



ARIZONA STATE SENATE
Fifty-Third Legislature, Second Regular Session

FACT SHEET FOR H.B. 2601

securities; crowdfunding; virtual coin offerings

Purpose

Makes various changes to the Arizona intrastate crowdfunding exemption (crowdfunding exemption) statutes.

Background

The registration, offering and sale of securities in the state of Arizona is regulated by the Arizona Corporation Commission (ACC) under the Arizona Securities Act (ASA), which protects state residents from the fraudulent offering of securities in accordance with rules set forth by the United States Securities and Exchange Commission (SEC) and applicable state laws.

The ACC appoints the Director of Securities (Director), who administers the ASA. Among the provisions of the ASA are prohibitions on unregistered sales of securities, prohibitions on transactions by unregistered dealers or salesmen, filing requirements on certain proposed offerings, and notice requirements for certain types of companies (A.R.S. §§ [44-1841](#); [44-1842](#); [44-1843.02](#); [44-3321](#); and [44-3325](#)).

[Laws 2015, Chapter 185](#) exempted crowdfunded security issuers from state securities registration requirements and created alternate requirements for an intrastate security offering. This legislation was tied to the federal Jumpstart Our Business Startups Act of 2012, and subsequent SEC regulations. [Laws 2017, Chapter 118](#) realigned the crowdfunding exemption with the most recent federal rules.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Includes virtual coin offerings under the crowdfunding exemption.
2. Increases, from \$1 million or \$2.5 million to \$5 million, the maximum sum of all receipts in a 12-month period under an exempt offering.
3. Requires all dollar-denominated receipts from an offering to be deposited in a bank or institution authorized to do business in Arizona and to be used according to representations made to investors.

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4. Excludes a purchaser of 50 percent or less of an intrastate security or virtual coin offering from being considered an underwriter.
5. Allows an issuer and other parties involved in an intrastate offering to agree upon private arbitration to decide any controversy or claim associated with the offering.
6. Permits the Director to enter into agreements with federal, state or foreign regulators for the reciprocal sale of securities sold in other jurisdictions.
7. Includes use of an internet protocol address originating in Arizona as proof of residence for a prospective purchaser of an intrastate security.
8. Excludes, from the dealer designation, a seller of virtual coins if the seller has a reasonable and good faith belief that the virtual coin exchange is not a virtual coin offering, and terminates the exchange once determining that the exchange meets the definition of a virtual coin offering.
9. Applies protections against fraud to virtual coin sales.
10. Prohibits the term *security* from being construed as broader than required under federal law in relation to virtual coins.
11. Defines *crowdfunding*, *virtual coin* and *virtual coin offering*.
12. Makes technical and conforming changes.
13. Becomes effective on the general effective date.

House Action

COM	2/13/18	DPA	9-0-0-0
3 rd Read	2/22/18		49-8-3

Prepared by Senate Research
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