

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Amendment to: SB 2283

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The new "Registration by Coordination" would be an alternative to the existing "Registration by Qualification" under NDCC § 10-04-08, with the same filing fee.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Issuers that would use Registration by Coordination would otherwise be using Registration by Qualification. The fee structures are the same for both. While it's possible that offering Registration by Coordination would result in some issuers registering in ND that otherwise would not have, therefore increasing revenue, there is no way to predict/measure that potential activity. Revenue neutral.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Diane Lillis

Agency: ND Securities Department

Telephone: 701-328-4712

Date Prepared: 01/16/2019

FISCAL NOTE
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01/14/2019

Bill/Resolution No.: SB 2283

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Date Prepared: 01/16/2019

2019 SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE

SB 2283

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2283
1/21/2019
31094

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the registration of securities.

Minutes:

Att. #1

Chairman Klein: Opened the hearing on SB 2283. All members were present.

Karen Tyler, Securities Commissioner: See attachment #1 for testimony in support of the bill.

Chairman Klein: Up to this point the SCC would do it and we would do it again, and what we're saying is if they've done it why do it again?

Karen: That's correct.

Senator Burckhard: Is this another way of saying housekeeping?

Karen: No this is actually something new, but it is something that you'll find in 39 other jurisdictions in an effort to improve uniformity.

Chairman Klein: Is there an amendment?

Karen: Yes, I do have to offer an amendment. We did inadvertently leave out some language that just identifies who can actually file the application for the registration. The language that you'll see here on the proposed amendment, page 1 line 9. We're just keeping the language consistent between the two different types of registration alternatives. And we just forgot to put that in.

Senator Kreun: On that line under line 9, this whole amendment would be added there?

Karen: That's correct.

Chairman Klein: Closed the hearing on 2283.

Vice Chairman Vedaa; Move Do Pass the Amendment.

Senator Kreun: Seconded.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Vice Chairman Vedaa: Move Do Pass as Amended.

Senator Kreun: Seconded.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Vice Chairman Vedaa will carry the bill.

January 21, 2019

SK
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PROPOSED AMENDMENTS TO SENATE BILL NO. 2283

Page 1, line 9, after the underscored period insert "Only the issuer of the security or a broker-dealer registered under section 10-04-01 may make an application for registration of securities by coordination."

Renumber accordingly

Date: 1/21
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2283**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: 19.8159.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Vedaa Seconded By Kreun

Senators	Yes	No	Senators	Yes	No
Chairman Klein	X		Senator Piepkorn	X	
Vice Chairman Vedaa	X				
Senator Burckhard	X				
Senator Kreun	X				
Senator Roers	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/21
Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2283**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Vedaa Seconded By Kreun

Senators	Yes	No	Senators	Yes	No
Chairman Klein	X		Senator Piepkorn	X	
Vice Chairman Vedaa	X				
Senator Burckhard	X				
Senator Kreun	X				
Senator Roers	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Vedaa

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2283: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2283 was placed on the Sixth order on the calendar.

Page 1, line 9, after the underscored period insert "Only the issuer of the security or a broker-dealer registered under section 10-04-01 may make an application for registration of securities by coordination."

Renumber accordingly

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2283

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Peace Garden Room, State Capitol

SB 2283
3/4/2019
33116

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Manual exemption from registration of securities & refund of registration fees.

Minutes:

Attachment 1

Chairman Keiser: Opens the hearing on SB 2283.

Karen Tyler~ND Securities Commissioner: Attachment 1.

3:05

Rep Laning: Registration by coordination is more or less parallel paths to get something registered simultaneously so you don't have to do so many steps?

Karen Tyler: That's correct.

Chairman Keiser: Is that true just that they register with the federal? What if they register with a state that is domicile? Can we accept their work?

Karen Tyler: We have a program that is a registration by coordination just at the state level. It isn't necessarily just the domicile state. There is typically two states that act as the lead states on that type of offering. It's close but the domicile gets the final word.

Chairman Keiser: So any two states agree with it, you would then look at it & treat it as acceptable?

Karen Tyler: That's pretty close with your description. Registration by coordination at the state level, states will volunteer to be the lead state on the merit side & a lead state on the closure disclosure side. Each state still has the opportunity to make comments but they would be channeled to those two lead states. We still have a voice.

Rep D Ruby: One state would take over the merit & the other the disclosure, so they would divide duties or wouldn't they both receive the same information & responsibilities?

Karen Tyler: That description of merit state versus disclosure state is a title or description given to a state that has a particular approach to registration. It's a slightly different way to approach.

Chairman Keiser: How does this differ from what we currently do? Is it the federal registration & then it's accepted by everybody, is that the difference?

Karen Tyler: That is really the key difference. It's allowing us to rely on the review of the securities exchange commission.

Chairman Keiser: Is there any securities that wouldn't go to them first versus go state by state?

Karen Tyler: There are some that don't go at all.

Chairman Keiser: Subsection 6, at the end of the bill, do we have to register every year for all securities? If there is no material change, why do they have to reregister & pay a fee?

Karen Tyler: There is the initial registration the first year, but after that there is a simple renewal process not a full blown registration.

Chairman Keiser: Anyone else here to testify on SB 2283 in support, opposition, neutral? Closes the hearing. What are the wished of the committee?

Rep Bosch: Moves a Do Pass.

Rep Schauer: Second.

Chairman Keiser: Further discussion?

Roll call was taken on SB 2283 for a Do Pass with 11 yes, 0 no, 3 absent & Rep Richter is the carrier.

Date: Mar 4, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. SB2283

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or
Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions

- Reconsider _____

Motion Made by Rep Bosch Seconded By Rep Schauer

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep O'Brien	Ab	
Vice Chairman Lefor	X		Rep Richter	X	
Rep Bosch	X		Rep D Ruby	X	
Rep C Johnson	X		Rep Schauer	X	
Rep Kasper	Ab		Rep Adams	X	
Rep Laning	X		Rep P Anderson	X	
Rep Louser	X		Rep M Nelson	Ab	

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep Richter

REPORT OF STANDING COMMITTEE

SB 2283, as engrossed: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends DO PASS (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2283 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2283

SB 2283

**Testimony of North Dakota Securities Commissioner Karen Tyler
Before the Senate Industry, Business and Labor Committee
January 21, 2019**

The purpose of this amendment to the Securities Act is to enhance uniformity among state securities regulators, as well as between the state and federal securities regulatory systems. The change is also intended to improve efficiencies and potentially reduce costs for issuers of securities.

Adding the option of Registration by Coordination to our Act allows the issuer to file simultaneously with the Securities and Exchange Commission and state securities regulators the same or substantially similar registration documents (application, prospectus, corporate governing documents, amendments), and allows registration to become effective at the state level once it has been approved and is made effective by the SEC.

While this registration approach provides for reliance on the SEC review and approval process, it does not in any way limit the state regulators authority to require additional information from the issuer or alter the ability to place limitations or restrictions on an offering in accordance with the Commissioner's authority under the Act.

An issuer that does not qualify for an exemption and must therefore register an offering in order to sell in the state, would be able to choose between

Registration by Qualification or Registration by Coordination. The fee structure is the same for each registration alternative so we anticipate adding this option will be revenue neutral.

39 states have adopted the Registration by Coordination provision, as set forth in the Uniform Securities Act of 2002.

The amendment offered to SB 2283 identifies who can file for Registration by Coordination, consistent with the language found under 10-04-08 Registration by Qualification.

SB 2283 1/21/19 Att#1 pg. 3

PROPOSED AMENDMENT TO SENATE BILL NO. 2283

Page 1, line 9, after "section." insert "Application for registration of securities by coordination must be made by the issuer of the securities or by a broker-dealer registered in accordance with section 10-04-10."

SB 2283

**Testimony of North Dakota Securities Commissioner Karen Tyler
Before the House Industry, Business and Labor Committee
March 4, 2019**

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