

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SECOND LEGISLATURE

Legislative Document

No. 1073

H. P. 796

House of Representatives, February 10, 1965

Referred to Committee on Business Legislation. Sent up for concurrence and ordered printed.

JEROME G. PLANTE, Clerk

Presented by Mr. Pike of Lubec.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-FIVE

AN ACT Concerning Insider Trading of Domestic Stock Insurance Company Equity Securities.

Be it enacted by the People of the State of Maine, as follows:

R. S., T. 24, c. 26, additional. Title 24 of the Revised Statutes is amended by adding a new chapter 26 to read as follows:

‘CHAPTER 26

INSIDER TRADING OF EQUITY SECURITIES

§ 3000. Filing

Every person who is directly or indirectly the beneficial owner of more than 10% of any class of any equity security of a domestic stock insurance company, or who is a director or an officer of such company, shall file in the office of the Insurance Commissioner on or before January 31, 1966, or within 10 days after he becomes such beneficial owner, director or officer, a statement in such form as the Insurance Commissioner may prescribe, of the amount of all equity securities of such company of which he is the beneficial owner. Within 10 days after the close of each calendar month thereafter, if there has been a change in such ownership during such month, he shall file in the office of the Insurance Commissioner a statement, in such form as the Insurance Commissioner may prescribe, indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

§ 3001. Suit by company

For the purpose of preventing the unfair use of information which may have been obtained by such beneficial owner, director or officer by reason of his

relationship to such company, any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of such company within any period of less than 6 months, unless such security was acquired in good faith in connection with a debt previously contracted, shall inure to and be recoverable by the company, irrespective of any intention on the part of such beneficial owner, director or officer in entering into such transaction of holding the security purchased or of not repurchasing the security sold for a period exceeding 6 months. Suit to recover such profit may be instituted at law or in equity in any court of competent jurisdiction by the company, or by the owner of any security of the company in the name and in behalf of the company if the company shall fail or refuse to bring such suit within 60 days after request or shall fail diligently to prosecute the same thereafter; but no such suit shall be brought more than 2 years after the date such profit was realized. This section shall not apply to any transaction where such beneficial owner was not such, both at the time of the purchase and sale, or the sale and purchase, of the security involved, or any transaction or transactions which the Insurance Commissioner by rules and regulations may exempt as not comprehended by this section.

§ 3002. Sales prohibited

It shall be unlawful for any such beneficial owner, director or officer, directly or indirectly, to sell any equity security of such company if the person selling the security or his principal does not own the security sold, or, if owning the security, does not deliver it against such sale within 20 days thereafter, or does not within 5 days after such sale deposit it in the mails or other usual channels of transportation; but no person shall be deemed to have violated this section if he proves that notwithstanding the exercise of good faith he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

§ 3003. Limitations; rules and regulations

Section 3001 shall not apply to any purchase and sale, or sale and purchase, and section 3002 shall not apply to any sale, of an equity security of a domestic stock insurance company not then or theretofore held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market, otherwise than on an exchange as defined in the Securities Exchange Act of 1934, for such security. The Insurance Commissioner may, by such rules and regulations as he deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transactions made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market.

§ 3004. Arbitrage transactions

Sections 3000 to 3002 shall not apply to foreign or domestic arbitrage transactions unless made in contravention of such rules and regulations as the Insurance Commissioner may adopt in order to carry out this chapter.

§ 3005. Equity security

"Equity security" when used in this chapter means any stock or similar se-

curity; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the Insurance Commissioner shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as he may prescribe in the public interest or for the protection of investors, to treat as an equity security.

§ 3006. Exemptions

Sections 3000 to 3002 shall not apply to equity securities of a domestic stock insurance company if such securities shall be registered, or shall be required to be registered, pursuant to section 12 of the Securities Exchange Act of 1934, as amended, or if such domestic stock insurance company shall not have any class of its equity securities held of record by 100 or more persons on the last business day of the year next preceding the year in which equity securities of the company would be subject to sections 3000 to 3002 except for this section.

§ 3007. Powers of commissioner

The Insurance Commissioner shall have the power to make such rules and regulations as may be necessary for the execution of the functions vested in him by this chapter, and may for such purpose classify domestic stock insurance companies, securities and other persons or matters within his jurisdiction. No provision of sections 3000 to 3002 imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the Insurance Commissioner, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or determined by judicial or other authority to be invalid for any reason.'