



House Bill 194
AK Securities Act; Penalties; Crt. Rules
“Snowbird” Exemption Scenarios – Broker-Dealer Firms

Fact Scenario One:

John, a resident of Arizona, has a broker-dealer firm, AZ Trade, which he works with in Arizona. AZ Trade is currently licensed in Arizona, according to all requirements of Arizona law, but not licensed in Alaska. John travels to Alaska for the summer where he has a second residence and wants to continue doing business with AZ Trade while he is in Alaska.

CURRENT LAW:

When John comes to Alaska, AZ Trade must become licensed in Alaska to maintain the full broker-client business relationship throughout the time that John resides in Alaska.

Currently there is something called a “de minimis” exemption that allows some limited relationship to continue, but under that exemption, all contact must be initiated by John and the work cannot exceed 15 transactions across all of Alaska in a 12 month period. This exemption is a source of many questions by broker-dealers and many licensees find it confusing.

PROPOSED LAW:

As long as AZ Trade maintains its licensure in Arizona (where John has his principal residence), AZ Trade does not have to get any additional license to keep John as a customer while he is temporarily living in Alaska.

Fact Scenario Two:

John moves his principal residence to Washington from Arizona, but wants to keep working with AZ Trade.

CURRENT LAW:

AZ Trade is required to become licensed in Washington according to Washington law.

PROPOSED LAW:

AZ Trade is required to become licensed in Washington. The proposed law does not change this requirement, as Washington’s law controls here. As long as AZ Trade maintains its license in Washington, it can benefit from the snowbird exemption anytime John visits Alaska.

Fact Scenario Three:

John decides to move permanently to Alaska and wants to keep working with AZ Trade.

CURRENT LAW:

AZ Trade must become licensed in Alaska if it exceeds 15 transactions within a 12 month period with Alaskan residents.

PROPOSED LAW:

Under the new “de minimis” exemption (45.56.405(b)(1)(G)), AZ Trade only has to become licensed in Alaska if it has more than three customers in Alaska in a 12 month period. If John remains AZ Trade’s only Alaska customer, it does not have to become registered to do business here.

Notes about the exemption:

- The exemption applies to the broker-dealer FIRM, not the individual agents. As a general rule, agent registration always flows from the firm’s (i.e. if the firm has to be registered, so do its agents who conduct business in Alaska or with Alaskan residents. If the firm does not have to be registered, neither do its agents).
- The firm is always required to maintain its registration where the customer has his or her principal place of residence.
- 23 other states currently have this exemption, which is taken directly from the model language of the 2002 Uniform Securities Act.
- As long as the firm is registered in the state where the client has his or her principal place of residence, and the client has a second residence in Alaska, the firm can use the exemption in Alaska.
- The responsibility to be properly licensed lies with the firm and its agents (salespeople).

There is a similar exemption for Investment Advisers at Sec.45.56.435(b)(1)(C).