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TO: House Committee on Commerce and Economic Development
FROM: Department of Financial Regulation
DATE: March 26, 2024
RE: Section 20, H. 659

This memo provides additional information and background on the Special Fund that is the subject of Section 20 of the “Housekeeping” sections of the Captives Bill, H. 659, as amended by the Senate Committee on Finance. We are suggesting language to clarify that deposits into the fund may come from a portion of settlements arising from enforcement cases of any Division, not just securities. As we discussed in testimony, we are open to titles of the fund that make sense, and simply suggested the proposed revisions for consistency with the heading and for conciseness.

The Vermont Financial Services Education and Victim Restitution Special Fund is established in 9 V.S.A. § 5601 and § 5616 and is available for four uses by the Department of Financial Regulation: 1) grants to non-profit and other public entities for financial services education initiatives; 2) Department-initiated financial services education for the public that DFR provides or contracts for; 3) restitution assistance for victims of securities violations who have not received full restitution; 4) and awards to individuals who provide information leading to the enforcement of securities violations (known as “whistleblower awards”). Uses (3) and (4) were both added to statute within the last 5 years and are based on model laws from the North American Securities Administrators Association, of which we are a member.

Historically, money has flowed into the Special Fund through settlements with all of the Divisions. When the statutory language was modified in July 2019 at the request of the Department, the Department’s proposed language, which was adopted by the legislature, unintentionally appeared to limit inflows to the Special Fund to Securities settlements—this is the issue we are hoping to address in Section 20. Other inputs to the fund can include grants and donations.

Over the last 5 years, \$217,369 has been spent out of the fund for grant payments, restitution award, and financial education outreach expenses. A total of \$679,014 has been deposited into the fund from settlements—the majority of that amount has come from Securities Division settlements, but Banking and Insurance have both contributed as well. Since the restitution and whistleblower award uses of the fund are new, we do not yet have data on the estimated financial impact of those uses to the overall fund balance (and outflows will depend on the existence/volume of applications in a given year).

