



North Carolina Department of the Secretary of State

2019-2020 Annual Report on Applications for Licenses and Approvals and Denials Based on Criminal Convictions

To:

North Carolina Attorney General's Office
Joint Legislative Administrative Procedures
Oversight Committee

October 2020

As required by Session Law 2019-91, House Bill 770 of the 2019-2020 General Session, Section 3, subsections (1) and (2), the Department of the Secretary of State (“Department”) has compiled data on the following: the number of applications received for licensure; the number of applications granted; and the number of applications denied because of a criminal conviction. **The summary response is that no application was denied because of a criminal conviction.** Additional details are laid out in the tables that follow for applications filed in fiscal year 2019-20.

Broker/Dealers and Investment Advisors

Fiscal Year 2019-2020

	No. of Applicants	No. of Applicants Granted a License	No. of Applicants w/ Conviction Record *	No. of Applicants w/ Conviction Record Granted a License *	No. of Applicants Denied a License for Any Reason	No. of Applicants Denied a License Because of a Conviction
Broker-Dealer	89	80	1	1	0	0
Securities Salesman	37,770	37,027	217	212	0	0
Investment Adviser	83	70	0	NA	0	0
Investment Adviser Representative	3,244	3,047	35	30	0	0

Notes:

The Department's Securities Division obtained the data for this report from the Financial Industry Regulatory Authority (FINRA). FINRA operates the Central Registration Depository and Investment Adviser Registration Depository (CRD/IARD). CRD/IARD are electronic filing systems/databases used by the U.S. securities industry and its regulators. CRD/IARD contains certain records and information about broker-dealer firms, investment advisers, and their associated individuals. This includes information such as qualification to participate in the securities industry; jurisdictions where registered; employment and employment history; and disclosures.

Applicants are required to disclose in their CRD/IARD filings any felony convictions and guilty pleas, and misdemeanor convictions and guilty pleas involving "investments or an *investment-related* business or any fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses." See e.g. Form U4, Uniform Application for Securities Industry Registration or Transfer. In the firms' applications there are ten-year look back periods; the application for individuals has no time limit.

* This conviction could be either the dealer or a control affiliate of the dealer.

Athlete Agents

Fiscal Year 2019-2020

	No. of Applicants*	No. of Applicants	No. of Applicants w/	No. of Applicants w/	No. of Applicants Denied a	No. of Applicants Denied a

		Granted a Certificate**	Conviction Record***	Conviction Record Granted a License	Certificate for Any Reason	Certificate Because of a Conviction
Athlete Agents	216	224	3	3	0	0

*In addition to the number of applications received in FY 2019-2020, the Securities Division also reviewed for this report 108 applicants whose registrations were approved in 2018, but expired in 2019.

**The amount in excess of applicants received reflects eight 2018 pending applications that were approved in 2019.

Charitable Solicitation Division
Fiscal Year 2019-2020

1. Applicants for 2019-2020 FY
 - Licensed = 5878
 - Exemptions = 1729
 - Professional Fundraisers = 350
2. No Applicant was denied an application due to a criminal conviction.
3. PLEASE NOTE: The Solicitation License for Charitable and Sponsor applicants was revised August 21, 2020 to report if:
 - Applicant or any of its officers, directors, trustees, or salaried executive personnel have been found to have engaged in unlawful practices in the solicitation of contributions or the administration of charitable assets in any jurisdiction within the last 5 years;
 - Applicant had its authority denied, suspended, or revoked by any governmental agency within the last 5 years.
 - This information is being requested to strengthen the enforcement of the charitable solicitation law. Previously, applicants only had to disclose that a violation had occurred, but no enforcement action was taken.
4. Charitable Solicitation Division is currently working with internal Information Technology unit to improve reporting and tracking that will provide future data on the number of applicants with a conviction record and, of that number, the number granted a license, denied a license for any reason, and denied a license because of a conviction.

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