Act No. 142 (H.648). An act relating to banking, insurance, and securities

Subjects: Insurance; securities; banking; financial services; financial institutions

This act makes numerous amendments to Vermont law as it pertains to matters within the jurisdiction of the Department of Financial Regulation, including banking, financial services, insurance, and securities. Many of the amendments are technical in nature and reflect updated terminology, statutory cross references, and drafting conventions. However, the act also contains several substantive amendments. A brief summary of some of those substantive amendments is included below.

The substantive provisions related to financial services and institutions include enhanced regulatory oversight with respect to the Commissioner's authority to issue a license; review a request for a "change of control" of a money transmitter licensee; and determine whether to revoke, suspend, terminate, or not renew a license. In addition, the act reduces the frequency of mandatory meeting requirements for certain financial institutions, removes a provision requiring the governing body of a lending institution to approve certain loans, clarifies that a joint account owner or coborrower at a credit union is not required to be a member of the credit union, and prohibits virtual currency kiosks from operating in Vermont beginning on July 1, 2026. Finally, the act requires any person that provides commercial financing by means of what is commonly referred to as a "merchant cash advance" to obtain a license from the Department of Financial Regulation in order to transact business in Vermont.

The substantive provisions related to insurance include naming conventions for mutual insurance holding companies, electronic filing requirements, circumstances under which dependent coverage may be added to a group life insurance plan, and clarification of the scope of unfair discrimination with respect to insurance underwriting.

The substantive provisions related to securities include reducing the de minimis notice-filing exemption from 25 to 10 purchasers in Vermont and providing an exception to such exemption for certain unregistered federal covered securities—specifically, private placement offerings under Securities and Exchange Commission Rule 506 of Regulation D. The act also clarifies that investment company fees for notice filings are based on "share class" and are nonrefundable. In addition, the act modifies the factors used to determine administrative civil penalties for securities fraud, which underscore the equitable nature of such penalties. It also clarifies and revises aspects of the Vermont Financial Services Education and Victim Restitution Special Fund by adding definitions, explicitly limiting restitution awards to persons who were Vermont residents at the time of the securities law violation, and adding language regarding State subrogation rights that conform with the applicable model act adopted by the North American Securities Administrators Association. Finally, the act requires registered investment advisors to maintain cybersecurity insurance pursuant to criteria established by the Commissioner of Financial Regulation.

Multiple effective dates, beginning on July 1, 2026