

HB559 INTRODUCED



1 HB559
2 QNPHN45-1
3 By Representative Underwood
4 RFD: State Government
5 First Read: 03-Mar-26



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SYNOPSIS:

This bill would establish the Market Accountability Compensation Fund in the State Treasury for the purpose of providing monetary relief to victims of investment fraud.

This bill would authorize the Alabama Securities Commission to use the fund to provide restitution assistance to victims of investment fraud who cannot recover restitution from the perpetrator.

This bill would establish limits on the amount that may be paid from the fund to victims of investment fraud.

This bill would authorize the commission to have subrogation rights to the restitution ordered for a victim that has received a restitution assistance award.

This bill would provide criminal penalties for anyone who files a fraudulent claim or provides misleading information to the commission regarding a claim for restitution assistance.

This bill would also authorize the commission to enforce this act.

A BILL



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29 TO BE ENTITLED

30 AN ACT

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

42 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

49 (2) COMMISSION. The Alabama Securities Commission.

50 (3) FINAL ORDER. A final administrative order issued by
51 the commission, or a final court order in a civil or criminal
52 proceeding either initiated by the commission or referred by
53 the commission to one of the offices of a United States
54 Attorney.

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



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57 (5) SECURITIES VIOLATION. A violation of Section
58 8-6-17, Code of Alabama 1975, or any violation of federal law
59 directly related to circumstances that would be a violation of
60 Section 8-6-17, Code of Alabama 1975. The federal violation
61 must be initiated or referred to an office of a United States
62 Attorney by the commission. Regardless of whether the
63 violation is prosecuted under state or federal law, there must
64 be a restitution order, judgment, or administrative
65 restitution finding.

66 (6) VULNERABLE ADULT. An individual who is any of the
67 following:

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

69 b. Eighteen years of age or older and whose behavior
70 indicates that the individual is mentally incapable of caring
71 for himself or herself and his or her interests without
72 serious consequences. If the individual is subject to the
73 jurisdiction of the juvenile court, the individual shall not
74 be considered a vulnerable adult.

75 c. Eighteen years of age, who, due to physical or
76 mental impairment, cannot protect himself or herself from
77 abuse, neglect, exploitation, sexual abuse, or emotional abuse
78 by others, and has no guardian or other person willing, able,
79 and available to assume the supervision necessary under the
80 circumstances. If the individual is subject to the
81 jurisdiction of the juvenile court, the individual shall not
82 be considered a vulnerable adult.

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



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85 (b) Monies contained in the fund may only be expended
86 to provide monetary relief to victims of investment fraud who
87 are entitled to monetary damages or restitution and who cannot
88 recover the funds from the perpetrator of the fraud, as
89 provided in this act.

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

94 (2) The commission may make transfers of additional
95 monies from the Alabama Securities Commission Fund to the
96 Market Accountability Compensation Fund in amounts not
97 exceeding two million two hundred fifty thousand dollars
98 (\$2,250,000).

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

102 (d) (1) At the end of any fiscal year, any unexpended or
103 unencumbered monies contributed to or deposited in the fund
104 from any source, except appropriations from other state funds,
105 shall remain in the fund.

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

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

111 (1) A named victim in a restitution award in a final
112 order.



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

116 (b) The claimant must submit the application within one
117 year after the date of the final order awarding restitution to
118 the victim.

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

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

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

132 (2) If there are multiple claimants, the restitution
133 assistance award may be paid in prorated amounts based upon
134 the percentage of the total amount that each claimant was
135 entitled to due to the final order. Regardless of whether the
136 amount in the restitution assistance award is prorated, the
137 award is subject to the limits of subsections (c) and (d).

138 (f) The commission is not required to award a claimant
139 any funds. Subject to the limits imposed by subsections (c)
140 and (d), the commission may make a restitution assistance



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141 award in any amount the commission determines is appropriate.

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

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

146 (2) The claim for restitution was made dishonestly or
147 fraudulently.

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

150 (4) The named victim has received the full amount of
151 restitution owed from the individual ordered to pay
152 restitution in the final order before the application for the
153 restitution assistance award was filed.

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

156 a. Participating or assisting in a securities
157 violation.

158 b. Attempting to commit or committing a securities
159 violation.

160 c. Profiting or attempting to profit from a securities
161 violation.

162 Section 6. (a) If an award of restitution in a final
163 order is overturned after the commission has made a
164 restitution assistance award regarding the case, the
165 commission may recover the amount paid in restitution
166 assistance award from the claimant by issuing an
167 administrative order or filing a civil action for return of
168 the awarded funds.



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169 (b) A claimant convicted of any crime in connection
170 with a claim made pursuant to this act or any felony involving
171 fraud or theft shall forfeit any restitution assistance award
172 paid to the claimant. The commission may file an
173 administrative order or civil action for the return of any
174 forfeited funds.

175 Section 7. (a) The commission shall subrogate the
176 rights of the claimant awarded restitution assistance to the
177 extent of the amount that was paid in the restitution
178 assistance award. The subrogation rights are against the
179 individual ordered to pay restitution to the victim for the
180 securities violation.

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

184 (1) A notification to the court regarding the
185 restitution assistance award.

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

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

190 (c) The defendant who is paying restitution to a
191 claimant who has been awarded restitution assistance shall
192 direct restitution payments to the commission once the
193 claimant has been paid in full, including the amount of the
194 restitution assistance award.

195 (d) Any order by a court of competent jurisdiction
196 regarding subrogation by the commission shall be treated the



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197 same as a restitution order by the court and shall not expire.

198 Section 8. (a) A claimant must refund the commission
199 any amount of restitution received that, when combined with
200 the restitution assistance award, exceeds the restitution
201 awarded in the final order.

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

206 Section 9. (a) If payment of restitution assistance
207 awards would result in a balance below two hundred fifty
208 thousand dollars (\$250,000) in the fund, the commission may
209 suspend payment of restitution assistance awards or prorate
210 payment of restitution assistance awards until the commission
211 determines that a sufficient balance has been restored to the
212 fund.

213 (b) A restitution assistance award made by the
214 commission pursuant to this act shall not be subject to
215 execution, attachment, garnishment, or any other process
216 except for processes brought by or on behalf of the State of
217 Alabama.

218 Section 10. (a) A person who files a fraudulent claim
219 or provides misleading information to the commission regarding
220 a claim pursuant to this act shall be guilty of a Class C
221 felony.

222 (b) (1) The commission shall have jurisdiction to
223 enforce this act. The commission may carry out investigations
224 of violations of this act pursuant to Section 8-6-15, Code of



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225 Alabama 1975.

226 (2) The commission shall provide the district attorney
227 of the proper county any evidence of a crime committed
228 pursuant to subsection (a). If the district attorney neglects
229 or refuses to prosecute a violation under this act, the
230 commission may proceed with all the rights, privileges, and
231 powers conferred by law upon district or court attorneys,
232 including the power to appear before grand juries and to
233 interrogate witnesses before the grand juries.

234 Section 11. This act shall become effective on October
235 1, 2026.