The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Fiscal Policy Committee

BILL: CS/CS/SB 988

INTRODUCER: Fiscal Policy Committee; Banking and Insurance Committee; and Senator Truenow

SUBJECT: Securities

DATE: April 17, 2025 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Johnson	Knudson	BI	**Fav/CS**
2.	Sanders	Betta	AEG	**Favorable**
3.	Johnson	Siples	FP	**Fav/CS**

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 988 revises provisions of ch. 517, F.S., the "Securities and Investor Protection Act" (Act), which is subject to oversight by the Office of Financial Regulation (OFR). In 2024, the Florida Legislature enacted legislation[1] that substantially revised ch. 517, F.S., which was based on recommendations contained in the report issued by the Chapter 517 Task Force of the Business Law Section of The Florida Bar (Task Force) in coordination with the OFR.[2] The impetus for the Task Force is to increase the ability of small and developing Florida businesses to raise capital, while at the same time assuring and improving investor protections and enforcement measures to guard against abuse.[3] The bill clarifies provisions that were enacted, revises related provisions enacted in 2024, or provides technical changes.

Exempt Securities Transactions and Exempt Securities

The bill:

- Removes the applicability of certain issuer disqualification provisions under the Securities and Exchange Commission (SEC) Rule 506(d) on certain exempt private placement transactions by institutional securities sellers with institutional investors in Florida, which

[1] Chapter 2024-168, Laws of Fla.

[2] Report of the Chapter 517 Task Force of the Business Law Section of The Florida Bar, Recommendations and Analysis of Proposed Amendments to the Florida Securities and Investor Protection Act (Nov. 2023) (on file with the Senate Committee on Banking and Insurance).

[3] *Id.*

cures the applicability of the issuer disqualification provisions to the institutional issuers, which is consistent with federal rules. It appears the provision was meant to apply to issuer disqualifications;[4] however, Rule 506(d) applies to issuers as well as significant number of other covered persons. Representatives of the financial services industry expressed concerns regarding this disqualification provision in connection with the effect of prohibiting exempt transactions conducted with institutional investors in Florida, including offerings made pursuant to Rule 144A under the Securities Act. Such transaction continues to be subject to the anti-fraud provisions of ch. 517, F.S.

- Expands the list of institutional investors covered by the exempt securities transactions, which is consistent with the Uniform Securities Act and federal rules. Institutional investors include financial institutions, insurers, dealers, investment companies, pension or profit-sharing trust, and qualified institutional buyers.
- Revises provisions, relating to the Florida Invest Local Exemption, to require an issuer making an offering under this exemption to file a notice of the offering and a copy of the disclosure statement with the OFR.
- Provides that offers and sales made in compliance with s. 517.061(9), F.S., relating to exempt securities transactions of institutional issuers with institutional investors, are not subject to integration with other offerings. These transactions involve sophisticated investors.
- Requires the Financial Services Commission (commission) to consider certain factors when designating a foreign securities exchange or foreign securities market by rule in connection with certain exempt transactions.

Investor Protections

The bill:

- Revises provisions relating to the Securities Guaranty Fund (fund), which was created to provide relief to victims of securities violations under ch. 517, F.S., and who are entitled to monetary damages or restitution but cannot recover the full amount of such damages or restitution from the wrongdoer. The term, “restitution order” is created for purposes of eligibility for compensation, and the minimum information an applicant must provide to the OFR to seek payment from the fund is revised to specifically include such restitution orders. The bill clarifies the requirements a person must meet to be eligible for payment from the fund.
- Revises a provision, relating to the protection of specified adults who may be victims of financial exploitation, to extend the number of additional days a dealer or investment adviser may delay a disbursement or transaction from 10 to 30 days to conduct a review if the dealer or investment adviser believes financial exploitation of the specified adult has occurred. This change would make the provisions relating to securities dealers and investment advisers consistent with the provisions applicable to financial institutions.

Registration Requirements of Dealers, Associated Persons, Intermediaries, and Investment Advisers

The bill:

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[4] Stuart Cohn, Chapter 517 Task Force of the Business Law Section of The Florida Bar, Follow-up on s. 517.061(9), (Oct. 29, 2024) (on file with Senate Banking and Insurance Committee staff).

- Updates provisions relating to the Mergers and Acquisitions model rule to conform to the 2024 revisions to the model rule that were made because of 2022 federal law changes, and provides rulemaking authority for the commission to adjust earnings and revenue eligibility requirements for privately held companies every five years, if necessary.
- Creates and revises definitions and provisions relating to the application process to clarify the population of persons who must submit fingerprints as part of the registration process for dealers, associated persons, investment advisors, and intermediaries. To ensure compliance with the criteria established in Public Law 92-544, the applicants for registration and any associated or affiliated person must be clearly identified for the Federal Bureau of Investigation (FBI) to continue conducting such background checks.

The bill has an indeterminate impact on state revenue or expenditures. **See Section V. Fiscal Impact Statement below.**

The bill takes effect upon becoming a law.

II. Present Situation:

Federal Regulation of Securities

Securities Act of 1933

Following the stock market crash of 1929, the Securities Act of 1933[5] (Securities Act) was enacted to regulate the offers and sales of securities. The Securities Act requires every offer and sale of securities must be registered with the Securities and Exchange Commission (SEC), unless an exemption from registration is available.[6] The Securities Act requires issuers to disclose financial and other significant information regarding securities offered for public sale and prohibits deceit, misrepresentations, and other kinds of fraud in the sale of securities. The Securities Act requires issuers to disclose information deemed relevant to investors as part of the mandatory SEC registration of the securities that those companies offer for sale to the public.[7]

Registered securities offerings, often called public offerings, are available to all types of investors and have more rigorous disclosure requirements. Initial public offerings (IPOs) provide an initial pathway for companies to raise unlimited capital from the public through a registered offering. After its IPO, the company will be a public company with ongoing public reporting requirements.[8]

By contrast, securities offerings that are exempt from SEC registration are referred to as private offerings and are mainly available to more sophisticated investors. The SEC exempts certain

[5] Public Law 73-22, as amended through P.L. 117-268, enacted December 23, 2022.
[6] 15 U.S.C. s. 77a *et seq.*
[7] *Id.*
[8] U.S. Securities and Exchange Commission (SEC), *What does it mean to be a public company?* https://www.sec.gov/education/capitalraising/building-blocks/what-does-it-mean-be-a-public-company (last visited Dec. 9, 2024).

small offerings from registration requirements to foster capital formation by lowering the cost of offering securities to the public. Examples of exempt offerings[9] include:

- Rule 506(b) Private Placement Offerings allow companies to raise unlimited capital from investors with whom the company has a relationship and who meet certain wealth thresholds or have certain professional credentials;[10]
- Rule 506(c) of Regulation D. General Solicitation Offerings allow companies to raise unlimited capital by broadly soliciting investors who meet certain wealth thresholds or have certain professional credentials;[11]
- Rule 504 of Regulation D, Limited Offerings allow companies to raise up to $10 million in a 12-month period, in many cases from investors with whom the company has a relationship;[12]
- Regulation Crowdfunding offerings allow eligible companies to raise up to five million dollars in investment capital in a 12-month period from investors via an online portal;[13]
- Intrastate offerings[14] allow companies to raise capital within a single state according to state law. Many states limit the offering to between one million and five million dollars in a 12-month period; and[15]
- Regulation A offerings allow eligible companies to raise up to $20 million in a 12-month period in a Tier I offering and up to $75 million through a similar, but less extensive registered offering.[16]

Securities and Exchange Act of 1934

The Securities and Exchange Act of 1934 (Exchange Act) created the U.S. Securities and Exchange Commission (SEC) as an independent agency to enforce federal securities laws.[17] The SEC oversees federal securities laws[18] broadly aimed at protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation.[19] The SEC has regulatory authority over significant parts of the securities industry, including stock exchanges, mutual funds, investment advisers, brokerage firms, as well as securities self-regulatory organizations (SROs), such as the Financial Industry Regulatory Authority, Inc. (FINRA).[20]

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[9] SEC, *The Laws That Govern the Securities Industry*, https://www.sec.gov/about/about-securities-laws (last visited March 13, 2025). Security offerings of municipal, state, and the federal government are exempt from registration.
[10] 17 C.F.R. s. 230.506(b).
[11] 17 C.F.R. s. 230.506(c).
[12] 17 C.F.R. s. 230.504.
[13] 17 C.F.R. s. 227.100.
[14] Section (3)(a)(11) of the Securities Act of 1933, 17 C.F.R. s. 230.147 and 17 C.F.R. s. 230.147A.
[15] SEC, 17 CFR Parts 227, 229, 230, 239, 249, 270 and 274; RIN-3235-AM27, Final rule: Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, https://www.sec.gov/files/rules/final/2020/33-10884.pdf (last visited March 13, 2025).
[16] 17 C.F.R. s. 230.251.
[17] Public Law 73-291, as amended through P.L. 117-328, enacted December 29, 2022.
[18] Section 15, Securities and Exchange Act of 1934.
[19] Securities and Exchange Commission, Mission, https://www.sec.gov/about/mission (last visited March 13, 2025).
[20] National securities exchanges (e.g., the New York Stock Exchange) and clearing and settlement systems may register as SROs with the SEC or CFTC, making them subject to SEC or CFTC oversight. *See* https://www.sec.gov/rules/sro for a list of self-regulatory organizations (SROs) registered with the SEC (last visited March 13, 2025).

***Accredited Investors*[21]**

Regulation D, adopted in 1982, provides several exemptions from the registration requirements of the Securities Act, thereby allowing certain issuers to offer and sell their securities without having to register the offering with the SEC. It was designed to facilitate capital formation by simplifying and clarifying existing exemptions for private or limited offerings, expanding their availability, and providing more uniformity between federal and state exemptions. Regulation D is the most widely used set of exemptions for securities offerings by issuers.

Regulation D includes the definition of "accredited investor" in Rule 501(a).[22] Individuals meeting certain criteria may qualify as an accredited investor. Institutions may qualify as accredited investors based on their status alone or on a combination of their status and the amount of their total assets or investments. Institutions that qualify based on status alone include banks, savings and loan associations, state-registered investment advisers, small business investment companies, investment companies registered under the Investment Company Act, business development companies,[23] employment benefit plans[24]meeting certain conditions.

Institutions qualifying as accredited investors based on a combination of their status and the amount of their total assets or investments include:

- Plans established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;
- Employee benefit plans (within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA)) with total assets in excess of $5,000,000;
- Tax exempt charitable organizations, corporations, Massachusetts or similar business trusts, partnerships, or limited liability companies not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;
- Trusts with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, the purchases of which are directed by a person who meets the legal standard of having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment under Rule 501(a)(7);
- Any entity, of a type not listed in Rules 501(a)(1), (2), (3), (7), or (8), not formed for the specific purpose of acquiring the securities offered, owning investments in excess of $5,000,000 under Rule 501(a)(9); and
- Entities that are "family offices," under Rule 501(a)(12), which cross references the definition in Rule 202(a)(11)(G)-1 of the Advisers Act, meeting the requirements of Rule 501(a)(12).[25]

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[21] See Securities and Exchange Commission, Review of the Accredited Investor Definition under the Dodd-Frank Act (Dec. 14, 2023), https://www.sec.gov/files/review-definition-accredited-investor-2023.pdf (last visited March 13, 2025).
[22] 17 CFR s. 230.501(a), known as Rule 501 (a).
[23] As defined in s. 2(a)(48) of the Investment Company Act.
[24] Within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA).
[25] U.S. Securities and Exchange Commission, Exempt Offerings, *Frequently Asked Questions About Exempt Offerings*, https://www.sec.gov/resources-small-businesses/exempt-offerings/frequently-asked-questions-about-exempt-offerings?auHash=rh5WfJi9h3wRzP6X2anOmgYLdhPHNuo-3Vw0YNZyR_M#faq2 (last visited March 13, 2025).

SEC Rule 506(d) Disqualification

On July 10, 2013, the SEC adopted the "bad actor" disqualification provisions for Rule 506 of Regulation D under the Securities Act, to implement s. 926 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.[26] As a result of Rule 506(d) bad actor disqualification, an offering is disqualified from relying on Rule 506(b) and 506(c) of Regulation D if the issuer or any other person covered[27] by Rule 506(d) has a relevant criminal conviction, regulatory or court order or other disqualifying event that occurred on or after September 23, 2013, the effective date of the rule amendment.

Private Resales of Securities to Institutional Investors

Corporations often issue unregistered bonds in private placements pursuant to Rule 144A[28] of the Securities Act. In 1990, the SEC approved Rule 144A of the Securities Act. The intent of the rule was to facilitate "a more liquid and efficient institutional resale market for unregistered securities." Institutional investors are considered sophisticated investors, thereby understanding the complexities and risks inherent in private placement securities.

Rule 144A is a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales of certain securities to qualified institutional buyers (QIBs).[29] A QIB includes certain entities that, in the aggregate, own and invest on a discretionary basis at least $100 million in securities of unaffiliated issuers.[30] A registered broker-dealer qualifies as a QIB if it owns and invests on a discretionary basis at least $10 million in securities of unaffiliated issuers.[31]

Integration of Offerings[32]

SEC Rule 152 provides a framework for determining whether multiple securities transactions should be considered part of the same offering and contains four non-exclusive safe harbors from integration. Offerings may not be integrated if, based on particular facts and circumstances, the issuer can establish either that each offering complies with the registration requirements of ch. 517, F.S.; or that an exemption from registration is available for the particular offering, provided that any transaction or series of transactions that, although in technical compliance with

[26] U.S. Securities and Exchange Commission, Disqualification of Felons and Other "Bad Actors" from Rule 506 Offerings and Related Disclosure Requirements (Sept. 19, 2013), SEC.gov | Disqualification of Felons and Other "Bad Actors" from Rule 506 Offerings and Related Disclosure Requirements (last visited March 13, 2025).

[27] "Covered persons" include the issuer, including affiliated issuers; directors, general partners, and managing members of the issuer; executive officers of the issuer, and other officers of the issuers that participate in the offering; 20 percent beneficial owners of the issuer, calculated on the basis of total voting power; promoters connected to the issuer; for pooled investment fund issuers, the fund's investment manager and its principals; and persons compensated for soliciting investors, including their directors, general partners and managing members.

[28] 17 C.F.R. s. 230.144A.

[29] Bloomberg Law, Capital Markets, Overview-Rule 144A Debt Offering (Pre-Transaction Considerations) https://www.bloomberglaw.com/external/document/XCUO8474000000/capital-markets-overview-rule-144a-debt-offering-pre-transaction (last visited March 13, 2025).

[30] See 17 C.F.R. s. 230.144A(a)(1)(i) for a listing of QIBs.

[31] Securities and Exchange Commission, https://www.sec.gov/resources-small-businesses/small-business-compliance-guides/eliminating-prohibition-against-general-solicitation-general-advertising-rule-506-rule-144a (last visited March 13, 2025).

[32] 17 C.F.R. s. 230.172.

ch. 517, F.S., is part of a plan or scheme to evade the registration requirements of ch. 517, F.S., will not have the effect of avoiding integration.

SEC Rule 152 significantly reduces the risk to companies, especially smaller ones that have continuing and sporadic needs for capital, that multiple offerings will be integrated as one, with the result that otherwise distinct valid exempt offerings will be deemed in violation of the registration provisions.

Florida Regulation of Securities

The federal securities acts expressly allow for concurrent state regulation under blue sky laws,[33] which are designed to protect investors against fraudulent sales practices and activities. Most state laws typically require companies making offerings of securities to register their offerings before they can be sold in a particular state, unless a specific state exemption is available. The laws also license brokerage firms, their brokers, and investment adviser representatives.[34]

The Office of Financial Regulation (OFR) is responsible for administering the provisions of ch. 517, F.S. The OFR, along with the Office of Insurance Regulation (OIR), are units under the Financial Services Commission (commission). The commission is composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture.[35] The commission members serve as agency head of OFR and OIR for purposes of rulemaking.[36] The commissioners of OFR and OIR are appointed by the commission.

The scope of the OFR's jurisdiction includes the regulation and registration of the offer and sale of securities in, to, or from Florida by firms, branch offices, and individuals associated with these firms in accordance with the ch. 517, F.S.[37] The Division of Securities (division) within the OFR is responsible for administering the Securities and Investor Protection Act (Act). The Act prohibits dealers, associated persons, and issuers from offering or selling securities in this state unless registered with the OFR or specifically exempted.[38] Additionally, all securities in Florida must be registered with the OFR unless they meet one of the exemptions in ss. 517.051 or 517.061, F.S., or are federally covered (i.e., under the exclusive jurisdiction of the SEC). As of December 30, 2024, the division had total registrants in the following categories:

- Dealers: 2,367;
- Investment Advisers: 8,559;
- Branches: 11,728; and
- Associated Persons: 380,993.[39]

[33] The term "blue sky" derives from the characterization of baseless and broad speculative investment schemes, which such laws targeted. Cornell Law School, Blue Sky Laws, https://www.law.cornell.edu/wex/blue_sky_law#:~:text=In%20the%20early%201900s%2C%20decades,schemes%20which%20such%20laws%20targeted (last visited March 13, 2025).

[34] SEC, *Blue Sky Laws*, http://www.sec.gov/answers/bluesky.htm (last visited March 13, 2025).

[35] Section 20.121(3), F.S.

[36] Section 20.121(3)(a), F.S.

[37] Pursuant to s. 20.121(3), F.S. The jurisdiction of the OFR also includes state-chartered financial institutions and finance companies, and other specified entities.

[38] Section 517.12, F.S.

[39] Office of Financial Regulation, *Senate Bill 988 Legislative Bill Analysis* (Feb. 25, 2025) (on file with the Senate Committee on Banking and Insurance).

Licensure Requirements

Pursuant to s. 517.12, F.S., dealers, associated persons, intermediaries, and investment advisers must submit an application with the OFR for registration to sell, offer for sale, or to facilitate the offer or sale of securities. Each applicant and any direct owners, principals, or indirect owners that are required to be reported on Form BD, Form ADV, or on a form adopted by commission rule are required to electronically submit fingerprints to the Florida Department of Law Enforcement (FDLE) for a state and national criminal history record check (i.e., Level 2 background check). The OFR reviews the results of the Level 2 background checks to determine whether applicants meet licensure requirements. The Federal Bureau of Investigation (FBI) had previously approved the aforementioned list of applicants for fingerprint-based, state and national criminal history record checks, pursuant to s. 517.12, F.S. In 2024, legislation was enacted that revised provisions and definitions relating to these terms.[40] During the 2024 Legislative Session, the FDLE provided detailed comments and suggestions regarding the fingerprint provisions in ch. 517, F.S.[41] Specifically, the FDLE recommended that the OFR should clarify the population subject to the criminal background checks to ensure compliance with the criteria established in Public Law 92-544.

Since 1972, the FBI, with the assistance of the United States Department of Justice, has determined the parameters of Pub. L. 92-544. The criteria are as follows:
- The statute must exist as a result of a legislative enactment;
- It must require the fingerprinting of applicants who are subject to a national criminal history background check;
- It must, expressly ("submit to the FBI") or by implication ("submit for a national check"), authorize the use of FBI records for the screening of applicants;
- It must identify the specific category(ies) of licensees/employees falling within its purview, thereby avoiding overbreadth;
- It must not be against public policy; and
- It may not authorize receipt of the criminal history record information (CHRI) by a private entity.[42]

Additionally, FBI policy requires fingerprints be initially submitted to the state identification bureau (for a check of state records) and thereafter forwarded to the FBI for a "national" criminal history check.[43] State agencies wishing to submit statutes for review must work through their State Identification Bureau (FDLE) or appointed CJIS systems officer.[44]

Exempt Private Placements and SEC Rule 506(d)

As part of the 2024 legislation, s. 517.0616, F.S., was created, which provides that a registration exemption for private placement offerings of securities, pursuant to s. 517.061(9), (10), and (11),

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[40] Chapter 2024-168, Laws of Fla.

[41] Florida Department of Law Enforcement, *Senate Bill 988 Legislative Bill Analysis* (March 4, 2025) (on file with the Senate Committee on Banking and Insurance).

[42] Federal Bureau of Investigation Public Law 92-544 — FBI (last visited March 13, 2025).

[43] *Id.*

[44] *Id.*

s. 517.0611, or s. 517.0612, F.S., is not available to an *issuer* that would be disqualified under SEC Rule 506(d) at the time the issuer makes an offer for the sale of a security. Rule 506(d) provides that an offering is disqualified from relying on the exemption if the *issuer or any other person covered* by Rule 506(d) has a relevant criminal conviction, regulatory or court order or other disqualifying event.

Members of the financial services industry expressed concerns regarding this disqualification provision in connection with transactions conducted with institutional investors in Florida, including offerings made pursuant to Rule 144A under the Securities Act. At the federal level, the SEC has not applied any of the disqualification provisions for the safe harbors under Regulation D to these s. 4(a)(2) private placements. Pursuant to s. 517.0616, F.S., the disqualification provisions apply to issuers and covered persons for the following registration exemptions:

- Section 517.061(9), F.S., Institutional Investor Exemption. Exempts the offer or sale of private placement offerings securities to a financial institution, insurer, dealer, investment company, pension or profit-sharing trust, or qualified institutional buyer.
- Section 517.061(10), F.S., Private Limited Offering Exemption. Exempts from registration the offer or sale of securities by or on behalf of an issuer, of its own securities, if the offer or sale is a part of an offering that meets certain conditions, including there are no more than 35 non-accredited purchasers in Florida.
- Section 517.061(11), F.S., Accredited Investor Exemption. Exempts from registration the offer or sale of securities of an issuer in a transaction that meets certain conditions, including the offer or sale of securities made to accredited investors in Florida, and meets other conditions.
- Section 517.0611, F.S., Florida Limited Offering Exemption. Exempts from registration the offer or sale of securities that meet the requirements of the federal exemption for intrastate offerings authorized in Section 3(a)(11) of the Securities Act of 1933, SEC Rule 147, or SEC Rule 147A.
- Section 517.0612, F.S., Florida Invest Local Exemption. Exempts from registration the offer or sale of securities in the amount of $500,000 or less that meet the requirements of the federal exemption for intrastate offerings authorized in s. 3(a)(11) of the Securities Act of 1933, SEC Rule 147, or SEC Rule 147A.

In accordance with the State of Florida, Office of the Governor, Executive Orders 24-208 and 24-214,[45] which declared a state of emergency for certain counties in Florida, and to prevent negative impacts on Florida's financial markets associated with the implementation of s. 517.0616, F.S., as applied to transactions described in s. 517.061(9), F.S., effective October 1, 2024, , the OFR Commissioner issued a proclamation on October 27, 2024[46] which suspended the disqualification provisions of s. 517.0616, F.S., as applied to transactions described in s. 517.061(9), F.S., relating to the institutional investor exemption (*e.g.*, sales to banks, trusts, and

[45] Executive Office of the Governor, Ron DeSantis, *Executive Orders*, Executive Order Numbers 2024-208 and 2024-214, *available at* https://www.flgov.com/eog/sites/default/files/executive-orders/2024/EO-24-208-1.pdf and https://www.flgov.com/eog/sites/default/files/executive-orders/2024/EO-24-214-1.pdf, respectively. (last visited March 13, 2025).

[46] Office of Financial Regulation, OFR 2024-654 (PROC), Proclamation (Securities Industry), Commissioner Russell C. Weigel, III, (Oct. 27, 2024), *available at* https://flofr.gov/docs/default-source/documents/industry-alerts/ofr-proclamation-2024-654.pdf?sfvrsn=af7511de_1 (last visited March 13, 2025).

institutional investors). The proclamation states the application of this provision "could negatively affect financial markets that are vital to ensuring the availability of financial resources…"[47] The suspension of this provision remains effective until the expiration or rescission of Executive Orders 24-208 and 24-214, as amended, or further order, whichever is earlier.

Subsequently, the Florida Governor issued Executive Order 25-10 on January 17, 2025, which extended the state of emergency and all provisions of Executive Order 24-208 for 60 days. Further, the Governor issued Executive Order 25-26 on January 31, 2025, which extended the state of emergency and all provisions of Executive Order 24-214 for 60 days.[48]

Securities Guaranty Fund[49]

The Securities Guaranty Fund (fund) was created to provide relief to victims of securities violations under ch. 517, F.S., who are entitled to monetary damages or restitution but cannot recover the full amount of such damages or restitution from the wrongdoer. A person seeking to recover from the fund must meet certain conditions to be eligible for payment from the fund, including the following:

- Holds an unsatisfied final judgment entered on or after October 1, 2024, in which a wrongdoer was found to have violated ss. 517.07, F.S., or 517.301, F.S.;
- Has applied any amounts recovered from the judgment debtor or from any other source to the damages awarded by the court or arbitrator; and
- Is a natural person who was a resident of this state, or is a business entity that was domiciled in this state, at the time of the violation giving rise to the claim; or
- Is a receiver appointed pursuant to s. 517.191(2), F.S., by a court of competent jurisdiction for a wrongdoer order to pay restitution under s. 517.191, F.S., because of a violation of s. 517.07, F.S., or s. 517.301, F.S.

Florida's Law on the Protection of Vulnerable Investors[50]

In 2020, legislation was enacted in Florida to protect vulnerable investors.[51] The provisions of s. 517.34, F.S., protection of specified adults, allows a dealer or investment adviser to delay a disbursement or transaction of funds or securities from the account of a specified adult or an account for which a specified adult is a beneficiary or beneficial owner if the dealer or investment adviser reasonably believes that financial exploitation of the specified adult has occurred, is occurring, has been attempted, or will be attempted in connection with the

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[47] Office of Financial Regulation, OFR 2024-654 (PROC), Proclamation (Securities Industry), Commissioner Russell C. Weigel, III, (Oct. 27, 2024), *available at* https://flofr.gov/docs/default-source/documents/industry-alerts/ofr-proclamation-2024-654.pdf?sfvrsn=af7511de_1 (last visited March 13, 2025).
[48] Executive Office of the Governor, Ron DeSantis, Executive Orders, *available at* https://www.flgov.com/eog/news/executive-orders (last visited March 13, 2025).
[49] Section 517.131, F.S.
[50] Section 517.34, F.S.
[51] Ch. 2020-157, Laws of Fla.

disbursement or transaction. A specified adult is an individual who is age 65 or older or who meets the definition of "vulnerable adult" under s. 415.102, F.S.

Under s. 517.34, F.S., the suspected financial exploitation must be immediately reported to the Florida Abuse Hotline if required by the act. Not later than three business days after placing a delay, the dealer or investment adviser must notify all parties authorized to transact business on the account, as well as any designated trusted contact unless such person is believed to be engaged in the suspected financial exploitation. Not later than three business days after placing or extending a delay, the dealer or investment adviser must notify the OFR of the delay or extension.

A delay expires 15 business days but may be terminated sooner. The dealer or investment adviser may extend the delay up to an additional 10 business days. The length of the hold may be shortened or extended by a court of competent jurisdiction. A dealer or investment adviser must annually conduct training that is reasonably designed to educate its associated persons on issues pertaining to financial exploitation. A dealer, an investment adviser, or an associated person who, in good faith and exercising reasonable care, complies with s. 517.34, F.S., is immune from any administrative or civil liability that might otherwise arise from a delay in a disbursement or transaction.

Exempt Transactions Relating to Foreign Securities Markets and Foreign Securities Exchanges

Section 517.061(20), F.S., provides that the registration provisions of s. 517.07, F.S., do not apply to a nonissuer transaction in an outstanding security by or through a dealer registered or exempt from registration under ch. 517, F.S., if the two following conditions are met:

- The issuer is a reporting issuer in a foreign jurisdiction designated by this subsection or by commission rule, and the issuer has been subject to continuous reporting requirements in such foreign jurisdiction for not less than 180 days before the transaction.
- The security is listed on the securities exchange designated by this subsection or by commission rule, is a security of the same issuer which is of senior or substantially equal rank to the listed security, or is a warrant or right to purchase or subscribe to any such security.

Exempt transactions conducted pursuant to this subsection are subject to the antifraud provisions of s. 517.301, F.S.

Further, subsection (20) designates Canada, together with its provinces and territories, is designated as a foreign jurisdiction, and Toronto Stock Exchange, Inc., as a securities exchange. If, after an administrative hearing in compliance with ss. 120.569 and 120.57, F.S., the OFR finds that revocation is necessary or appropriate in furtherance of the public interest and for the protection of investors, it may revoke the designation of a securities exchange under this subsection.

Model Rule Exempting Certain Merger and Acquisition Brokers from Registration

Merger and acquisition (M&A) brokers may introduce buyers and sellers, help value the business, recommend terms and structure of the sale, and assist with negotiations in the closing sales of privately held businesses. Smaller transactions may involve the sale of the assets of the business in exchange for cash. However, the ownership of a business may be transferred by means of the purchase, sale, exchange, issuance, merger, repurchase, or redemption of, or other business combinations involving securities. If a transaction involves securities, then state and federal securities laws may apply to the parties and the transactions.

The North American Securities Administrators Association (NASAA) is a voluntary association of securities regulators in the 50 states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, the 13 provincial and territorial securities regulators in Canada, and the securities regulator in México.[52] In November 2015, NASAA adopted the Model Rule Exempting Certain Merger and Acquisition Brokers from Registration (model rule), which provides a uniform approach to state-level securities regulation and provides an exemption for M&A brokers if certain conditions are met.[53]

In 2016, the Florida Legislature enacted legislation consistent with the model rule.[54] The law creates an exemption from registration with the OFR for a merger and acquisition (M&A) broker facilitating the offer or sale of securities in connection with the transfer of ownership of an eligible privately held company. To be an "eligible privately held company," (1) the acquired company must not have any class of securities registered with the SEC pursuant to Section 12 of the Exchange Act of 1934; or be subject to the reporting obligations of Section 15(d) of the Exchange Act of 1934 or with the OFR under s. 517.07,F.S.; and (2) in the fiscal year prior to the engagement of the M&A broker, the company must have earnings before income tax depreciation and amortization of less than $25 million, or gross revenues of less than $250 million.[55]

In 2024, NASAA amended the model rule to align it with recently enacted amendments to subsection 15(b)(13) of the Securities Exchange Act of 1934, which exempts certain merger and acquisition brokers from dealer registration.[56] Although the M&A brokers are exempt from registration, they remain subject to antifraud provisions and enforcement.

[52] The North American Securities Administrators Association, https://www.nasaa.org/about-us/ (last visited March 13, 2025).
[53] North American Securities Administrators Association, *Model Rule Exempting Certain Merger and Acquisition Brokers From Registration*, (Adopted Sep. 29, 2015; Amended May 6, 2024), *available at* https://www.nasaa.org/wp-content/uploads/2024/05/Model-Rule-Exempting-Certain-Merger-and-Acquisition-Brokers-From-Registration-_5-6-2024.pdf (last visited March 13, 2025).
[54] Ch. 2016-111, Laws of Fla.
[55] Section 517.12(21), F.S.
[56] HR 2617, Consolidated Appropriations Act of 2023 (Public Law 117-328). For the statutory exemption to be available, in the fiscal year ending immediately before the fiscal year in which the services of the M&A broker are initially engaged with respect to the M&A transaction, the privately held company must either have earnings before interest, taxes, depreciation, and amortization (EBITDA) of less than $25 million or gross revenues of less than $250 million. *See* Exchange Act s. 15(b)(13)(E)(iii)(II). Congress authorized the SEC to adjust these dollar thresholds for inflation every five years.

III. Effect of Proposed Changes:

Section 1 amends s. 517.021, F.S., to create and revise definitions of terms used in ch. 517, F.S. The following terms are defined to clarify which applicants and persons associated with a license application under s. 517.12, F.S., (e.g., dealer, associated person, intermediary, and investment adviser) are subject to the national criminal background checks:

- Branch manager.
- Corporation.
- Director.
- General partner.
- Limited liability company.
- Limited liability company manager.
- Partnership.
- Trust.

Subsection (19) revises the definition of the term, "intermediary," to mean a person who facilitates through its website the offer or sale of securities of an issuer with a principal place of business in Florida. The terms "corporation," "trust," "partnership," "association," and "other legal entity" previously flagged by the Federal Bureau of Investigation (FBI) as overly broad are removed from the definition.

An intermediary is no longer required, as a natural person to reside in Florida or if an intermediary is a specified entity, it is no longer required to register with the Secretary of State to do business in Florida.

The section provides a technical conforming cross-reference within the definition of the term, "federal covered adviser."

Section 2 amends s. 517.061, F.S., to apply the self-executing registration exemption to the offer or sale of securities to the following categories of institutional investors under subsection (9):

- A savings and loan association, building and loan association, cooperative bank, or credit union, which is supervised and examined by a state or federal authority having supervision over any such institution.
- A federal covered adviser, investment adviser registered pursuant to the laws of a state, exempt reporting adviser or private fund adviser as those terms are defined in s. 517.12(23)(a)2. and 3., F.S., respectively, investment adviser relying on the exemption from registering with the U.S. Securities and Exchange Commission (SEC) under s. 203(l) or (m) of the Investment Advisers Act of 1940, as amended, business development company as defined in s. 2(a)(48) of the Investment Company Act of 1940, as amended, or business development company as defined in s. 202(a)(22) of the Investment Advisers Act of 1940, as amended.
- A small business investment company licensed by the Small Business Administration under s. 301(c) of the Small Business Investment Act of 1958, as amended, or rural business investment company as defined in s. 384A of the Consolidated Farm and Rural Development Act.

- A plan established and maintained by a state, a political subdivision thereof, or any agency or instrumentality of a state or a political subdivision, for the benefit of its employees, if such plan has total assets in excess of $5 million dollars, an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as described in s. 3(21) of such act, which is a bank, savings and loan association, insurance company, or federal covered adviser, or if the employee benefit plan has total assets in excess of $5 million dollars or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- An organization described in s. 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets of more than $5 million dollars.
- A trust, with total assets of more than $5 million dollars, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in United States Securities and Exchange Commissions (SEC) Rule 506(b)(2)(ii), 17 C.F.R. s. 230.506(b)(2)(ii), as amended.
- An entity, of a type not listed in other paragraphs (a)-(g) or paragraph (j) which owns investments as defined in SEC Rule 2a51-1(b), 17 C.F.R s. 270.2a51-1(b), as amended, of more than $5 million dollars and is not formed for the specific purpose of acquiring the securities offered.
- A family office as defined in SEC Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, 17 C.F.R. 275.202(a)(11)(G)-1), as amended, provided that: (1) The family office has assets under management in excess of $5 five million dollars; (2) The family office is not formed for the specific purpose of acquiring the securities offered; and (3) The prospective investment of the family office is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.
- An entity in which all the equity owners are described in s. 517.061(9)(a) – (i), F.S.

The registration exemption in subsection (11) is revised to require an issuer claiming this exemption to file a notice of transaction on a form prescribed by Financial Services Commission (commission) rule, an irrevocable written consent to service of civil process in accordance with s. 517.101, F.S.

Subsections (7), (18) and (19) are amended to provide technical changes.

Subsection (20), relating to the registration exemption for nonissuer transactions by a dealer, is amended to clarify that the conditions for the exemption must be met at the time of the transaction. The bill repeals the requirement that foreign jurisdictions be designated by this subsection or by rules prescribed by the commission. The bill requires the commission to consider the following factors when designating a foreign securities exchange or foreign securities market by rule:

- Organization under foreign law.
- Association of dealers, financial institutions, or other professional intermediaries with an established operating history.
- Oversight by a governmental or self-regulatory body.

- Oversight standards set by general law.
- Reporting of securities transactions on a regular basis to a governmental or self-regulatory body.
- A system for exchange of price quotations through common communications media.
- An organized clearance and settlement system.
- Listing in SEC Regulation S Rule 902 (17 C.F.R. s. 230.902).

The section is also amended to remove the designation of Canada, together with its provinces and territories, as a foreign jurisdiction and to remove the designation of the Toronto Stock Exchange, Inc. as a designated securities exchange.

Section 3 amends s. 517.0612, F.S., the Florida Invest Local Exemption, which is a micro-offering that is limited to $500,000, to require the issuer to file a notice of transaction on a form prescribed by commission rule and an irrevocable written consent to service of civil process in accordance s. 517.101, F.S. The registration provisions of s. 517.07, F.S., do not apply to a securities transaction conducted in accordance with this section. However, such transactions are subject to the anti-fraud provisions of s. 517.301, F.S.

Section 4 amends s. 517.0614, F.S., relating to integration of offerings. Subsection (2) is amended to provide that s. 517.061(9), F.S., relating to exempt transactions of institutional investors, is not subject to integration with other offerings.

Section 5 amends s. 517.0616, F.S., relating to disqualification, to limit the application of SEC Rule 506(d) to registration exemptions under ss. 517.061(11), 517.0611, or 517.0612, F.S. A registration exemption is not available to an issuer if, at the time the issuer makes an offer for the sale of a security, the issuer or other specified covered persons, would be disqualified under SEC Rule 506(d). Other specified covered persons include all of the following:

- A predecessor of the issuer.
- An affiliated issuer.
- A director, executive officer, or other officer of the issuer participating in the offering.
- A general partner or managing member of the issuer.
- A beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power.
- A promoter connected with the issuer in any capacity at the time of the sale.

Subsection (2) is created to clarify that the disqualification under SEC Rule 506(d) does not apply to any other person or entity listed in such rule.

SEC Rule 506(d) provides that an offering is disqualified from relying on a specified exemption if the issuer or any other person covered by the rule has a relevant criminal conviction, regulatory or court order or other disqualifying event. The applicability of SEC Rule 506(d) to offerings under subsections (9) and (10) of s. 517.061, F.S., are removed from this section due to concerns that the inclusion of s. 517.061(9), F.S., would prohibit certain transactions with institutional investors in Florida, including offerings made pursuant to SEC Rule 144A under the Securities Act and private placements under section 4(a)(2) of the Securities Act. At the federal level, the SEC has not applied any of the disqualification provisions for the safe harbors under Regulation D to these s. 4(a)(2) private placements.

Section 6 amends s. 517.075, F.S., to provide a technical change.

Section 7 amends s. 517.081, F.S., relating to registration procedures, to revise the criteria the Office of Financial Regulation (OFR) uses to determine whether OFR will record the registration of a security of an applicant. Subsection (9) eliminates the merit review standard that requires the OFR to find that an "enterprise or business of the issuer is not based upon unsound business principles." However, the "fair, just, and equitable" standard still applies, as provided in subsection (9)(a)4., of this section.

Under current law, the OFR must record the registration of a security in the register if, upon examination of an application, it finds that all of the following requirements are met:

- The application is complete.
- The fee imposed pursuant to s. 517.081(8), F.S., has been paid.
- The sale of the security would not be fraudulent and would not work or tend to work a fraud upon the purchaser.
- The terms of the sale of such securities would be fair, just, and equitable.
- The enterprise or business of the issuer is not based upon unsound business principles.

Section 8 amends s. 517.12, F.S., relating to registration of dealers, associated persons, intermediaries, and investment advisers. Multiple subsections are revised to address the concerns of the Federal Bureau of Investigation (FBI). Current terms and categories of persons used within the definitions of these terms do not clearly identify who, for purposes of registration, are subject to a national fingerprint-based criminal history background check, thereby not complying with federal law Pub. L. 92-544.

According to the OFR, the amended portions of s. 517.12, F.S., are derived from the Securities and Exchange Commission's Uniform Application for Investment Adviser Registration (Form ADV) and the Uniform application for Broker-Dealer Registration (Form BD), which are uniform application forms used nationally for the registration of dealers and investment advisers. The persons that are required to submit fingerprints are those natural persons listed on Schedules A and B of the forms.[57]

In subsection (7), the definition of the term, "dealer," is amended to clarify that only certain natural persons affiliated with an entity that has elected to file an application with the OFR for registration in Florida to engage in activities requiring registration as a "dealer" are subject to fingerprinting. The definition of the term, "associated person," is amended to provide that only a natural person who has elected to file an application with the OFR for registration in Florida to engage in activities requiring registration as an "associated person" is subject to fingerprinting.[58]

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[57] Office of Financial Regulation, *Senate Bill 988 Legislative Bill Analysis* (Feb. 25, 2025) (on file with the Senate Committee on Banking and Insurance).

[58] *See* **Section 1** of SB 988, amending s. 517.021, F.S., defining the term, "branch manager," to clarify the definition of associated person. **Section 1** further clarifies the definition of associated person by defining the terms, "general partner," "limited partner," and "partnership."

The definition of the term, “investment adviser,” is clarified to provide that only certain natural persons affiliated with an entity that has elected to file an application with the OFR for registration in Florida to engage in activities requiring registration as a “investment adviser” be fingerprinted.

The term, “shareholder,” is defined in subsections (7), relating to a dealer or investment adviser application, and (20), relating to an intermediary application, for purposes of specifying the population of persons who are subject to fingerprinting.

Subsection (20) provides that only certain natural persons affiliated with an entity that has elected to file an application with the OFR for registration as an intermediary be fingerprinted.

The term, “direct owner,” is defined for purposes of specifying the population of persons who are subject to fingerprinting.

Subsection (22) is amended to update the provisions relating to the North American Securities Administrators Association (NASAA) Model Rule Exempting Certain Merger and Acquisition Brokers from Registration. The definition of the term, “business combination related shell company,” is created. The definition of the term, “control person,” is revised to provide that a person is presumed to be the control person of a company if, at completion of a transaction, the buyer or group of buyers meets two, rather than three, statutory conditions:

- Has the power to vote 25 percent or more of a class of voting securities or has the power to sell or direct the sale of 25 percent or more of a class of voting securities; and
- May receive upon dissolution, or has contributed, 25 percent of the capital of a partnership or limited liability company.

The subsection increases the percentage of voting stock and capital contributions from 20 to 25 percent, as described above. The subsection removes one of the current conditions relating to control person, that it is a person who “is a director, a general partner, a member or a manager of a limited liability company or is an officer who exercises executive responsibility or has a similar status or function”.

Section 9 amends s. 517.131, F.S., relating to the Securities Guaranty Fund (fund). The term, “restitution order,” is defined in subsection (1) to mean a court order awarding a specified monetary amount to a named aggrieved person for a violation of s. 517.07, F.S., or s. 517.301, F.S., to be paid by a named violator.

Subsection (2) is amended to update cross references.

Subsection (3) is amended to clarify the conditions a person must meet to be eligible for payment from the fund. Restitution orders are added to the first two conditions for eligibility. As amended, a person is eligible for payment from the fund if the person:

- Is a judgment creditor in an unsatisfied final judgment or a named beneficiary or victim in an unsatisfied restitution order entered on or after October 1, 2024, in which a wrongdoer was found to have violated s. 517.07 or s. 517.301;

- Has applied any amount recovered from the judgment debtor, a person ordered to pay restitution, or any other source to the damages awarded in a final judgment or restitution order; are a named beneficiary or victim in an unsatisfied restitution order.

Subsection (5) is amended to revise and clarify the minimum information that is required to be provided on an application for payment from the fund and to include restitution orders.

Section 10 amends s. 517.301, F.S., relating to fraudulent transactions and falsification or concealment of facts to replace the term, "business entity," with "person."

Section 11 amends s. 517.34, F.S., to extend the number of additional days a dealer or investment adviser may delay a disbursement or transaction from 10 to 30 days to conduct a review if the dealer or investment adviser has a reasonable belief that financial exploitation of the specified adult has occurred. This change would make the provision relating to securities dealers and investment advisers consistent with the provision applicable to financial institutions.

Sections 12 and **13** amend ss. 517.211 and 517.517.315, F.S., respectively, to provide technical, conforming amendments.

Section 14 provides the bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The elimination of the Rule 506d disqualification provision, as it relates to s. 517.061(9) and (10), F.S., exempting security transactions in connection with institutional investors offerings, pursuant to Rule 144A and private placements under section 4(a)(2) of the Securities Act, respectively, will provide greater clarity and certainty regarding the applicability of the disqualifications provisions.

Currently, the application of the disqualification provisions relating to subsection (9) has been suspended by a proclamation issued by the Office of Financial Regulation (OFR) since October 27, 2024.[59] (*See* Section II. Present Situation, Florida Regulation of Securities, *Exempt Private Placements and SEC Rule 506(d)* above.)

Applicants may incur out of pocket expenses for any fingerprint or state or national background check required under the bill. The cost for a state and national criminal history record check is $36 per name.[60]

In addition, applicants may incur additional costs as the Florida Department of Law Enforcement (FDLE) indicates Livescan service providers may assess additional processing fees, in addition to the cost of the criminal history record check fee imposed by FDLE and the Federal Bureau of Investigation (FBI).[61] The number of additional individuals who would be screened under SB 988 is indeterminate.

C. Government Sector Impact:

The bill has an indeterminate impact to state revenue or expenditures. The OFR indicates the bill does not impact state revenue or expenditures.[62] However, the bill provides the OFR with rulemaking authority. It is anticipated that any costs associated with rulemaking could be absorbed within existing resources.

The bill may have an indeterminate impact to the FDLE's Operating Trust Fund as the cost for a state and national criminal history record check is $36 per name submitted. The FBI receives $12 and, pursuant to s. 943.053(3)(e), F.S., the FDLE retains $24. The exact impact to state revenues is indeterminate as the number of individuals who would be screened under this bill is unknown.

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[59] The OFR's proclamation suspending the disqualification provisions of s. 517.0616, F.S., as applied to s. 517.061(9), F.S., was based on State of Florida, Office of the Governor, Executive Orders 24-208, 24-214 and 24-215,[59] which collectively declared a state of emergency for certain counties in Florida. Executive Orders 25-10 and 25-26 extended the provisions of Executive Orders 24-208 and 24-14, respectively.

[60] Florida Department of Law Enforcement, *Senate Bill 988 Legislative Bill Analysis* (March 4, 2025) (on file with the Senate Committee on Banking and Insurance).

[61] *Id.*

[62] Office of Financial Regulation, *Senate Bill 988 Legislative Bill Analysis* (Feb. 25, 2025) (on file with the Senate Committee on Banking and Insurance).

The FDLE indicates the bill, in combination with additional criminal history records check legislation, could rise to the level of requiring additional staff and additional capacity for the FDLE's Multi-Biometric Identification System (MBIS).[63]

VI. Technical Deficiencies:

None.

VII. Related Issues:

According to the Florida Department of Law Enforcement (FDLE),[64] the Federal Bureau of Investigation's (FBI) Criminal Justice Information Law Unit (CJILU) must review the bill due to the legislative changes made to ss. 517.021 and 517.12, F.S. to ensure compliance with Public Law 92-544. The FDLE recommends that the Office of Financial Regulation (OFR) continues to work on amending and clarifying certain language within the applicable sections of ch. 517, F.S., in accordance with the FBI's CJILU guidelines. It should be noted that continued access to national criminal history record information is reliant upon the FBI's approval of the 2025 legislative changes.[65]

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 517.021, 517.061, 517.0612, 517.0614, 517.0616, 517.075, 517.081, 517.12, 517.131, 517.211, 517.301, 517.315, and 517.34.

IX. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS/CS by Fiscal Policy on April 17, 2025:
The CS clarifies provisions specifying what persons are subject to fingerprinting pursuant to the registration application process, as provided in s. 517.12, F.S.

CS by Banking and Insurance on March 10, 2025:
The CS:

- Defines additional terms and revises existing terms (general partner, limited partner, partnership, and shareholder) to clarify what persons are subject to fingerprinting pursuant to the registration application process, as provided in s. 517.12, F.S.
- Clarifies factors the Financial Services Commission may use for purposes of designating a foreign securities exchange or foreign securities market.
- Clarifies provisions specifying what persons must submit fingerprints as part of the registration application process. (associated person, dealer, intermediary, investment

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[63] Florida Department of Law Enforcement, *Senate Bill 988 Legislative Bill Analysis* (March 4, 2025) (on file with the Senate Committee on Banking and Insurance).
[64] *Id* at 4, 5.
[65] *Id* at 4.

adviser). Clarifies categories of persons affiliated with a registration application must submit fingerprints.

- Provides factors that the commission may use in rulemaking to provide specific standards in determining what persons the commission may waive from the fingerprinting requirements associated with registration applications.
- Clarifies factors the commission may use in revising revenue and earnings caps for purposes of determining eligible privately held companies.
- Clarifies the factors that the Office of Financial Regulation may use to determine if a person who acquires securities or assets of the eligible privately held company is deemed active in the management of the company.
- Revises a provision, relating to the protection of specified adults who may be victims of financial exploitation, to extend the number of additional days a dealer or investment adviser may delay a disbursement or transaction from 10 to 30 days to conduct a review if the dealer or investment adviser believes that financial exploitation of the specified adult has occurred. This change would make the provision relating to securities dealers and investment advisers consistent with the provisions applicable to financial institutions.

B. Amendments:

None.