

State Regulator Wants Criminal Background Checks for Advisers

by Bettina Eckerle

When registering with state securities regulators, advisers are generally asked to disclose certain criminal convictions in their past. However, this information is generally subject to the “honor system.”

In Massachusetts, the top securities regulator wants advisers’ criminal records to be independently verified. Under a plan floated in March, advisers would specifically be required to sign a consent form allowing them to be run through the state’s electronic criminal history database.

“The [Massachusetts Securities] Division believes that it is in the public interest and for the protection of investors to conduct criminal background checks of those individuals seeking IAR registration in order to ensure that the applicant is not subject to a statutory disqualification, and has truthfully and accurately disclosed any criminal background required on Form U-4,” the securities division said in a [request for comment](#) on the proposed rule.

While Massachusetts is the latest state to call for criminal background checks, several other states already require it, including Florida, Arizona, Ohio, Georgia and South Carolina. Several other states require fingerprinting.

As the North American Securities Administrators Association continues to call for uniformity among state regulations, it is likely that more states will follow Massachusetts’s lead.

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