



## HB 81 CREATE A SECURITIES RESTITUTION FUND

A bill to create a securities restitution fund for victims of securities fraud.

### What does HB 81 do?

HB 81 seeks to establish a securities restitution fund for Montanans who are victims of securities fraud and who are unable to obtain restitution. The need for the bill is self-evident based on the following statistics:

	Total Restitution	Unpaid
2009-10	\$183,095,717	\$4,379,380
2007-08	\$5,810,592	\$4,789,766

It is no secret that Montanans are trusting people, particularly the elderly. Unfortunately, many become victims of securities fraud. Securities fraud includes, but is not limited to: conducting a Ponzi scheme, trading with an

individual's brokerage account without getting approval, or churning within an individual's account to earn more commissions. The Commissioner of Securities and Insurance is successful in overseeing the securities industry and getting victims their money. However, despite receiving an order to pay restitution, sometimes the perpetrators disappear or there is no money left.

The Securities Restitution Fund will benefit Montanans in all 56 counties. HB 81 proposes to help victims get some of their money back and restore faith in the securities industry.

### How is the Securities Restitution Fund funded?

In addition to restitution, the CSI collects fines in cases where a securities violation occurred. In FY2010, \$1,054,361 in fines were paid to the General Fund. In some instances, securities firms and salespersons found in violation also contributed to the Investor Protection Trust (IPT), a non-profit based in Washington, DC that receives contributions throughout the country. States can apply for grants to conduct investor outreach and education. The CSI has applied for these grants to implement investor education programs all around the state.

HB 81 proposes that in addition to restitution and fines, violators of the Montana Securities Act may be ordered to contribute to the Securities Restitution Fund. The Fund will receive revenue from those who commit securities violations and are ordered to contribute and from those who may voluntarily contribute. The Fund is for the exclusive purpose of providing restitution to victims and cannot be used for any other purpose.

### Who can apply for money from the Securities Restitution Fund?

Money from the fund can only be issued to people who were awarded restitution by an order of the Commissioner of Securities and Insurance or an order of another court. A victim who receives full restitution is not eligible to receive money from the fund.

An application will be available to victims on the CSI website or by contacting the office. All applications must be received within two years from the date the restitution is ordered. The maximum amount a claimant can receive from the Fund is \$25,000 or 25 percent of the amount of unpaid restitution.