

Introduced: 2/23/65
Referred: Commerce and
Judiciary

1 IN THE HOUSE

RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 167

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act concerning insider trading of
7 domestic stock insurance company equity
8 securities; and providing for an effective
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 21.10 is amended by adding new sections to
12 read:

13 ARTICLE 8. INSIDER TRADING OF DOMESTIC STOCK
14 INSURANCE COMPANY EQUITY SECURITIES

15 Sec. 21.10.885. FILING STATEMENT OF OWNERSHIP OF
16 EQUITY SECURITIES. Every person who is directly or
17 indirectly the beneficial owner of more than ten per
18 cent of any class of any equity security of a domestic
19 stock insurance company, or who is a director or an
20 officer of such company, shall file with the department
21 before July 1, 1966, or within ten days after he becomes
22 such beneficial owner, director or officer, a statement
23 of the amount of all equity securities of such company
24 of which he is the beneficial owner. Within ten days
25 after the close of each calendar month thereafter, if
26 there has been a change in his ownership during the
27 month, the beneficial owner, director or officer shall
28 file with the department a statement indicating his
29 ownership at the close of the calendar month, the changes

1 in his ownership as have occurred during the calendar month,
2 and any other information required by the department. State-
3 ments shall be made in a form prescribed by the department.

4 Sec. 21.10.890. SUIT TO RECOVER PROFITS REALIZED ON
5 UNFAIR USE OF INFORMATION. For the purpose of preventing
6 the unfair use of information which may have been obtained
7 by a beneficial owner of more than ten per cent of any class
8 of any equity security, or director or officer by reason of
9 his relationship to a company, any profit realized by him
10 from any purchase and sale, or any sale and purchase, of
11 any equity security of the company within any period of less
12 than six months, unless the security was acquired in good
13 faith in connection with a debt previously contracted, shall
14 inure to and be recoverable by the company. The profit
15 shall inure to and be recoverable by the company irrespective
16 of any intention on the part of the beneficial owner,
17 director or officer in entering into the transaction of
18 holding the security purchased or of not repurchasing the
19 security sold, for a period exceeding six months. Suit to
20 recover the profit may be instituted at law or in equity in
21 the superior court by the company, or by the owner of any
22 security of the company in the name and in behalf of the
23 company if the company shall fail or refuse to bring a suit
24 within sixty days after request or shall fail diligently to
25 prosecute the same thereafter. However, no suit to recover
26 profit shall be brought more than two years after the date
27 the profit was realized. This section shall not be construed
28 to cover any transaction where the beneficial owner was not
29 a beneficial owner both at the time of the purchase and sale,

1 or the sale and purchase, of the security involved, nor
2 shall it cover any transaction or transactions which the
3 department by rules and regulations may exempt as not
4 comprehended within the purpose of this section.

5 Sec. 21.10.895. UNLAWFUL SALES OF EQUITY SECURITIES.

6 It shall be unlawful for any beneficial owner of more than
7 ten per cent of any class of equity stock, or director or
8 officer, directly or indirectly, to sell any equity security
9 of the company if the person selling the security or his
10 principal (a) does not own the security sold, or (b) if
11 owning the security, does not deliver it against the sale
12 within twenty days thereafter, or does not within five days
13 after the sale deposit it in the mails or other usual
14 channels of transportation; but no person shall be deemed
15 to have violated this section if he proves that notwith-
16 standing the exercise of good faith he was unable to make
17 such delivery or deposit within the time prescribed, or
18 that to do so would cause undue inconvenience or expense.

19 Sec. 21.10.900. EXEMPTION OF CERTAIN SALES OF EQUITY
20 SECURITIES. The provisions of sec. 890 of this chapter
21 shall not apply to any purchase and sale, or sale and pur-
22 chase, and the provisions of sec. 895 of this chapter shall
23 not apply to any sale, of an equity security of a domestic
24 stock insurance company not then or theretofore held by
25 him in an investment account, by a dealer in the ordinary
26 course of his business and incident to the establishment
27 or maintenance by him of a primary or secondary market
28 (otherwise than on an exchange as defined in the Securities
29 Exchange Act of 1934, as amended) for such security. The

1 department may, by rules and regulations it deems necessary
2 or appropriate in the public interest, define and prescribe
3 terms and conditions with respect to securities held in an
4 investment account and transactions made in the ordinary
5 course of business and incident to the establishment or
6 maintenance of a primary or secondary market.

7 Sec. 21.10.905. **ARBITRAGE TRANSACTIONS EXEMPTED.** The
8 provisions of secs. 885 - 895 of this chapter shall not
9 apply to foreign or domestic arbitrage transactions unless
10 made in contravention of such rules and regulations as the
11 department may adopt in order to carry out the purposes of
12 this article.

13 Sec. 21.10.910. **EXEMPTION OF REGISTERED OR CLOSELY**
14 **HELD EQUITY SECURITIES.** The provisions of secs. 885 - 895
15 of this chapter shall not apply to equity securities of a
16 domestic stock insurance company if (a) the securities
17 shall be registered, or shall be required to be registered,
18 pursuant to section 12 of the Securities Exchange Act of
19 1934, as amended, or if (b) the domestic stock insurance
20 company shall not have any class of its equity securities
21 held of record by one hundred or more persons on the last
22 business day of the year next preceding the year in which
23 equity securities of the company would be subject to the
24 provisions of secs. 885 - 895 of this chapter except for
25 the provisions of this section.

26 Sec. 21.10.915. **ENFORCEMENT.** The department may,
27 pursuant to AS 44.62, issue rules and regulations necessary
28 for the execution of the functions vested in it by secs.

29 885 - 910 of this chapter, and may for that purpose classify

1 domestic stock insurance companies, securities, and other
2 persons or matters within its jurisdiction. No provision
3 of secs. 885 - 890 of this chapter imposing any liability
4 shall apply to any act done or omitted in good faith in
5 conformity with any rule or regulation of the department,
6 notwithstanding that the rule or regulation may, after the
7 act or omission, be amended or rescinded or determined by
8 judicial or other authority to be invalid for any reason.

9 Sec. 21.10.920. DEFINITIONS. In this article,

10 (1) "equity security" means any stock or similar
11 security; or any security convertible, with or without con-
12 sideration, into stock or similar security, or carrying any
13 warrant or right to subscribe to or purchase stock or simila-
14 security; or any such warrant or right; or any other security
15 which the department shall deem to be of similar nature and
16 consider necessary or appropriate, by rules and regulations
17 the department may prescribe in the public interest or for
18 the protection of investors, to treat as an equity security;

19 (2) "officer" means a president, vice president,
20 treasurer, actuary, secretary, controller, and any other
21 person who performs for the company functions corresponding
22 to those performed by the foregoing officers;

23 (3) "domestic stock insurance corporation" means
24 a stock insurance corporation organized under the laws of
25 this state or the Territory of Alaska.

26 * Sec. 2. This Act takes effect on the day after its passage
27 and approval or on the day it becomes law without such approval.
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