

# **WEST VIRGINIA LEGISLATURE**

## **2023 REGULAR SESSION**

**Introduced**

### **Senate Bill 639**

By Senators Oliverio, Caputo, and Woelfel

[Introduced February 15, 2023; referred  
to the Committee on the Judiciary; and then to the  
Committee on Finance]



9 transferred to the General Revenue Fund. The special operating fund shall be used by the Auditor  
10 to fund the operation of the securities division and the general operations of the Auditor's office.  
11 The special operating fund shall be appropriated by line item by the Legislature.

12 (c) Moneys payable for assessments established by §32-4-407a of this code shall be  
13 collected by the commissioner and deposited into the General Revenue Fund.

14 (d) In each given fiscal year, up to three percent of all collected gross assessments and  
15 fees may be deposited to the Securities Restitution Assistance Fund created in §32-7-703 of this  
16 code.

17 ~~(d)~~ (e) It is unlawful for the commissioner or any of his or her officers or employees to use  
18 for personal benefit any information which is filed with or obtained by the commissioner and which  
19 is not made public. No provision of this chapter authorizes the commissioner or any of his or her  
20 officers or employees to disclose any information except among themselves or when necessary or  
21 appropriate in a proceeding or investigation under this chapter. No provision of the chapter either  
22 creates or derogates from any privilege which exists at common law or otherwise when  
23 documentary or other evidence is sought under a subpoena directed to the commissioner or any of  
24 his or her officers or employees.

**§32-4-407a. Administrative assessments.**

1 (a) A registrant, applicant for registration, issuer, or other person upon whom the  
2 commissioner has conducted an examination, audit, investigation, or prosecution and who has  
3 been determined by the commissioner to have violated this article or rule or order of the  
4 commissioner under this article shall pay for all the costs incurred in the conduct of such  
5 examination, audit, investigation, or prosecution. These costs shall include, but not be limited to,  
6 the salaries and other compensation paid to clerical, accounting, administrative, investigative,  
7 examiner and legal personnel, the actual amount of expenses reasonably incurred by such  
8 personnel and the commissioner in the conduct of such examination, audit, investigation, or  
9 prosecution, including a pro rata portion of the commissioner's administrative expense.

10 (b) After giving notice and opportunity for a hearing, the commissioner may issue an order  
11 accompanied by written findings of fact and conclusions of law which imposes victim restitution  
12 pursuant to the provisions of §32-7-701, et seq. of this code and may issue an order accompanied  
13 by written findings of fact which imposes an administrative assessment in an amount provided in  
14 subdivision (1) against a broker-dealer, agent, investment adviser or investment adviser  
15 representative registered under §32-2-201, et seq., of this code or an affiliate of the broker-dealer  
16 or investment adviser where the commissioner finds that the person either willfully has violated  
17 this article or a rule or order of the commissioner under this article or has engaged in dishonest or  
18 unethical practices in the securities business or has taken unfair advantage of a customer.

19 (1) The commissioner, in issuing an order under this subsection may impose an  
20 administrative assessment of up to \$10,000 for a single violation or of up to \$50,000 for multiple  
21 violations in a single proceeding or a series of related proceedings. Each act or omission that  
22 provides a basis for issuing an order under this subsection shall constitute a separate violation.

23 (2) For purposes of determining the amount of administrative assessment to be imposed in  
24 an order issued under this subsection, the commissioner shall consider:

25 (i) The circumstances, nature, frequency, seriousness, magnitude, persistence, and  
26 willfulness of the conduct constituting the violation;

27 (ii) The scope of the violation, including the number of persons in and out of this state  
28 affected by the conduct constituting the violation;

29 (iii) The amount of restitution or compensation that the violator has made and the number  
30 of persons in this state to whom the restitution or compensation has been made;

31 (iv) Past and concurrent conduct of the violator that has given rise to any sanctions or  
32 judgment imposed by, or plea of guilty or nolo contendere or settlement with, the commissioner or  
33 any securities administrator of any other state or other country, any court of competent jurisdiction,  
34 the Securities and Exchange Commissioner, the Commodity Futures Trading Commission, any  
35 other federal or state agency or any national securities association or national securities exchange

36 as defined in the Securities Exchange Act of 1934 (48 Stat. 88a, 15 U.S.C. 78A *et seq.*);

37 (v) Any other factor that the commissioner finds appropriate in the public interest or for the  
38 protection of investors and consistent with the purposes fairly intended by the policy and  
39 provisions of this article.

40 (3) An administrative assessment imposed by an order issued under this subsection is not  
41 mutually exclusive of any other remedy available under this article.

42 (4) The commissioner shall not impose an administrative assessment with respect to any  
43 public proceeding which was instituted prior to the date of enactment of this section.

**ARTICLE 7. RESTITUTION ASSISTANCE FUND FOR VICTIMS OF SECURITIES**

**VIOLATIONS.**

**§32-7-701. Short Title.**

1 This article may be cited as the "Securities Violations Restitution Assistance Act".

**§32-7-702. Definitions.**

1 As used in this article, unless the context otherwise requires, the following terms have the  
2 following meanings:

3 (a) "Claimant" means a natural person who is a victim that files an application for restitution  
4 assistance under this article. "Claimant" includes the named party in a restitution award in a final  
5 order, the executor of a named party in a restitution award in a final order, the heirs and assigns of  
6 a named party in a restitution award in a final order, or any other person with lawful authority to act  
7 for or on behalf of the named party in a restitution award in a final order.

8 (b) "Final order" means a final order issued by the West Virginia securities commissioner  
9 under this chapter which is no longer subject to appeal pursuant to §32-4-411 of this code or a final  
10 order issued by a court of competent jurisdiction that is not subject to further judicial review or  
11 appeal.

12 (c) "Fund" means the Securities Restitution Operating Fund established by this article.

13 (d) "Securities violation" means a violation of this chapter and any related rules or orders.

14 (e) "Victim" means a person awarded restitution in a final order.

15 (f) "Vulnerable person" means an individual 65 years of age or older or a person subject to  
16 §9-6-1 et seq. of this code.

**§32-7-703. Operating fund for restitution program.**

1 There is created in the State Treasury the Securities Restitution Operating Fund. The  
2 securities restitution fund shall be used to provide funds for restitution assistance for victims that  
3 were awarded restitution in a final order issued by the commissioner or were awarded restitution in  
4 a final order of a court of competent jurisdiction for a violation of this chapter and have not received  
5 the full amount of restitution ordered before the application for restitution assistance is due. The  
6 Auditor may use the Securities Restitution Operating Fund for the administration and operation of  
7 the restitution program.

**§32-7-704. Application for restitution assistance.**

1 (a) Only victims who are natural persons and residents of the State of West Virginia at the  
2 time of the securities violation are eligible for restitution assistance:

3 (b) The application for restitution assistance under this article must be received by the  
4 commissioner not more than one year after the date of the final order awarding restitution to the  
5 victim.

6 (c) Notwithstanding §32-7-704 of this code, the commissioner may grant an extension of  
7 time for submission of an application for restitution assistance for good cause shown by the  
8 claimant.

9 (d) A person that is eligible to apply for restitution assistance under this article may submit  
10 an application in a manner and form prescribed by the commissioner.

**§32-7-705. Restitution assistance awards.**

1 (a) The commissioner may award restitution assistance to a claimant in an amount that is:

2 (1) The lesser of \$25,000 or 25 percent of the amount of unpaid restitution awarded in the

3 final order; or

4 (2) The lesser of \$50,000 or 50 percent of the amount of unpaid restitution awarded in the  
5 final order if the victim is a vulnerable person.

6 (b) An award of restitution assistance under this article may be made only to one claimant  
7 per victim.

**§32-7-706. Restitution prohibited.**

1 The commission may not award restitution assistance the victim participated in or  
2 committed a securities violation, including, but limited to:

3 (1) Participating or assisting in a securities violation;

4 (2) Attempting to commit or committing a securities violation; or

5 (3) The victim profited or would have profited from a securities violation.

**§32-7-707. Subrogation.**

1 The commissioner is subrogated to the rights of the claimant awarded restitution  
2 assistance under this article to the extent of the restitution assistance award made. The  
3 subrogation rights are against the person ordered to pay restitution to the victim for the securities  
4 violation.

**§32-7-708. Lien on recovery and refund of excess amount.**

1 The commissioner is entitled to a lien in the amount of the restitution assistance award on  
2 any recovery made by or on behalf of the victim in a separate action or settlement. A claimant must  
3 refund to the commissioner any amount of restitution received that when combined with the  
4 restitution assistance exceeds the restitution award in the final order and such amounts shall be  
5 deposited in the fund created in §32-7-703 of this code.

**§32-7-709. Suspension of claims.**

1 If payment of restitution assistance would result in the Securities Restitution Operating  
2 Fund balance falling below \$250,000, the commissioner may suspend payment of claims or  
3 prorate payment of claims at the commissioner’s discretion until such time as the commissioner

4 determines a sufficient balance has been restored to the fund.

**§32-7-710. Other process.**

1 A restitution assistance award made by the commissioner under this article is not subject  
2 to execution, attachment, garnishment, or other process, except those executions, attachments,  
3 garnishments, or other processes brought by or on behalf of the State of West Virginia.

**§32-7-711. Rulemaking.**

1 The commissioner may in his or her discretion adopt rules, orders, or forms it deems  
2 necessary to carry out the purposes of this article pursuant to the authority granted in §32-4-412 of  
3 this code.

**§32-7-712. Effective date.**

1 Restitution assistance awards may be made under this article to victims awarded  
2 restitution in a final order issued on or after the effective date of this article.

NOTE: The purpose of this bill is to authorize restitution to victims of securities fraud and to create a fund for that purpose.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.