

Background

The Texas State Securities Board (SSB) is pleased to present the following information to the State Auditor’s Office and Sunset Advisory Commission (Sunset) to report on the agency’s efforts to address management action items and implement statutory changes to The Securities Act resulting from the 86th Legislative Session.

There is some overlap in statutory changes and management action items. The report will provide statuses on each item in the Sunset staff report. The agency appreciates the quality efforts and professionalism of Sunset staff, Alan Leonard and Taj Sheikh, who led the agency through the review process.

Governing Board

The Securities Board was created with the Texas Securities Act by the 55th Legislature in 1957. The agency is overseen by a governing board comprised of five members appointed by Governor Abbott, with the advice and consent of the Senate, for six-year staggered terms. The Board establishes the policies of the agency and meets periodically to update agency rules to ensure that investors remain adequately protected while preventing unreasonable burdens or barriers on legitimate capital formation.

The Board appoints a Securities Commissioner who serves at the pleasure of the Board and is charged with the administration of the Act and management of the day-to-day operations of the agency. Travis J. Iles was appointed to the position of Securities Commissioner in 2017 and has served Texas investors and businesses in various capacities across agency programs for the past 19 years.

Members of the Board serving Texas as of September 1, 2020:

Board Member	City	Term Expiry
E. Wally Kinney, Chair	Comfort	January, 2025
Miguel Romano, Jr.	Austin	January, 2021
Kenny Koncaba	Friendswood	January, 2023
Robert R. Belt	Houston	January, 2023
Melissa Tyroch	Belton	January, 2025

Agency staff are similarly grateful for the good work of its Board and its implementation efforts. Much of the Board’s work occurred during 2019 when the Board seamlessly transitioned during significant changes to its composition.

In 2019, Chair Beth Ann Blackwood and Members Alan Waldrop and David Appleby concluded their quality service to the agency and Texas investors and business. Their responsibilities were assumed by Messrs. Kenny Koncaba and Robert Belt and Ms. Melissa Tyroch. Mr. E. Wally Kinney was reappointed by Governor Abbott and undertook agency responsibilities as its Chair.

Policy making has continued uninterrupted in its traditional thoughtful, measured, and fair regulatory approach.

Agency Workload

While the agency’s deposits to General Revenue (GR) during the pandemic, shown cumulatively below, are fairly described as elevated and its fiscal 2020 GR deposits reached a high-water mark when compared to fiscal 2016 to present, the agency’s law enforcement programs’ workload, more importantly its results, similarly outpaced performance measures with a marked increase.

From March 2020 to September 11, 2020, the law enforcement programs’ administrative output has been unprecedented. The agency has entered 27 administrative orders across programs, many to deter fraudulent conduct and schemes.¹ Even while criminal courts have been largely shuttered during the pandemic, the enforcement division’s work on criminal matters continued with an indictment, two arrests, and a 25-year, state prison sentence.²

Performance – Fiscal Year 2020

Enforcement	462 law enforcement investigations opened 100% of law enforcement actions successful
Registration	63,496 securities registration and notice filings reviewed 493,397 securities dealer, agent, investment adviser, and investment adviser representative registration and notice filings reviewed
Inspections	314 registered securities dealers and investment advisers examined of the 1,500+ securities dealers and investment advisers solely subject to examination by the agency [as of September 2020]
Deposits made to General Revenue Fund	~\$177,504,220.34 [+ \$13.5M from fiscal 2019]
Expenditures in administering and enforcing the Act	~\$7,202,447.84

Sunset Advisory Commission

Work began for the agency’s Sunset Advisory Commission review in mid-2017. The agency is pleased to report fulsome implementation of Sunset management action items and statutory changes.

The importance of the agency’s work and continued appropriations challenges was recognized by Sunset Advisory Commission Staff in their report to the 86th Legislature:

¹ See generally - <https://www.ssb.texas.gov/news-publications/enforcement-actions-administrative> & <https://www.ssb.texas.gov/news-publications/news-releases>.

² See generally - <https://www.ssb.texas.gov/news-publications/enforcement-actions-criminal-civil>.

- *[T]he State Securities Board plays a critical role in protecting Texas residents from fraudulent or negligent practices by securities professionals and criminal opportunists.*
- *The agency is the state's expert on enforcing state and federal securities laws and it cannot easily or quickly replace the expertise of seasoned financial examiners and attorneys.*
- *[A]s the agency's workload increases and criminals constantly create new schemes to defraud the public, the agency and the state could feel the effects of the agency's struggle to retain qualified staff.*
- *While the board is a well-run agency that contributes \$150 million in excess fee revenue to the state through its regulation, its greatest long-term challenge is ...the loss of the staff's cultivated expertise to higher paying national regulators.*
- *[T]he State Securities remains a needed agency that effectively carries out its mission to protect investors and ensure a healthy and productive securities market.*³

As part of the Sunset Advisory Commission review, Sunset staff considered, among other things: whether the licensing requirements provided the least restrictive form of regulation that will adequately protect the public; the extent to which the regulatory objective could be achieved through market forces, private or industry certification and accreditation programs or enforcement of other law; and the extent licensing criteria ensure applicants have requisite skill sets and competencies that correlate with the public interest and the impact of those criteria on applicants including those with moderate or low incomes. See generally, Section 325.0115, Texas Gov't Code, *Criteria for Review of Certain Agencies*.⁴

The agency submitted a status report to leadership on its implementation efforts on March 15, 2019.⁵ Agency staff and the Board continued extensive efforts to implement the statutory changes and management action items after its March 15, 2019, report while continuing to prioritize its mission-critical duties and responsibilities. Sunset Advisory Commission directives have been implemented in full, with one exception (discussed below).

³ *State Securities Board Staff Report – June 2019*, Summary of Sunset Staff Recommendations, Page 1 (pdf pg. 17) <https://www.sunset.texas.gov/public/uploads/files/reports/State%20Securities%20Board%20Staff%20Report%20with%20Final%20Results.pdf>.

⁴ Criteria for Review - <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.325.htm#325.0115>.

⁵ See *Agency Status Report for Sunset Advisory Commission Decisions – March 15, 2019*, submitted in separate pdf.

Implementation Statuses

- **Sunset Advisory Commission Recommendation 1.1. (Statutory Change):** Clarify statute to authorize the agency to provide prosecutorial assistance and require the agency to develop a process by rules to determine staff resources available to support prosecutions.
 - **New Rule Section 127.** Prosecutorial Assistance. Unanimously adopted by Board at its February 6, 2020, meeting.⁶ *Fully Implemented.*
 - House Bill 1535, enacted the 86th Legislative Session, included these additions as amendments to **Sections 2.J and 3** of The Securities Act.⁷ The amendments require the agency include content on its prosecutorial assistance in its annual report and to also report this information for review, biennially, by the Attorney General.⁸
- **Sunset Advisory Commission Recommendation 1.2. (Statutory Change):** Authorize the agency to order refunds for violations of agency statute or rules in both contested and uncontested cases.
 - House Bill 1535 added the authority to order refunds in **Section 32-1** of The Securities Act.⁹
 - This statutory change *did not require agency implementation.* The agency has however implemented a system to track agency matters resulting in the return of funds to harmed investors. The agency's tracking system includes matters investigated by the agency which result in a return of funds to investors through formal and informal means.

⁶ Rule Section 127.4 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=4](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=4)[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=4](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=4)

⁷ Section 2.J - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-2>.

Section 3 - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-3>.

⁸ See the Annual Financial Report Fiscal 2020 – Administrator's Addenda to AFR – September 15, 2020 and *Criminal Referral and Assistance Form ENF01*, submitted in separate pdf.

⁹ Section 32-1 - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec.%2032-1>.

- **Sunset Advisory Commission Recommendation 1.3. (Statutory Change):** Remove the requirement that branch offices be registered.
 - House Bill 1535 amended **Section 35.B(1)** of The Securities Act to remove branch office registration requirements.¹⁰
 - **Amendments to Rule Sections 115.1, 115.2, 115.4, 116.1, 116.2, and 116.4.** Unanimously adopted by the Board at its October 22, 2019, meeting.¹¹ *Fully Implemented.*
- **Sunset Advisory Commission Recommendation 1.4. (Management Action Item):** Direct the agency to develop a penalty matrix for both administrative penalties and sanctions recommended for final enforcement actions covering the range of possible violations by registrants and the administrative penalties and sanctions that can be levied against a registrant, such as revocation and suspension.
 - Agency website content on penalty matrix and complaint process published on agency website.¹² *Fully Implemented.*
 - See also Sunset Advisory Commission Recommendation 1.5.

¹⁰ Section 35 - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-35>.

¹¹ Rule Section 115.1 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=1](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=1). Rule Section 115.2 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=2](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=2). Rule Section 115.4 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=4](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=4). Rule Section 116.1 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=1](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=1). Rule Section 116.2 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=2](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=2). Rule Section 116.4 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=4](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=4).

¹² <https://www.ssb.texas.gov/penalty-matrix>.

- **Sunset Advisory Commission Recommendation 1.5. (Management Action Item):**
Direct the Board to develop and adopt rules describing all phases of its complaint process.
 - **New Rule Chapter 102. Complaint Process.** Unanimously adopted by Board action at its February 6, 2020, meeting. *Fully Implemented*, with agency website content on complaint process and penalty matrix posted on agency website.¹³
 - House Bill 1535, enacted the 86th Legislative Session, included this addition as an amendment to **Section 2-6** of The Securities Act, *see Sunset Advisory Commission Statutory Change 2.2 – Complaint Information*.¹⁴
- **Sunset Advisory Commission Recommendation 1.6. (Management Action Item):**
Direct the agency to improve its tracking of complaint and case resolution timeframes.
 - Implementation of Commission Decision 1.6 has been bifurcated between the law enforcement and inspections and compliance programs to ensure the tracking of complaints and staff investigation timeframes for matters relating to those registered with the agency and those who are not registered but otherwise fall under the agency's jurisdiction.
 - Enforcement and inspection program tracking of complaints and case resolution timeframes were *fully implemented* as of March 15, 2019 – see generally agency Status Report, March 15, 2019.
- **Sunset Advisory Commission Recommendation 1.7. (Management Action Item):**
Direct the agency to review its risk-based inspection tool at least every four years.
 - The inspections program *fully implemented* reviews relating to risk-based inspections as of March 15, 2019 – see generally agency Status Report, March 15, 2019. Risk-based assessments for the inspections program are continuously conducted throughout the year, more frequently than the four-year cycle originally directed.

¹³ Rule Chapter 102 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=4&ti=7&pt=7&ch=102&rl=Y](https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=7&pt=7&ch=102&rl=Y). Complaint process - <https://www.ssb.texas.gov/agency-policy-regarding-complaints>.

¹⁴ <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-2-6>.

- The inspections program documents its prior practice of conducting risk assessments both internally and with state, federal and self-regulatory counterparts to identify emerging threats to Texas investors.
- **Sunset Advisory Commission Recommendation 1.8. (Management Action Item):**
Direct the agency to accept online submissions of applications and fees.
 - **New Rule Sections 115.22 and 116.22. Electronic Submission of Forms and Fees.**
Unanimously adopted by the Board at its October 22, 2019, meeting.¹⁵ *Fully Implemented (electronic form submission).*
 - These adopted rules allow dealer, agent, investment adviser, and investment adviser representatives the option to electronically submit documents being submitted in paper form. Forms, payments, and fees required to be submitted electronically through Central Registration Depository (CRD)/Investment Adviser Registration Depository (IARD) systems will continue to be submitted and maintained through those systems. Before formal implementation through Board action, the electronic form submission item was *fully implemented* through staff action on March 15, 2019.¹⁶ A notification to applicants was posted to the agency website.¹⁷
 - The online acceptance of the fees component of this management action item is **not** under implementation at this time. The agency received a cost quote of \$225,001.60 for implementation of electronic fee receipt. Based upon fiscal year 2017 figures, 246,000+ registrants already pay required fees electronically through CRD/IARD systems maintained at no cost to the agency or state. Only 113 applications and fees were submitted directly to the agency (on average over fiscal 2016 – 2018). The agency has advised Governor Abbott's office of its intention to seek further guidance as to this component of the recommendation given cost and limited benefit to the registered population. The third-party vendor responsible for the fee pay framework also indicated the framework is under redevelopment and the new framework would decrease cost. It should be noted the cost component of the online fee acceptance recommendation was

¹⁵ Rule Section 115.22 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=22](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=22). Rule Section 116.22 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=22](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=22).

¹⁶ CRD/IARD - <https://www.nasaa.org/industry-resources/crd-iard/>.

¹⁷ <https://www.ssb.texas.gov/notification-applicants>.

not available to staff or the Sunset Advisory Commission at the time of the recommendation. *Not Implemented (online fee acceptance).*

• **Sunset Advisory Commission Recommendation 1.9. (Management Action Item):**
Direct the agency to remove the notarization requirements on its forms by March 15, 2019.

- **Amendments to Rule Sections 109.13, 114.4, 115.2, and 116.2 and New Forms 133.5, 133.6, 133.8, 133.12, 133.13, 133.16, 133.18, 133.26, 133.29, 133.30, 133.34, 133.35, and 133.36.** Unanimously adopted by the Board at its October 22, 2019, meeting. *Fully Implemented.*
- Effective March 15, 2019, the securities commissioner waived the notarization requirements of the above-referenced Board Rules to fully implement this recommendation on an interim basis while the Board pursued formal rulemaking.
- Section 10-D of the Act authorizes the securities commissioner to waive or relax Board Rules if determined to be unnecessary for the protection of investors in a particular case. Similarly, under Rule Section 101.1(e), the Board has delegated to the securities commissioner the authority to waive rule requirements as appropriate.¹⁸
- Because timing, public notice and comment periods made impossible the formal removal of notarization requirements on various agency forms by March 15, 2019, the securities commissioner waived these requirements and provided an optional signature form in lieu of notarization to be used by filers in order to meet the implementation deadline, while pursuing parallel rulemaking by the Board to formalize the Sunset directive.
- Effective March 15, 2019, the securities commissioner waived the notarization requirement on thirteen forms. The waiver pertained to these forms:¹⁹

Form 133.5, Secondary Trading Exemption Notice (Section 5.O, Texas Securities Act).
(exemption filing)

Form 133.6, Secondary Trading Exemption Renewal Notice (Section 5.O, Texas Securities Act). (exemption filing)

¹⁸ Rule Section 101.1(e) -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=101&rl=1](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=101&rl=1).

¹⁹ Agency forms, including forms listed above - <https://www.ssb.texas.gov/texas-securities-act-board-rules/texas-forms>.

Form 133.8, Power of Attorney. (used by non-Texas residents to appoint the Securities Commissioner as the entity's agent for service of process for actions or proceeding arising out of a transaction subject to the Texas Securities Act)

Form 133.12, Renewal Application for Mutual Funds and Other Continuous Offerings. (used to renew certain types of securities registrations)

Form 133.13, Application for Renewal Permit. (used to renew a securities registration)

Form 133.16, Texas Crowdfunding Portal Withdrawal of Registration. (used to withdraw a type of dealer registration)

Form 133.18, Certification of Balance Sheet by Principal Financial Officer. (filed in connection with a Section 13.A dealer/investment adviser application)

Form 133.26, Request for Determination of Money Market Fund Status for Federal Covered Securities (Pursuant to §123.3(c)). (application for a conditional exemption that operates to reduce fee paid)

Form 133.29, Intrastate Exemption Notice. (§109.13(1)). (securities exemption filing)

Form 133.30, Information Concerning Projected Market Prices and Related Market Information (§109.7 and Section 5.O(3), Texas Securities Act (Supplement to Form 133.5 or Form 133.6)). (securities exemption filing)

Form 133.34, Undertaking Regarding Non-Issuer Sales (§139.14). (exemption filing)

Form 133.35, Application for Designation as Matching Service Under §109.15. (application for an exemption)

Form 133.36, Request for Reduced Fees for Certain Persons Registered in Multiple Capacities

- **Sunset Advisory Commission Recommendation 2.1. (Statutory Change):** Continue the State Securities Board for 12 years.
 - House Bill 1535 amended **Section 2.O** of The Securities Act to continue the agency through September 1, 2031.²⁰
 - Implementation ongoing.

²⁰ Section 2 - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-2>.

- **Sunset Advisory Commission Recommendation 2.2. (Statutory Change):** Update and apply standard across-the-board recommendations to the State Securities Board relating to:
 - Complaint Information. See also *Sunset Advisory Recommendation 1.5 – Complaint Process & New Chapter 102. Fully Implemented*. House Bill 1535 amended **Section 2-6** of The Securities Act.²¹
 - Alternative Dispute Resolution. **New Rule Section 127.2** *fully implemented* by unanimous Board action at its February 6, 2020 meeting.²² House Bill 1535, enacted the 86th Legislative Session, included this addition as new **Section 2-8** of The Securities Act.²³
 - Negotiated Rulemaking. **New Rule Section 103.6** *fully implemented* by unanimous Board action at its October 22, 2019 meeting.²⁴ House Bill 1535, enacted the 86th Legislative Session, included this addition as new **Section 2-8** of The Securities Act.
 - Board Member Training. New requirements *fully implemented* before Board's February 6, 2020, meeting.
- **Sunset Advisory Commission Recommendation 2.3. (Statutory Change):** Continue the agency's statutory reporting requirement.
 - This recommendation included an addition to the **Section 2.J of the Securities Act** reporting requirement relating to the agency's assistance in prosecutions of securities-related criminal proceedings discussed above. The requirement must be reported by January 1st of each year.
 - While this reporting requirement was not required until after the agency's upcoming financial report for fiscal year 2020, the agency *reported* on the new reporting item in its fiscal year 2019 annual financial report. This Section 2.J reporting requirement may

²¹ Section 2-6 - <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-2-6>.

²² Rule Section 127.2 - [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=2](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=127&rl=2).

²³ <https://www.ssb.texas.gov/texas-securities-act-and-board-rules/texas-securities-act/texas-securities-act-2019#Sec-2-8>.

²⁴ Rule Section 103.6 - [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=103&rl=6](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=103&rl=6).

be found as the *Addenda to Annual Financial Report* - <https://www.ssb.texas.gov/sites/default/files/TSSB%20312%20AFR2019.pdf>.

- For fiscal year 2020 annual financial reporting purposes, the agency has reported on the Section 2.J requirements as part of the *Annual Financial Report Fiscal 2020 – Administrator's Addenda to AFR – September 15, 2020*, submitted in separate pdf.

Non-Sunset Implementation from the 86th Legislature

- **Special Provisions Relating to Military Applicants.** The agency amended **Rule Sections 115.18 and 116.18** to implement Senate Bill 1200, which added Section 55.0041 to the Texas Occupations Code.²⁵
 - Implementation included the addition of two new forms – **Forms 133.22 and 133.23.**²⁶
 - *Fully implemented* by Board action at its October 22, 2019, meeting.
- **Provisions Relating to Registration of Persons with Criminal Backgrounds and Preliminary Evaluation of License Eligibility.** The agency amended **Rule Sections 115.6, 116.6, and 104.7** to implement House Bill 1342, which added or amended sections of Chapter 53 of the Texas Occupations Code.
 - The agency posted updated content on its website related to the eligibility of persons with criminal backgrounds and a link to the SAO's recent *Best Practices Guide*.²⁷
 - The registration division also changed its internal procedures for processing applicants with criminal histories.
 - *Fully implemented* by Board action at its October 22, 2019, meeting.

²⁵ Rule Section 115.18 -

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=18](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=115&rl=18). Rule Section 116.18 - [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=18](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=7&ch=116&rl=18).

²⁶ Waiver or Refund Request Form by a Military Spouse for a Renewal Fee -

https://www.ssb.texas.gov/sites/default/files/133_22.2019-11-12.pdf.

Request for Recognition of Out-Of-State License or Registration by a Military Spouse -

https://www.ssb.texas.gov/sites/default/files/133_23.2019-11-12.pdf.

²⁷ <https://www.ssb.texas.gov/securities-professionals/dealer-adviser-registration> and <http://www.sao.texas.gov/reports/main/20-327.pdf>.

Report to the State Auditor's Office & Sunset Advisory Commission
Re: Agency Implementation of Commission Staff Report – 86th Legislative Session
State Securities Board – Agency No. 312
September 21, 2020

Additional Documentation / Exhibits – not integrated into *Report to the State Auditor's Office & Sunset Advisory Commission Report* dated September 21, 2020, provided separately:

PDF – Report to SAO & Sunset – Addenda

- Tab 1 – Agency Status Report for Sunset Advisory Commission Decisions – March 15, 2019.
- Tab 2 – Annual Financial Report Fiscal 2020 – Administrator's Addenda to AFR – September 15, 2020.
- Tab 3 – Criminal Referral and Assistance Form ENF01.