



Kansas Department of Insurance

Commissioner Vicki Schmidt

Proponent Testimony for SB 405 – Holding a “control person” accountable for violations of the Kansas Uniform Securities Act

February 6, 2024

Chairman Longbine and Members of the Committee,

Thank you for the opportunity to testify in support of Senate Bill 405.

Senate Bill 405 amends the Kansas Uniform Securities Act (KUSA) to extend administrative and civil “control person” liability for violations of the KUSA. This liability will be extended to persons who know or reasonably should have known, that a person they control, directly or indirectly, is engaging in acts, practices, or course of business that violate the KUSA. The liability is the same for the control person as for the violating person. “Person” is already defined in the KUSA in K.S.A. 17-12a102 to mean “an individual; corporation; business trust; estate; trust; partnership; limited liability company; association; joint venture; government; governmental subdivision, agency, or instrumentality; public corporation; or any other legal or commercial entity.”

In current law, if an investment adviser, investment advisor representative, broker-dealer, or broker-dealer agent (registrant) were to violate Kansas securities law, the Department is equipped with the statutory tools necessary to discipline registrants appropriately. These include administrative, civil, and criminal penalties. If the control person is also a registrant, disciplinary action against their license may be taken. Section 1 clarifies this authority.

However, if the control person is not a registrant, the Department lacks the means to pursue administrative or civil remedies such as penalties and injunctions. The Department urges passage of this bill to give additional civil (Section 2) and administrative (Section 3) enforcement tools to ensure those responsible for violations of the KUSA are held accountable.

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Director of Government and Public Affairs