

MAINE STATE LEGISLATURE

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EIGHTY-SECOND LEGISLATURE

S. P. No. 155

S. D. No. 65

In Senate, Feb. 12, 1925.

Referred to Committee on Banks and Banking and 1,000 copies ordered printed. Sent down for concurrence.

ROYDEN V. BROWN, Secretary.

Presented by Senator Crafts of Piscataquis.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND TWENTY-FIVE

AN ACT Requiring More Efficient Supervision of Brokers
Selling Securities on Marginal Account.

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

Section 1. The term "persons" as used in this act shall
2 include individuals, firms, associations, and corporations.

Sect. 2. All persons, not members of the New York or
2 Boston Stock Exchanges, now engaged or hereafter engag-
3 ing in the business of selling stocks, bonds or other securi-
4 ties, listed on any stock exchange, on marginal account, or
5 on the partial payment plan, as brokers, shall be subject to
6 examination by the bank commissioner as hereinafter pro-
7 vided.

Sect. 3. Within thirty days from the date when this act shall take effect, all persons engaged within the State of Maine in the business described in section two, and having within said state an office or other place of business established for the purpose, shall report such fact to the bank commissioner upon blanks to be furnished by him, accompanied by such information relative to the character of the business transacted as the commissioner may require, and a similar report shall be made and similar information furnished by all persons thereafter engaging in said business and having an office or place of business established in this state for said purpose, on or before commencing the transaction of any such business in the State of Maine. Failure to make such report or furnish such information shall not deprive the bank commissioner of the power or relieve him of the duty vested in him under the provisions of this act.

Sect. 4. The bank commissioner, at least once each year, and as much oftener as in his opinion the public interests require, shall by himself, the deputy bank commissioner, or any duly appointed and qualified examiner of the banking department, examine the affairs of all brokers subject to the provisions of this act, and for the purpose shall be granted full and free access to all books, records, documents, correspondence, and papers, in the possession of such person or any of his clerks, servants, agents or employes, relating to such business. All such brokers, and their officers, clerks, servants, agents or employes, shall promptly furnish the

12 bank commissioner or his lawful representatives with all
13 information which they may require touching the conduct
14 of said broker's business or his relations with his customers.
15 All information derived by the bank commissioner, deputy
16 bank commissioner, or any examiner or employee of the
17 banking department under the provisions of this act, shall
18 be treated as confidential, and shall not be disclosed to any-
19 one except a court of competent jurisdiction as hereinafter
20 provided, when in the judgment of the bank commissioner
21 the public interest requires; provided, however, that no
22 books, papers, correspondence or documentary evidence in
23 the possession of any person subject to the provisions of
24 this act, and coming into the possession of the bank com-
25 missioner in the performance of his official duties, shall be
26 disclosed by him to be used as evidence in any criminal
27 prosecution against such person, nor shall he in any man-
28 ner disclose their contents or any other information re-
29 ceived by him in the performance of his duty as aforesaid,
30 in any such prosecution.

Sect. 5. If as the result of any such examination the bank
2 commissioner is of the opinion that any statute of this state
3 regulating the conduct of the business of such broker has
4 been knowingly violated, or if such person has been guilty
5 of fraud in his relations with his customers, the bank com-
6 missioner, after due notice and hearing, may revoke such
7 broker's registration as a dealer in securities in this state,
8 subject to the latter's right of appeal to the supreme judicial

9 court as provided in section one hundred and thirty-four of
10 chapter one hundred and forty-four of the public laws of
11 nineteen hundred and twenty-three.

· Sect. 6. If as the result of any such examination the bank
2 commissioner is of the opinion that such broker is insolvent,
3 or in imminent danger of insolvency, or that the conduct of
4 his said business has been accompanied by fraudulent con-
5 duct toward his customers, he may apply to the supreme
6 judicial court, sitting in equity, setting forth the facts in
7 relation thereto, and jurisdiction is hereby conferred upon
8 said court, after due notice and hearing, and in accordance
9 with the general principles of equity jurisdiction, to issue
10 injunctions, temporary and permanent, restraining such
11 brokers, their officers, clerks, servants, and agents, from the
12 further prosecution of said business in whole or part, to
13 hear and determine the validity and extent of claims against
14 said brokers, to appoint a receiver or receivers for the man-
15 agement or winding up of their affairs, and otherwise to act
16 in the premises as the circumstances and principles of equity
17 may require.