

2017 NASAA Enforcement Forum

- Keith Woodwell, Chair (UT)
- Joe Rotunda, Vice-Chair (TX)
- Greg Strong (DE)
- Jesse Devine (NY)
- Jake van der Laan (NB)
- Jason Roy (MB)





Forum Outline

1. Statistical Data From 2017 Survey
2. Enforcement Coordination Among Regulators
3. Exploitation of Senior Investors
4. Threats from Emerging Financial Technologies
5. Focus on Bad Actors in the Industry
6. Canadian Enforcement Statistics



The Report Basics

- 50 jurisdictions responded to the survey.
 - Numbers/statistics are undercounted.
 - Data shows NASAA members on the front lines in protecting Main Street investors.
 - Poll members to predict new and upcoming threats.



NASAA



NASAA 2017 Enforcement Report

Based on 2016 Data



NASAA



NASAA

NASAA Member Enforcement Actions at a Glance

As described throughout this report, NASAA members were successful in each of these critical areas during 2016.



More than
9,300
complaints
received.



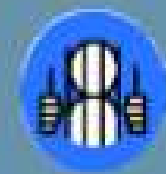
More than
4,300
investigations
conducted.



More than
2,000
enforcement
actions.



More than \$230 million in
monetary relief obtained for
investors.



More than 1,300 years
of criminal relief obtained.

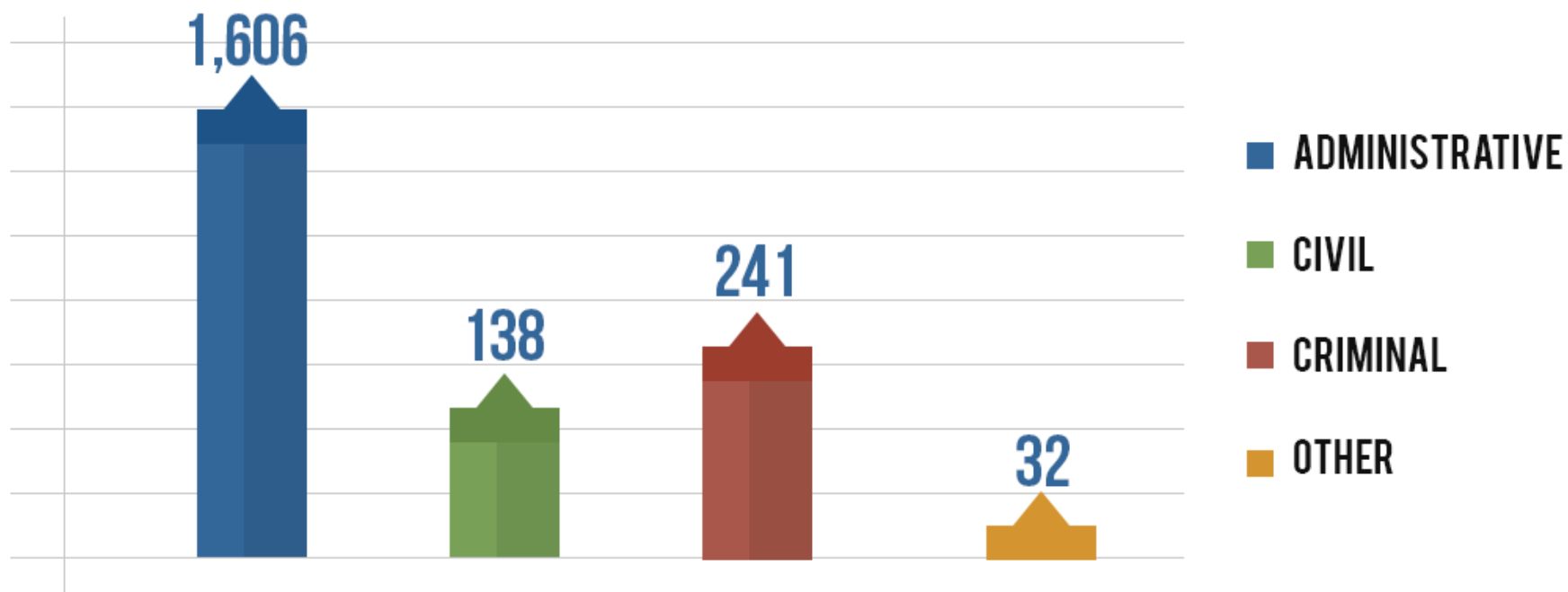


More than 3,500 license
sanctions.



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ENFORCEMENT ACTIONS BROUGHT





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MONETARY RELIEF OBTAINED

FINES / PENALTIES

\$682 MILLION

FINES OR PENALTIES LEVIED BY
STATE SECURITIES REGULATORS
(\$682,962,242)

RESTITUTION

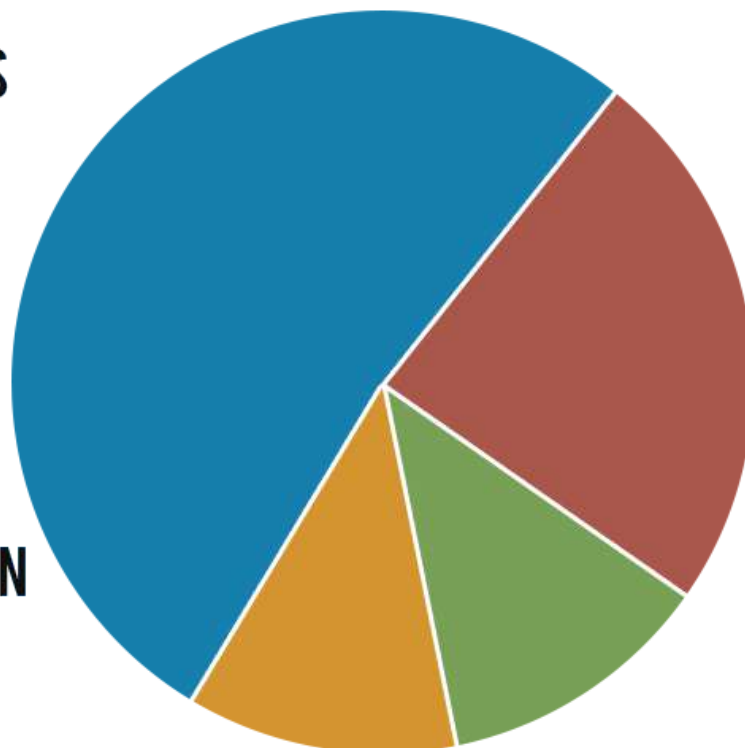
\$231 MILLION

ORDERED RETURNED TO
INVESTORS BY STATE
SECURITIES REGULATORS
(\$231,524,012)

INVESTOR EDUCATION

\$5 MILLION

ORDERED FOR INVESTOR EDUCATION
BY STATE SECURITIES REGULATORS
(\$5,190,906)



COSTS

\$5 MILLION

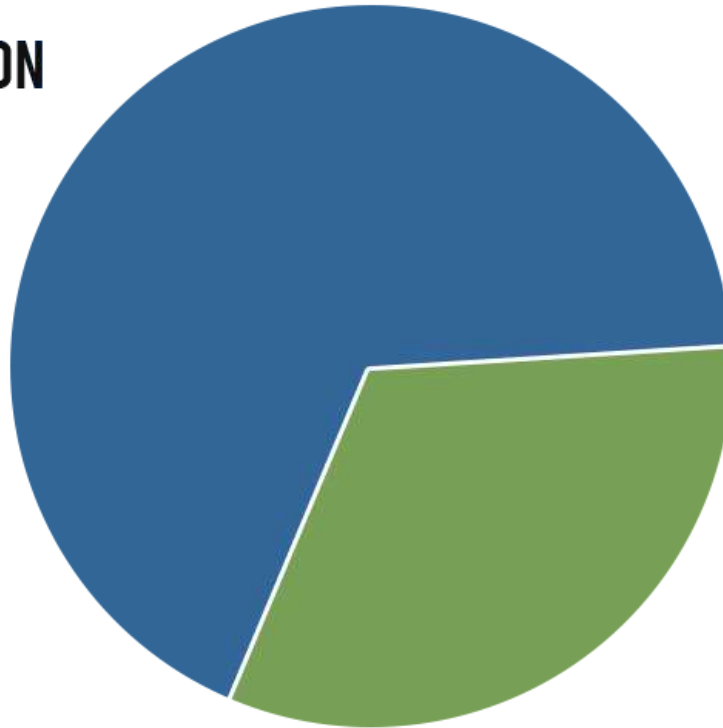
EXPENSES OR COSTS ORDERED PAID
TO STATE SECURITIES REGULATORS
(\$5,349,542)



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CRIMINAL RELIEF OBTAINED

INCARCERATION
824 YEARS



PROBATION
522 YEARS



MOST REPORTED PRODUCTS AND SCHEMES

In order of frequency of investigations reported by states

- | | |
|---|---------------------------------|
| 1 | Oil & Gas Investment Programs |
| 2 | Stocks and Similar Equities |
| 3 | Real Estate Investment Programs |
| 4 | Promissory Notes |
| 5 | Internet/Social Media Fraud |



ENFORCEMENT COORDINATION AMONG STATE AND FEDERAL SECURITIES REGULATORS

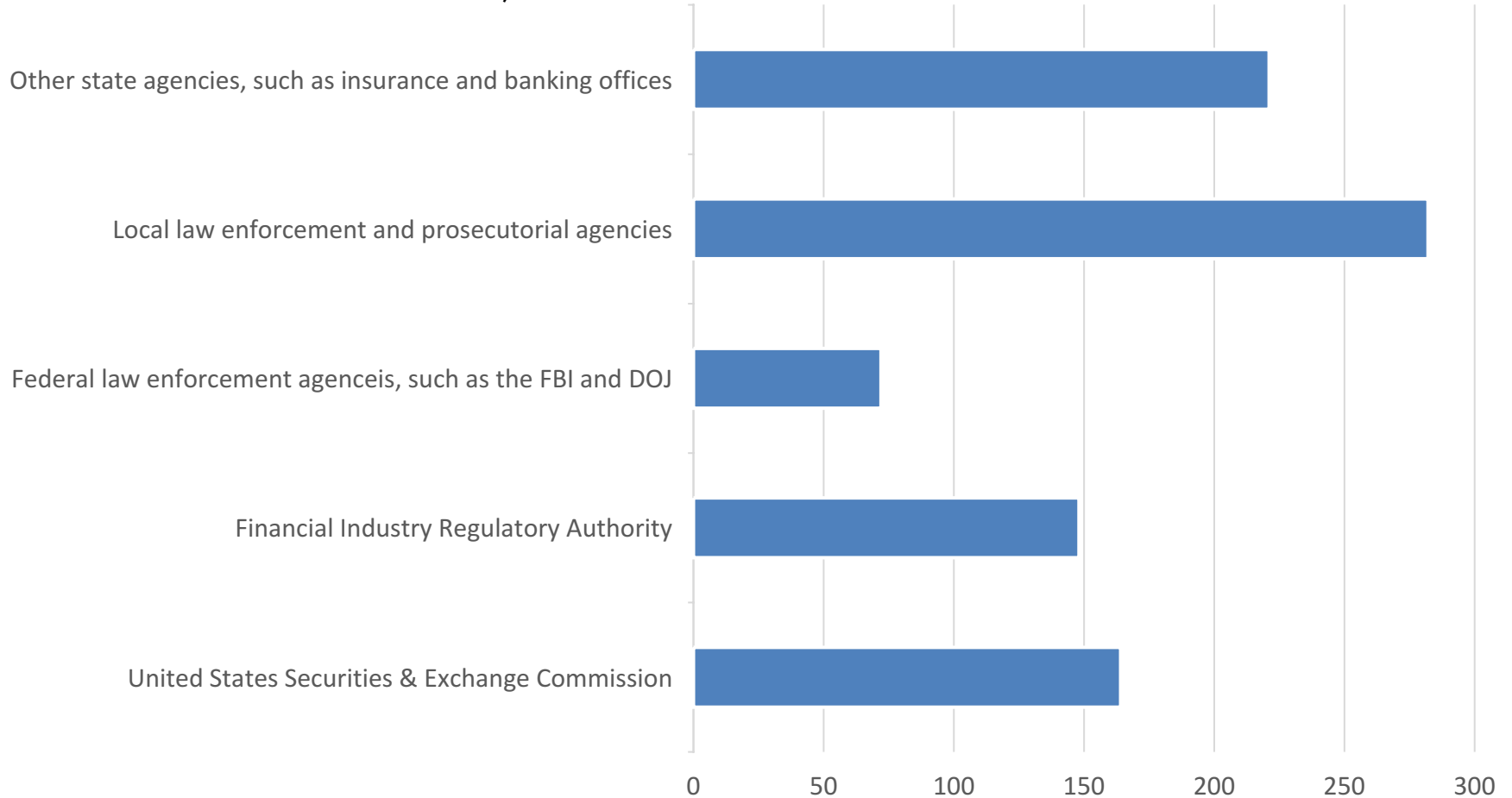
- State and federal regulators continue to recognize that coordinated efforts lead to efficient enforcement.
- In many regions, state and federal regulators are scheduling regular meetings where they can share important information about their work and coordinate their actions.
- In other situations, agencies are sharing evidence, jointly investigating illegal and fraudulent securities offerings and referring cases for administrative, civil or criminal enforcement actions.
- In some situations, state investigators work closely with federal law enforcement agencies as part of an ongoing task force dedicated to leveraging limited resources with expertise to more effectively investigate fraudulent schemes.



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CASE REFERRALS

TOTAL NUMBER OF CASES REFERRED, FORWARDED OR PROVIDED TO OR RECEIVED FROM ANOTHER AGENCY



Number of cases referred, forwarded or provided to or received from another agency.



UNITED STATES OF AMERICA V. WILLIAM ALLEN RISINGER

CAUSE NO. 1:15-cr-00140-SS, in The United States District Court For the Western District of Texas



- The Texas State Securities Board regularly conducts joint investigations with the Federal Bureau of Investigation.
- The agency's investigators routinely work at the offices of the Federal Bureau of Investigation and collaborate with federal law enforcement agents.
- A financial examiner employed by the agency and agents from the Federal Bureau of Investigation recently worked together to put together a criminal case against **William Allen Risinger**, a local promoter of a fraudulent oil and gas scheme.



UNITED STATES OF AMERICA V. WILLIAM ALLEN RISINGER

CAUSE NO. 1:15-cr-00140-SS, in The United States District Court For the Western District of Texas



- The joint investigation revealed that Mr. Risinger unlawfully raised \$4.5 million from investors and used that money to fuel a ponzi scheme, whereby returns paid to prior investors were derived from funds tendered by new investors.
- The investigator from the Texas State Securities Board and agents from the Federal Bureau of Investigation provided their findings to the United States Attorney's Office, and federal prosecutors secured an indictment charging Mr. Risinger with three counts of wire fraud and other federal crimes.



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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

FILED
2015 MAY 19 PM 1:24
CLERK US DISTRICT COURT
WESTERN DISTRICT OF TEXAS

UNITED STATES OF AMERICA,
Plaintiff,

v.

WILLIAM ALLEN RISINGER,
Defendant.

CRIMINAL NO. _____
BY _____ CLERK

SEALED
A15CR0140 SS

[Vic: 18 U.S.C. §2 – Aiding & Abetting;
18 U.S.C. § 1343 – Wire Fraud;
18 U.S.C. § 1957 – Engaging in Monetary
Transaction in Criminally Derived Property]

THE GRAND JURY CHARGES:

INTRODUCTION

1. The following entity was formed at the direction of, used by, and/or maintained by the defendant, **WILLIAM ALLEN RISINGER**:

a. RHM Exploration was a Limited Liability Partnership formed by Risinger in or about November 2010. According to state filings, the partnership was formed to raise money for oil and gas ventures, including the exploration and development of oil and gas properties.

b. From at least as early as November 2010, the physical location for RHM Exploration was Dallas, Texas, but Risinger lived and operated the business from his residence in Round Rock, Texas, in the Western District of Texas.

2. Beginning in or about November 2010, Risinger, aided and abetted by others known and unknown to the Grand Jury, promoted and solicited investments on behalf of RHM Exploration.

Risinger made false and fraudulent promises, representations, material omissions and pretenses in connection with each of these investment programs in order to obtain money for his own personal use and benefit. Risinger engaged in a single overarching scheme to defraud by obtaining, using, and commingling monies acquired by false and fraudulent pretenses among all of the investment vehicles.



NASAA

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

FILED
2015 MAY 19 PM 1:24

UNITED STATES OF AMERICA,
Plaintiff,

v.
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Defendant.

CRIMINAL NO. _____
BY _____ CLERK

SEALED
A15CR0140 SS

[Via: 18 U.S.C. §2 – Aiding & Abetting;
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2. Beginning in or about November 2010, Risinger, aided and abetted by others known and unknown to the Grand Jury, promoted and solicited investments on behalf of RHM Exploration.

It was part of the scheme and artifice that Risinger fraudulently acquired cash and assets for the following purposes:

- a. to apply to the **personal use and benefit of Risinger and his family**;
- b. to **maintain an ongoing or expanding Ponzi scheme** in which the “returns” paid to earlier investors actually constituted funds provided by later investors; and
- c. to make payments and/or fund distributions to some investors **so as to lull investors into the mistaken belief that their investment remained sound.**



NASAA

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

United States of America

vs.

(1) William Allen Risinger

§
§
§
§
§

NO: AU:15-CR-00140(1)-SS

REPORT AND RECOMMENDATION
OF THE UNITED STATES MAGISTRATE JUDGE

TO: THE HONORABLE SAM SPARKS
UNITED STATES DISTRICT JUDGE

The Magistrate Judge submits this Report and Recommendation to the District Court pursuant to 28 U.S.C. § 636(b)(3). The District Court referred this case to the United States Magistrate Judge for the taking of the defendant's felony guilty plea and for his allocution pursuant to Federal Rule of Criminal Procedure 11.

On January 28, 2016, the defendant and counsel appeared before the Magistrate Judge. The undersigned addressed the defendant personally in open court, informed him of the admonishments under Rule 11 of the Federal Rules of Criminal Procedure, and determined that he understood those admonishments.

Pursuant to a plea agreement, the defendant pled guilty to: Counts 1 and 4 of an indictment, charging him with wire fraud, a violation of 18 U.S.C. § 1343, and engaging in a monetary transaction in criminally derived property, a violation of 18 U.S.C. § 1957.

The Magistrate Judge finds the following:

1. The defendant, with the advice of his attorney, consented to enter this guilty plea before the Magistrate Judge, subject to final approval and sentencing by the District

Pursuant to a plea agreement, the defendant pled guilty to: Counts 1 and 4 of an indictment, charging him with **wire fraud, a violation of 18 U.S.C. § 1343, and engaging in a monetary transaction in criminally derived property, a violation of 18 U.S.C. § 1957.**



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PS 8
(9.85)

UNITED STATES DISTRICT COURT
for the
Western District of Texas

FILED
2016 APR 25 AM 11:29
U.S. DISTRICT COURT OF TEXAS
BY _____ 9

U. S. A. vs. William Allen Risinger

Docket No. A- 15 CR- 140

Petition for Action on Conditions of Pretrial Release

COMES NOW Stacie Salinas, U.S. PRETRIAL SERVICES OFFICER, presenting an official report upon the conduct of defendant William Allen Risinger, who was placed under pretrial release supervision by the Honorable Mark Lane, sitting in the court at Austin, on the 3rd day of June, 2015 under the following conditions:

RESPECTFULLY PRESENTING PETITION FOR ACTION OF COURT AND FOR CAUSE AS FOLLOWS:
(If short insert here; if lengthy write on separate sheet and attach)

U.S. Pretrial Services alleges the defendant has violated the following condition(s) of his release:

7 (f) Abide by the following restrictions on personal association, residence, or travel: No travel outside Travis, Hays, and Williamson Counties without prior permission from pretrial services.

On February 9, 2016, the defendant traveled to Las Vegas, Nevada without permission from pretrial services.

On April 11, 2016, USPO Augustine Marquez contacted this officer and advised State Security Board Agent Rani Sabban contacted him to report the defendant was in Las Vegas, Nevada, gambling and was spending a large sum of money.

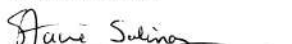
On April 13, 2016, this officer contacted the investigative agent who provided copies of Currency Transaction Reports to confirm the defendant was in Las Vegas between the time period of 2/9/16 until 2/13/16.

It should be noted this officer had previously prepared a petition for action as the defendant had failed to report for a urinalysis on 2/11/16, failed to report as directed, and his wife had filed a missing persons report, as she was in fear for his safety.

On 2/16/16, the defendant reported to this officer and advised he and his wife had a misunderstanding and that he was staying with a friend over the course of a week. The defendant did not report any unauthorized travel.

PRAYING THAT THE COURT WILL ORDER: A WARRANT BE ISSUED AND THE DEFENDANT BE BROUGHT FORTH TO SHOW JUST CAUSE AS TO WHY HIS BOND SHOULD NOT BE REVOKED.

Respectfully submitted,



Stacie Salinas
Sr. U.S. Pretrial Services Officer
Place: Austin, Texas
Date: 4/24/2016

U.S. Pretrial Services alleges the defendant has violated the following condition(s) of his release: 7(f) Abide by the following restrictions on personal association, residence or travel: No travel outside Travis, Hays and Williamson Counties without prior permission from pretrial services.

On April 11, 2016, USPO Augustine Marquez contacted this officer and advised **State Security Board Agent Rani Sabban contacted him to report the defendant was in Las Vegas, Nevada, gambling and was spending a large sum of money.**



NASAA

YOU ARE COMMANDED to arrest and bring before a United States magistrate judge without unnecessary delay William Allen Risinger, who is accused of an offense or violation based on the following document filed with the court: Petition for Action on Conditions of Pretrial Release.

UNITED STATES DISTRICT COURT

for the
Western District of Texas

United States of America
v.

William Allen Risinger
Defendant

Case No. A 15 CR 140 (SS)

ARREST WARRANT

To: Any authorized law enforcement officer

YOU ARE COMMANDED to arrest and bring before a United States magistrate judge without unnecessary delay
(name of person to be arrested) William Allen Risinger
who is accused of an offense or violation based on the following document filed with the court:

- Petition for Action on Conditions of Pretrial Release
- Violation Notice
- Order of the Court

This offense is briefly described as follows:

Date: Apr 25, 2016

Stavis Salinas
U.S. Pretrial Services Officer

City and state: AUSTIN, TEXAS

[Signature]
U.S. Magistrate Judge

Return

This warrant was received on *(date)* _____, and the person was arrested on *(date)* _____
at *(city and state)* _____.

Date: _____
Arresting officer's signature

Printed name and title



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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

United States of America

vs.

(1) William Allen Risinger

§
§
§
§
§

CRIMINAL NO:
AU:15-CR-00140(1)-SS

LIST OF WITNESSES
SENTENCING ON MAY 6, 2016

FOR GOVERNMENT

1. Rani Sabban
(Texas State Securities
Enforcement Agent)
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____

FOR DEFENDANT

1. Dr. William Dubin
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____

LIST OF WITNESSES SENTENCING ON
MAY 6, 2016, FOR THE GOVERNMENT:
**Rani Sabban (Texas State Securities
Enforcement Agent)**



NASAA

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

FILED

2016 MAY 12 AM 8: 32

UNITED STATES OF AMERICA

Case Number: AU:15-CR-00140(1)-SS
USM Number: 53711-380
9

v.

WILLIAM ALLEN RISINGER
Aliases: William Risinger, William A. Risinger,
William Allen Reisinger, Will Risinger,
William Alan Risinger, Williams Risinger, and
Williams Allen Risinger

Defendant.

JUDGMENT IN A CRIMINAL CASE
(For Offenses Committed On or After November 1, 1987)

The defendant, WILLIAM ALLEN RISINGER, was represented by E.G. Morris, Esq.

The defendant pled guilty to Counts 1 and 4 of the Indictment on January 28, 2016. Accordingly, the defendant is adjudged guilty of such Counts, involving the following offenses:

Title & Section	Nature of Offense	Offense Ended	Count
18 U.S.C. § 1343	Wire Fraud	06/30/2014	1
18 U.S.C. § 1957	Engaging in Monetary Transaction in Criminally Derived Property	02/11/2013	4

As pronounced on May 6, 2016, the defendant is sentenced as provided in pages 2 through 9 of this Judgment. The sentence is imposed pursuant to the Sentencing Reforms Act of 1984.

It is further ordered that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the Court and United States Attorney of material changes in economic circumstances.

Signed this 11th day of May, 2016.

SAM SPARKS
United States District Judge



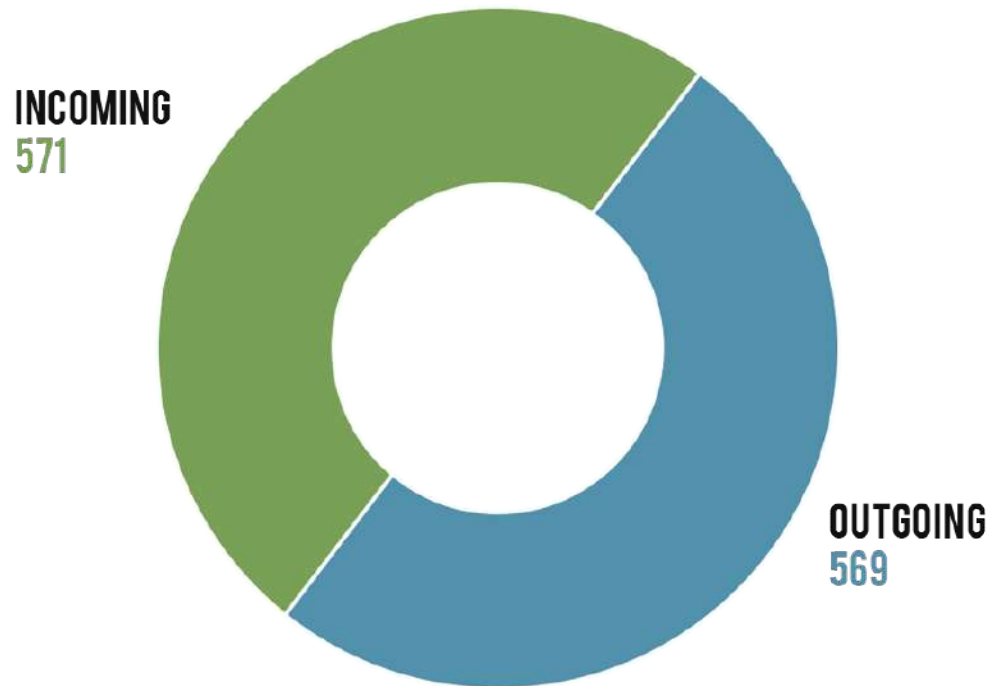
The defendant is hereby committed to the custody of the Federal Bureau of Prisons to be imprisoned for a total term of **ONE HUNDRED SIXTY (160) MONTHS AS TO COUNT ONE and ONE HUNDRED TWENTY (120) MONTHS AS TO COUNT FOUR**, with both terms to run concurrent to each other.



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Enforcement Coordination Among Regulators

REFERRALS





Continued Exploitation of Vulnerable Senior Investors

- Increasing awareness and identifying issues
- Vigorous enforcement
- What the data tells us



Continued Exploitation of Vulnerable Senior Investors

- Fiscal Concierge and James Nickels
- \$4 Million Promissory Note Ponzi Scheme
- Targeting Senior Investors and Long Time Friends
- Prior Disciplinary History
- Misrepresentations to Induce Investments
- Ordered to Cease and Desist, Make Restitution and Pay significant Civil Penalties
- Criminal Referral Ongoing

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of

FINAL ORDER

THE FISCAL CONCIERGE, LLC,
THE FISCON MANAGER, INC.,
JAMES A. NICKELS, and
GREGORY A. ANDERSON

DFI Case No. S-231331 (EX)

Respondents.

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities ("Division") issued summary and proposed orders on October 24, 2016, against the Respondents, individually, jointly, and severally captioned:

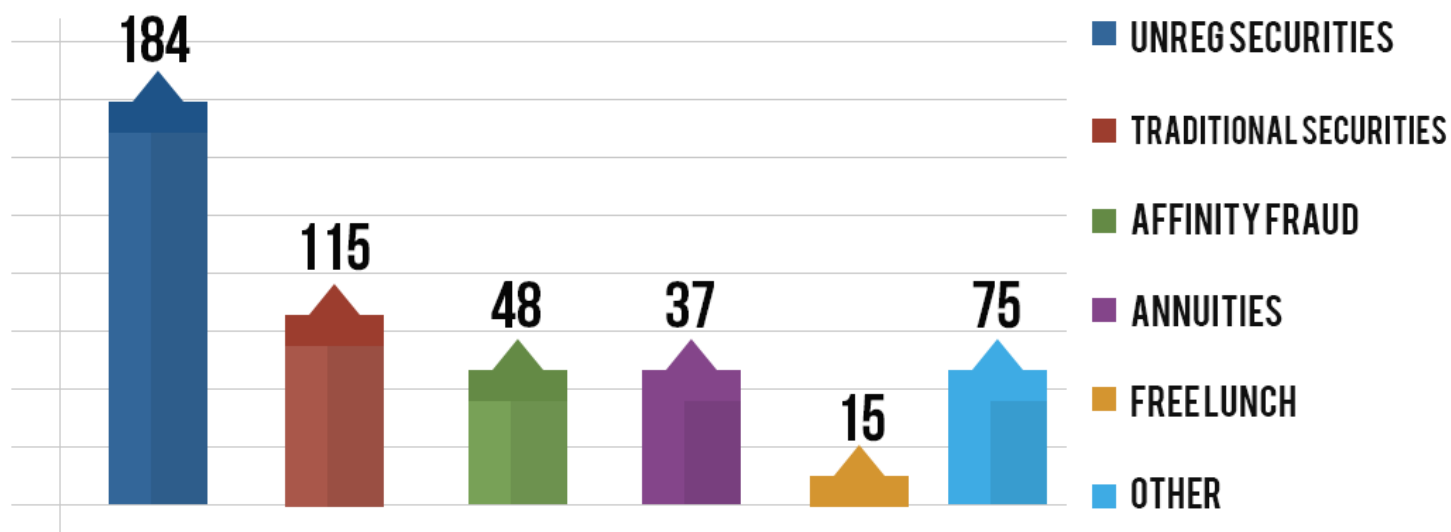
"Summary Order to Cease and Desist Including Restitution and Civil Penalties"
(the "October 24, 2016 Order," attached and incorporated by reference herein).

The Administrator, having received no timely petition for hearing from Respondents within 30 days after the date of service, deems it necessary and appropriate in the public interest and for the protection of investors, pursuant to its legal authority and jurisdiction under Wis. Stat. Ch. 227 ("Ch. 227"), Wis. Stat. Ch. 551 ("Ch. 551"), and Wis. Admin. Code Ch. DFI-Sec, to issue the following final orders and notices:



Continued Exploitation of Vulnerable Senior Investors

TACTICS TO EXPLOIT SENIORS





Investor Threats Stemming from Emerging Financial Technologies

- Binary Options
- Cryptocurrencies, ICO's and Cryptotrading



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Google Trends

Compare



binary options

Search term



crypto currency

Search term



Add comparison

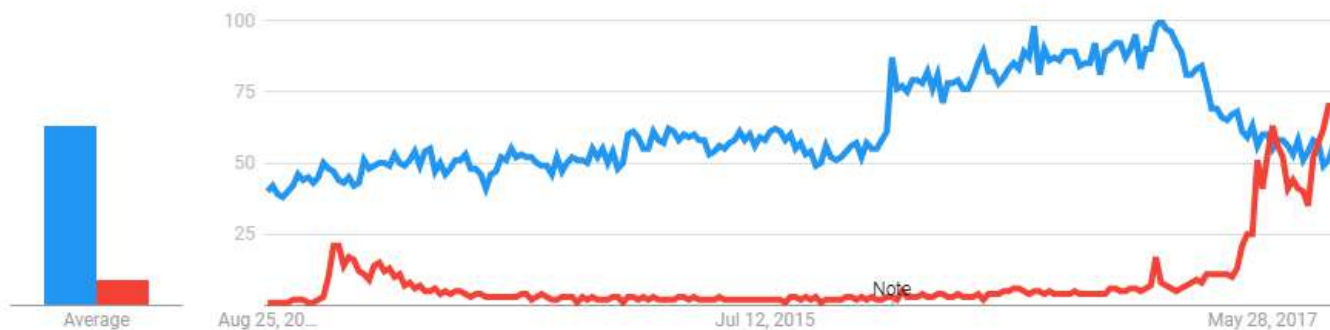
Worldwide

8/19/13 - 9/19/17

All categories

Web Search

Interest over time





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THE CSA BINARY OPTIONS TASK FORCE





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EVOLUTION OF THE BINARY OPTIONS SCAM

- **2013 - 2014** **A FEW COMPLAINTS**
- **2015** **A FEW MORE COMPLAINTS**
- **2016** **DRAMATIC INCREASE IN COMPLAINTS
EARLY IN 2016.**
- **2016** **CSA INVESTOR ALERT - MARCH 23/16.**
- **2016** **800+ COMPLAINTS IN CANADA.**
- **2015 - 2017** **CSA JURISDICTIONS ISSUE 260 ALERTS,
WARNINGS & CAUTIONS.**



THE WORLD'S BIGGEST INVESTMENT SCAM?

- **EARNING FRAUDSTERS \$10 BILLION / YEAR**
- **TECHNOLOGY USED TO FIND INVESTORS LIKE NEVER BEFORE.**
- **ADVERTISING VIA SOCIAL MEDIA AND AFFILIATE MARKETING.**
- **PLATFORM PROVIDERS SELLING PRE-PACKAGED SCAMS (SITES & MARKETING) FOR \$25,000.**
- **HUNDREDS OF BINARY OPTIONS SITES CREATED & TARGETING INVESTORS ALL OVER THE WORLD.**
- **6,427 “BINARY” (.COM, .ORG or .NET) DOMAINS REGISTERED FROM 2012 – 2016.**



CSA TASK FORCE INITIATIVES

- 1. Binary Options Advertising & Marketing**
- 2. Apps**
- 3. Payment Processors**
- 4. Coordinate with Local and Int'l Partners**
- 5. Intelligence & Statistics**
- 6. Multi-jurisdictional Enforcement Action**
- 7. Engage Israel to Take Action**
- 8. Investor Education**



Increased Focus on Bad Actors in the Licensed Securities Industry

- Enforcement Action: Roger Odell Hudspeth and Dominion Investment Advisors LLC
 - Virginia Division of Securities (SEC-2014-00031)



Increased Focus on Bad Actors in the Licensed Securities Industry

- Hudspeth recruited senior investors through free “social security seminars”
- Steered clients to risky investments with promised returns up to 60%



Increased Focus on Bad Actors in the Licensed Securities Industry

- Hudspeth failed to disclose:
 - 20% fees and commissions
 - Personal financial interest
 - Companies controlled by his associate Daryl Gene Bank, permanently barred by FINRA



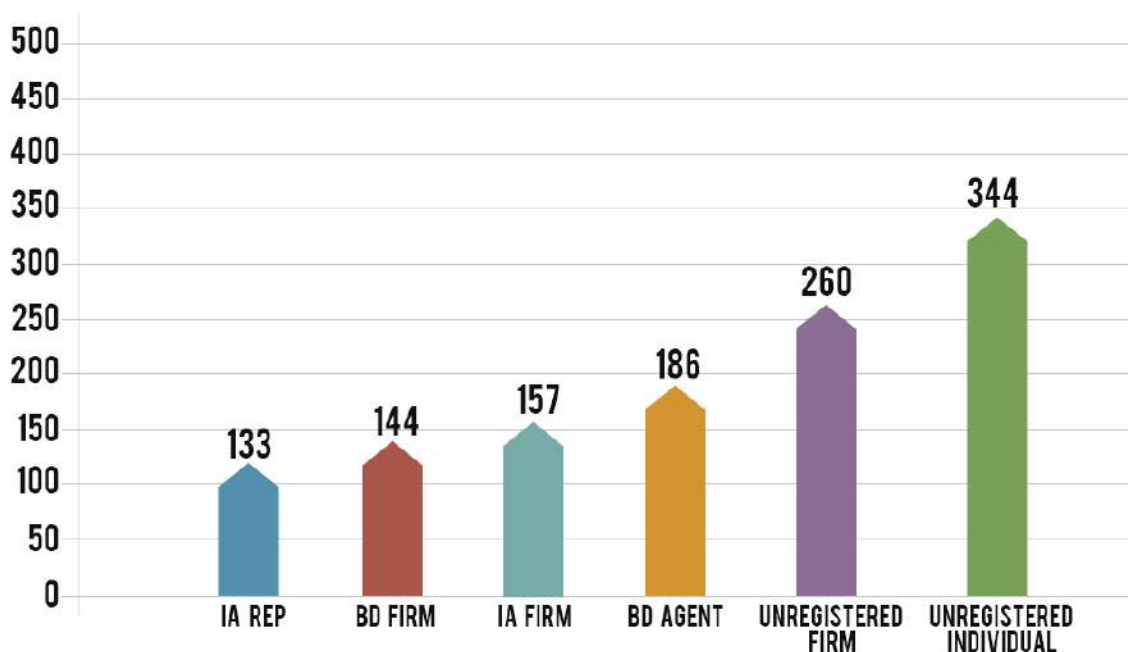
Increased Focus on Bad Actors in the Licensed Securities Industry

- 2016 civil judgment: Hudspeth permanently barred, \$1 million penalty/restitution
- U.S. Attorney (E.D. Va.) pursuing criminal charges



Increased Focus on Bad Actors in the Licensed Securities Industry

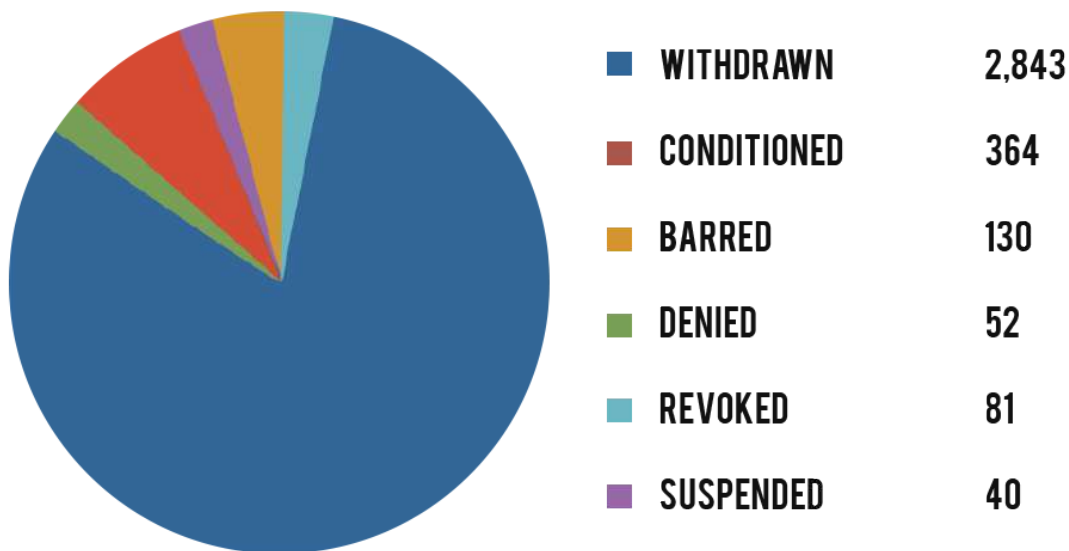
TYPES OF RESPONDENTS





Increased Focus on Bad Actors in the Licensed Securities Industry

LICENSE SANCTIONS





Increased Focus on Bad Actors in the Licensed Securities Industry

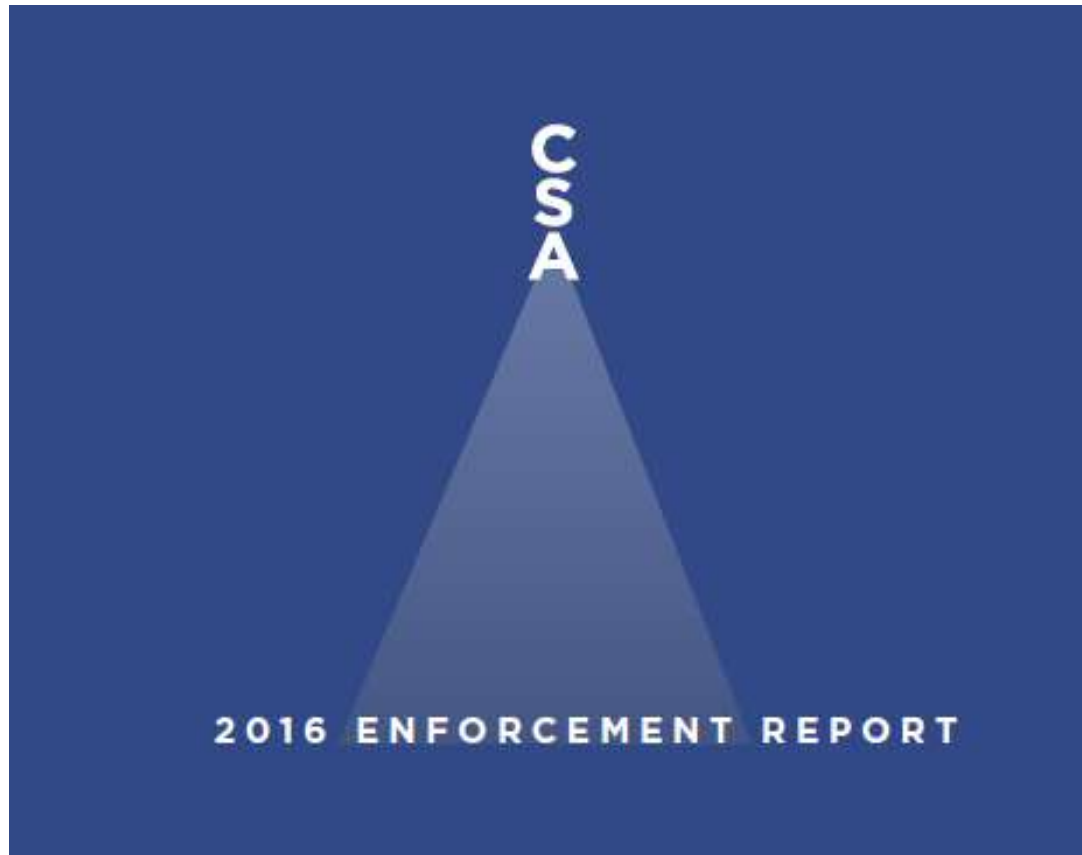
- Looking ahead:
- In 2016, states investigated 700 IA firms and representatives
- 31% increase from 2015



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CSA 2016 Enforcement Report

High Level Highlights



Proceedings Commenced

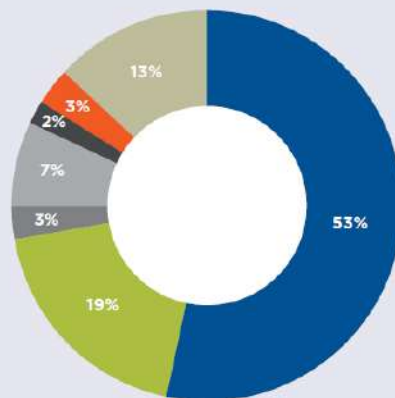
TABLE 1: RESPONDENTS BY CATEGORY¹

Type of Offence	2014	2015	2016
Illegal Distributions	122	174	140
Fraud	52	66	50
Misconduct by Registrants	41	20	8
Illegal Insider Trading	8	28	17
Disclosure Violations	8	2	6
Market Manipulation	2	17	7
Other Cases	22	43	34
Total	255	350	262

¹ Reciprocal orders and interim cease trade orders not included.

Table 1 shows completed Canadian enforcement matters against individual and company respondents, by category of wrongdoing, for 2014, 2015 and 2016. The pie chart provides a visual representation of the proportion of respondents in each category. Illegal distributions (distributing securities without registration or a prospectus) continue to form the largest category.

RESPONDENTS BY CATEGORY 2016



- Illegal Distributions
- Fraud
- Misconduct by Registrants
- Illegal Insider Trading
- Disclosure Violation
- Market Manipulation
- Other Cases

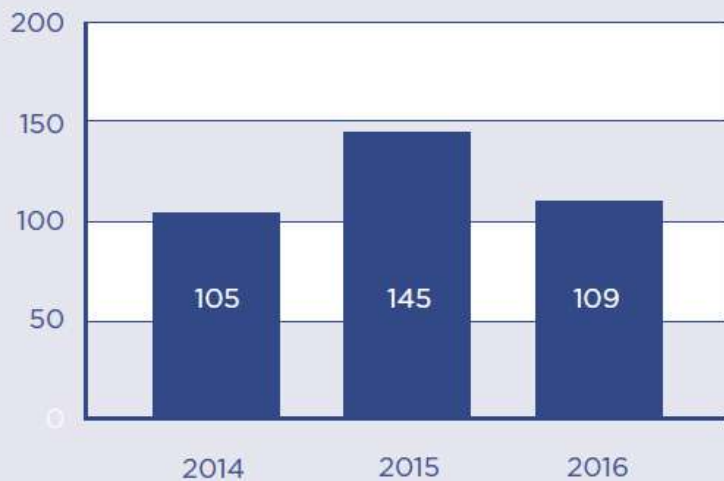




Concluded Cases



CONCLUDED CASES



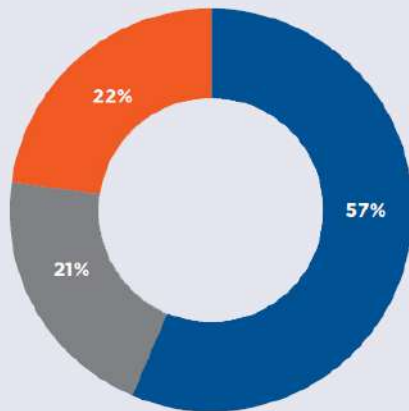
RESPONDENTS





Fines and Administrative Penalties

HOW MATTERS WERE CONCLUDED 2016



- Contested hearing before a tribunal
- Settlement agreement (with or without admission of fact or liability)
- Court decision (under securities legislation)

TABLE 2: FINES, ADMINISTRATIVE PENALTIES AND OTHER*

Type of Offence	2014	2015	2016
Illegal Distributions	\$17,600,090	\$36,571,080	\$9,528,534
Fraud	\$25,038,461	\$68,460,000	\$36,695,000
Misconduct by Registrants	\$7,476,755	\$2,485,394	\$103,854
Illegal Insider Trading	\$87,850	\$5,240,872	\$607,655
Disclosure Violations	\$79,500	\$30,000	\$189,000
Market Manipulation	\$61,500	\$24,187,450	\$6,323
Other Cases	\$7,895,000	\$1,324,000	\$15,018,500**
Total	\$58,239,156	\$138,298,796	\$62,148,866

* Other: The table includes voluntary payments that are neither fines nor administrative penalties made to the securities regulator.

** A voluntary payment of \$8 million was made by CI Investments in a no-contest settlement with the OSC to advance its mandate of protecting investors and fostering fair and efficient capital markets. A similar voluntary payment of \$800,000 was made by Scotia Capital Inc., Scotia Securities Inc. and HollisWealth Advisory Services Inc. in a no-contest settlement with the OSC. Additionally, a voluntary payment of \$2,100,000 was made by BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO Investments Inc. and BMO InvestorLine Inc. in a no-contest settlement with the OSC. Finally, a voluntary payment of \$3,000,000 was made by CIBC World Markets Inc., CIBC Investor Services Inc., and CIBC Securities Inc. in a no-contest settlement with the OSC.

2017 NASAA Enforcement Forum

Questions?

