

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 1518-04
Bill No.: SCS for SB 427 with HCA 1
Subject: Uniform Securities Act
Type: Original
Date: May 15, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Secretary of State- Administrative Rules Division** stated that this proposal would require the Securities Division to promulgate new rules. The rules would be published in the Missouri Register and the Code of State Regulations. Officials stated that the estimated publication cost of a page in the Code of State Regulations is \$27, and the cost of publication in the Missouri Register is estimated to be \$23. Officials stated that the cost of this proposal in future years is unknown and would depend upon the frequency and length of rules filed, amended, rescinded, or withdrawn. Officials estimate the first FY 2004 cost at (\$5,535) and is unknown for FY 2005, and FY 2006.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Office of Attorney General** assume no fiscal impact.

Officials of the **Department of Labor and Industrial Relations** assume no fiscal impact.

ASSUMPTION (continued)

Officials of the **Office of State Court Administrator** assume this proposal would have no fiscal impact on the Courts.

Officials of the **Department of Insurance** assume no fiscal impact.

Officials of the **Department of Corrections** assume no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Fiscal impact to small businesses is unknown.

DESCRIPTION

This act adopts the Uniform Securities Act. The act contains the following Articles:

ARTICLE 1 - GENERAL PROVISIONS. A number of definitions are created relating to securities regulation. Any references made to federal statutes means those statutes or regulations in effect at time of enactment of act. Any reference to a federal agency also includes a reference to any successor agency. This act modifies certain portions of the federal Electronic Signatures in Global and National Commerce Act.

ARTICLE 2 - EXEMPTIONS FROM REGISTRATION OF SECURITIES. Certain listed securities and transactions are exempt from securities registration, notice filing requirements and filing of sales literature. This exemption does not include an exemption from certain anti-fraud provisions in Article 5, nor the broker- dealer, agent, investment adviser, or investment adviser registration requirements in Article 4. Additional exemptions and waivers may be created by rule. With limited exceptions for federally covered securities, the state may deny, suspend, revoke condition or limit an exemption.

DESCRIPTION (continued)

ARTICLE 3 - REGISTRATION OF SECURITIES AND NOTICE FILING OF FEDERAL COVERED SECURITIES. This act requires the registration of securities, with the exception of federally covered securities and exempt securities. Requirement for notice filing are created. Securities registered under the Securities Act of 1933 may be registered by coordination. Procedures are also enacted for the registration of securities by qualification. Registration statements may be filed by the issuer, a person on whose behalf the offering is made, or a broker-dealer. The filing fee is \$100. Subsequent reports to update information on the security may be required. The commissioner is authorized to issue a stop order denying, suspending or revoking the effectiveness of a registration statement under certain grounds.

ARTICLE 4 - BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS, INVESTMENT ADVISER REPRESENTATIVES, AND FEDERAL COVERED INVESTMENT ADVISERS. The act creates registration requirements and exemptions for broker-dealers, agents, investment advisers, and investment adviser representatives. Federal covered investment advisers are required to file a notice, a consent to service of process and such records as have been filed with the Securities and Exchange Commission. Provisions for broker-dealers and investment advisers to succeed to the registration of another such person. Procedures for an organizational change, name change or change of control are created. Termination of employment or association of an agent and investment adviser representative shall require the broker-dealer, issuer, investment adviser or federally covered investment adviser to file a notice of termination. Notice must also be filed upon transfer of employment or association. Provisions for the effectiveness of a withdrawal of association are created. Filing fees for the various registrations are created. The commissioner of securities is authorized to create, by rule, certain post registration requirements relating to financial reports, record keeping, audits or inspection, custody of bonds, investment adviser brochures, and continuing education. Procedures are created for the commissioner to deny, revoke, suspend, withdraw, restrict, condition or limit a registration.

ARTICLE 5 - FRAUD AND LIABILITIES. This act makes it unlawful to engage in the offer, sale or purchase of a security by fraud. It is unlawful to provide fraudulent investment advice. Evidentiary burdens for proving an exemption in a civil or criminal proceeding are defined. The filing of sales and advertising literature may be required by rule. It is unlawful for a person to make a misleading or false statement in any record used in an action or proceeding under this act. It is unlawful to make a misrepresentation regarding a registration or exemption. Qualified immunity is provided for statements made in a record required by the commissioner, unless the statement was false and was knowingly or recklessly made. With limited exceptions, a person who willfully violates this act is subject to fine of up to \$1,000,000 or imprisonment of up to 10 years, or both. Enforcement of civil liability shall be subject to provisions of federal law. Procedures for the civil liability of various parties are created. Actions must be brought within

DESCRIPTION (continued)

one year after the violation occurred or within the earlier of two years after discovery of the facts constituting the violation and five years after the violation. Recission offers meeting certain requirements extinguish civil liability.

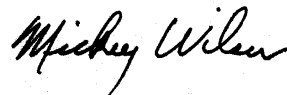
ARTICLE 6 - ADMINISTRATION AND JUDICIAL REVIEW. The commissioner of securities shall administer this act. The Attorney General shall represent the Commissioner in all civil enforcement actions brought pursuant to this act. A Securities Investor Education and Training Fund is created to provide funds for investor education. The commissioner is authorized to investigate violations of this act, including the power to issue and enforce subpoenas. The commissioner may seek injunctive relief. The commissioner is authorized to issue cease and desist orders, conduct hearings and issue civil penalties. Rulemaking and the issuance of interpretative opinions are allowed. The commissioner must maintain files of registrations, orders and interpretative opinions. The act delineates which records are considered public and which are non-public. Within his or her discretion, the commissioner may share records and information with securities regulators in other states and the federal government. Final orders issued by the commissioner are subject to judicial review. Jurisdictional requirements are created.

ARTICLE 7 - TRANSITION. This act becomes effective on September 1, 2003. The act covers the application of this act and the predecessor act to existing rights.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Secretary of State- Securities
Department of Labor and Industrial Relations
Office of State Courts Administrator
Department of Insurance
Department of Corrections



Mickey Wilson, CPA
Director

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