

## About us

### STATEMENT OF PURPOSE OF

#### THE INTERNATIONAL ASSOCIATION OF SMALL BROKER-DEALERS, AND ADVISORS

The purpose of the International Association of Small Broker-Dealers and Advisers (SBDA's) is to create a Washington-based advocacy group for small broker-dealers and advisers (including lawyers and hedge funds) with a capital market knowledge exchange platform. This includes eventually the international SBDA community, investors, issuers, market participants, market operators, policy makers, regulators, lawyers and interested parties. The Association was formed by a group of experienced small broker-dealer advocates and former regulators seeking to improve the current U.S. regulatory system. They are especially concerned that the SBDA community is burdened by unfair regulation and disproportionate enforcement, which is driving many of its members from the industry. The advocates believe that NASDAQ's need to become a stock exchange and its subsequent transfer of the OTCBB to the NASD strongly suggests a need for a complementary organization for the smaller brokers. As regulation becomes more complex, compliance becomes more expensive. It entails finding the rules, understanding them, complying with them and defending that compliance. While major firms pay millions of dollars to avoid individual responsibility, a \$20,000 fine for a technical violation is death for a small firm. The Association hopes that by using the talent that exists in the small firms and those who use them and advise them, it can better present the case of the small firms because it is their sole agenda.

### THE INITIAL U.S. EFFORT

The Association's initial U.S. effort will include the following initiatives:

- to provide updates on regulations effecting small firms,
- to comment on such regulatory proposals to advocate regulatory reasonableness,
- to introduce new securities regulatory initiatives,

- to arrange meetings with regulators,
- to be available by phone to assist members in finding and understanding regulatory materials,
- to support third party efforts to operate small firm capital markets and/or launch new capabilities,
- to produce institutional investor events,
- to create market participant training programs ,
- to establish strategic alliances with major organizations,
- to include legal counsel interested in working with small firms,
- to advertise, promote and staff events, to manage enrollments, provide administrative services and distribute knowledge products under the Association's brand name, model and guidelines.

In particular the Association wishes to interface with those groups supporting the micro-cap or small business issuer community and the legal and accounting personnel involved with them. The Association will not duplicate the securities industry's current excellent educational programs now in place, but will attempt to provide more personalized assistance to small firms and advisors unable to avail themselves of those programs or who are unhappy with them.

The Association's headquarters are located at Plexus Consulting's offices, 1620 Eye St. N.W. Washington, D.C. 20006 in the famous K St. corridor, two blocks from the NASD's headquarters. It will initially focus on developing a model in the United States that will include those foreign firms doing business in the U.S. It foresees as its major focus the introducing broker-dealer members of the NASD and the smaller hedge funds now required to register as investment advisers together with their legal advisers.. It does not reject larger market participants as members, but recognizes that they are currently well represented by the SIA, ICI, TBMA, NSCP, NASD and NYSE. More importantly is the fact that the Association will only serve its purpose if led by smaller firms . However it hopes to work closely with the SIA and NASDAQ to achieve industry objectives

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Association plans to center its activities on advocating regulatory reasonableness and knowledge by aggregating information, identifying issues, undertaking studies, producing annual summits and niche events that are marketed to a smaller firm community and interested parties. It hopes to work closely with legal counsel and other advisers to provide low cost assistance to its membership. The Association's business model anticipates sustaining itself through sponsorship, membership fees and advertising. It also hopes to organize and develop events, creating information products and developing unique sub-networks, alliances and projects. It plans to initiate operations with a small team of committed volunteers including a Chairperson to be assisted by Plexus Consulting. It will also rely heavily on regional affiliates to advise and enhance its Washington effort by conducting regional events.

#### The International Effort

If the U.S. effort is successful, the association will eventually reach out to issuers, investors, market participants, policy makers, economic development entities, regulators and others from each country, exchange and entity in the world that plans to address small business economic development and capitalization issues. This encompasses representatives from 265 individual economies, 59 stock exchanges and approximately 300 regulatory entities in addition to millions of investors and issuers and tens of thousands of market participants. The association intends to apply known market development principles to interconnect elements of the SBDA community into a global small business capital markets network that exchanges knowledge and supports developing small business capital markets and projects.

There are 192 independent states in the world (<http://www.state.gov/s/inr/rls/4250.htm>) and 65 Dependencies and Areas of Special Sovereignty (<http://www.state.gov/s/inr/rls/10543.htm>). Small business economic development and capital market initiatives are being undertaken by most of these 265 individual economies.

Moreover, nearly all of the following members of the World Federation of Exchanges, (<http://world-exchanges.org>) an international organization comprised of the world's leading exchanges, have engaged in small business initiatives or expended knowledge development resources in the small business segment. Therefore in addition to serving investors, issuers, market participants, policy makers and regulators from each of the afore mentioned 265 individual economies the Association anticipates developing programs that help many of the following 59 exchanges listed in exhibit A instill their small business capital market knowledge base further into the market space.

#### Regulatory

oversight in the small business capital market space is an ongoing challenge and the association plans to work closely with U.S. and other securities regulatory oversight entities such as the International Organization of Securities Commissions IOSCO (<http://www.iosco.org>) and especially two of its committees to help regulators identify and instill best practices into the small business market space.

#### Emerging

Markets Committee (EMC) endeavors to promote the development and improvement of efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the staff of members and facilitating exchange of information and transfer of technology and expertise. The EMC has established working Groups to address the following functional areas: Disclosure and Accounting; Regulation of Secondary Markets; Regulation of Market Intermediaries; Enforcement and the Exchange of Information; Investment Management

#### SRO

Consultative Committee that all Self-Regulatory Organizations (SROs), that are affiliate members of the Organization, are members of. The SRO Consultative Committee is able to provide substantive input related to their regulatory initiatives.

In addition to producing summits, the Association anticipates developing unique projects such as commenting on regulatory proposals, introducing new securities regulatory initiatives, supporting third party efforts to operate SME capital markets and/or launch new capabilities, producing institutional investor events, creating market participant training programs and establishing strategic alliances with major organizations.

The Association therefore plans to start in the U.S. and evolve into an international advocate and knowledge provider to small to the small-business capital markets community.

#### Exhibit A

American Stock Exchange

Australian Stock Exchange

Barcelona Stock Exchange

Bermuda Stock Exchange

Bolsa de Comercio de Buenos Aires

Bolsa de Comercio de Santiago

Bolsa de Madrid

Bolsa de Valencia

Bolsa de Valores de Bilbao

Bolsa de Valores de Lima

Bolsa de Valores do Rio de Janeiro

Bolsa de Valores do Sao Paulo

Bolsa Mexicana de Valores

Bourse de Luxembourg

Bourse de Montreal

Budapest Stock Exchange Ltd.

Chicago Board Options Exchange

Chicago Stock Exchange

Colombo Stock Exchange

Copenhagen Stock Exchange

Deutsche Bourse AG

Euronext Amsterdam

Euronext Brussels

Euronext Lisbon

Euronext Paris

Helsinki Exchanges

Hong Kong Exchanges and Clearing

Irish Stock Exchange

Istanbul Stock Exchange

Italian Exchange

Jakarta Stock Exchange

JSE Securities Exchange, South Africa

Korea Stock Exchange

Kuala Lumpur Stock Exchange

Ljubljana Stock Exchange

London Stock Exchange

Malta Stock Exchange

National Association of Securities Dealers

National Stock Exchange of India Limited

New York Stock Exchange

New Zealand Stock Exchange

Oslo B&Gamma;í&circ;rsAthens Stock

Philippine Stock Exchange

Shanghai Stock Exchange

Shenzhen Stock Exchange

Singapore Exchange

The Stock Exchange, Mumbai (BSE)

Stock Exchange of Thailand

Stockholmsb&Gamma;í&dagger;rsen

SWX Swiss Exchange

Taiwan Stock Exchange Corp.

Tehran Stock Exchange

Tel-Aviv Stock Exchange

Tokyo Stock Exchange

Toronto Stock Exchange

Warsaw Stock Exchange

Wiener Bourse

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