal to order a federal new broker-dealer exemption for private placement finders. "Finders" are individuals who are hired by private companies to locate potential investors.

A November 12, 2020 letter to the SEC signed by New Mexico Securities Interim Director Benjamin Schrope and nearly 30 state securities regulators throughout the United States said:

"This proposal runs directly counter to the public interest and, if ordered, will actually harm rather than protect investors. ... It is clear that the proposal is not driven by investor protection considerations, but by a purported desire to help small businesses obtain capital. Although that is a worthy goal we all share, small business issuers will not benefit from a federal exemption in the absence of a coordinated state finder registration framework. To be successful, we must work together to develop a balanced and coordinated framework that serves both issuers and investors in the private market."

The private placement market is a very risky place for investors, especially seniors who have amassed a life's worth of savings to become so-called "accredited investors," to which unregistered private offerings are limited.

According to the North American Securities Administrators Association (NASAA), of which the New Mexico Securities Division is a member, unregistered securities, including private offerings, represent a significant portion of the enforcement actions taken by state securities each year. Many of the worst criminal securities fraud cases arise from the combination of unregistered securities offerings promoted and sold by unlicensed intermediaries.

"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 letter said.

In the letter, Interim Director Schrope requested the federal agency provide a full public-rulemaking process for the proposal and defer any action until it has met with state securities regulators regarding the purported need for and propriety of a private placement finder exemption.

“There is no doubt in our minds that the Commission and the states, standing together, will be much more effective in protecting our citizens and making the private markets successful for small businesses than we could ever hope to be standing apart.”

Joining Interim Director Schrope in filing the letter are the securities regulators of Alabama, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Jersey, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, and Wisconsin.

The New Mexico Regulation and Licensing Department regulates more than 500,000 individuals and businesses in 35 industries, professions and trades across the state. Its goal is to assure that New Mexicans receive quality services from qualified individuals and businesses while also ensuring fair and prompt administrative process.

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