



SB-1006

Proposed Amendment to the Idaho Uniform Securities Act (2004)

Legislative Need - The proposed legislation is needed to adapt the statute to numbering changes in federal statute and to **retain authority** for the Department to maintain certain securities issuer filings and fees that were partially affected by federal preemption. Some of this preemption was accomplished through rulemaking conducted by the U.S. Securities & Exchange Commission (SEC) that was later upheld after various legal challenges. **Idaho receives nearly 10,000 issuer filings each year, yet more than 98% of these issuers are not Idaho-based.**

“Regulation A” Issuer Filings – The SEC updated and expanded Regulation A, an existing exemption from federal registration for smaller issuers of securities. The implementation of the new SEC rules preempted state regulators from any substantive review of Tier 2 issuer offering documents, while retaining state authority to require the filing of offering documents and the collection of filing fees as previously allowed.

The proposed statutory amendment will provide more direct authority for the Department to continue to require and accept those filings and fees associated with federal Regulation A Tier 2 offerings.

Private Placement Changes – Since the states and the SEC share regulatory authority, most states harmonize their statutes and regulations with the federal provisions. Idaho had adapted its law and regulations to recognize federal Regulation D offerings in Idaho by requiring issuer filings that are identical to those made with the SEC.

The proposed legislation is required to adapt the statute to numbering changes in federal laws and regulations allowing the Department to more directly retain its authority to require issuer filings and fees.

Amendment Seeks Filing Requirement Flexibility (see lines 9-10 Page 2) - Federal preemptive rulemaking has essentially moved one type of issuer offering (Regulation A) from a state registration category to a “notice filing” category. In order to better adapt to this development and prospective future federal changes, *we seek flexibility to match issuer document filings at the federal level with our state requirements.* We anticipate that this authority will be rules based, *but still subject to legislative oversight.*

Who will be affected without this change - Without the benefit of this statutory change, Idaho citizen investors will have less access to information regarding the affected classes of securities issuers and the Department will be unable to vet this class of issuers to identify statutorily disqualified persons attempting to offer and issue securities to Idaho residents. Issuers that may no longer need to make certain notice filings with the Department will effectively save \$50 per issuer filing (approximately 400-500 per year).

Fiscal impact of legislative idea - If the Department is unable to effect this statutory change, the Department estimates that approximately 400-500 issuer filings may be affected resulting in an estimated loss of revenue in an amount not greater than \$25,000. Failing to make this change may also deny Idahoans (and the Department) of ready access to information regarding said issuers.

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