

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 556

BY BUSINESS COMMITTEE

AN ACT

1 RELATING TO SECURITIES; AMENDING SECTION 30-14-302, IDAHO CODE, TO PROVIDE  
2 CORRECT TERMINOLOGY; AMENDING SECTION 30-14-412, IDAHO CODE, TO CLAR-  
3 IFY PROVISIONS REGARDING DISCIPLINARY CONDITIONS; AMENDING SECTION  
4 30-14-509, IDAHO CODE, TO REVISE PROVISIONS REGARDING THE STATUTE OF  
5 LIMITATIONS; AMENDING SECTION 30-14-605, IDAHO CODE, TO PROVIDE REF-  
6 ERENCES TO UNITED STATES CODE AND TO PROVIDE CORRECT TERMINOLOGY; AND  
7 DECLARING AN EMERGENCY AND PROVIDING AN EFFECTIVE DATE.  
8

9 Be It Enacted by the Legislature of the State of Idaho:

10 SECTION 1. That Section 30-14-302, Idaho Code, be, and the same is  
11 hereby amended to read as follows:

12 30-14-302. NOTICE FILING. (a) Required filing of records. With re-  
13 spect to a federal covered security, as defined in section 18(b)(2) of the  
14 securities act of 1933 (15 U.S.C. 77r(b)(2)), that is not otherwise exempt  
15 under sections 30-14-201 through 30-14-203, Idaho Code, a rule adopted or an  
16 order issued under this chapter may require the filing of any or all of the  
17 following records:

18 (1) Before the initial offer of a federal covered security in this  
19 state, all records that are part of a federal registration statement  
20 filed with the securities and exchange commission under the securities  
21 act of 1933 and a consent to service of process complying with section  
22 30-14-611, Idaho Code, signed by the issuer and the payment of a fee of  
23 three hundred dollars (\$300) for mutual funds and one hundred dollars  
24 (\$100) for unit investment trusts;

25 (2) After the initial offer of the federal covered security in this  
26 state, all records that are part of an amendment to a federal registra-  
27 tion statement filed with the securities and exchange commission under  
28 the securities act of 1933; and

29 (3) To the extent necessary or appropriate to compute fees, a report  
30 of the value of the federal covered securities sold or offered to per-  
31 sons present in this state, if the sales data are not included in records  
32 filed with the securities and exchange commission; and

33 (4) Each series or portfolio of an investment company offering shall be  
34 required to make a separate notice filing. Separate notice filings for  
35 classes of an investment company are not required as long as classes are  
36 used solely as a method of distinguishing payment plans within a series  
37 or portfolio.

38 (b) Notice filing effectiveness and renewal. A notice filing under  
39 subsection (a) of this section is effective for one (1) year commencing on  
40 the later of the notice filing or the effectiveness of the offering filed  
41 with the securities and exchange commission. On or before expiration, the  
42 issuer may renew a notice filing by filing a copy of those records filed by

1 the issuer with the securities and exchange commission that are required  
 2 by rule or order under this chapter to be filed and by paying a renewal fee  
 3 of three hundred dollars (\$300) for mutual funds and one hundred dollars  
 4 (\$100) for unit investment trusts. A previously filed consent to service of  
 5 process complying with section 30-14-611, Idaho Code, may be incorporated by  
 6 reference in a renewal. A renewed notice filing becomes effective upon the  
 7 expiration of the filing being renewed.

8 (c) Notice filings for federal covered securities under section  
 9 18(b)(4)(D) and (F). With respect to a security that is a federal covered  
 10 security under section 18(b)(4)(D) and (F) of the securities act of 1933 (15  
 11 U.S.C. 77r(b)(4)(D) and (F)), a rule or order under this chapter may require  
 12 a notice filing by or on behalf of an issuer and may include a copy of form D,  
 13 or other filing requirements as determined by the director of the department  
 14 of finance, and the payment of a fee of fifty dollars (\$50.00).

15 (d) Stop orders. Except with respect to a federal covered security un-  
 16 der section 18(b)(1) of the securities act of 1933 (15 U.S.C. 77r(b)(1)), if  
 17 the administrator finds that there is a failure to comply with a notice or fee  
 18 requirement of this section, the administrator may issue a stop order sus-  
 19 pending the offer and sale of a federal covered security in this state. If  
 20 the deficiency is corrected, the stop order is void as of the time of its is-  
 21 suance and no penalty may be imposed by the administrator.

22 SECTION 2. That Section 30-14-412, Idaho Code, be, and the same is  
 23 hereby amended to read as follows:

24 30-14-412. DENIAL, REVOCATION, SUSPENSION, WITHDRAWAL, RESTRICTION,  
 25 CONDITION OR LIMITATION OF REGISTRATION. (a) Disciplinary conditions -- Ap-  
 26 plicants. If the administrator finds that the order is in the public inter-  
 27 est and subsection (d) of this section authorizes the action, an order issued  
 28 under this chapter may deny an application, or may condition or limit regis-  
 29 tration of an applicant to be a broker-dealer, agent, investment adviser or  
 30 investment adviser representative, and, if the applicant is a broker-dealer  
 31 or investment adviser, of any partner, officer, director or person having a  
 32 similar status or performing similar functions, or a person directly or in-  
 33 directly in control, of the broker-dealer or investment adviser.

34 (b) Disciplinary conditions -- Registrants. If the administrator  
 35 finds that the order is in the public interest and subsection (d) of this sec-  
 36 tion authorizes the action, an order issued under this chapter may revoke,  
 37 suspend, condition or limit the registration of a registrant and, if the reg-  
 38 istrant is a broker-dealer or investment adviser, of any partner, officer,  
 39 director or person having a similar status or performing similar functions,  
 40 or a person directly or indirectly in control, of the broker-dealer or in-  
 41 vestment adviser. Provided however, the administrator may not:

42 (1) Institute a revocation or suspension proceeding under this subsec-  
 43 tion based on an order issued under a law of another state that is re-  
 44 ported to the administrator or a designee of the administrator more than  
 45 one (1) year after the date of the order on which it is based; or

46 (2) Under subsection (d)(5)(A) or (B) of this section, issue an order  
 47 on the basis of an order issued under the securities act of another state  
 48 unless the other order was based on conduct for which subsection (d) of

1           this section would authorize the action had the conduct occurred in this  
2           state.

3           (c) Disciplinary penalties -- Registrants. If the administrator finds  
4           that the order is in the public interest and subsections (d) (1) through (6),  
5           (8), (9), (10), (12) or (13) of this section authorizes the action, an order  
6           under this chapter may censure, impose a bar or suspension from associa-  
7           tion with a broker-dealer or investment adviser registered in this state,  
8           or impose a civil penalty in an amount not to exceed five thousand dollars  
9           (\$5,000) for each violation, on a registrant and, if the registrant is a  
10          broker-dealer or investment adviser, a partner, officer, director or person  
11          having a similar status or performing similar functions, or a person di-  
12          rectly or indirectly in control, of the broker-dealer or investment adviser.

13          (d) Grounds for discipline. A person may be disciplined under subsec-  
14          tions (a) through (c) of this section if the person:

15          (1) Has filed an application for registration in this state under this  
16          chapter or the predecessor act within the previous ten (10) years,  
17          which, as of the effective date of registration or as of any date after  
18          filing in the case of an order denying effectiveness, was incomplete in  
19          any material respect or contained a statement that, in light of the cir-  
20          cumstances under which it was made, was false or misleading with respect  
21          to a material fact;

22          (2) Willfully violated or willfully failed to comply with this chapter  
23          or the predecessor act or a rule adopted or an order issued under this  
24          chapter or the predecessor act within the previous ten (10) years;

25          (3) Has been convicted of any felony or within the previous ten (10)  
26          years has been convicted of a misdemeanor involving a security, a com-  
27          modity future or option contract, or an aspect of a business involving  
28          securities, commodities, investments, franchises, insurance, banking  
29          or finance;

30          (4) Is enjoined or restrained by a court of competent jurisdiction in an  
31          action instituted by the administrator under this chapter or the pre-  
32          decessor act, a state, the securities and exchange commission, or the  
33          United States from engaging in or continuing an act, practice or course  
34          of business involving an aspect of a business involving securities,  
35          commodities, investments, franchises, insurance, banking or finance;

36          (5) Is the subject of an order, issued after notice and opportunity for  
37          hearing by:

38                  (A) The securities, depository institution, insurance or other  
39                  financial services regulator of a state or by the securities and  
40                  exchange commission or other federal agency denying, revoking,  
41                  barring or suspending registration as a broker-dealer, agent,  
42                  investment adviser, federal covered investment adviser, or in-  
43                  vestment adviser representative;

44                  (B) The securities regulator of a state or the securities and ex-  
45                  change commission against a broker-dealer, agent, investment ad-  
46                  viser, investment adviser representative, or federal covered in-  
47                  vestment adviser;

48                  (C) The securities and exchange commission or a self-regulatory  
49                  organization suspending or expelling the registrant from member-  
50                  ship in the self-regulatory organization;

- 1 (D) A court adjudicating a United States postal service fraud or-  
2 der;
- 3 (E) The insurance regulator of a state denying, suspending or re-  
4 voking registration as an insurance agent; or
- 5 (F) A depository institution regulator suspending or barring the  
6 person from the depository institution business;
- 7 (6) Is the subject of an adjudication or determination, after notice  
8 and opportunity for hearing, by the securities and exchange commis-  
9 sion, the commodity futures trading commission; the federal trade  
10 commission; a federal depository institution regulator, or a deposi-  
11 tory institution, insurance or other financial services regulator of a  
12 state that the person willfully violated the securities act of 1933, the  
13 securities exchange act of 1934, the investment advisers act of 1940,  
14 the investment company act of 1940, or the commodity exchange act, the  
15 securities or commodities law of a state, or a federal or state law under  
16 which a business involving investments, franchises, insurance, banking  
17 or finance is regulated;
- 18 (7) Is insolvent, either because the person's liabilities exceed the  
19 person's assets or because the person cannot meet the person's obliga-  
20 tions as they mature, provided however that the administrator may not  
21 enter an order against an applicant or registrant under this paragraph  
22 (7) without a finding of insolvency as to the applicant or registrant;
- 23 (8) Refuses to allow or otherwise impedes the administrator from con-  
24 ducting an audit or inspection under section 30-14-411 (d), Idaho Code,  
25 or refuses access to a registrant's office to conduct an audit or in-  
26 spection under section 30-14-411 (d), Idaho Code;
- 27 (9) Has failed to reasonably supervise an agent, investment adviser  
28 representative or other individual, if the agent, investment adviser  
29 representative or other individual was subject to the person's supervi-  
30 sion and committed a violation of this chapter or the predecessor act or  
31 a rule adopted or an order issued under this chapter or the predecessor  
32 act within the previous ten (10) years;
- 33 (10) Has not paid the proper filing fee within thirty (30) days after  
34 having been notified by the administrator of a deficiency, provided  
35 however that the administrator shall vacate an order under this para-  
36 graph (10) when the deficiency is corrected;
- 37 (11) After notice and opportunity for a hearing, has been found within  
38 the previous ten (10) years:
- 39 (A) By a court of competent jurisdiction to have willfully vio-  
40 lated the laws of a foreign jurisdiction under which the business  
41 of securities, commodities, investment, franchises, insurance,  
42 banking or finance is regulated;
- 43 (B) To have been the subject of an order of a securities regula-  
44 tor of a foreign jurisdiction denying, revoking or suspending the  
45 right to engage in the business of securities as a broker-dealer,  
46 agent, investment adviser, investment adviser representative or  
47 similar person; or
- 48 (C) To have been suspended or expelled from membership by or par-  
49 ticipation in a securities exchange or securities association op-  
50 erating under the securities laws of a foreign jurisdiction;

1 (12) Is the subject of a cease and desist order issued by the securities  
2 and exchange commission or issued under the securities, commodities,  
3 investment, franchise, banking, finance or insurance laws of a state;

4 (13) Has engaged in dishonest or unethical practices in the securities,  
5 commodities, investment, franchise, banking, finance or insurance  
6 business within the previous ten (10) years; or

7 (14) Is not qualified on the basis of factors such as training, experi-  
8 ence and knowledge of the securities business. Provided however, in the  
9 case of an application by an agent for a broker-dealer that is a member  
10 of a self-regulatory organization or by an individual for registration  
11 as an investment adviser representative, a denial order may not be based  
12 on this paragraph (14) if the individual has successfully completed  
13 all examinations required by subsection (e) of this section. The ad-  
14 ministrators may require an applicant for registration under section  
15 30-14-402 or 30-14-404, Idaho Code, who has not been registered in a  
16 state within the two (2) years preceding the filing of an application in  
17 this state to successfully complete an examination.

18 (e) Examinations. A rule adopted or an order issued under this chap-  
19 ter may require that an examination, including an examination developed or  
20 approved by an organization of securities regulators, be successfully com-  
21 pleted by a class of individuals or all individuals. An order issued under  
22 this chapter may waive, in whole or in part, an examination as to an indi-  
23 vidual and a rule adopted under this chapter may waive, in whole or in part,  
24 an examination as to a class of individuals if the administrator determines  
25 that the examination is not necessary or appropriate in the public interest  
26 and for the protection of investors.

27 (f) Summary process. The administrator may suspend or deny an appli-  
28 cation summarily; restrict, condition, limit or suspend a registration; or  
29 censure, bar, or impose a civil penalty on a registrant before final deter-  
30 mination of an administrative proceeding. Upon the issuance of an order, the  
31 administrator shall promptly notify each person subject to the order that  
32 the order has been issued, the reasons for the action, and that within fif-  
33 teen (15) days after the receipt of a request in a record from the person the  
34 matter will be scheduled for a hearing. If a hearing is not requested and  
35 none is ordered by the administrator within thirty (30) days after the date  
36 of service of the order, the order becomes final by operation of law. If a  
37 hearing is requested or ordered, the administrator, after notice of and op-  
38 portunity for hearing to each person subject to the order, may modify or va-  
39 cate the order or extend the order until final determination.

40 (g) Procedural requirements. An order issued may not be issued under  
41 this section, except under subsection (f) of this section, without:

42 (1) Appropriate notice to the applicant or registrant;

43 (2) Opportunity for hearing; and

44 (3) Findings of fact and conclusions of law in a record in accordance  
45 with chapter 52, title 67, Idaho Code.

46 (h) Control person liability. A person that controls, directly or in-  
47 directly, a person not in compliance with this section may be disciplined by  
48 order of the administrator under subsections (a) through (c) of this section  
49 to the same extent as the noncomplying person, unless the controlling person

1 did not know, and in the exercise of reasonable care could not have known, of  
2 the existence of conduct that is a ground for discipline under this section.

3 (i) Limit on investigation or proceeding. The administrator may not  
4 institute a proceeding under subsection (a), (b) or (c) of this section based  
5 solely on material facts actually known by the administrator unless an in-  
6 vestigation or the proceeding is instituted within one (1) year after the ad-  
7 ministrator actually acquires knowledge of the material facts.

8 SECTION 3. That Section 30-14-509, Idaho Code, be, and the same is  
9 hereby amended to read as follows:

10 30-14-509. CIVIL LIABILITY. (a) Securities litigation uniform stan-  
11 dards act. Enforcement of civil liability under this section is subject to  
12 the securities litigation uniform standards act of 1998, as cited in section  
13 30-14-103, Idaho Code.

14 (b) Liability of seller to purchaser. A person is liable to the pur-  
15 chaser if the person sells a security in violation of section 30-14-301,  
16 Idaho Code, or, by means of an untrue statement of a material fact or an  
17 omission to state a material fact necessary in order to make the statement  
18 made, in light of the circumstances under which it is made, not misleading,  
19 the purchaser not knowing the untruth or omission and the seller not sustain-  
20 ing the burden of proof that the seller did not know and, in the exercise of  
21 reasonable care, could not have known of the untruth or omission. An action  
22 under this subsection is governed by the following:

23 (1) The purchaser may maintain an action to recover the consideration  
24 paid for the security, less the amount of any income received on the se-  
25 curity, and interest at the annual rate of interest set forth in section  
26 28-22-104(2), Idaho Code, from the date of the purchase, costs, and rea-  
27 sonable attorneys' fees determined by the court, upon the tender of the  
28 security, or for actual damages as provided in subsection (b) (3) of this  
29 section.

30 (2) The tender referred to in subsection (b) (1) of this section may be  
31 made any time before entry of judgment. Tender requires only notice in  
32 a record of ownership of the security and willingness to exchange the  
33 security for the amount specified. A purchaser that no longer owns the  
34 security may recover actual damages as provided in subsection (b) (3) of  
35 this section.

36 (3) Actual damages in an action arising under this subsection are the  
37 amount that would be recoverable upon a tender less the value of the  
38 security when the purchaser disposed of it, and interest at the annual  
39 rate of interest set forth in section 28-22-104(2), Idaho Code, from the  
40 date of the purchase, costs, and reasonable attorneys' fees determined  
41 by the court.

42 (c) Liability of purchaser to seller. A person is liable to the seller  
43 if the person buys a security by means of an untrue statement of a material  
44 fact or omission to state a material fact necessary in order to make the  
45 statement made, in light of the circumstances under which it is made, not  
46 misleading, the seller not knowing of the untruth or omission, and the pur-  
47 chaser not sustaining the burden of proof that the purchaser did not know,  
48 and in the exercise of reasonable care, could not have known of the untruth or  
49 omission. An action under this subsection is governed by the following:

1 (1) The seller may maintain an action to recover the security, and any  
2 income received on the security, costs, and reasonable attorneys' fees  
3 determined by the court, upon the tender of the purchase price, or for  
4 actual damages as provided in subsection (c) (3) of this section.

5 (2) The tender referred to in subsection (c) (1) of this section may be  
6 made any time before entry of judgment. Tender requires only notice in a  
7 record of the present ability to pay the amount tendered and willingness  
8 to take delivery of the security for the amount specified. If the pur-  
9 chaser no longer owns the security, the seller may recover actual dam-  
10 ages as provided in subsection (c) (3) of this section.

11 (3) Actual damages in an action arising under this subsection are the  
12 difference between the price at which the security was sold and the  
13 value the security would have had at the time of the sale in the absence  
14 of the purchaser's conduct causing liability, and at the annual rate of  
15 interest set forth in section 28-22-104(2), Idaho Code, from the date of  
16 the sale of the security, costs, and reasonable attorneys' fees deter-  
17 mined by the court.

18 (d) Liability of unregistered broker-dealer and agent. A person act-  
19 ing as a broker-dealer or agent that sells or buys a security in violation  
20 of section 30-14-401(a), 30-14-402(a) or 30-14-506, Idaho Code, is liable  
21 to the customer. The customer, if a purchaser, may maintain an action for  
22 recovery of actual damages as specified in subsections (b) (1) through (3)  
23 of this section, or, if a seller, for a remedy as specified in subsections  
24 (c) (1) through (3) of this section.

25 (e) Liability of unregistered investment adviser and investment  
26 adviser representative. A person acting as an investment adviser or invest-  
27 ment adviser representative that provides investment advice for compensa-  
28 tion in violation of section 30-14-403(a), 30-14-404(a) or 30-14-506, Idaho  
29 Code, is liable to the client. The client may maintain an action to recover  
30 the consideration paid for the advice, interest at the annual rate of inter-  
31 est set forth in section 28-22-104(2), Idaho Code, from the date of payment,  
32 costs, and reasonable attorneys' fees determined by the court.

33 (f) Liability for investment advice. A person that receives directly  
34 or indirectly any consideration for providing investment advice to another  
35 person and that employs a device, scheme or artifice to defraud the other  
36 person or engages in an act, practice, or course of business that operates or  
37 would operate as a fraud or deceit on the other person, is liable to the other  
38 person. An action under this subsection is governed by the following:

39 (1) The person defrauded may maintain an action to recover the consid-  
40 eration paid for the advice and the amount of any actual damages caused  
41 by the fraudulent conduct, interest at the annual rate of interest set  
42 forth in section 28-22-104(2), Idaho Code, from the date of the fraudu-  
43 lent conduct, costs, and reasonable attorneys' fees determined by the  
44 court, less the amount of any income received as a result of the fraudu-  
45 lent conduct.

46 (2) This subsection does not apply to a broker-dealer or its agents  
47 if the investment advice provided is solely incidental to transacting  
48 business as a broker-dealer and no special compensation is received for  
49 the investment advice.

1 (g) Joint and several liability. The following persons are liable  
2 jointly and severally with and to the same extent as persons liable under  
3 subsections (b) through (f) of this section:

4 (1) A person that directly or indirectly controls a person liable un-  
5 der subsections (b) through (f) of this section, unless the controlling  
6 person sustains the burden of proof that the person did not know, and in  
7 the exercise of reasonable care could not have known, of the existence  
8 of conduct by reason of which the liability is alleged to exist;

9 (2) An individual who is a managing partner, executive officer, or  
10 director of a person liable under subsections (b) through (f) of this  
11 section, including an individual having a similar status or performing  
12 similar functions, unless the individual sustains the burden of proof  
13 that the individual did not know and, in the exercise of reasonable care  
14 could not have known, of the existence of conduct by reason of which the  
15 liability is alleged to exist;

16 (3) An individual who is an employee of or associated with a person li-  
17 able under subsections (b) through (f) of this section and who materi-  
18 ally aids the conduct giving rise to the liability, unless the individ-  
19 ual sustains the burden of proof that the individual did not know and, in  
20 the exercise of reasonable care could not have known, of the existence  
21 of conduct by reason of which the liability is alleged to exist; and

22 (4) A person that is a broker-dealer, agent, investment adviser, or in-  
23 vestment adviser representative that materially aids the conduct giv-  
24 ing rise to the liability under subsections (b) through (f) of this sec-  
25 tion, unless the person sustains the burden of proof that the person did  
26 not know and, in the exercise of reasonable care could not have known, of  
27 the existence of conduct by reason of which liability is alleged to ex-  
28 ist.

29 (h) Right of contribution. A person liable under this section has a  
30 right of contribution as in cases of contract against any other person liable  
31 under this section for the same conduct.

32 (i) Survival of cause of action. A cause of action under this section  
33 survives the death of an individual who might have been a plaintiff or defen-  
34 dant.

35 (j) Statute of limitations. A person may not obtain relief:

36 (1) Under subsection (b) of this section for violation of section  
37 30-14-301, Idaho Code, or under subsection (d) or (e) of this section,  
38 unless the action is instituted within ~~one~~ three (~~1~~3) years after the  
39 violation occurred; or

40 (2) Under subsection (b) of this section, other than for violation of  
41 section 30-14-301, Idaho Code, or under subsection (c) or (f) of this  
42 section, unless the action is instituted within ~~the earlier of two~~ three  
43 (~~2~~3) years after ~~discovery of the facts constituting the violation or~~  
44 ~~five~~ (~~5~~) years after the a violation was discovered or would have been  
45 discovered with the exercise of reasonable care.

46 (k) No enforcement of violative contract. A person that has made, or  
47 has engaged in the performance of, a contract in violation of this chapter  
48 or a rule adopted or an order issued under this chapter, or that has acquired  
49 a purported right under the contract with knowledge of conduct by reason of



1 which its making or performance was in violation of this chapter, may not  
2 base an action on the contract.

3 (l) No contractual waiver. A condition, stipulation, or provision  
4 binding a person purchasing or selling a security or receiving investment  
5 advice to waive compliance with this chapter or a rule adopted or an order  
6 issued under this chapter is void.

7 (m) Survival of other rights or remedies. The rights and remedies pro-  
8 vided by this chapter are in addition to any other rights or remedies that may  
9 exist, but this chapter does not create a cause of action not specified in  
10 this section or section 30-14-411 (e), Idaho Code.

11 SECTION 4. That Section 30-14-605, Idaho Code, be, and the same is  
12 hereby amended to read as follows:

13 30-14-605. RULES, FORMS, ORDERS, INTERPRETATIVE OPINIONS, AND HEAR-  
14 INGS. (a) Issuance and adoption of forms, orders, and rules. The administra-  
15 tor may:

16 (1) Issue forms and orders and, after notice and comment, may adopt and  
17 amend rules necessary or appropriate to carry out this chapter and may  
18 repeal rules, including rules and forms governing registration state-  
19 ments, applications, notice filings, reports, and other records;

20 (2) By rule, define terms, whether or not used in this chapter, but  
21 those definitions may not be inconsistent with this chapter; and

22 (3) By rule, classify securities, persons, and transactions and adopt  
23 different requirements for different classes.

24 (b) Findings and cooperation. Under this chapter, a rule or form may  
25 not be adopted or amended, or an order issued or amended, unless the admin-  
26 istrator finds that the rule, form, order, or amendment is necessary or ap-  
27 propriate in the public interest or for the protection of investors and is  
28 consistent with the purposes intended by this chapter. In adopting, amend-  
29 ing, and repealing rules and forms, section 30-14-608, Idaho Code, applies  
30 in order to achieve uniformity among the states and coordination with fed-  
31 eral laws in the form and content of registration statements, applications,  
32 reports, and other records, including the adoption of uniform rules, forms,  
33 and procedures.

34 (c) Financial statements. Subject to section 15(i) of the securities  
35 exchange act (15 U.S.C. 78o(i)) and section 222 of the investment advisers  
36 act of 1940 (15 U.S.C. 80b-18a), the administrator may require that a finan-  
37 cial statement filed under this chapter be prepared in accordance with gen-  
38 erally accepted accounting principles in the United States and comply with  
39 other requirements specified by rule adopted or an order issued under this  
40 chapter. A rule adopted or an order issued under this chapter may establish:

41 (1) Subject to section 15(i) of the securities exchange act (15 U.S.C.  
42 78o(i)) and section 222 of the investment ~~advisors~~ advisers act of 1940  
43 (15 U.S.C. 80b-18a), the form and content of financial statements re-  
44 quired under this chapter;

45 (2) Whether unconsolidated financial statements must be filed; and

46 (3) Whether required financial statements must be audited by an inde-  
47 pendent certified public accountant.

48 (d) Interpretative opinions. The administrator may provide interpre-  
49 tative opinions or issue determinations that the administrator will not in-

1     stitute a proceeding or an action under this chapter against a specified per-  
2     son for engaging in a specified act, practice, or course of business if the  
3     determination is consistent with this chapter. A rule adopted or an order  
4     issued under this chapter may establish a reasonable charge for interpreta-  
5     tive opinions or determinations that the administrator will not institute an  
6     action or a proceeding under this chapter.

7         (e) Effect of compliance. A penalty under this chapter may not be im-  
8     posed for, and liability does not arise from, conduct that is engaged in or  
9     omitted in good faith believing it conforms to a rule, form, or order of the  
10    administrator under this chapter.

11        (f) Presumption for public hearings. A hearing in an administrative  
12    proceeding under this chapter must be conducted in public unless the admin-  
13    istrator for good cause consistent with this chapter determines that the  
14    hearing will not be so conducted.

15        SECTION 5. An emergency existing therefor, which emergency is hereby  
16    declared to exist, this act shall be in full force and effect on and after  
17    July 1, 2022.