



THE STATE  
*of* **ALASKA**  
GOVERNOR BILL WALKER

# **ALASKA SECURITIES ACT**

## **HB 170**

Presented to  
House Judiciary Committee

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Department of Commerce, Community and Economic Development



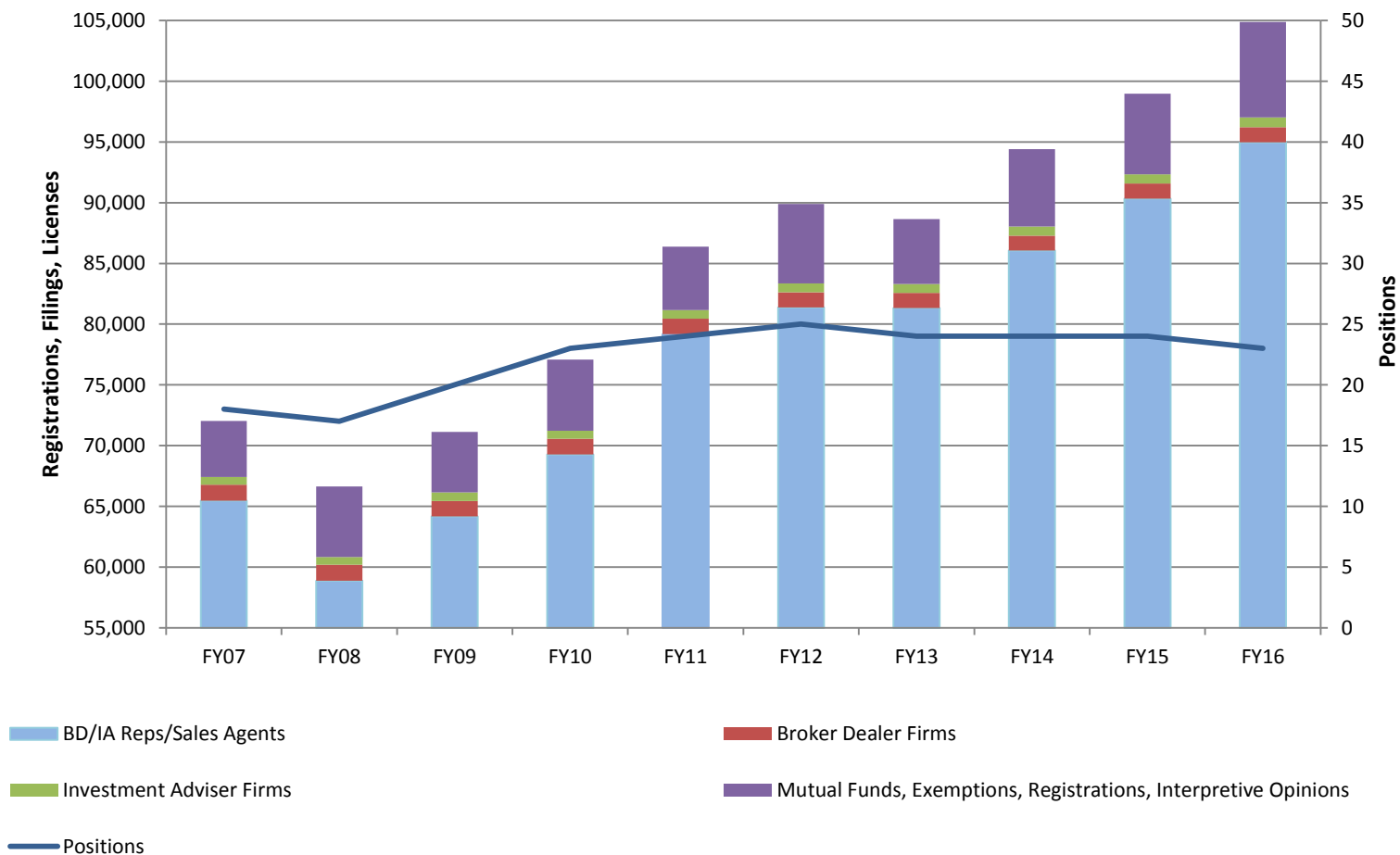
# What does the Alaska Securities Act include now?

- Securities broker-dealers, investment advisers, sales agents
- Securities issuers and agents
- Mutual funds, federal covered securities
- Enforcement provisions
- Alaska Native Claims Settlement Act (ANCSA) Corporation and shareholder proxy filings



# Securities Registrations, Filings and Licenses

Registrations, Filings, Licenses, and Positions  
(Securities)





# What will HB 170 do?

- Simplify and bring Alaska's securities laws current with similar provisions as other states' laws to encourage companies, entrepreneurs and investors to do business in Alaska.
- Separate the Securities Act from the Alaska Native Claims Settlement Act.
- Protect older and vulnerable adults from financial exploitation by requiring financial professional to report suspected exploitation and giving the reporting professionals immunity.
- Enhance enforcement provisions, allowing for restitution and increased civil penalties to protect Alaskans, including additional penalties for victimizing vulnerable and older Alaskans.
- Create an Investor Education Fund that allows the Legislature to direct a portion of the civil penalties collected for consumer, investor and marketplace education.
- Allow the Division to require continuing education for investment professionals.



## Alaska Native Claims Settlement Act Provisions

- ANCSA provisions remain unchanged in AS 45.55, including the enforcement and administration of related securities laws
- References to exempt ANCSA securities transactions are included in the new Act at AS 45.56.210 (27)



# Highlights

- Eliminates filings for all exemptions from registration, *except* crowdfunding
- Updates entity and law references (i.e., no longer includes notice by telegram)
- Includes 'bad actor' disqualifiers
- Improves enforcement and investor protection and education provisions



# HB 170

- Article 1. General Provisions - p. 15
- Article 2. Exemptions from the Registration of Securities – p. 15
- Article 3. Registration of Securities and Notice Filing of Federal Covered Securities – p. 30
- Article 4. Broker-dealers, Agents, Investment Advisers, Investment Adviser Representatives and Federal Covered Investment Advisers – p. 42
- Article 5. Fraud and Liabilities – p. 70
- Article 6. Administration and Judicial Review – p. 72
- Article 7. Miscellaneous and Additional General Provisions (includes definitions) –p. 93



## 45.56.650 Administrative Enforcement Changes

- Extends time for requesting a hearing to 30 days (currently 15 days)
- Civil penalties are increased from \$2,500/\$25,000 to a maximum of \$100,000 per violation
- Penalties can be trebled if the victim is an older or vulnerable Alaskan
- The bad actor can be barred from the securities business in Alaska
- Restitution to a victim can be ordered
- Exemptions from securities registration can be denied
- Administrator may petition court to collect a civil penalty without reopening the case merits
- Persons in violation of an administrative order can be held in civil contempt potentially triggering an additional civil penalty





## 45.56.655 - .665 Civil Enforcement Changes

- Clarifies actions the administrator may pursue in civil court including asset freezes, receivership
- Includes treble monetary penalties in cases involving older or vulnerable adults
- Allows rescission, disgorgement and restitution orders as well as pre or post-judgment interest
- Provides that salespersons who violate the act are liable to their clients
- Sellers and buyers of securities can be liable for their actions.
- Statute of Limitations is typically 3 years, or 2 years from discovery of fraud.



# AS 45.56.670 Criminal Enforcement

- Similar to provisions in current AS 45.55.925
- “Willfully” was changed to “knowingly”
  - Generally a class ‘C’ felony
  - If someone violates the law without knowledge, then guilty of class A misdemeanor
- Increased monetary penalties matching administrative and civil penalties



# FY 2016 Securities Enforcement Actions

- In FY 2016, the division issued – 36 final orders
  - 17 – Securities related

The screenshot shows the official website for the Division of Banking and Securities. The header includes the State of Alaska logo and navigation links for myAlaska, My Government, Resident, Business in Alaska, Visiting Alaska, and State Employees. The main navigation bar features links for HOME, BANKING, SECURITIES, and CONSUMER FINANCE. A search bar is located in the top right corner. Below the navigation bar, there is a banner image showing a stock market floor. The main content area is titled "DIVISION OF BANKING AND SECURITIES" and "ENFORCEMENT ORDERS". It includes a "Welcome to the Enforcement Orders webpage" message and instructions on how to search for orders by year, business name, or order number. A sidebar on the left provides "Division Quick Links" for various sections including Banking and Securities.

State of Alaska > Commerce > Banking & Securities > Enforcement Orders

**Division Quick Links**

- ▶ Banking and Securities Home Page
- ▶ Alaska Banking Statutes
- ▶ Alaska Banking Admin Code
- ▶ Alaska Securities Statutes
- ▶ Alaska Securities Admin Code
- ▶ Enforcement Orders

**Banking**

- ▶ Banking Home Page
- ▶ Comparative Statements of Banks and Credit Unions
- ▶ Complaints

**Securities**

**DIVISION OF BANKING AND SECURITIES**

**ENFORCEMENT ORDERS**

Welcome to the Enforcement Orders webpage

Enforcement actions are organized by year. Clicking on the year will show you all orders issued that year. To search for a specific Order you may enter the business name, order number, or other relevant word or phrase into the Search Box in the upper right hand corner of this webpage and click the "search" button. When using the Search Box, make sure the radio button next to DCCED-DBS is selected.

Generally, orders ending with -B are Banking orders, orders ending with -S are Securities orders, and orders ending with -C are Consumer Finance orders.

If you are looking for older orders, or know of a specific order issued by the Division but you

[commerce.alaska.gov/web/dbs/enforcementorders](http://commerce.alaska.gov/web/dbs/enforcementorders)

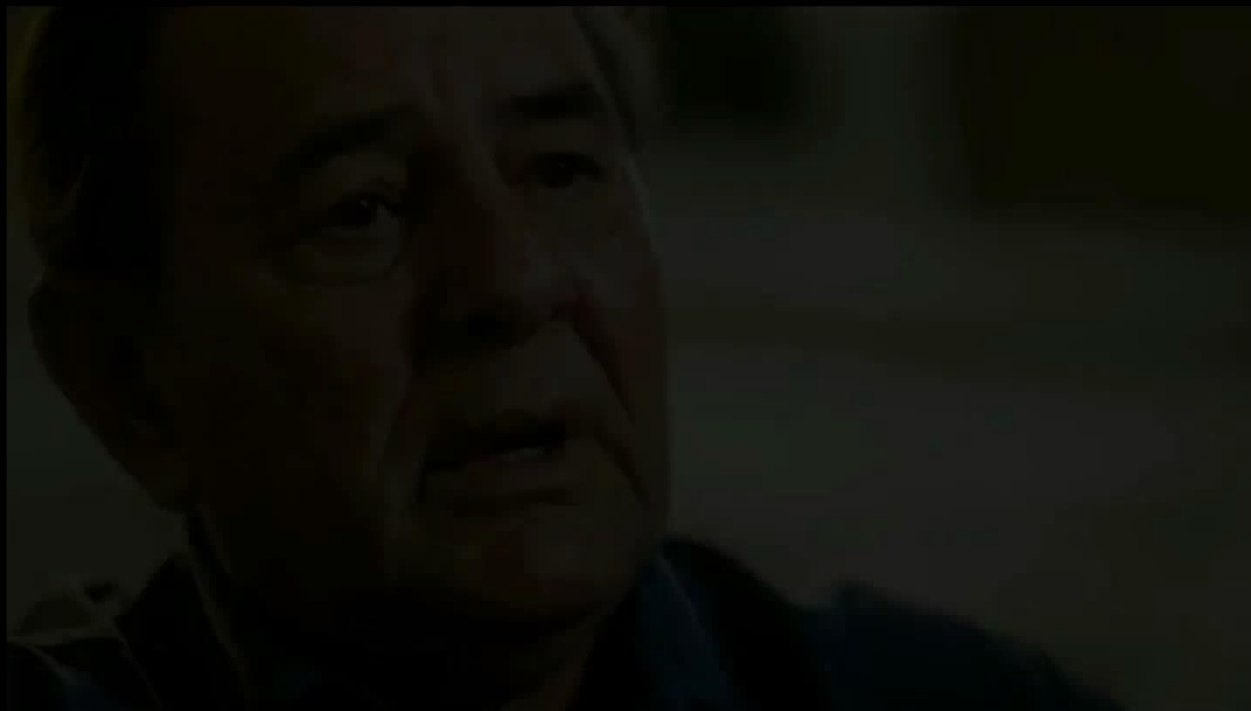


# Recent Securities Scams in Alaska

**Fortune Oil and Gas, LLC** – Texas-based oil and gas scam that resulted in a \$3.1 million loss to Alaskans. Alaska courts just awarded the \$25,000 **maximum** civil penalty in that case.

**SOS Disasterplan.com** – Alaska business that touted investments in an online disaster preparedness website issued \$540,000 in unregistered/worthless shares.

**Global Arena Capital Corp** – Unregistered NY firm and six employees cited for soliciting then selling junk bonds to a retired and ailing Alaskan halibut fisherman.



**Examiner:** *At no time during the first or the second call when they talked to you did they discuss with you the fact that the 16 percent return they were talking about was based on this particular corporate bond and that that bond was rated triple C minus which is one step above default.*

**Bill Burk:** No. The only thing I can remember is they said I would get 16 to 18 percent interest.

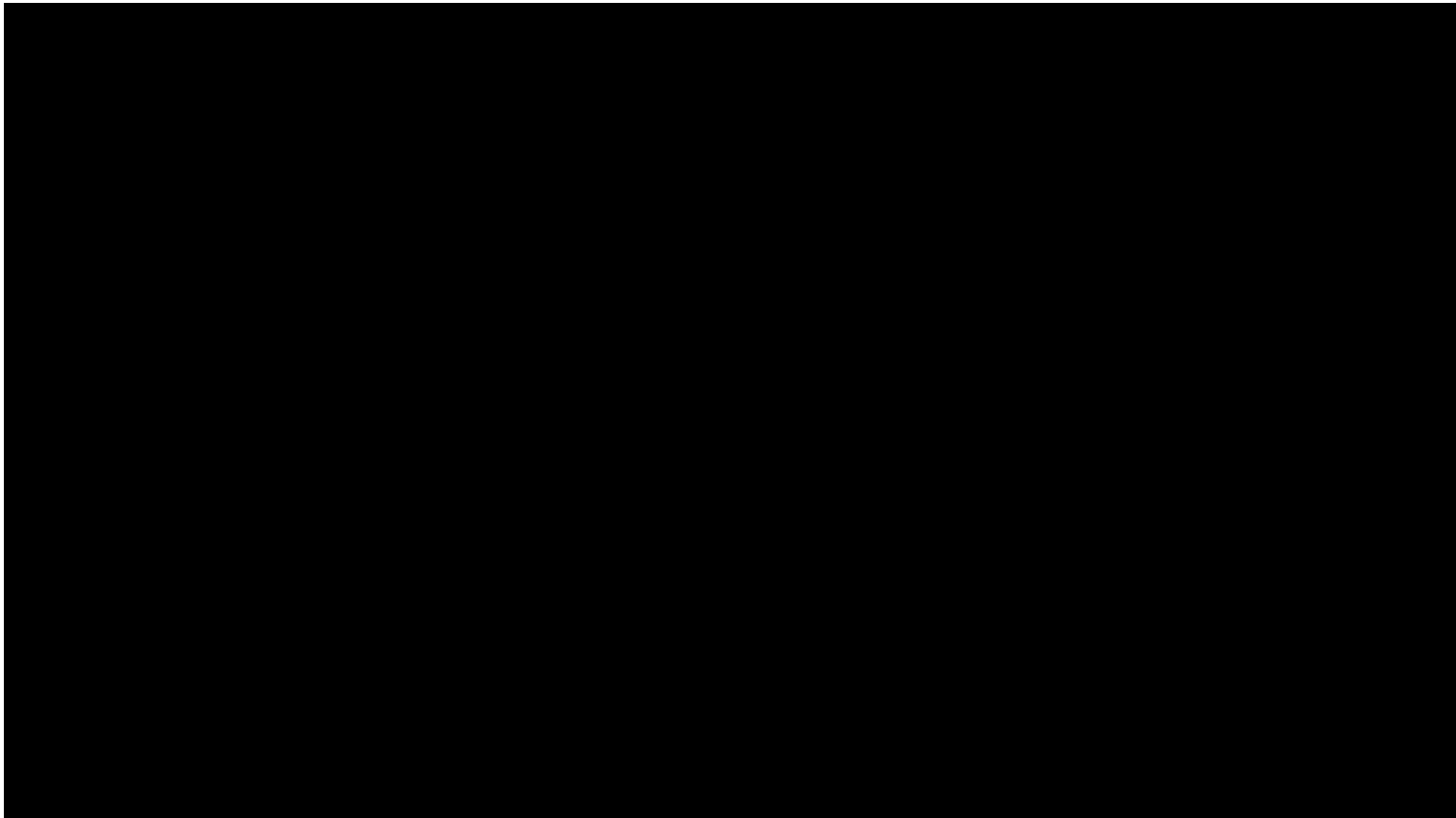


**Examiner:** *Did they ask you where this money had come from that you were investing?*

**Bill Burk:** No.

**Examiner:** *The next question is not really a question. It talks about the account source. And this was a cold call. You had never heard of them before they called you on the telephone.*

**Bill Burk:** No.



**Examiner:** *And so those bonds were supposed to mature in 2054.*

**Bill Burk:** I didn't, I didn't.....

**Examiner:** *That's what it says on the paperwork there.*

**Bill Burk:** That's all I know.

**Examiner :** *What's your current age?*

**Bill Burk:** 79.

**Examiner:** *79. Okay.*



# Questions?

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Division of Banking and Securities' mission:

Protect consumers of financial services and promote safe and sound financial systems

Supporting the Department's mission to:

Promote a healthy economy, support strong communities, and protect consumers in Alaska