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Office of The Attorney General

- Gurbir S. Grewal, *Attorney General*

Division of Consumer Affairs

- Paul Rodríguez, *Acting Director*

Bureau of Securities

- Christopher W. Gerold, *Bureau Chief*

For Further Information:

Media Inquiries-

Lisa Coryell
609-292-4791

Citizen Inquiries-

609-984-5828

New Jersey Bureau of Securities Announces Annual Examination of Investment Advisers is Underway 2020 Examination Puts COVID-19 and 'Safeguarding Against Financial Exploitation Act' at the Forefront

NEWARK – Attorney General Gurbir S. Grewal and the Bureau of Securities (“the Bureau”) within the Division of Consumer Affairs today announced that the Bureau’s annual investment adviser examination is underway.

The Bureau, which regulates New Jersey’s securities industry, uses the examination as a risk assessment tool for the more than 900 registered investment adviser firms that manage hundreds of thousands of clients’ investment accounts in the state. This year’s examinations will include questions asking firms about how the COVID-19 pandemic has affected their operations and the steps they take to protect senior investors, among other issues.

The Bureau amended this year’s examination to survey the effect COVID-19 has had on state registered investment advisers and to assess their business continuity plans. The Bureau’s requirement for business continuity plans endeavors to prepare investment advisers to continue providing service to clients, even during times of unexpected events such as COVID-19.

"The annual examination is a critical part of investor protection because it helps the Bureau identify and address current issues that may be disruptive to the financial industry before investors are harmed," said Attorney General Grewal. "Those protections are especially important during times of financial uncertainty, such as those brought on by the COVID-19 pandemic. The information gleaned from this year’s examination is critical to the Bureau's comprehensive oversight of the financial services industry and enhances our efforts to protect investors during an emergency."

The examination, a vital tool in the Bureau’s proactive investor protection efforts, requires firms to respond to questions about their business activities, including portfolio composition, compliance with regulatory requirements, and customer complaints. The questions are updated each year to reflect the Bureau’s priorities, including protecting senior investors, and other issues impacting the investment adviser industry, such as the COVID-19 pandemic.

“Now is the time for investment advisers to use their expertise to guide their clients through the current emergency,” said Paul R. Rodríguez, Acting Director of the New

Jersey Division of Consumer Affairs. "Investment advisers need to communicate with their clients and educate them during this volatile market."

The examination will also assess firms' implementation and compliance with the recently passed legislation entitled the Safeguarding Against Financial Exploitation Act ("SAFE Act"), which became effective on April 12, 2020. The SAFE Act requires financial professionals, including state registered investment advisers, to promptly notify the Bureau of Securities and county adult protective services, if they reasonably believe that a senior or vulnerable investor is being financially exploited.

The changes to the examination questions highlight the increasing importance the Bureau places on the responsibility investment advisers have in times of financial turmoil. The new questions include questions seeking information regarding outreach investment advisers have made to their customers such as discussing the impact the current emergency may have on their investments.

"Many New Jersey vulnerable adults are at risk of abuse and exploitation because of their necessity to rely upon others for financial guidance," said Bureau Chief Christopher W. Gerold. "It is of utmost importance during social distancing that firms be vigilant and report suspected financial exploitation to the Bureau of Securities. The Bureau will continue to investigate and bring actions regarding reports of potential financial exploitation and any complaints regarding a financial professional."

The investment adviser examination can be accessed on the Bureau's website at www.NJSecurities.gov, and must be completed by July 10, 2020.

The Bureau is charged with protecting investors from investment fraud and regulating the securities industry in New Jersey. It is critical that investors "Check Before You Invest." Investors can obtain information, including the registration status and disciplinary history, of any financial professional doing business to or from New Jersey, by contacting the Bureau toll-free within New Jersey at **1-866-I-INVEST** (1-866-446-8378) or from outside New Jersey at **973-504-3600**, or by visiting the [Bureau's website](#). Investors can also contact the Bureau for assistance or to raise issues or complaints about New Jersey-based financial professionals or investments.

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The mission of the Division of Consumer Affairs, within the Department of Law and Public Safety, is to protect the public from fraud, deceit, misrepresentation and professional misconduct in the sale of goods and services in New Jersey through education, advocacy, regulation and enforcement. The Division pursues its mission through its 51 professional and occupational boards that oversee 720,000 licensees in the state, its Regulated Business section that oversees 60,000 NJ registered businesses, as well as its Office of Consumer Protection, Bureau of Securities, Charities Registration section, Office of Weights and Measures, and Legalized Games of Chance section.

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