

Investment Adviser Newsletter

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Contact Us

If you have questions, send
us an email or give us a call
(608) 266-2139
DFISecurities@dfi.wisconsin.gov

Connect with DFI on Social Media

Visit the DFI’s Social media profiles on [Facebook](#), [X, formerly Twitter](#) and [LinkedIn](#) for information on the agency’s activities, personal finance tips, investor education, scam warnings, and other timely news to help protect investors. Please feel free to share any content that you find useful, and “like” or “follow” our social media profiles so that you can receive future posts in your social media newsfeeds.

Wisconsin Securities Administrator is New NASAA President

The North American Securities Administrators Association (NASAA) has [announced](#) that Leslie Van Buskirk, Administrator, Division of Securities, Wisconsin Department of Financial Institutions, became NASAA's President during the 2024 NASAA Fall Annual Meeting held in September.

"I am truly honored to serve as NASAA's President," said Leslie. "I am excited to work alongside my colleagues on the issues important to Main Street investors and look forward to advancing NASAA's investor protection mission."



Leslie has been the Administrator of the Division of Securities at the Wisconsin Department of Financial Institutions since 2016, after serving as an enforcement attorney and supervisor for 14 years. She has served in numerous leadership roles at NASAA, including being a member of the board of directors and the former chair of the Broker-Dealer Section. Most recently, she served as a representative of state securities regulators on the U.S. Securities and Exchange Commission's Investor Advisory Committee.

"Leslie has served investors in Wisconsin and nationwide admirably through her work to prevent financial exploitation, particularly of older adults, and working with law enforcement and adult protective service workers to combat the onslaught of pig-butcher scams and foreign criminal organizations," said DFI Secretary Cheryll Olson-Collins. "Leslie has dedicated her career to investors and ensuring a safe, sound, and robust securities industry at the state, national, and international level. Our agency is proud of her service, and we look forward to watching Leslie lead NASAA into the future."



Registration Renewal Season Will Be Here Soon

In about a month, you will need to renew your firm and individual registrations for 2025 through IARD (Investment Adviser Registration Depository) during the annual registration renewal process.

Your renewal statement will be available on IARD beginning November 11, 2024. Renewal payments for 2025 are due no later than December 9, 2024 for firm, individual, and any branch registrations for state-registered investment advisers. Be sure to submit your timely renewal payment to avoid a lapse in your firm's ability to conduct business next year.

If you are based in Wisconsin and your future plans do not include renewing for 2025, please send an email to jennifer.acker@dfi.wisconsin.gov to confirm that you will not be renewing for next year. (That way, we'll stop directing any reminder emails or phone calls to you.) You should also file an ADV-W regarding your firm's planned withdrawal. Beginning November 1st, you may submit ADV-W forms that are post-dated for December 31, 2024.

Watch for a future reminder email regarding your 2025 renewals. For questions regarding the renewal process or your firm's status, you may contact either the IARD Call Center at (240) 386-4848 or our Examiner of the Day at (608) 266-2139. Additional information is also available on the [IARD.com website](http://IARD.com).

Following your renewal for 2025, don't forget to file your ADV annual amendment. To comply with [Wis. Admin. Code s. DFI-Sec 5.04\(3\)\(b\)](#), each investment adviser must file a completed, updated Form ADV with IARD within 90 days of the end of its fiscal year. This means that if your firm's fiscal year end is December 31, 2024, your next ADV annual amendment should be filed after January 1, 2025, and no later than March 31, 2025.

Did You Complete Your CE for 2024?

Under [Chapter 11 of the securities administrative code](#), which sets out annual continuing education (CE) requirements for the investment adviser representatives (IARs) of both state-registered and SEC-registered investment advisers, IARs have until December 31, 2024 to complete their continuing education for 2024. If you've completed this year's continuing education, congratulations!

If not, it's best not to wait until the last minute since continuing education providers will need time to report your credits. Now that we are wrapping up the second year of the continuing education program, you should by now have created an account on [FINRA's Financial Professional Gateway \(FinPro\)](#) to monitor your continuing education status and course completions. And since the Division may send reminders and alerts regarding your continuing education status, please be sure your residential address is current on your Form U4 and that you submit any email address changes to the Division.

IARs are free to select and complete continuing education courses that fit their interests and business models. The [list of approved continuing education providers](#) is maintained on NASAA's website with links to the providers' websites and course offerings. The list includes an indication of whether the provider offers courses approved for both investment adviser representative continuing education and a professional designation such as Certified Financial Planner.

If an investment adviser representative does not complete the continuing education requirement by the annual deadline, CRD will set his or her investment adviser representative status to "CE Inactive" and the registration status to "Approved – Pending IAR CE." The IAR will remain "CE Inactive" until complying with the continuing education requirement. An investment adviser representative who is continuing education inactive at the close of the next (second) calendar year is not eligible for investment adviser representative registration or renewal. The registration status will be set to "IAR CE Failed to Renew (IAR_FTR)."

For example, if an investment adviser representative registered in Wisconsin was first required to complete continuing education in 2023 but did not complete continuing education for 2023 and 2024, that investment adviser representative is not eligible to renew their registration for 2025.

Additional guidance regarding investment adviser continuing education can be found on the [Division of Securities website](#) and the [NASAA website](#), including a list of [Frequently Asked Questions](#). If you have other specific questions, please feel free to call the Examiner of the Day phone line at (608) 266-2139 or contact Deb Fabritz at deborah.fabritz@dfi.wisconsin.gov.



Watch For New IAR CE Courses!

New IAR CE Course

The Division has recently posted our fourth IAR CE course, “Managing Your Investment Advisory Business,” on the [NASAA website](#). This 1-hour course examines the business aspects and the regulatory requirements of a state-registered investment adviser, covering topics such as IA business filings and records, compliance and registration functions, and business management and operations. The course also summarizes various resources available to you as an IAR.

This course satisfies 1 credit of the Products and Practice requirement. If you have completed all 12 credits this year, we encourage you to consider this course for 2025.

Current [DFI Courses](#)

C25931 **DFI-Sec 5.06 Prohibited Conduct**

1 credit hour, Ethics and Professional Responsibility

Cost: \$3 FINRA reporting fee

C26346 **Protecting Senior Clients from Financial Exploitation**

2 credit hours, Ethics and Professional Responsibility

Cost: \$6 FINRA reporting fee

C26877 **They're Coming (To Conduct An Exam)!**

1 credit hour, Ethics and Professional Responsibility

Cost: \$3 FINRA reporting fee

C27222 **Managing Your Investment Advisory Business**

1 credit hour, Products and Practice

Cost: \$3 FINRA reporting fee

Future Courses

In 2025, our Division would like to develop an in-person workshop for IARs that will feature sessions on various IA regulatory topics and be eligible for IAR CE credit. We are hoping this will become an annual live event that can offer IARs unique topic sessions, as well as being an opportunity for you to ask questions and meet our examiners and division staff.

Have an idea for a Wisconsin IAR CE course? As we continue to develop additional CE courses, we are always interested and open to hearing from you. Feel free to contact Lily (Lily.Castonguay@dfi.wisconsin.gov) or Deb (Deborah.Fabritz@dfi.wisconsin.gov) with any CE course topic ideas.

NASAA Releases Annual Report on State-Registered Investment Advisers

The North American Securities Administrators Association (NASAA) recently released its annual report on the state-registered investment adviser industry and the related regulatory activities of state securities regulators.

NASAA's [2023-2024 Investment Adviser Section Annual Report](#) provides a snapshot of:

- The investment adviser population in the United States;
- The profile of the average state-registered investment adviser;
- The work NASAA's Investment Adviser Section has undertaken during the report's timeframe.

The report highlights the important regulatory policy work, education and training, and coordination efforts of NASAA's Investment Adviser Section Committee and Project Groups. The report includes initiatives overseen by the Cybersecurity and Technology Project Group to promote the adoption and development of NASAA cybersecurity model rules and support investment advisers' cybersecurity efforts and effective use of technology.

"These initiatives are part of our ongoing efforts to help state securities regulators better assist state-registered investment advisers in prioritizing security and effectively using technology to enhance investor protection," said Alisa Goldberg, Director of the Florida Office of Financial Regulation and Chair of NASAA's Investment Adviser Section.

Other highlights of the report include an updated profile of state-registered investment advisers and showcases proactive outreach initiatives to state-registered investment advisers by NASAA member agencies.

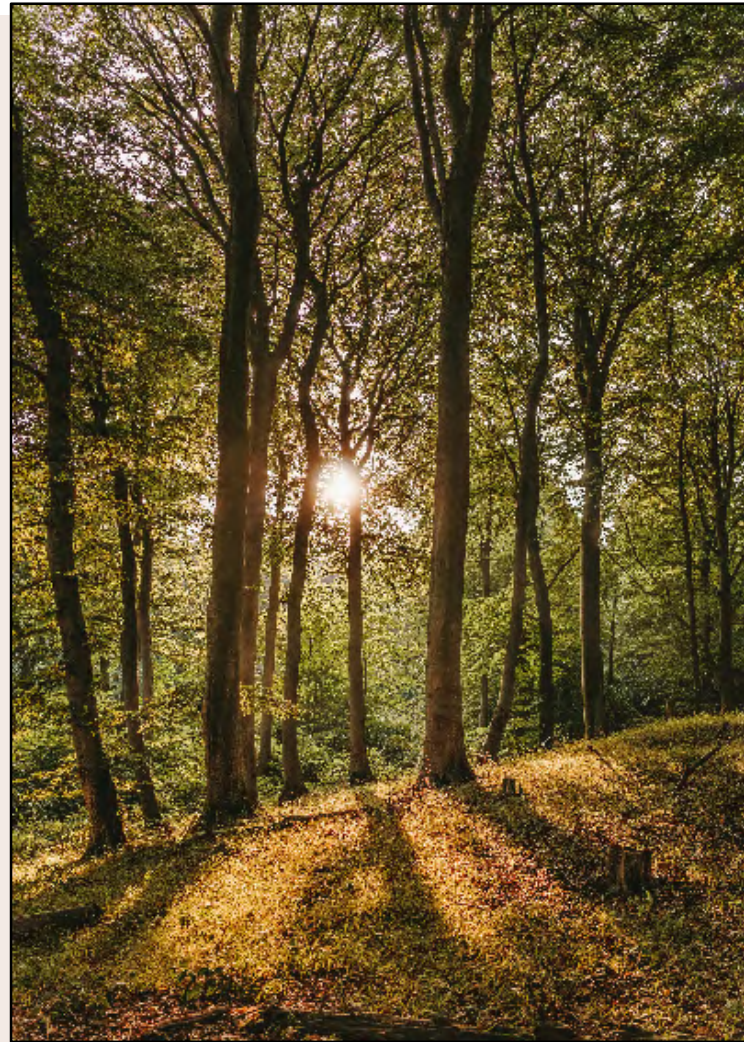
State securities regulators have regulatory oversight responsibility for 16,897 investment advisers with assets under management of \$100 million or less. States also have oversight of all investment adviser representatives, the financial professionals who work directly with retail investors, whether the adviser is registered with a state or with the SEC.



DFI Securities Examiner Joe's Perspective on Missing Contracts

My favorite part of being a Securities Examiner with the Division is traveling across the state to conduct exams of our registrants. By taking the time to discuss best practices, review books and records, and suggest course corrections, we help improve our state registered firms – and by extension, we help ensure clients receive the best possible service at those firms. The majority of our findings are small adjustments or tweaks around the regulatory edges. But every so often we come across issues with such frequency that we need to draw a spotlight to it.

Over the past two years, over 30% of the exams I've led have included the deficiency of missing client contracts. This includes four of my last five exams.



Here's a sampling of the insufficient reasons firms give for not maintaining client contracts:

- "Thought it was included in the custodial contract"
- "The client is hard to get ahold of"
- "Didn't think it was necessary for a family or friend"
- "Forgot"

Pursuant to [DFI-Sec 5.05\(5\)](#):

No registered investment adviser may enter into, extend or renew any investment advisory contract with a client in this state unless the contract is in writing and a copy of the contract is given to the client within 20 days after the execution of the contract.

Beyond the requirement found in the regulations, there are many reasons that getting a signed contract between the client and the advisory firm is a good idea. The contract is the legally binding document that sets expectations for what services you'll provide, allows the firm to get paid, details how disputes will be resolved, and much more.

DFI Securities Examiner Joe's Perspective on Missing Contracts Continued...

Consider for instance, a long-term client (without a contract) passes away. Then suddenly, you're not interacting with your client anymore, but instead their adult child or other representative who has concerns about how the client's accounts were handled. I'm not an attorney, but I understand they're often expensive. The reputational risks and legal liabilities that come with not having signed contracts are so outsized compared to any reason for failing to obtain a signed contract.

So consider this your friendly reminder to double-check that your files include contracts actually signed by each one of your clients. Don't assume that your friend or family member doesn't need one. Don't rely on verbal arrangements or documents provided by a custodian. Don't become another DFI exam deficiency statistic.

The Division of Securities Takes Action Against Former Investment Adviser

The Division of Securities issued a consent order against Thomas Vaughn Demergian and his state-registered investment adviser, Insight Wealth Management, on May 23rd, 2024. The measures included in the order consisted of consent to cease and desist the offer and sale of securities, the revocation of exemptions to registration, a barring from future registration with the Division, and the imposing of restitution and civil penalties. Demergian had been registered with the Division beginning in December of 2009 and ending last year. Prior to that, Demergian was registered as a broker-dealer agent with various firms dating back to 1993.

The order describes how Demergian defrauded his clients of over \$1.42 million. Beginning in 2002, Demergian instructed clients to write personal checks to an account in the name "IRT". Demergian told clients he would invest their monies in reputable funds such as Vanguard, Blackrock, and various REITs and would not charge a fee. In fact, Demergian had been using the IRT account as a personal account to cover his own expenses and he had been misleading clients with falsified documents that indicated the investments were legitimate.

In March of 2023, the Division issued an initial cease-and-desist order against Demergian and IWM. The final DFI order issued in May of 2024 includes a permanent revocation of Demergian's ability to operate in the securities business, as well as an order to make full restitution to defrauded investors. Demergian also faced prosecution from the U.S. Attorneys Office and was sentenced to four and half years in federal prison for wire fraud and evading federal taxes.

Considerations When Serving Senior Investors

Investment advisers have a fiduciary standard of care that is integral to every client relationship, including seniors. Unfortunately, seniors are the demographic that are most often the targets of financial abuse, scams, and manipulation. With an aging population in the United States and an accumulation of wealth over a lifetime, protecting seniors is currently a regulatory focus and will be an ongoing regulatory focus in the future.

During our examinations, we may review records and discuss best practices with regards to protecting seniors. The following items could be considered best practices for further discussion:

- Does your firm have policies and procedures for identifying and reporting financial exploitation of a senior client?
- Do you have increased supervisory oversight of at-risk seniors?
- Does your custodian have a trusted contact form and do you make a reasonable effort to obtain trusted contact information?
- Do you take any training or continuing education regarding senior issues and/or financial exploitation?
- Are you documenting and retaining communications and records regarding at-risk senior clients?



The Wisconsin Division of Securities has created a continuing education course for investment adviser representatives called Protecting Senior Clients from Financial Exploitation (C26346) (2 credits of Ethics). You can find the course [here](#).

Many states have adopted the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation. While Wisconsin has not adopted this model act, you might want to check the list of states that have adopted the Act if you are registered in states other than Wisconsin. You can find more information about the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation [here](#).

Beware This Red Flag of Financial Exploitation

What would you do if you received an unexpected call from a client requesting a significant liquidation of their investments and transfer of funds because something suddenly came up? The Division of Securities is hearing more about financial exploitation scams, especially involving older or vulnerable adults.

Scam artists are getting more devious and are using artificial intelligence, dating sites and social media to befriend potential victims. They are impersonating government officials whether it be law officials, IRS agents or FBI agents. Scammers are sending phishing emails and texts that appear legitimate to clients to click on and update their username and passwords, or to make contact with a “fraud or security expert” regarding the security of an account.

In schemes involving either impersonation or scare tactics, victims have been convinced to withdraw funds to “protect” their assets or to eliminate some other threat. Victims have been convinced to buy crypto or gold that is delivered to the perpetrators of the scam. And as you would expect, once funds have been withdrawn and transferred to scammers, it's usually impossible to recover them. Investors have all too frequently lost their hard-earned savings to these criminals.

You can make a difference by being proactive. Help educate your clients about scams, cybersecurity, and the importance of not sharing personal information. If a client requests a large withdrawal that seems out of character, do not hesitate to ask questions to try to flush out any unusual circumstances that may suggest the client is being taken advantage of or being victimized by a scam artist.

Stay up to date on your clients' lives, regularly updating and documenting suitability information, and keeping a Trusted Contact form on file. Pay attention and if something seems unusual in any way, your scrutiny of the situation may ultimately help your clients avoid being the victim of a scam. Otherwise, the benefit of hindsight may have you wishing you had done more at the time the client began making large transfers of funds.

For additional information, please check out the following article regarding the Division's new Investment Scam Tracker. Also, NASAA regularly releases various [Investor Alerts and Advisories](#) regarding common scams that you may wish to share with your clients.



The Division of Securities Launches Investment Scam Tracker

The Division of Securities Enforcement Bureau continues to receive complaints regarding various types of investment scams and recently launched an [Investment Scam Tracker](#) on DFI's website. The investment scams listed in the tracker are based on consumer complaints and include descriptions of fraudulent or deceptive scams reported to the Division by complainants. The factual details and reported losses have not been verified by the Division, but they are being shared in the tracker to alert the public to potential threats.

Between January 2022 and June 2024, \$3,540,878 in losses were reported to the Division from financial grooming and cryptocurrency fraud. By launching the investment scam tracker to publicize current scams, the Division hopes it will become more difficult for perpetrators to deceive additional investors.



The tracker includes a complaint narrative describing the scam, the type of scam, the subjects involved and the complainant's reported dollar amount lost to the scam. The tracker can be searched by company name, scam type or keyword to learn about specific complaints. The page also includes a glossary describing the different scam types, a list of frequently asked questions and links to additional investor resources.

We encourage investment advisers to share the investment scam tracker link with clients in the event they may be solicited to invest in these scams and to learn more about the different types of current investment scams.

Read DFI's investment scam tracker [news release](#) for more information.