HOUSE BILL NO. 1154

AN ACT TO PROVIDE THAT A PERSON WHO DEVELOPS, SELLS OR FACILITATES THE EXCHANGE OF AN OPEN BLOCKCHAIN TOKEN IS NOT SUBJECT TO CERTAIN SECURITIES AND MONEY TRANSMISSION LAWS; TO AUTHORIZE CERTAIN VERIFICATION AUTHORITY TO THE SECRETARY OF STATE; AMEND SECTION 75-15-7, MISSISSIPPI CODE OF 1972, TO PROVIDE AN EXEMPTION FOR A PERSON WHO DEVELOPS, SELLS OR FACILITATES THE EXCHANGE OF AN OPEN BLOCKCHAIN TOKEN; TO AMEND SECTION 75-71-102, MISSISSIPPI CODE OF 1972, TO REVISE THE DEFINITIONS OF THE TERMS "BROKER-DEALER" AND "SECURITY" TO PROVIDE THAT THE TERMS DO NOT INCLUDE A PERSON WHO DEVELOPS, SELLS OR FACILITATES THE EXCHANGE OF AN OPEN BLOCKCHAIN TOKEN; TO AMEND SECTION 75-17-412, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT IF THE SECRETARY OF STATE HAS REASON TO BELIEVE A PERSON IS ENGAGED IN OR IS ABOUT TO ENGAGE CERTAIN ACTIVITIES RELATING TO BLOCKCHAIN TOKENS, WITHOUT MEETING CERTAIN EXEMPTION REQUIREMENTS, THE SECRETARY OF STATE MAY ISSUE AN ORDER TO SHOW CAUSE WHY AN ORDER TO CEASE AND DESIST THE ACTIVITY SHOULD NOT BE ISSUED; TO BRING FORWARD SECTIONS 75-71-201, 75-71-202, 75-71-203, AND 75-71-204, WHICH RELATE TO EXEMPTIONS FROM REGISTRATION REQUIREMENTS OF CERTAIN SECURITIES, FOR PURPOSES OF POSSIBLE AMENDMENT; TO BRING FORWARD SECTION 75-71-401, MISSISSIPPI CODE OF 1972, WHICH RELATES TO BROKER-DEALER REGISTRATION REQUIREMENT AND EXEMPTIONS, FOR PURPOSES OF POSSIBLE AMENDMENT; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. (1) Except as otherwise provided by subsection (3) of this section, a developer or seller of an open blockchain token shall not be deemed the issuer of a security and shall not
be subject to the provisions of Sections 75-71-401 through 75-71-713, if all of the following are met:

(a) The developer or seller of the token, or the registered agent of the developer or seller, files a notice of intent with the Secretary of State, as specified in subsection (4) of this section;

(b) The purpose of the token is for a consumptive purpose, which shall only be exchangeable for, or provided for the receipt of, goods, services or content, including rights of access to goods, services or content; and

(c) The developer or seller of the token did not sell the token to the initial buyer as a financial investment. This paragraph shall only be satisfied if:

   (i) The developer or seller did not market the token as a financial investment; and

   (ii) At least one (1) of the following is true:

       1. The developer or seller of the token reasonably believed that it sold the token to the initial buyer for a consumptive purpose;

       2. The token has a consumptive purpose that is available at the time of sale and can be used at or near the time of sale for use for a consumptive purpose;

       3. If the token does not have a consumptive purpose available at the time of sale, the initial buyer of the
token is prevented from reselling the token until the token is
available for use for a consumptive purpose; or

4. The developer or seller takes other reasonable precautions to prevent buyers from purchasing the token as a financial investment.

(2) Except as otherwise provided by subsection (3) of this section, a person who facilitates the exchange of an open blockchain token shall not be deemed a broker-dealer or a person who otherwise deals in securities under this chapter and shall not be subject to the provisions of Sections 75-71-401 through 75-71-713 if all of the following are met:

(a) The person, or the registered agent of the person, files a notice of intent with the Secretary of State, as specified in subsection (4) of this section;

(b) The person has a reasonable and good faith belief that a token subject to exchange conforms to the requirements of subsection (1)(a),(b) and (c) of this section; and

(c) The person takes reasonably prompt action to terminate the exchange of a token that does not conform to the requirements of this subsection.

(3) The Secretary of State shall have the authority to determine compliance with the provisions of this section, including whether a person qualifies for the exemptions set forth in this section.
(4) A developer, seller or a person who facilitates the exchange of an open blockchain token, or the registered agent of the applicable person, shall electronically file a notice of intent with the Secretary of State before the person shall qualify for an exemption under this section. The notice of intent shall contain the name of the person acting as a developer, seller or facilitator, the contact information of the person or the registered agent of the person and specify whether the person will be acting as a developer, seller or facilitator. A secure form shall be made available by the office of the Secretary of State on its internet website for this purpose.

(5) As used in this act, "open blockchain token" means a digital unit which is:

(a) Created:
   (i) In response to the verification or collection of a specified number of transactions relating to a digital ledger or database;
   (ii) By deploying computer code to a blockchain network that allows for the creation of digital tokens or other units; or
   (iii) Using any combination of the methods specified in subparagraphs (i) and (ii) of this paragraph.

(b) Recorded in a digital ledger or database which is
chronological, consensus-based, decentralized and mathematically verified in nature, especially relating to the supply of units and their distribution; and

(c) Capable of being traded or transferred between persons without an intermediary or custodian of value.

SECTION 2. Section 75-15-7, Mississippi Code of 1972, is amended as follows:

75-15-7. Nothing in this chapter shall apply to the sale or issuance or delivering of checks by:

(a) Any financial institution whose deposits are insured by any agency of the United States government or any trust company authorized to do business in this state;

(b) The government of the United States or any department or agent thereof;

(c) The State of Mississippi or any municipal corporation, county or other political subdivision of this state;

(d) Agents of a licensee, as provided for in Section 75-15-17, provided that this exemption shall apply only to the agent's acts on behalf of the licensee and this exemption shall not exempt the agent from the provisions of this chapter where he conducts money transmissions for his own account;

(e) Attorneys-at-law, as to checks issued in the regular course of the practice of law;

(f) Persons not carrying on the trade or business of money transmission, this exemption is intended to include persons
who conduct money transmissions only as an incidental act to
another trade or business regularly carried on by them and persons
who only occasionally and infrequently conduct money transmissions
for another person; or
(g) The Nationwide Mortgage Licensing System and
Registry for mortgage brokers, mortgage lenders and mortgage loan
originators.
(h) A person who develops, sells or facilitates the
exchange of an open blockchain token, as defined in Section 1 of
this act.

SECTION 3. Section 75-71-102, Mississippi Code of 1972, is
amended as follows:

75-71-102. Definitions. In this chapter, unless the context
otherwise requires:
(1) "Administrator" means the Secretary of State.
(2) "Agent" means an individual, other than a
broker-dealer, who represents a broker-dealer in effecting or
attempting to effect purchases or sales of securities or
represents an issuer in effecting or attempting to effect
purchases or sales of the issuer's securities. The term does not
include an individual excluded by rule adopted or order issued
under this chapter. The term does not include an associated
person of an issuer who is deemed not to be a broker under
Securities and Exchange Commission Rule 3a4-1.
(3) "Bank" means:
(A) A banking institution organized under the laws of the United States;

(B) A member bank of the Federal Reserve System;

(C) Any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722 (12 USC Section 92a), and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading this chapter; and

(D) A receiver, conservator, or other liquidating agent of any institution or firm included in subparagraph (A), (B) or (C).

(4) "Broker-dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account. The term does not include:

(A) An agent;

(B) An issuer;

(C) A bank or savings institution if its activities as a broker-dealer are limited to those specified in subsection 3(a)(4)(B)(i) through (vi), (viii) through (x), and
(xi) if limited to unsolicited transactions; 3(a)(5)(B); and
3(a)(5)(C) of the Securities Exchange Act of 1934 (15 USC Section 78c(a)(4) and (5)) or a bank that satisfies the conditions described in subsection 3(a)(4)(E) of the Securities Exchange Act of 1934 (15 USC Section 78c(a)(4));

(D) An international banking institution; *
(E) A person who facilitates the exchange of an open blockchain token, as defined in Section 1 of this act; or

(5) "Depository institution" means:

(A) A bank; or

(B) A savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include:

(i) An insurance company or other organization primarily engaged in the business of insurance;

(ii) A Morris Plan bank; or
(iii) An industrial loan company that is not an "insured depository institution" as defined in Section 3(c)(2) of the Federal Deposit Insurance Act, 12 USC 1813(c)(2), or any successor federal statute.

(6) "Federal covered investment adviser" means a person registered under the Investment Advisers Act of 1940.

(7) "Federal covered security" means a security that is, or upon completion of a transaction will be, a covered security under Section 18(b) of the Securities Act of 1933 (15 USC Section 77r(b)) or rules or regulations adopted pursuant to that provision.

(8) "Filing" means the receipt under this chapter of a record by the administrator or a designee of the administrator.

(9) "Fraud," "deceit," and "defraud" are not limited to common law deceit.

(10) "Guaranteed" means guaranteed as to payment of all principal and all interest.

(11) "Institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity:

(A) A depository institution or international banking institution;

(B) An insurance company;

(C) A separate account of an insurance company;
(D) An investment company as defined in the Investment Company Act of 1940;

(E) A broker-dealer registered under the Securities Exchange Act of 1934;

(F) An employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of Ten Million Dollars ($10,000,000.00) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under this chapter, a depository institution, or an insurance company;

(G) A plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of Ten Million Dollars ($10,000,000.00) or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under this chapter, a depository institution, or an insurance company;
(H) A trust, if it has total assets in excess of Ten Million Dollars ($10,000,000.00), its trustee is a depository institution, and its participants are exclusively plans of the types identified in subparagraph (F) or (G), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans;

(I) An organization described in Section 501(c)(3) of the Internal Revenue Code (26 USC Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of Ten Million Dollars ($10,000,000);

(J) A small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 USC Section 681(c)) with total assets in excess of Ten Million Dollars ($10,000,000.00);

(K) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 USC Section 80b-2(a)(22)) with total assets in excess of Ten Million Dollars ($10,000,000.00);

(L) A federal covered investment adviser acting for its own account;
(M) A "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 CFR 230.144A);

(N) A "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 CFR 240.15a-6);

(O) Any other person, other than an individual, of institutional character with total assets in excess of Ten Million Dollars ($10,000,000.00) not organized for the specific purpose of evading this chapter; or

(P) Any other person specified by rule adopted or order issued under this chapter.

(12) "Insurance company" means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

(13) "Insured" means insured as to payment of all principal and all interest.

(14) "International banking institution" means an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933.

(15) "Investment adviser" means a person that, for compensation, engages in the business of advising others, either
directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation. The term does not include:

(A) An investment adviser representative;
(B) A lawyer, accountant, engineer, or teacher whose performance of investment advice is solely incidental to the practice of the person's profession;
(C) A broker-dealer or its agents whose performance of investment advice is solely incidental to the conduct of business as a broker-dealer and that does not receive special compensation for the investment advice;
(D) A publisher of a bona fide newspaper, news magazine, or business or financial publication of general and regular circulation;
(E) A federal covered investment adviser;
(F) A bank or savings institution;
(G) Any other person that is excluded by the Investment Advisers Act of 1940 from the definition of investment adviser; or

(H) Any other person excluded by rule adopted or order issued under this chapter.

(16) "Investment adviser representative" means an individual employed by or associated with an investment adviser or federal covered investment adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice or holds herself or himself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing. The term does not include an individual who:

(A) Performs only clerical or ministerial acts;

(B) Is an agent whose performance of investment advice is solely incidental to the individual acting as an agent and who does not receive special compensation for investment advisory services;

(C) Is employed by or associated with a federal covered investment adviser, unless the individual has a "place of business" in this state as that term is defined by rule adopted
under Section 203A of the Investment Advisers Act of 1940 (15 USC Section 80b-3a) and is:

(i) An "investment adviser representative" as that term is defined by rule adopted under Section 203A of the Investment Advisers Act of 1940 (15 USC Section 80b-3a); or

(ii) Not a "supervised person" as that term is defined in Section 202(a)(25) of the Investment Advisers Act of 1940 (15 USC Section 80b-2(a)(25)); or

(D) Is excluded by rule adopted or order issued under this chapter.

(17) "Issuer" means a person that issues or proposes to issue a security, subject to the following:

(A) The issuer of a voting trust certificate, collateral trust certificate, certificate of deposit for a security, or share in an investment company without a board of directors or individuals performing similar functions is the person performing the acts and assuming the duties of depositor or manager pursuant to the trust or other agreement or instrument under which the security is issued.

(B) The issuer of an equipment trust certificate or similar security serving the same purpose is the person by which the property is or will be used or to which the property or equipment is or will be leased or conditionally sold or that is otherwise contractually responsible for assuring payment of the certificate.
The issuer of a fractional undivided interest in an oil, gas, or other mineral lease or in payments out of production under a lease, right, or royalty is the owner of an interest in the lease or in payments out of production under a lease, right, or royalty, whether whole or fractional, that creates fractional interests for the purpose of sale.

(18) "Nonissuer transaction" or "nonissuer distribution" means a transaction or distribution not directly or indirectly for the benefit of the issuer.

(19) "Offer to purchase" includes an attempt or offer to obtain, or solicitation of an offer to sell, a security or interest in a security for value. The term does not include a tender offer that is subject to Section 14(d) of the Securities Exchange Act of 1934 (15 USC 78n(d)).

(20) "Person" means an individual; corporation; business trust; estate; trust; partnership; limited liability company; association or organization, whether incorporated or unincorporated; joint venture; government; governmental subdivision, agency, or instrumentality; or any other legal or commercial entity.

(21) "Place of business" of a broker-dealer, an investment adviser, or a federal covered investment adviser means:

(A) An office at which the broker-dealer, investment adviser, or federal covered investment adviser regularly provides brokerage or investment advice or solicits,
meets with, or otherwise communicates with customers or clients;

or

(B) Any other location that is held out to the general public as a location at which the broker-dealer, investment adviser, or federal covered investment adviser provides brokerage or investment advice or solicits, meets with, or otherwise communicates with customers or clients.

(22) "Predecessor act" means the act repealed by Section 2, Chapter 528, Laws of 2009.

(23) "Price amendment" means the amendment to a registration statement filed under the Securities Act of 1933 or, if an amendment is not filed, the prospectus or prospectus supplement filed under the Securities Act of 1933 that includes a statement of the offering price, underwriting and selling discounts or commissions, amount of proceeds, conversion rates, call prices, and other matters dependent upon the offering price.

(24) "Principal place of business" of a broker-dealer or an investment adviser means the executive office of the broker-dealer or investment adviser from which the officers, partners, or managers of the broker-dealer or investment adviser direct, control, and coordinate the activities of the broker-dealer or investment adviser.

(25) "Record," except in the phrases "of record," "official record," and "public record," means information that is
inscribed on a tangible medium or that is stored in an electronic
or other medium and is retrievable in perceivable form.

(26) "Sale" includes every contract of sale, contract
to sell, or disposition of, a security or interest in a security
for value, and "offer to sell" includes every attempt or offer to
dispose of, or solicitation of an offer to purchase, a security or
interest in a security for value. Both terms include:

(A) A security given or delivered with, or as a
bonus on account of, a purchase of securities or any other thing
constituting part of the subject of the purchase and having been
offered and sold for value;

(B) A gift of assessable stock involving an offer
and sale; and

(C) A sale or offer of a warrant or right to
purchase or subscribe to another security of the same or another
issuer and a sale or offer of a security that gives the holder a
present or future right or privilege to convert the security into
another security of the same or another issuer, including an offer
of the other security.

(27) "Securities and Exchange Commission" means the
United States Securities and Exchange Commission.

(28) "Security" means a note; stock; treasury stock;
security future; bond; debenture; evidence of indebtedness;
certificate of interest or participation in a profit-sharing
agreement; collateral trust certificate; preorganization
certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term includes both a certificated and an uncertificated security. The term does not include an open blockchain token, as defined in Section 1 of this act. The term also does not include an insurance or endowment policy or annuity contract under which an insurance company promises to pay a sum of money either in a lump sum or periodically for life or other specified period; or an interest in a contributory or noncontributory pension or welfare plan subject to the Employee Retirement Income Security Act of 1974. An "investment contract" includes, among other contracts, an investment in a limited partnership, an interest in a limited liability company, an investment in a viatical settlement or similar agreement, and an investment in a common enterprise with the expectation of profits to be derived primarily from the
efforts of a person other than the investor and a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.


(30) "Sign" means, with present intent to authenticate or adopt a record:

(A) To execute or adopt a tangible symbol; or
(B) To attach or logically associate with the record an electronic symbol, sound, or process.

(31) "State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

SECTION 4. Section 75-71-412, Mississippi Code of 1972, is amended as follows:

75-71-412. (a) **Disciplinary conditions-applicants.** If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this
chapter may deny an application, or may condition or limit
registration of an applicant to be a broker-dealer, agent,
investment adviser, or investment adviser representative, and, if
the applicant is a broker-dealer or investment adviser, of a
partner, officer, director, or person having a similar status or
performing similar functions, or a person directly or indirectly
in control, of the broker-dealer or investment adviser.

(b) Disciplinary conditions—registrants. If the
administrator finds that the order is in the public interest and
subsection (d) authorizes the action, an order issued under this
chapter may revoke, suspend, condition, or limit the registration
of a registrant and, if the registrant is a broker-dealer or
investment adviser, of a partner, officer, director, or person
having a similar status or performing similar functions, or a
person directly or indirectly in control, of the broker-dealer or
investment adviser. However, the administrator may not:

(1) Institute a revocation or suspension proceeding
under this subsection (b) based on an order issued under a law of
another state that is reported to the administrator or a designee
of the administrator more than one (1) year after the date of the
order on which it is based; or

(2) Under subsection (d)(5)(A) or (B), issue an order
on the basis of an order issued under the securities act of
another state unless the other order was based on conduct for
which subsection (d) would authorize the action had the conduct occurred in this state.

(c) **Disciplinary penalties—registrants.** If the administrator finds that the order is in the public interest and subsection (d)(1) through (6), (8), (9), (10), (12) or (13) authorizes the action, an order under this chapter may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of the amount specified in Section 75-71-613 for each violation on a registrant, and, if the registrant is a broker-dealer or investment adviser, a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser.

(d) **Grounds for discipline.** A person may be disciplined under subsections (a) through (c) if the person:

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

2. Willfully violated or willfully failed to comply with this chapter or the predecessor act or a rule adopted or
order issued under this chapter or the predecessor act within the
previous fifteen (15) years; for purposes of an ongoing failure to
supervise, each twelve-month period or less of the conduct is a
separate violation of this subsection, and if the person has
failed to supervise more than one (1) individual at a time during
the twelve (12) consecutive months' time period, then it shall be
a separate violation of this subsection for each individual that
the person failed to supervise during the applicable time period;

(3) Has been convicted of a felony or within the
previous ten (10) years has been convicted of a misdemeanor
involving a security, a commodity future or option contract, or an
aspect of a business involving securities, commodities,
investments, franchises, insurance, banking, or finance;

(4) Is enjoined or restrained by a court of competent
jurisdiction in an action instituted by the administrator under
this chapter or the predecessor act, a state, the Securities and
Exchange Commission, or the United States from engaging in or
continuing an act, practice, or course of business involving an
aspect of a business involving securities, commodities,
investments, franchises, insurance, banking, or finance;

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

(A) The securities or other financial services
regulator of a state or the Securities and Exchange Commission or
other federal agency denying, revoking, barring, or suspending
registration as a broker-dealer, agent, investment adviser, federal covered investment adviser, or investment adviser representative;

(B) The securities regulator of a state or the Securities and Exchange Commission against a broker-dealer, agent, investment adviser, investment adviser representative, or federal covered investment adviser;

(C) The Securities and Exchange Commission or a self-regulatory organization suspending or expelling the registrant from membership in the self-regulatory organization;

(D) A court adjudicating a United States Postal Service fraud order;

(E) The insurance regulator of a state denying, suspending, or revoking registration as an insurance agent; or

(F) A depository institution or financial services regulator suspending or barring the person from the depository institution or other financial services business;

(6) Is the subject of an adjudication or determination, after notice and opportunity for hearing, by the Securities and Exchange Commission, the Commodity Futures Trading Commission; the Federal Trade Commission; a federal depository institution regulator, or a depository institution, insurance, or other financial services regulator of a state that the person willfully violated the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment
Company Act of 1940, or the Commodity Exchange Act, the securities or commodities law of a state, or a federal or state law under which a business involving investments, franchises, insurance, banking, or finance is regulated;

(7) Is insolvent, either because the person's liabilities exceed the person's assets or because the person cannot meet the person's obligations as they mature, but the administrator may not enter an order against an applicant or registrant under this subsection (d) without a finding of insolvency as to the applicant or registrant;

(8) Refuses to allow or otherwise impedes the administrator from conducting an audit or inspection under Section 75-71-411(d) or refuses access to a registrant's office to conduct an audit or inspection under Section 75-71-411(d);

(9) Has failed to reasonably supervise an agent, investment adviser representative, or other individual, if the agent, investment adviser representative, or other individual was subject to the person's supervision and committed a violation of this chapter or the predecessor act or a rule adopted or order issued under this chapter or the predecessor act within the previous fifteen (15) years;

(10) Has not paid the proper filing fee within thirty (30) days after having been notified by the administrator of a deficiency, but the administrator shall vacate an order under this subsection (d) when the deficiency is corrected;
(11) After notice and opportunity for a hearing, has been found within the previous ten (10) years:

(A) By a court of competent jurisdiction to have willfully violated the laws of a foreign jurisdiction under which the business of securities, commodities, investment, franchises, insurance, banking, or finance is regulated;

(B) To have been the subject of an order of a securities regulator of a foreign jurisdiction denying, revoking, or suspending the right to engage in the business of securities as a broker-dealer, agent, investment adviser, investment adviser representative, or similar person; or

(C) To have been suspended or expelled from membership by or participation in a securities exchange or securities association operating under the securities laws of a foreign jurisdiction;

(12) Is the subject of a cease and desist order issued by the Securities and Exchange Commission or issued under the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state;

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

(14) Is not qualified on the basis of factors such as training, experience, and knowledge of the securities business.
However, in the case of an application by an agent for a broker-dealer that is a member of a self-regulatory organization or by an individual for registration as an investment adviser representative, a denial order may not be based on this subsection if the individual has successfully completed all examinations required by subsection (e). The administrator may require an applicant for registration under Section 75-71-402 or 75-71-404 who has not been registered in a state within the two (2) years preceding the filing of an application in this state to successfully complete an examination.

(e) **Examinations.** A rule adopted or order issued under this chapter may require that an examination, including an examination developed or approved by an organization of securities regulators, be successfully completed by a class of individuals or all individuals. An order issued under this chapter may waive, in whole or in part, an examination as to an individual and a rule adopted under this chapter may waive, in whole or in part, an examination as to a class of individuals if the administrator determines that the examination is not necessary or appropriate in the public interest and for the protection of investors.

(f) **Summary process.** The administrator may suspend or deny an application summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or impose a civil penalty on a registrant before final determination of an administrative proceeding. Upon the issuance of an order, the administrator
shall promptly notify each person subject to the order that the
order has been issued, the reasons for the action, and that within
fifteen (15) days after the receipt of a request in a record from
the person the matter will be scheduled for a hearing. If a
hearing is not requested and none is ordered by the administrator
within thirty (30) days after the date of service of the order,
the order becomes final by operation of law. If a hearing is
requested or ordered, the administrator, after notice of and
opportunity for hearing to each person subject to the order, may
modify or vacate the order or extend the order until final
determination.

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

(1) Appropriate notice to the applicant or registrant;
(2) Opportunity for hearing; and
(3) Findings of fact and conclusions of law in a record
in accordance with the administrative hearing procedures set forth
in the rules.

(h) **Control person liability.** A person that controls,
directly or indirectly, a person not in compliance with this
section may be disciplined by order of the administrator under
subsections (a) through (c) to the same extent as the noncomplying
person, unless the controlling person did not know, and in the
exercise of reasonable care could not have known, of the existence
of conduct that is a ground for discipline under this section.
(i) **Limit on investigation or proceeding.** The administrator may not institute a proceeding under subsection (a), (b), or (c) based solely on material facts actually known by the administrator unless an investigation or the proceeding is instituted within one (1) year after the administrator actually acquires knowledge of the material facts.

(j) If the Secretary of State has reason to believe a person is engaged in or is about to engage in any activity which would be subject to the provisions of Section 1 of this act, but for an exemption asserted under Section 75-15-7, and the Secretary of State has reason to believe the requirements of Section 75-15-7 have not been met, the Secretary of State may issue an order to show cause why an order to cease and desist the activity should not be issued.

**SECTION 5.** Section 75-71-201, Mississippi Code of 1972, is brought forward as follows:

75-71-201. **Exempt securities.** The following securities are exempt from the requirements of Sections 75-71-301 through 75-71-306 and 75-71-504:

(1) A security, including a revenue obligation or a separate security as defined in Rule 131 (17 CFR 230.131) adopted under the Securities Act of 1933, issued, insured, or guaranteed by the United States; a state; a political subdivision of a state; a public authority, agency, or instrumentality of one or more states; a political subdivision of one or more states; or a person
controlled or supervised by and acting as an instrumentality of the United States under authority granted by the Congress; or a certificate of deposit for any of the foregoing;

(2) A security issued, insured, or guaranteed by a foreign government with which the United States maintains diplomatic relations, or any of its political subdivisions, if the security is recognized as a valid obligation by the issuer, insurer, or guarantor;

(3) A security issued by and representing or that will represent an interest in or a direct obligation of, or be guaranteed by:

(A) An international banking institution;

(B) A banking institution organized under the laws of the United States; a member bank of the Federal Reserve System; or a depository institution a substantial portion of the business of which consists or will consist of receiving deposits or share accounts that are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law or exercising fiduciary powers that are similar to those permitted for national banks under the authority of the Comptroller of Currency pursuant to Section 1 of Public Law 87-722 (12 USC Section 92a); or

(C) Any other depository institution, unless by rule or order the administrator proceeds under Section 75-71-204;
(4) A security issued by and representing an interest in, or a debt of, or insured or guaranteed by, an insurance company authorized to do business in this state;

(5) A security issued or guaranteed by a railroad, other common carrier, public utility, or public utility holding company that is:

   (A) Regulated in respect to its rates and charges by the United States or a state;

   (B) Regulated in respect to the issuance or guarantee of the security by the United States, a state, Canada, or a Canadian province or territory; or

   (C) A public utility holding company registered under the Public Utility Holding Company Act of 1935 or a subsidiary of such a registered holding company within the meaning of that act;

(6) A federal covered security specified in Section 18(b)(1) of the Securities Act of 1933 (15 USC Section 77r(b)(1)) or by rule adopted under that provision or a security listed or approved for listing on another securities market specified by rule under this chapter; a put or a call option contract; a warrant; a subscription right on or with respect to such securities; or an option or similar derivative security on a security or an index of securities or foreign currencies issued by a clearing agency registered under the Securities Exchange Act of 1934 and listed or designated for trading on a national securities
exchange, a facility of a national securities exchange, or a facility of a national securities association registered under the Securities Exchange Act of 1934 or an offer or sale, of the underlying security in connection with the offer, sale, or exercise of an option or other security that was exempt when the option or other security was written or issued; or an option or a derivative security designated by the Securities and Exchange Commission under Section 9(b) of the Securities Exchange Act of 1934 (15 USC Section 78i(b));

(7) A security issued by a person organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, social, athletic, or reformatory purposes, or as a chamber of commerce, and not for pecuniary profit, no part of the net earnings of which inures to the benefit of a private stockholder or other person, or a security of a company that is excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act of 1940 (15 USC Section 80a-3(c)(10)(B)); except that with respect to the offer or sale of a note, bond, debenture, or other evidence of indebtedness issued by such a person, a rule may be adopted under this chapter limiting the availability of this exemption by classifying securities, persons, and transactions, imposing different requirements for different classes, specifying with respect to (B) the scope of the exemption and the grounds for denial or suspension, and requiring an issuer:
(A) To file a notice specifying the material terms of the proposed offer or sale and copies of any proposed sales and advertising literature to be used and provide that the exemption becomes effective if the administrator does not disallow the exemption within the period established by the rule;

(B) To file a request for exemption authorization for which a rule under this chapter may specify the scope of the exemption, the requirement of an offering statement, the filing of sales and advertising literature, the filing of consent to service of process complying with Section 75-71-611, and grounds for denial or suspension of the exemption; or

(C) To register under Section 75-71-304;

(8) A member's or owner's interest in, or a retention certificate or like security given in lieu of a cash patronage dividend issued by, a cooperative organized and operated as a nonprofit membership cooperative under the cooperative laws of a state, but not a member's or owner's interest, retention certificate, or like security sold to persons other than bona fide members of the cooperative;

(9) An equipment trust certificate with respect to equipment leased or conditionally sold to a person, if any security issued by the person would be exempt under this section or would be a federal covered security under Section 18(b)(1) of the Securities Act of 1933 (15 USC Section 77r(b)(1)); and
(10) Any oil, gas or mineral lease, working interest, mineral interest or mineral estate, royalty interest or royalty estate, overriding royalty, or an oil payment or net profit interest, regardless of how said interests may be created, provided any vested estate in any working interest shall not be less than one-two-hundredth (1/200) of the whole working interest, and any mineral lease and royalty sales made in exchange for labor, material and machinery used in drilling an oil or gas well.

SECTION 6. Section 75-71-202, Mississippi Code of 1972, is brought forward as follows:

75-71-202. Exempt transactions. The following transactions are exempt from the requirements of Sections 75-71-301 through 75-71-306 and 75-71-504. The transactions listed below are self-actuating, are not conditioned by rule and require no pre-approval of the administrator, unless otherwise indicated below:

(1) An isolated nonissuer transaction, whether effected by or through a broker-dealer or not;

(2) A nonissuer transaction by or through a broker-dealer registered, or exempt from registration under this chapter, and a resale transaction by a sponsor of a unit investment trust registered under the Investment Company Act of 1940, in a security of a class that has been outstanding in the hands of the public for at least ninety (90) days, if, at the date of the transaction:
(A) The issuer of the security is engaged in business, the issuer is not in the organizational stage or in bankruptcy or receivership, and the issuer is not a blank check, blind pool, or shell company that has no specific business plan or purpose or has indicated that its primary business plan is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person;

(B) The security is sold at a price reasonably related to its current market price;

(C) The security does not constitute the whole or part of an unsold allotment to, or a subscription or participation by, the broker-dealer as an underwriter of the security or a redistribution;

(D) A nationally recognized securities manual or its electronic equivalent designated by rule adopted or order issued under this chapter or a record filed with the Securities and Exchange Commission that is publicly available contains:

(i) A description of the business and operations of the issuer;

(ii) The names of the issuer's executive officers and the names of the issuer's directors, if any;

(iii) An audited balance sheet of the issuer as of a date within eighteen (18) months before the date of the transaction or, in the case of a reorganization or merger when the parties to the reorganization or merger each had an audited
balance sheet, a pro forma balance sheet for the combined
organization; and

(iv) An audited income statement for each of
the issuer's two (2) immediately previous fiscal years or for the
period of existence of the issuer, whichever is shorter, or, in
the case of a reorganization or merger when each party to the
reorganization or merger had audited income statements, a pro
forma income statement; and

(E) Any one (1) of the following requirements is
met:

(i) The issuer of the security has a class of
equity securities listed on a national securities exchange
registered under Section 6 of the Securities Exchange Act of 1934
or designated for trading on the National Association of
Securities Dealers Automated Quotation System;

(ii) The issuer of the security is a unit
investment trust registered under the Investment Company Act of
1940;

(iii) The issuer of the security, including
its predecessors, has been engaged in continuous business for at
least three (3) years; or

(iv) The issuer of the security has total
assets of at least Two Million Dollars ($2,000,000.00) based on an
audited balance sheet as of a date within eighteen (18) months
before the date of the transaction or, in the case of a
reorganization or merger when the parties to the reorganization or merger each had such an audited balance sheet, a pro forma balance sheet for the combined organization;

(3) A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in a security of a foreign issuer that is a margin security defined in regulations or rules adopted by the Board of Governors of the Federal Reserve System;

(4) A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in an outstanding security if the guarantor of the security files reports with the Securities and Exchange Commission under the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (15 USC 78m or 78o(d));

(5) A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in a security that:

(A) Is rated at the time of the transaction by a nationally recognized statistical rating organization in one (1) of its four (4) highest rating categories; or

(B) Has a fixed maturity or a fixed interest or dividend, if:

(i) A default has not occurred during the current fiscal year or within the three (3) previous fiscal years or during the existence of the issuer and any predecessor if less
than three (3) fiscal years, in the payment of principal,
interest, or dividends on the security; and

(ii) The issuer is engaged in business, is not in the organizational stage or in bankruptcy or receivership, and is not and has not been within the previous twelve (12) months a blank check, blind pool, or shell company that has no specific business plan or purpose or has indicated that its primary business plan is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person;

(6) A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter effecting an unsolicited order or offer to purchase;

(7) A nonissuer transaction executed by a bona fide pledgee without the purpose of evading this chapter;

(8) A nonissuer transaction by a federal covered investment adviser with investments under management in excess of One Hundred Million Dollars ($100,000,000.00) acting in the exercise of discretionary authority in a signed record for the account of others;

(9) The following transaction requires approval of the administrator: a transaction in a security, whether or not the security or transaction is otherwise exempt, in exchange for one or more bona fide outstanding securities, claims, or property interests, or partly in such exchange and partly for cash, if the terms and conditions of the issuance and exchange or the delivery
and exchange and the fairness of the terms and conditions have
been approved by the administrator after a hearing;

(10) A transaction between the issuer or other person
on whose behalf the offering is made and an underwriter, or among
underwriters;

(11) A transaction in a note, bond, debenture, or other
evidence of indebtedness secured by a mortgage or other security
agreement if:

(A) The note, bond, debenture, or other evidence
of indebtedness is offered and sold with the mortgage or other
security agreement as a unit;

(B) A general solicitation or general
advertisement of the transaction is not made; and

(C) A commission or other remuneration is not paid
or given, directly or indirectly, to a person not registered under
this chapter as a broker-dealer or as an agent;

(12) A transaction by an executor, administrator of an
estate, sheriff, marshal, receiver, trustee in bankruptcy,
guardian, or conservator;

(13) A sale or offer to sell to:

(A) An institutional investor;

(B) A federal covered investment adviser; or

(C) Any other person exempted by rule adopted or
order issued under this chapter;
(14) A sale or offer to sell securities by or on behalf of an issuer, if the transaction is part of a single issue in which:

(A) Not more than ten (10) purchasers are present in this state during any twelve (12) consecutive months, other than those designated in paragraph (13);

(B) A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;

(C) A commission or other remuneration is not paid or given, directly or indirectly, to a person other than a broker-dealer registered under this chapter or an agent registered under this chapter for soliciting a prospective purchaser in this state; and

(D) The issuer reasonably believes that all the purchasers in this state, other than those designated in paragraph (13), are purchasing for investment;

(15) A transaction under an offer to existing security holders of the issuer, including persons that at the date of the transaction are holders of convertible securities, options, or warrants, if a commission or other remuneration, other than a standby commission, is not paid or given, directly or indirectly, for soliciting a security holder in this state;

(16) An offer to sell, but not a sale, of a security not exempt from registration under the Securities Act of 1933 if:
(A) A registration or offering statement or similar record as required under the Securities Act of 1933 has been filed, but is not effective, or the offer is made in compliance with Rule 165 adopted under the Securities Act of 1933 (17 CFR 230.165); and

(B) A stop order of which the offeror is aware has not been issued against the offeror by the administrator or the Securities and Exchange Commission, and an audit, inspection, or proceeding that is public and that may culminate in a stop order is not known by the offeror to be pending;

(17) An offer to sell, but not a sale, of a security exempt from registration under the Securities Act of 1933 if:

(A) A registration statement has been filed under this chapter, but is not effective;

(B) A solicitation of interest is provided in a record to offerees in compliance with a rule adopted by the administrator under this chapter; and

(C) A stop order of which the offeror is aware has not been issued by the administrator under this chapter and an audit, inspection, or proceeding that may culminate in a stop order is not known by the offeror to be pending;

(18) A transaction involving the distribution of the securities of an issuer to the security holders of another person in connection with a merger, consolidation, exchange of securities, sale of assets, or other reorganization to which the
issuer, or its parent or subsidiary and the other person, or its
parent or subsidiary, are parties;

(19) A rescission offer, sale, or purchase under
Section 75-71-510;

(20) An offer or sale of a security to a person not a
resident of this state and not present in this state if the offer
or sale does not constitute a violation of the laws of the state
or foreign jurisdiction in which the offeree or purchaser is
present and is not part of an unlawful plan or scheme to evade
this chapter;

(21) Employees' stock purchase, savings, option,
profit-sharing, pension, or similar employees' benefit plan,
including any securities, plan interests, and guarantees issued
under a compensatory benefit plan or compensation contract,
contained in a record, established by the issuer, its parents, its
majority-owned subsidiaries, or the majority-owned subsidiaries of
the issuer's parent for the participation of their employees
including offers or sales of such securities to:

(A) Directors; general partners; trustees, if the
issuer is a business trust; officers; consultants; and advisors;

(B) Family members who acquire such securities
from those persons through gifts or domestic relations orders;

(C) Former employees, directors, general partners,
trustees, if the issuer is a business trust, officers,
consultants, and advisors if those individuals were employed by or
providing services to the issuer when the securities were offered; and

(D) Insurance agents who are exclusive insurance agents of the issuer, or the issuer's subsidiaries or parents, or who derive more than fifty percent (50%) of their annual income from those organizations;

(22) A transaction involving:

(A) A stock dividend or equivalent equity distribution, whether the corporation or other business organization distributing the dividend or equivalent equity distribution is the issuer or not, if nothing of value is given by stockholders or other equity holders for the dividend or equivalent equity distribution other than the surrender of a right to a cash or property dividend if each stockholder or other equity holder may elect to take the dividend or equivalent equity distribution in cash, property, or stock;

(B) An act incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims, or property interests, or partly in such exchange and partly for cash; or

(C) The solicitation of tenders of securities by an offeror in a tender offer in compliance with Rule 162 adopted under the Securities Act of 1933 (17 CFR 230.162); or

(23) A nonissuer transaction in an outstanding security by or through a broker-dealer registered or exempt from
registration under this chapter, if the issuer is a reporting
issuer in a foreign jurisdiction designated by this paragraph or
by rule adopted or order issued under this chapter; has been
subject to continuous reporting requirements in the foreign
jurisdiction for not less than one hundred eighty (180) days
before the transaction; and the security is listed on the foreign
jurisdiction's securities exchange that has been designated by
this paragraph or by rule adopted or order issued under this
chapter, or is a security of the same issuer that is of senior or
substantially equal rank to the listed security or is a warrant or
right to purchase or subscribe to any of the foregoing. For
purposes of this paragraph, Canada, together with its provinces
and territories, is a designated foreign jurisdiction and The
Toronto Stock Exchange, Inc., is a designated securities exchange.

After an administrative hearing in compliance with Section
75-71-604, the administrator, by rule adopted or order issued
under this chapter, may revoke the designation of a securities
exchange under this paragraph, if the administrator finds that
revocation is necessary or appropriate in the public interest and
for the protection of investors.

SECTION 7. Section 75-71-203, Mississippi Code of 1972, is
brought forward as follows:

75-71-203. Additional exemptions and waivers. A rule
adopted or order issued under this chapter may exempt a security,
transaction, or offer; a rule under this chapter may exempt a
class of securities, transactions, or offers from any or all of
the requirements of Sections 75-71-301 through 75-71-306 and
75-71-504; and an order under this chapter may waive, in whole or
in part, any or all of the conditions for an exemption or offer
under Sections 75-71-201 and 75-71-202.

SECTION 8. Section 75-71-204, Mississippi Code of 1972, is
brought forward as follows:

75-71-204. Denial, suspension, revocation, condition, or
limitation of exemptions. (a) Enforcement related powers.
Except with respect to a federal covered security or a transaction
involving a federal covered security, an order under this chapter
may deny, suspend application of, condition, limit, or revoke an
exemption created under Section 75-71-201(3)(C), Section
75-71-201(7) or Section 75-71-201 (8) or Section 75-71-202 or an
exemption or waiver created under Section 75-71-203 with respect
to a specific security, transaction, or offer. An order under
this section may be issued only pursuant to the procedures in
Section 75-71-306 or Section 75-71-604 and only prospectively.

(b) Knowledge of order required. A person does not violate
Section 75-71-301, Sections 75-71-303 through 75-71-306, Section
75-71-504, or Section 75-71-510 by an offer to sell, offer to
purchase, sale, or purchase effected after the entry of an order
issued under this section if the person did not know, and in the
exercise of reasonable care could not have known, of the order.
SECTION 9. Section 75-71-401, Mississippi Code of 1972, is brought forward as follows:

75-71-401. Broker-dealer registration requirement and exemptions. (a) Registration requirement. It is unlawful for a person to transact business in this state as a broker-dealer unless the person is registered under this chapter as a broker-dealer or is exempt from registration as a broker-dealer under subsection (b) or (d).

(b) Exemptions from registration. The following persons are exempt from the registration requirement of subsection (a):

(1) A broker-dealer without a place of business in this state if its only transactions effected in this state are with:

(A) The issuer of the securities involved in the transactions;

(B) A broker-dealer registered as a broker-dealer under this chapter or not required to be registered as a broker-dealer under this chapter;

(C) An institutional investor;

(D) A nonaffiliated federal covered investment adviser with investments under management in excess of One Hundred Million Dollars ($100,000,000.00) acting for the account of others pursuant to discretionary authority in a signed record;

(E) A bona fide preexisting customer whose principal place of residence is not in this state and the person is registered as a broker-dealer under the Securities Exchange Act
of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence;

(F) A bona fide preexisting customer whose principal place of residence is in this state but was not present in this state when the customer relationship was established, if:

   (i) The broker-dealer is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities laws of the state in which the customer relationship was established and where the customer had maintained a principal place of residence; and

   (ii) Within forty-five (45) days after the customer's first transaction in this state, the person files an application for registration as a broker-dealer in this state and a further transaction is not effected more than seventy-five (75) days after the date on which the application is filed, or, if earlier, the date on which the administrator notifies the person that the administrator has denied the application for registration or has stayed the pendency of the application for good cause;

(G) Not more than three (3) customers in this state during the previous twelve (12) months, in addition to those customers specified in subparagraphs (A) through (F) and under subparagraph (H), if the broker-dealer is registered under the
Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the broker-dealer has its principal place of business; and

(H) Any other person exempted by rule adopted or order issued under this chapter;

(2) A person that deals solely in United States government securities and is supervised as a dealer in government securities by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the Office of Thrift Supervision.

(c) **Limits on employment or association.** It is unlawful for a broker-dealer, or for an issuer engaged in offering, offering to purchase, purchasing, or selling securities in this state, directly or indirectly, to employ or associate with an individual to engage in an activity related to securities transactions in this state if the registration of the individual is suspended or revoked or the individual is barred from employment or association with a broker-dealer, an issuer, an investment adviser, or a federal covered investment adviser by an order of the administrator under this chapter, the Securities and Exchange Commission, or a self-regulatory organization. A broker-dealer or issuer does not violate this subsection if the broker-dealer or issuer did not know and in the exercise of reasonable care could not have known, of the suspension, revocation, or bar. Upon
request from a broker-dealer or issuer and for good cause, an
order under this chapter may modify or waive, in whole or in part,
the application of the prohibitions of this subsection to the
broker-dealer.

(d) **Foreign transactions.** A rule adopted or order issued
under this chapter may permit:

(1) A broker-dealer that is registered in Canada or
other foreign jurisdiction and that does not have a place of
business in this state to effect transactions in securities with
or for, or attempt to effect the purchase or sale of any
securities by:

(A) An individual from Canada or other foreign
jurisdiction who is temporarily present in this state and with
whom the broker-dealer had a bona fide customer relationship
before the individual entered the United States;

(B) An individual from Canada or other foreign
jurisdiction who is present in this state and whose transactions
are in a self-directed tax advantaged retirement plan of which the
individual is the holder or contributor in that foreign
jurisdiction; or

(C) An individual who is present in this state,
with whom the broker-dealer customer relationship arose while the
individual was temporarily or permanently resident in Canada or
the other foreign jurisdiction; and
(2) An agent who represents a broker-dealer that is exempt under this subsection (d) to effect transactions in securities or attempt to effect the purchase or sale of securities in this state as permitted for a broker-dealer described in paragraph (1).

SECTION 10. This act shall take effect and be in force from and after July 1, 2022.