



House Bill 194
AK Securities Act; Penalties; Crt. Rules
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Sec. 45.56.220. Small intrastate securities offerings (Crowdfunding).

- Allows for AK residents to invest up to \$5,000 per person, per offering, in AK businesses.
- Businesses can raise up to \$1 million per offering.
- Requires simple notice filing with the state and some investor disclosures/protections.

Sec. 45.56.230. Disqualifier.

- Bad actors are disqualified from using exemptions, including crowdfunding exemption.

Sec. 45.56.240. Waiver and modification.

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Article 3. Registration of Securities and Notice Filing of Federal Covered Securities. (pp. 17-29)

- No major changes to registration provisions from AS 45.55.

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Article 4. Broker-dealers, Agents, Investment Advisers, Investment Adviser Representatives, and Federal Covered Investment Advisers. (pp. 29-54)

- Firm, salesperson, and adviser registration (licensing) provisions are reorganized into one article, making it more user-friendly than current law.

Sec. 45.56.405. Broker-dealer registration requirement and exemptions.

- Includes a new “snowbird exemption” to facilitate ongoing broker-customer relationships with customers who have established a second or other residence.

Sec. 45.56.410. Limited registration of Canadian broker-dealers and agents.

Sec. 45.56.420. Registration exemption for merger and acquisition broker.

- New provision exempts mergers and acquisitions brokers from registration (licensing) requirements. Taken from model rule proposed by the North American Securities Administrators Association (NASAA).

Sec. 45.56.430. Agent registration requirement and exemptions.

Sec. 45.56.435. Investment adviser registration requirement and exemptions.

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Sec. 45.56.465. Withdrawal of registration of broker-dealer, agent, investment adviser, and investment adviser representative.

Sec. 45.56.470. Filing fees.

Sec. 45.56.475. Post registration requirements.

Sec. 45.56.480. Denial, revocation, suspension, withdrawal, restriction, condition, or limitation of registration.

- Allows the Division to impose a bar upon registration, which is currently not allowed, even for the most egregious conduct.
- Civil penalty for registrants is increased from \$2,500-\$10,000 per violation to up to \$100,000 per violation.

Article 5. Fraud and Liabilities. (pp. 54-56)

Sec. 45.56.505. General fraud.

Sec. 45.56.510. Prohibited conduct in providing investment advice.

Sec. 45.56.520. Misleading filings.

Sec. 45.56.530. Misrepresentations concerning registration or exemption.

Sec. 45.56.540. Evidentiary burden.

Sec. 45.56.550. Filing of sales and advertising literature.

Sec. 45.56.560. Qualified immunity.

- Registered persons are not liable to other registered persons, under state defamation laws, for statements contained in disclosure records required to be filed with the administrator for purposes of licensing and potential discipline. This provision encourages full disclosure to the Division regarding bad conduct of licensed persons.

Article 6. Administration and Judicial Review. (pp. 56-78)

Sec. 45.56.605. Administration.

- Allows acceptance of grants or donations for investor education and creates a securities and investor education and training fund with 33% of civil penalties received.
- Clarifies that variable annuities are subject to both the Insurance law and the Securities Act. (See also Article 7, Section 2)

Sec. 45.56.610. Administrative files and opinions.

Sec. 45.56.615. Public records; confidentiality.

Sec. 45.56.620. Uniformity and cooperation with other agencies.

- Expands opportunity for cooperation and sharing with governmental units, regulatory organizations for collaborative efforts including regulation, enforcement and coordination to reduce the burden of raising capital by small business.

Sec. 45.56.625. Jurisdiction.

Sec. 45.56.630. Service of process.

Sec. 45.56.635. Applicability of the chapter.

Sec. 45.56.640. Regulations, forms, orders, interpretative opinions, and hearings.

Sec. 45.56.645. Investigations and subpoenas.

Sec. 45.56.650. Administrative enforcement.

- Time for a respondent to make a request for hearing after an action is taken is extended from 15 days to 30 days.
- Civil penalties are increased from \$2,500 for a single violation and \$25,000 for multiple violations to a maximum of \$100,000 for a single violation with no cap for multiple violations.
- If a victim is an “older Alaskan” (a person over 60 years old), the respondent is subject to treble damages.
- Restitution may be ordered.
- Actual costs of investigation may be ordered.
- The administrator may deny the use of securities exemptions under Article 2 and registration (licensing) exemptions under Article 4 if a person violates the Act.
- The administrator may petition the Superior Court to enforce a final order and the Court may hold a person in contempt for violating an order of the administrator, punishable by up to \$100,000 per violation, in addition to any administrative penalties that were originally assessed.

Sec. 45.56.655. Civil enforcement.

- The administrator may seek remedies such as asset freezes, an order of rescission, restitution, and civil penalties of up to \$100,000 per violation, and all damages may be trebled if the victim is an “older Alaskan” (person over 60 years old).

Sec. 45.56.660. Civil liability.

- Outlines instances where the seller is liable to the purchaser and potential remedies (actual damages generally); also describes instances where the buyer may be liable to the seller.

Sec. 45.56.665. Rescission offers.

Sec. 45.56.670. Criminal enforcement.

- Knowing violations of the Act and fraud are punishable as Class C felonies punishable under AS 12.55.125.

- Unknowning violations are punishable as class A misdemeanors.

Sec. 45.56.675. Judicial review.

Article 7. Miscellaneous and Additional General Provisions. (pp. 78-109)

Sec. 45.56.710. Reimbursement of expenses incident to examination or investigation.

Sec. 45.56.720. Electronic records and signatures.

- Facilitates filing of electronic records and signatures

Sec. 45.56.730. References to federal statutes.

Sec. 45.56.735. Short title. This chapter may be cited as the Alaska Securities Act.

Sec. 45.56.740. References to federal agencies.

Sec. 45.56.900. Definitions.

- Updates federal citations
- New definitions include:
 - o Disqualifier
 - o Filing
 - o Institutional investor (reflects federal law)
 - o Insurance company
 - o Insured
 - o International Banking Institution
 - o Offer to purchase
 - o Older Alaskan – a person residing in the state that is age 60 or older (from AS 47.26.290(6))
 - o Price amendment
 - o Record
 - o Security – adds ‘variable annuity’ to the definition of security
 - o Self-regulatory organization
 - o sign

Sec. 45.56.735. Short title. This chapter may be cited as the Alaska Securities Act.

Sections 2 – 35 (pp. 89-109) include the corresponding changes to statutes that refer to former

AS 45.55 provisions that have been moved to AS 45.56, ministerial changes to AS 45.55 Alaska Native Claims Settlement Act Corporation Proxy Solicitations.