

**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.)

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Prepared By: The Professional Staff of the Criminal Justice Committee

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BILL: SB 1290

INTRODUCER: Senator Negron

SUBJECT: Criminal Penalties for Violating Securities Laws

DATE: January 24, 2012

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cellon	Cannon	CJ	<b>Pre-meeting</b>
2.	_____	_____	BI	_____
3.	_____	_____	BC	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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**I. Summary:**

The bill amends the Criminal Punishment Code Offense Severity Ranking Chart, which sets forth the sentencing points that are scored for the listed felony offenses, as it relates to violations of the Florida Securities and Investor Protection Act. It increases the lowest permissible sentences for failure to register with the Office of Financial Regulation as a dealer, associated person, or issuer. It also increases the lowest permissible sentence for selling or offering to sell an unregistered security.

This bill substantially amends section 921.022 of the Florida Statutes.

**II. Present Situation:**

**Florida Securities and Investor Protection Act**

Chapter 517, F.S., is entitled the “Florida Securities and Investor Protection Act” (FSIPA).<sup>1</sup> The purpose of FSIPA is to protect the public from fraudulent and deceptive practices in the sale and marketing of securities.<sup>2 3</sup> This purpose is achieved principally by requiring the registration of

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<sup>1</sup> Section 517.011, F.S.

<sup>2</sup> Section 517.021, F.S., defines the term “security” to include any of the following: notes, stocks, treasury stocks, bond, a debenture, an evidence of indebtedness, certificates of deposit, certificates of deposit for a security, certificates of interest or participation, whiskey warehouse receipts or other commodity warehouse receipts, certificates of interest in a profit-sharing agreement or the right to participate therein, certificates of interest in an oil, gas, petroleum, mineral, or mining title or lease or the right to participate therein, collateral trust certificates, reorganization certificates, preorganization subscriptions, transferable shares, investment contracts, a beneficial interest in title to property, profits, or earnings, an interest in or under a profit-sharing or participation agreement or scheme, any option contract which entitles the holder to purchase or sell a given amount of the underlying security at a fixed price within a specified period of time, other instruments commonly known as a

securities and securities dealers, which provides potential investors with sufficient information to enable them to protect themselves.<sup>4</sup>

The Office of Financial Regulation (OFR)<sup>5</sup> is the entity responsible for registering securities and securities dealers.<sup>6</sup> The processes for registering are outlined in ss. 517.081, 517.082, 517.12, and 517.1201, F.S., which include requirements that OFR be provided an application, certain financial statements, and other specified information.

Section 517.07(1), F.S., makes it unlawful for any person to sell or offer to sell specified securities unless they are registered. In addition to being registered, s. 517.07(2), F.S., requires that a securities purchaser be furnished with a prospectus meeting the requirements of rules adopted by the Financial Services Commission. Violations of s. 517.07(1) and (2), F.S., are currently 3rd degree felonies, ranked in Level 2 of the Offense Severity Ranking Chart.<sup>7</sup> A Level 2 offense equates to 10 sentencing points.

Section 517.12(1), F.S., specifies that no dealer, associated person, or issuer<sup>8</sup> of securities shall sell or offer for sale any securities in or from offices in Florida, or sell securities to persons in this state from offices outside this state, by mail or otherwise, unless the person has been registered with OFR.

In addition, OFR is prohibited from registering any person as an associated person of a dealer unless the dealer with which the applicant seeks registration is lawfully registered with the office pursuant to chapter 517, F.S.<sup>9</sup> A violation of s. 517.12(1), F.S., is a 3rd degree felony ranked in Level 1 of the Offense Severity Ranking Chart.<sup>10</sup> A Level 1 offense equates to 4 sentencing points.

### **The Criminal Punishment Code - Offense Severity Ranking Chart**

The Criminal Punishment Code applies to sentencing for felony offenses (except capital felonies) committed on or after October 1, 1998.<sup>11</sup> Criminal offenses are ranked in the Offense Severity Ranking Chart from Level 1 (least severe) to Level 10 (most severe) and are assigned points based on the severity of the offense as determined by the Legislature.<sup>12</sup> As the offense level

security, including an interim or temporary bond, debenture, note, or certificate, receipts for a security, or for subscription to a security, or any right to subscribe to or purchase any security, and viatical settlement investments.

<sup>3</sup> *Rushing v. Wells Fargo Bank, N.A.*, 752 F. Supp. 2d 1254 (M.D. Fla. 2010); *Arthur Young & Co. v. Mariner Corp.*, 630 So.2d 1199, 1203 (Fla. 4th DCA 1994).

<sup>4</sup> 32 Fla. Jur 2d Investment Securities s. 122

<sup>5</sup> The Office of Financial Regulation regulates the banking, finance, and securities industries in Florida and is administratively housed within the Department of Financial Services. OFR is headed by a commissioner appointed by the Financial Services Commission, which consists of the Governor and Cabinet.

(<http://www.flofr.com/Office/Aboutofr.aspx>)(last visited on January 5, 2012).

<sup>6</sup> Sections 517.081 and 517.12, F.S.

<sup>7</sup> See ss. 517.302 and 921.0022(3)(b), F.S.

<sup>8</sup> Section 517.021, F.S., defines the terms “dealer,” “associated person,” and “issuer.”

<sup>9</sup> Section 517.12(1), F.S.

<sup>10</sup> See ss. 517.302 and 921.0022(3)(a), F.S.

<sup>11</sup> Section 921.002, F.S.

<sup>12</sup> Section 921.0022, F.S.

increases, the number of points rises. If an offense is not listed in the ranking chart, it defaults to a ranking based on the degree of the felony.<sup>13</sup>

A defendant's sentence is calculated based on points, which are assigned for factors including: the offense for which the defendant is being sentenced; victim injury; additional offenses that the defendant committed at the time of the primary offense; the defendant's prior record and other aggravating factors.<sup>14</sup> The points are added in order to determine the "lowest permissible sentence" for the offense. If the total sentence points equals or is less than 44 points, the lowest permissible sentence is a non-state prison sanction (i.e., jail). If the total sentence points exceed 44 points, a prison sentence is the lowest permissible sentence. In each instance, the sentencing range is the lowest permissible sentence up to the maximum penalty provided in s. 775.082, F.S., which is based on the degree of the felony.<sup>15</sup>

### III. Effect of Proposed Changes:

The bill increases the ranking of securities-related offenses in the Offense Severity Ranking Chart as follows:

- A violation of s. 517.07(1), F.S. (requiring certain securities to be registered prior to sale), increases from a Level 2 offense (equating to 10 sentencing points) to a Level 4 offense (equating to 22 sentencing points).
- A violation of s. 517.12(1), F.S. (requiring securities dealers, associated persons or issuers of securities to be registered), increases from a Level 1 offense (equating to 4 sentencing points) to a Level 4 offense (equating to 22 sentencing points).

As a result, the lowest permissible sentence for violations of ss. 517.07(1) and 517.12(1), F.S., will be increased.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

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<sup>13</sup> Section 921.0023, F.S.

<sup>14</sup> Section 921.0024, F.S.

<sup>15</sup> The statutory maximum sentence for a first degree felony is thirty years, for a second degree felony it is fifteen years and for a third degree felony the statutory maximum is five years. Section 775.082, F.S.

**V. Fiscal Impact Statement:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

None.

## C. Government Sector Impact:

The Criminal Justice Impact Conference met January 17, 2012, and determined this bill will have an insignificant impact on the state prison beds because of the low volume of individuals reported with this offense.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

## B. Amendments:

None.