

**The Florida Senate**  
**PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT**

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

Prepared By: General Government Appropriations Committee

BILL: CS/SB 1100

INTRODUCER: General Government Appropriations Committee and Senator Alexander

SUBJECT: Regulation of Securities Transactions

DATE: March 28, 2007                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Kynoch/Toth</u>	<u>DeLoach</u>	<u>GA</u>	<u>Fav/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

The bill increases registration, renewal, and late fees of dealer and investment adviser firms from \$200 to \$250 and increases the registration, renewal, and late fees of associated persons from \$30 to \$70. The fee increase generates an additional \$12.9 million in revenue.

The bill provides for the distribution of securities transaction fees to the General Revenue Fund and the Regulatory Trust Fund in the Office of Financial Regulation. The service charge on the trust fund revenues will provide an estimated \$900,000 to the General Revenue Fund.

The bill substantially amends the following sections of the Florida Statutes: 517.12(10), 517.1201(1) and (2), 517.131, and 517.315.

The bill repeals sections 517.1203 and 517.1204 of the Florida Statutes.

**II. Present Situation:**

Currently, all fees and charges collected under the Florida Securities Investor Protection Act, ch. 517, F.S., are credited to the General Revenue Fund, except the fees collected for the Securities Guaranty Fund. Registration and renewal fees for dealer and investment adviser firms are \$200. Registration and renewal fees for associated persons of these entities (i.e. securities agents) are \$30.

On a national level, Florida ranks third in the number of securities firm and agents registered to conduct business. Listed below is a chart showing the fees of states that are comparable to Florida in terms of registrations and other Florida-specific licenses that are fiduciary in nature.

**Number of Broker Dealers Licensed to Conduct Business:**

	State	# of Broker Dealers	Application Fee	Renewal Fee
1	New York	3,593	\$300.00	\$300.00
2	California	3,440	\$300.00	\$75.00
3	Florida	3,120	\$200.00	\$200.00
4	Texas	2,680	\$275.00	\$270.00
5	New Jersey	2,661	\$250.00	\$250.00
6	Illinois	2,605	\$600.00	\$600.00
Average			\$320.83	\$282.50

**Number of Investment Adviser Firms Licensed to Conduct Business:**

	State	# of Investment Advisers	Application Fee	Renewal Fee
1	California	5,925	\$125.00	\$125.00
2	Texas	4,061	\$275.00	\$270.00
3	Florida	3,573	\$200.00	\$200.00
4	New York	3,545	\$200.00	\$200.00
5	Massachusetts	2,317	\$300.00	\$300.00
6	New Jersey	2,306	\$100.00	\$100.00
Average			\$200.00	\$199.17

**Number of Broker Dealer Agents Licensed to Conduct Business:**

	State	# of Agents	Application Fee	Renewal Fee
1	California	243,406	\$25.00	
2	New York	232,620	\$70.00	\$40.00
3	Florida	220,395	\$30.00	\$30.00
4	New Jersey	161,578	\$30.00	\$30.00
5	Texas	160,565	\$235.00	\$250.00
6	Illinois	150,980	\$150.00	\$150.00
Average			\$90.00	\$100.00

**Number of Investment Advisor Agents Licensed to Conduct Business:**

	State	# of Agents	Application Fee	Renewal Fee
1	Texas	43,695	\$235.00	\$250.00
2	California	38,561	\$25.00	\$0.00
3	Florida	21,913	\$30.00	\$30.00
4	New Jersey	17,758	\$50.00	\$50.00
5	Illinois	14,978	\$150.00	\$150.00
6	Ohio	12,710	\$35.00	\$35.00
Average			\$87.50	\$85.83

**Fees for individuals in other comparable industries**

1	License Type	Application Fee	Renewal Fee
2	Real Estate Assoc.	\$105.00	\$85.00
3	Real Estate Broker	\$115.00	\$95.00
4	Mortgage Broker	\$200.00	\$150.00
5	Certified Professional Accountant	\$50.00	\$105.00*

\*The renewal fee for the Certified Professional Accountant license will increase from \$95 to 105 for the 2007 renewal cycle.

Florida continues to experience growth within the securities industry. Since Fiscal Year 2003-2004, the number of registered branches has increased by 20 percent.<sup>1</sup> Additionally, a growing number of consumers directly manage their financial assets. More than 90 million Americans directly own shares of stock through individual investment or through mutual funds. Of the securities complaints received by the Office of Financial Regulation, 75 percent are senior citizens 65 years and older.<sup>2</sup>

The above charts demonstrate that Florida's fees are considerably lower than fees of states that are comparable to Florida in terms of registrations and the fees of other Florida specific licenses that are fiduciary in nature. This fee increase will generate additional resources for the Office of Financial Regulation to regulate the securities industry and protect the private financial interests of the consumer.

### III. Effect of Proposed Changes:

**Section 1** amends s. 517.12(10), F.S., to increase the registration, renewal, and late fees of dealer and investment adviser firms from \$200 to \$250; to increase the registration, renewal, and late fees of associated persons from \$30 to \$70; and to repeal obsolete language referencing ss. 517.1203 and 12.04, F.S., related to a final judgment and claims against the actions of GIC Government Securities, Inc.

**Section 2** amends s. 517.1201(1) and (2), F.S., to increase the registration, renewal, and late fees of federally covered dealer and investment adviser firms from \$200 to \$250, and to increase the registration, renewal, and late fees of associated persons from \$30 to \$70.

**Section 3** repeals s. 517.1203, F.S., related to the allocation and disbursement of registration, renewal, and late fees of dealer and investment adviser firms and associated persons. This section repeals obsolete language in 517.1204, F.S., relating to the Investment Fraud Restoration Financing Corporation established for the purpose of financing restitution for the victims of GIC Government Securities, Inc. The bonds issued for financing the restitution were paid in full February 2003.

**Section 4** repeals obsolete language in s. 517.131, F.S., requiring amounts exceeding 3.5 percent of revenue received to be allocated to the Securities Guaranty Fund as a result of the actions of

<sup>1</sup> Office of Financial Regulation Transition Plan 2007, Banking, Securities & Finance Regulatory Responsibilities

<sup>2</sup> Office of Financial Regulation Transition Plan 2007, Banking, Securities & Finance Regulatory Responsibilities

GIC Government Securities, Inc. This section amends language regarding the transfer of assessment fees.

**Section 5** amends 517.315, F.S., relating to the distribution of securities transaction fees.

**Section 6** provides an effective date of July 1, 2007.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Increases registration, renewal, and late fees of dealer and investment adviser firms from \$200 to \$250.

Increases the registration, renewal, and late fees of associated persons from \$30 to \$70.

C. Government Sector Impact:

Fee increase generates an additional \$12.9 million in revenue. The bill provides for the distribution of securities transaction fees to the General Revenue Fund and the Regulatory Trust Fund in the Office of Financial Regulation. The service charge on the trust fund revenues will provide an estimated \$900,000 to the General Revenue Fund.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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