



Representative Sam Kito

Alaska State Legislature

Sponsor Statement CS House Bill 170 (JUD)

"AK Securities Act; Penalties; Crt. Rules"

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Contact

Rep. Sam Kito
Alaska State Capitol 403
120 4th St
Juneau, AK 99801

907-465-4766

Rep.Sam.Kito@akleg.gov

House Bill 170 modifies AS 45 by adding a new chapter, AS 45.56, relating to the Alaska Securities Act. The proposed updates would modernize and streamline the state's outdated securities laws to recognize industry changes and to support new means of raising capital, while enhancing investor protections and remedies. By adopting relevant provisions of the Uniform Securities Act (2002), this new Alaska Securities Act would incorporate proven successful practices in the industry but maintain Alaska-specific provisions relevant to the unique features of the state. Moreover, the updates would eliminate redundant or outdated references and practices.

Currently, AS 45.55 governs securities transactions in the state. Since its adoption in 1961, there have only been three relevant changes to our securities law. In 1999, a portion of the existing law was revised after the passage of the National Securities Markets Improvement Act of 1996. In 2014, ch. 46, SLA 2014 eliminated several filing requirements for certain securities exemptions. In 2016, SB 126 opened 'crowdfunding' to Alaskans for in-state business venture funding up to \$1,000,000 but otherwise left the majority of the Alaska Securities Act unchanged; it remains outdated. By example, the current version of the Alaska Securities Act limits official notification of certain dates to telegram or telephone, but not electronic means, and continues to list stock exchanges that have merged with other entities or no longer exist. The financial industry has changed dramatically in the last 15 years and an entire overhaul of the Alaska Securities Act is necessary to put the state's laws governing securities transactions in line with other regulatory regimes.

Using the Uniform Securities Act as a springboard for changes to the Alaska Securities Act, our state benefits from a time-tested regulatory regime that has been adopted and used in at least 20 other states. By incorporating provisions proven to improve the regulation of the securities industry in other states into our laws, the state and persons doing business here will benefit. With the Uniform Securities Act as the basic framework also provides familiarity to many industry professionals that are familiar with the Alaska Securities Act. Using the Uniform Securities Act as the starting point, the bill incorporates several Alaska-specific provisions aimed at protecting and supporting the public and industry.

HB 170 updates enforcement provisions by increasing penalties for those who violate the Alaska Securities Act, allowing restitution to be ordered to compensate victims for their losses, protecting vulnerable Alaskans by providing a safe harbor for those who would financial exploit them as well as providing for enhanced civil penalties against violators who financially harm them. Further, the bill directs that a small portion of civil penalties may be used to provide investor education to Alaskans.

The bill also modifies existing provisions related to the treatment of Alaska Native Claims Settlement Act (ANCSA) proxy solicitations in the existing chapter, AS 45.55. These limited modifications do not change any substantive law, but instead leave the existing laws regulating ANCSA proxy solicitations in its own chapter.

Thank you for your consideration of this legislation.