



**House State Government Reported Substitute for
HB559**

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A BILL
TO BE ENTITLED
AN ACT

Relating to fraud victim compensation; to create the Market Accountability Compensation Fund in the State Treasury; to provide that certain monies are transferred to the fund; to authorize the Alabama Securities Commission to use the fund to provide assistance to victims of investment fraud who cannot recover from the perpetrator; to authorize the transfer of certain monies to the fund; to authorize the commission to have subrogation rights to the restitution ordered for those who receive restitution assistance awards; and to provide criminal penalties for certain violations.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known and may be cited as the Alabama Market Accountability Compensation Fund Act.

Section 2. For purposes of this act, the following terms have the following meanings:

(1) CLAIMANT. An individual who files an application for restitution pursuant to this act.

(2) COMMISSION. The Alabama Securities Commission.

(3) FINAL ORDER. A final administrative order issued by the commission, or a final court order in a civil or criminal



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29 proceeding either initiated by the commission or referred by
30 the commission to one of the offices of a United States
31 Attorney.

32 (4) RESTITUTION ASSISTANCE AWARD. An award of funds by
33 the commission pursuant to this act.

34 (5) SECURITIES VIOLATION. A violation of Section
35 8-6-17, Code of Alabama 1975, or any violation of federal law
36 directly related to circumstances that would be a violation of
37 Section 8-6-17, Code of Alabama 1975. The federal violation
38 must be initiated or referred to an office of a United States
39 Attorney by the commission. Regardless of whether the
40 violation is prosecuted under state or federal law, there must
41 be a restitution order, judgment, or administrative
42 restitution finding.

43 (6) VULNERABLE ADULT. An individual who is any of the
44 following:

45 a. Sixty-five years of age or older.

46 b. Eighteen years of age or older and whose behavior
47 indicates that the individual is mentally incapable of caring
48 for himself or herself and his or her interests without
49 serious consequences. If the individual is subject to the
50 jurisdiction of the juvenile court, the individual shall not
51 be considered a vulnerable adult.

52 c. Eighteen years of age, who, due to physical or
53 mental impairment, cannot protect himself or herself from
54 abuse, neglect, exploitation, sexual abuse, or emotional abuse
55 by others, and has no guardian or other person willing, able,
56 and available to assume the supervision necessary under the



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57 circumstances. If the individual is subject to the
58 jurisdiction of the juvenile court, the individual shall not
59 be considered a vulnerable adult.

60 Section 3. (a) The Market Accountability Compensation
61 Fund is created in the State Treasury.

62 (b) Monies contained in the fund may only be expended
63 to provide monetary relief to victims of investment fraud who
64 are entitled to monetary damages or restitution and who cannot
65 recover the funds from the perpetrator of the fraud, as
66 provided in this act.

67 (c) (1) The commission shall transfer an initial amount
68 of two million five hundred thousand dollars (\$2,500,000) from
69 the Alabama Securities Commission Fund in the State Treasury
70 to the Market Accountability Compensation Fund.

71 (2) The commission may make transfers of additional
72 monies from the Alabama Securities Commission Fund to the
73 Market Accountability Compensation Fund in amounts not
74 exceeding two million two hundred fifty thousand dollars
75 (\$2,250,000).

76 (3) The total amount of monies in the Market
77 Accountability Compensation Fund may not at any time exceed
78 two million five hundred thousand dollars (\$2,500,000).

79 (d) (1) At the end of any fiscal year, any unexpended or
80 unencumbered monies contributed to or deposited in the fund
81 from any source, except appropriations from other state funds,
82 shall remain in the fund.

83 (2) Any funds recovered by the commission pursuant to
84 this act shall be deposited into the fund.



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85 Section 4. (a) Either of the following may submit a
86 claim for a restitution assistance award in a manner and form
87 prescribed by the commission:

88 (1) A named victim in a restitution award in a final
89 order.

90 (2) Any other person with lawful authority to act on
91 behalf of the named victim in a restitution award in a final
92 order.

93 (b) The claimant must submit the application within one
94 year after the date of the final order awarding restitution to
95 the victim.

96 (c) Except as provided in subsection (d), the maximum
97 amount that may be awarded to a claimant is the lesser of
98 twenty-five thousand dollars (\$25,000) or 25 percent of the
99 amount of unpaid restitution awarded by the court in the final
100 order.

101 (d) If the claimant is a vulnerable person, the maximum
102 amount that may be awarded is the lesser of fifty thousand
103 dollars (\$50,000) or 50 percent of the amount of the unpaid
104 restitution awarded by the court in the final order.

105 (e) (1) Payments to separate claimants for any single
106 final order are limited in the aggregate to two hundred fifty
107 thousand dollars (\$250,000), regardless of the number of
108 claims or number of claimants.

109 (2) If there are multiple claimants, the restitution
110 assistance award may be paid in prorated amounts based upon
111 the percentage of the total amount that each claimant was
112 entitled to due to the final order. Regardless of whether the



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113 amount in the restitution assistance award is prorated, the
114 award is subject to the limits of subsections (c) and (d).

115 (f) The commission is not required to award a claimant
116 any funds. Subject to the limits imposed by subsections (c)
117 and (d), the commission may make a restitution assistance
118 award in any amount the commission determines is appropriate.

119 Section 5. The commission may not pay a claimant a
120 restitution assistance award if any of the following apply:

121 (1) The claimant does not meet the requirements set out
122 in this act or a rule issued by the commission.

123 (2) The claim for restitution was made dishonestly or
124 fraudulently.

125 (3) The claimant has a conviction for a felonious
126 offense involving fraud or theft.

127 (4) The named victim has received the full amount of
128 restitution owed from the individual ordered to pay
129 restitution in the final order before the application for the
130 restitution assistance award was filed.

131 (5) The named victim sustained the monetary injury
132 primarily as a result of any of the following:

133 a. Participating or assisting in a securities
134 violation.

135 b. Attempting to commit or committing a securities
136 violation.

137 c. Profiting or attempting to profit from a securities
138 violation.

139 Section 6. (a) If an award of restitution in a final
140 order is overturned after the commission has made a



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141 restitution assistance award regarding the case, the
142 commission may recover the amount paid in restitution
143 assistance award from the claimant by issuing an
144 administrative order or filing a civil action for return of
145 the awarded funds.

146 (b) A claimant convicted of any crime in connection
147 with a claim made pursuant to this act or any felony involving
148 fraud or theft shall forfeit any restitution assistance award
149 paid to the claimant. The commission may file an
150 administrative order or civil action for the return of any
151 forfeited funds.

152 Section 7. (a) The commission shall subrogate the
153 rights of the claimant awarded restitution assistance to the
154 extent of the amount that was paid in the restitution
155 assistance award. The subrogation rights are against the
156 individual ordered to pay restitution to the victim for the
157 securities violation.

158 (b) The commission may file a motion for subrogation
159 with the court that issued the final order. The motion shall
160 include all of the following:

161 (1) A notification to the court regarding the
162 restitution assistance award.

163 (2) A statement of the amount that was awarded in the
164 restitution assistance award.

165 (3) The provisions of this section that authorize the
166 commission's right of subrogation.

167 (c) The defendant who is paying restitution to a
168 claimant who has been awarded restitution assistance shall



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169 direct restitution payments to the commission once the
170 claimant has been paid in full, including the amount of the
171 restitution assistance award.

172 (d) Any order by a court of competent jurisdiction
173 regarding subrogation by the commission shall be treated the
174 same as a restitution order by the court and shall not expire.

175 Section 8. (a) A claimant must refund the commission
176 any amount of restitution received that, when combined with
177 the restitution assistance award, exceeds the restitution
178 awarded in the final order.

179 (b) The statute of limitations to file a civil action
180 to enforce this provision shall be five years from the date of
181 discovery by the commission that the claimant received an
182 amount greater than the restitution order.

183 Section 9. (a) If payment of restitution assistance
184 awards would result in a balance below two hundred fifty
185 thousand dollars (\$250,000) in the fund, the commission may
186 suspend payment of restitution assistance awards or prorate
187 payment of restitution assistance awards until the commission
188 determines that a sufficient balance has been restored to the
189 fund.

190 (b) A restitution assistance award made by the
191 commission pursuant to this act shall not be subject to
192 execution, attachment, garnishment, or any other process
193 except for processes brought by or on behalf of the State of
194 Alabama.

195 Section 10. (a) A person who files a fraudulent claim
196 or provides misleading information to the commission regarding



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197 a claim pursuant to this act shall be guilty of a Class **A**
198 **misdemeanor**.

199 (b) (1) The commission shall have jurisdiction to
200 enforce this act. The commission may carry out investigations
201 of violations of this act pursuant to Section 8-6-15, Code of
202 Alabama 1975.

203 (2) The commission shall provide the district attorney
204 of the proper county any evidence of a crime committed
205 pursuant to subsection (a). If the district attorney neglects
206 or refuses to prosecute a violation under this act, the
207 commission may proceed with all the rights, privileges, and
208 powers conferred by law upon district or court attorneys,
209 including the power to appear before grand juries and to
210 interrogate witnesses before the grand juries.

211 **Section 11. The commission may adopt rules and issue**
212 **orders to implement and administer this act.**

213 **Section 12.** This act shall become effective on October
214 1, 2026.