

**2025 SENATE INDUSTRY AND BUSINESS**

**SB 2214**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

SB 2214  
1/29/2025

A bill relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

2:23 p.m. Chairman Barta called the meeting to order.

Members present: Chairman Barta, Vice-Chairman Boehm, Senator Klein, Senator Kessel, Senator Enget

### Discussion Topics:

- Consumer protection and education
- Product overlap
- Regulatory body unification
- Licensing
- Operational efficiency
- Staff cross-training
- Number of employees/staff
- Insurance department division

2:24 p.m. Jon Godfread, ND Insurance Commissioner, testified in favor and submitted testimony #32614.

2:32 p.m. Tim Karsky, ND Security Department Commissioner, testified in favor.

2:40 p.m. Jon Godfread, ND Insurance Commissioner, testified in favor.

2:42 p.m. Senator Dale Patten, District 26, testified in favor and introduced the bill.

2:44 p.m. Rozz Leighton, Chief of Staff of the Governor's Office, testified in favor.

2:45 p.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*



# NORTH DAKOTA Insurance Department

Safeguarding promises. Fostering Fairness.

## FACT SHEET

### Senate Bill 2214

Moving the Securities Department to the  
North Dakota Insurance Department

Senate Bill 2214, as introduced, would merge the North Dakota Securities Department with the Insurance Department and transfer the necessary authorities to the Insurance Commissioner. Both departments share a commitment to safeguarding the financial well-being of North Dakotans. This merger would modernize operations, align overlapping responsibilities, and create a streamlined approach to financial regulation.

### Why Merge?

- › Streamlined operations
- › Enhanced consumer protections
- › Cost savings & efficiency
- › Unified regulatory framework
- › Legal & law enforcement resources
- › Successes in other states

#### Insurance Department

Regulates insurance agents  
& companies

Oversees life, health, auto  
& property policies

Handle claims disputes &  
policyholder complaints

Consumer Protection

Financial fraud investigation

Public education & awareness

Promoting financial stability

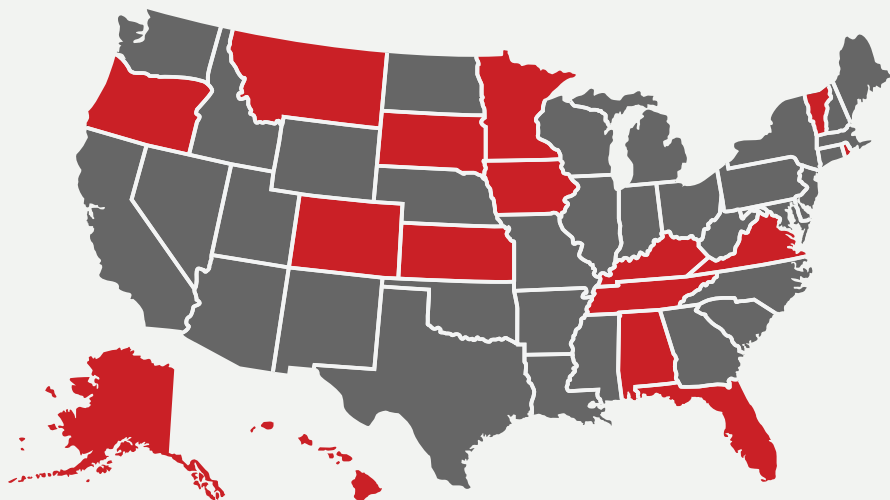
Professional licensing

#### Securities Department

Regulates securities brokers,  
dealers & investment advisers

Oversees the sale of stocks, bonds  
& other investment products

Provide investor education  
& protection



In the U.S., at least **16 states** have their securities regulatory agency under the same umbrella as their insurance department.

*"Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers."*

**Larry Deiter, Director**

*Division of Insurance*

*South Dakota Department of Labor and Regulation*



## TESTIMONY

*Jon Godfread, Insurance Commissioner*

Senate Industry and Business Committee

January 29, 2025

### Testimony in Support of Senate Bill 2214

Thank you, Chairman Barta and Members of the Industry and Business Committee, for the opportunity to provide testimony in support of Senate Bill 2214, which seeks to merge the North Dakota Securities Department with the North Dakota Insurance Department. This proposed merger is a forward-looking initiative that aligns with best practices from other states and ensures our regulatory framework continues to serve North Dakotans effectively and efficiently.

### Overview of Senate Bill 2214

Senate Bill 2214 proposes consolidating the North Dakota Securities Department into the North Dakota Insurance Department.

### Section 1: Amendment to Subsection 4 of Section 6-01-07.1

This section updates the entities with which the commissioner may share information and enter into agreements. Specifically, it replaces references to the "office of the securities commissioner" with the "insurance commissioner," reflecting the merger of the two departments.

### Section 2: Amendments to Subsections 4 and 5 of Section 10-04-02

Definitions are revised in this section:

- **Subsection 4:** The term "Commissioner" is redefined to mean the "insurance commissioner" instead of the "securities commissioner."
- **Subsection 5:** The term "Department" is redefined to mean the "insurance department" instead of the "securities department."

### Section 3: Amendment to Section 10-04-03

This section outlines the administrative changes resulting from the merger:

- The supervision of the state securities department transitions from the securities commissioner to the insurance commissioner.
- The position of the securities commissioner, previously appointed by the governor and confirmed by the senate for a four-year term, is now a position in the Insurance Department.
- Responsibilities previously held by the securities commissioner are transferred to the insurance commissioner, including the use of an official seal and the employment of necessary staff for administration.

## **Subsequent Sections**

The remaining sections of the bill continue the process of updating statutory language to reflect the merger. This includes replacing references to the securities commissioner and securities department with the insurance commissioner and insurance department, respectively, throughout various provisions of the North Dakota Century Code.

In summary, Senate Bill 2214 systematically amends existing statutes to facilitate the integration of the Securities Department into the Insurance Department, thereby centralizing regulatory authority under the insurance commissioner.

This merger aims to enhance consumer protection, streamline operations, and increase responsiveness to evolving market dynamics. It is not a novel concept; numerous states, including South Dakota, have successfully adopted similar measures. These experiences demonstrate that integration creates a more unified and effective regulatory environment without compromising consumer protections.

The North Dakota Insurance Department, led by an elected Commissioner, oversees insurance companies, producers, and consumers, ensuring solvency and market integrity. Similarly, the Securities Department regulates securities markets, professionals, and financial products. With increasing overlap between insurance and securities products, such as annuities and private placements, merging these departments allows us to address these intersections more effectively.

## **Proven Success: South Dakota's Experience**

South Dakota's 2017 merger of its insurance and securities departments provides a compelling example. In a letter submitted by South Dakota's Division of Insurance Director Larry Deiter, he outlines the positive impacts of their consolidation, including increased efficiency, improved consumer protection, and enhanced regulatory capabilities. Their success underscores the feasibility and benefits of such an approach, offering North Dakota a proven roadmap to follow. For your reference, the letter from Director Deiter has been submitted with this testimony, and I encourage you to review it for his detailed perspective.

## **Benefits of Consolidation**

### **Enhanced Consumer Protection**

A unified regulatory body ensures consistent oversight across both insurance and securities markets. Specific benefits include:

- **Streamlined Investigations:** Consolidating investigative resources allows for more efficient enforcement actions against bad actors operating across both sectors, thereby improving consumer protections. As noted by Director Deiter, South Dakota's unified approach enabled faster resolutions and reduced bureaucratic inefficiencies.

- **Simplified Licensing:** Financial professionals holding both insurance and securities licenses will benefit from a streamlined licensing process, reducing regulatory burdens and enhancing service delivery. For example, routine inquiries currently handled separately could be addressed more efficiently under a unified framework.

### **Operational Efficiencies**

Merging the departments eliminates redundancies and maximizes resource utilization. Key efficiencies include:

- **Cross-Appointment of Staff:** Investigators, examiners, and licensing personnel can handle issues spanning both insurance and securities, reducing duplication and fostering collaboration. South Dakota's cross-training of staff has resulted in a more versatile and capable regulatory team.
- **Shared Resources:** Access to regulatory databases from entities like the Financial Industry Regulatory Authority (FINRA), the U.S. Securities and Exchange Commission (SEC), and the National Association of Insurance Commissioners (NAIC) ensures a more robust regulatory capacity and streamlined information-sharing.

### **Improved Responsiveness to Market Innovation**

The financial services sector continues to evolve, with many products blending aspects of insurance and securities. A consolidated department offers:

- **Adaptive Regulation:** Faster adaptation to market innovations ensures effective oversight of emerging financial products.
- **Expedited Approvals:** Collaborative reviews shorten approval times for new products, benefiting consumers and market participants alike. Director Deiter's letter highlights how a single agency can accelerate product reviews without sacrificing oversight quality.

### **Comprehensive Consumer Education**

A unified department is better positioned to develop holistic financial education programs, empowering North Dakotans to make informed decisions and avoid financial pitfalls. These programs would encompass both insurance and securities topics, ensuring comprehensive coverage.

### **Addressing Potential Concerns**

While some may worry that merging two departments could dilute focus or expertise, South Dakota's experience shows otherwise. Their Division of Insurance has demonstrated that combining resources enhances, rather than diminishes, the ability to oversee both sectors effectively. Concerns about initial implementation challenges are valid but manageable, as seen in other states where these transitions have been carried out successfully.

Additionally, questions about whether the merger could lead to job losses or reduced services are unfounded. Instead, operational efficiencies create opportunities for existing

staff to take on broader roles, supported by cross-training and resource sharing. The ultimate goal is not cost-cutting but improving service delivery for North Dakota consumers and market participants.

### **Support from the Governor's Office**

While this merger would reduce the Governor's number of cabinet appointments, Governor Armstrong supports this transition due to its clear benefits. As you all know, Governor Armstrong has no difficulty articulating his positions, so I will let him speak for himself on this matter. However, his support reflects the administration's recognition of the value this move brings to our state.

The integration of the North Dakota Securities Department into the North Dakota Insurance Department represents a strategic and necessary step to modernize our regulatory framework. By consolidating oversight of these two interconnected sectors, we can:

- Enhance consumer protections.
- Realize operational efficiencies.
- Respond effectively to market innovations.
- Provide comprehensive consumer education.

The success of states like South Dakota demonstrates that this approach works. With their experience as a guide, North Dakota is well-positioned to implement this transition seamlessly and effectively.

I respectfully urge the Committee to support Senate Bill 2214. Thank you for your time and consideration. I am happy to answer any questions you may have.

January 27, 2025

**SENT ELECTRONICALLY**

Honorable Insurance Commissioner Jon Godfread  
600 E Boulevard Ave  
Bismarck, ND 58505

Re: Merger of Insurance and Securities Operations in South Dakota

Commissioner Godfread,

The South Dakota Division of Insurance is pleased to share its experience from merging the former South Dakota Division of Securities into its operations in January 2017.<sup>1</sup> Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers. From life and annuity products, health care, property insurance, and investment products, the regulatory protections offered by each area are analogous on many levels. Observations we have noted from our experiences merging these two regulatory entities include but are not limited to:

**Consumer Protection.** Individuals operating as securities brokers are often licensed as insurance producers, as well. By administering market oversight in one Division, we have created a more consistent approach in handling complaints, investigations, examinations, and enforcement actions by the State. Since the 2017 merger, the South Dakota Division of Insurance has conducted numerous investigations and examinations of individuals who are cross-licensed. Those efforts would have been complicated by unnecessary interaction with another agency, requiring further meetings, coordination, and bureaucracy. Duplicative efforts are inefficient and increase cost. We have had no difficulty applying both the Insurance Code and the Uniform Securities Act to resolve files with existing skill and expertise. An efficient review of an individual's comprehensive conduct with consumers in the market is the end result. This cohesive approach has better served the public by providing protection and quickly removing bad actors.

**Operational Efficiency.** When merging, we found many parallel administrative processes between the license types. Both sets of licensees take examinations, complete applications for review, pay license fees, provide criminal background information, receive review by the regulator, pay taxes, and receive continuing education. Aside from nuances in the regulation, these functions are largely the same. We have continuously found ways to streamline processes, integrate solutions, and combine data systems across license types. This has led to cross-training staff on many topics to support these markets.

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<sup>1</sup> Executive Order 2017-02.



**Innovation.** A variety of new products blur the lines between insurance and securities, often causing decreased speed-to-market deployment by industry. Instead of multiple agencies and wrangling about which regulation to apply, a single Division is better positioned to respond to new and innovative product offerings. Working collaboratively allows innovative products to receive expedited review, providing the public with greater options and a consistent regulatory approach.

As discussed, South Dakota has experienced positive advantages to merging its Insurance and Securities Divisions. Around a dozen states have combined their insurance and securities departments in a growing national trend for efficient and effective regulation of these related financial services markets.

If you have additional questions regarding South Dakota's experience since the 2017 merger, I would be happy to provide more detailed information. Thanks!

Sincerely,



Larry Deiter, Director  
*South Dakota Division of Insurance*  
*Department of Labor & Regulation*

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

SB 2214  
2/12/2025

A bill relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

10:12 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

### **Discussion Topics:**

- Merged departments
- Efficiency in State Government
- Industry efficiencies and regulators
- Department overlaps and differences
- Attorneys
- Insurance Department
- Federal oversight and regulation
- Wealth management
- Elected and appointed positions
- Cost savings

10:14 a.m. Roz Leighton, Chief of Staff for the Governor of ND, testified in neutral.

10:16 a.m. John Arnold, Deputy Insurance Commissioner for the ND Insurance Department, testified in neutral.

10:25 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

SB 2214  
2/12/2025

A bill relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

10:35 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

### Discussion Topics:

- Insurance Department size and overwhelm
- Regulatory aspect
- Benefits and potential harm
- Elected and appointed positions
- Cost savings
- Current systems
- History of issues

10:36 a.m. Chairman Barta answered committee questions on combining the duties of the insurance and securities commissioner.

10:46 a.m. Senator Kessel moved a Do Pass.

10:46 a.m. Motion failed for lack of a second.

10:47 a.m. Senator Klein moved a Do Not Pass.

10:49 a.m. Senator Klein withdrew motion for a Do Not Pass.

10:59 a.m. Chairman Barta adjourned the meeting.

*Audrey Oswald, Committee Clerk*

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

SB 2214  
2/17/2025

A bill relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

10:56 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

### Discussion Topics:

- Additional resources
- Regulatory oversight
- Security Division identity
- Efficiency and cost savings

10:57 a.m. Jon Godfread, ND Insurance Commissioner, testified in neutral.

11:10 a.m. Senator Kessel moved a Do Pass.

11:11 a.m. Senator Boehm seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	N

Motion passed 4-1-0.

Senator Barta will carry the bill.

11:17 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*

**REPORT OF STANDING COMMITTEE**  
**SB 2214 ([25.0555.01000](#))**

**Industry and Business Committee (Sen. Barta, Chairman)** recommends **DO PASS** (4 YEAS, 1 NAY, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2214 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

**2025 HOUSE INDUSTRY, BUSINESS AND LABOR**

**SB 2214**

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

SB 2214  
3/12/2025

A BILL for an Act to amend and reenact subsection 4 of section 6-01-07.1, subsections 4 and 5 of section 10-04-02, sections 10-04-03 and 10-04-16, paragraph 2 of subdivision a of subsection 1 of section 10-04-16.1, section 26.1-06-12, subsection 3 of section 43-10.1-01, subsection 2 of section 43-23.1-05, subsection 4 of section 51-19-02, subsection 3 of section 51-23-02, subsection 1 of section 51-23-15, subsection 1 of section 54-12-08, subsection 1 of section 54-59-22.1, subsection 4 of section 57-38.5-01, and subsection 5 of section 57-38.6-01 of the North Dakota Century Code, relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

10:16 a. m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, C. Brown, T. Brown, Finley-DeVile, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

### Discussion Topics:

- Streamline efficiencies
- Consolidation in 16 additional States
- Unified licensing and compliance
- Agency redundancies
- Complexity and succession

10:16 a.m. Senator Dale Patten, District 26, Watford City, ND, introduced and testified.

10:19 a.m. Jon Godfread, Commissioner, ND Insurance Department, testified in favor and submitted testimony #40917.

10:58 a.m. Tim Karsky, Securities Commissioner, ND Securities Department, testified in favor.

11:08 a.m. Roz Leighton, Chief of Staff, ND Office of the Governor, testified in favor.

11:12 a.m. Representative D. Ruby moved Do Pass and referred to appropriations.

11:12 a.m. Representative Koppelman seconded the motion.

Representatives	Vote
Representative Jonathan Warrey	Y
Representative Mitch Ostlie	Y
Representative Jorin Johnson	Y

Representative Landon Bahl	Y
Representative Collette Brown	AB
Representative Timothy Brown	Y
Representative Lisa Finley-DeVille	Y
Representative Karen Grindberg	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Dan Ruby	Y
Representative Mike Schatz	Y
Representative Austin Schauer	Y
Representative Daniel R. Vollmer	Y

Motion passed 14-0-0

11:21 a.m. Representative Warrey will carry the bill.

11:21 a.m. Chairman Warrey closed the meeting.

*Diane Lillis, Committee Clerk*



**REPORT OF STANDING COMMITTEE**  
**SB 2214 ([25.0555.01000](#))**

**Industry, Business and Labor Committee (Rep. Warrey, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (14 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2214 was rereferred to the **Appropriations Committee**.



## TESTIMONY

*Jon Godfread, Insurance Commissioner*  
House Industry, Business and Labor Committee  
March 12, 2025

### Testimony in Support of Senate Bill 2214

Thank you, Chairman Warrey and Members of the Industry, Business and Labor Committee, for the opportunity to provide testimony in support of Senate Bill 2214, which seeks to merge the North Dakota Securities Department with the North Dakota Insurance Department. This proposed merger is a forward-looking initiative that aligns with best practices from other states and ensures our regulatory framework continues to serve North Dakotans effectively and efficiently.

### Overview of Senate Bill 2214

Senate Bill 2214 proposes consolidating the North Dakota Securities Department into the North Dakota Insurance Department.

### Section 1: Amendment to Subsection 4 of Section 6-01-07.1

This section updates the entities with which the commissioner may share information and enter into agreements. Specifically, it replaces references to the "office of the securities commissioner" with the "insurance commissioner," reflecting the merger of the two departments.

### Section 2: Amendments to Subsections 4 and 5 of Section 10-04-02

Definitions are revised in this section:

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This section outlines the administrative changes resulting from the merger:

- The supervision of the state securities department transitions from the securities commissioner to the insurance commissioner.
- The position of the securities commissioner, previously appointed by the governor and confirmed by the senate for a four-year term, is now a position in the Insurance Department.
- Responsibilities previously held by the securities commissioner are transferred to the insurance commissioner, including the use of an official seal and the employment of necessary staff for administration.

## **Subsequent Sections**

The remaining sections of the bill continue the process of updating statutory language to reflect the merger. This includes replacing references to the securities commissioner and securities department with the insurance commissioner and insurance department, respectively, throughout various provisions of the North Dakota Century Code.

In summary, Senate Bill 2214 systematically amends existing statutes to facilitate the integration of the Securities Department into the Insurance Department, thereby centralizing regulatory authority under the insurance commissioner.

This merger aims to enhance consumer protection, streamline operations, and increase responsiveness to evolving market dynamics. It is not a novel concept; numerous states, including South Dakota, have successfully adopted similar measures. These experiences demonstrate that integration creates a more unified and effective regulatory environment without compromising consumer protections.

The North Dakota Insurance Department, led by an elected Commissioner, oversees insurance companies, producers, and consumers, ensuring solvency and market integrity. Similarly, the Securities Department regulates securities markets, professionals, and financial products. With increasing overlap between insurance and securities products, such as annuities and private placements, merging these departments allows us to address these intersections more effectively.

## **Proven Success: South Dakota's Experience**

South Dakota's 2017 merger of its insurance and securities departments provides a compelling example. In a letter submitted by South Dakota's Division of Insurance Director Larry Deiter, he outlines the positive impacts of their consolidation, including increased efficiency, improved consumer protection, and enhanced regulatory capabilities. Their success underscores the feasibility and benefits of such an approach, offering North Dakota a proven roadmap to follow. For your reference, the letter from Director Deiter has been submitted with this testimony, and I encourage you to review it for his detailed perspective.

## **Benefits of Consolidation**

A unified regulatory body ensures consistent oversight across both insurance and securities markets. Specific benefits include:

- **Streamlined Investigations:** Consolidating investigative resources allows for more efficient enforcement actions against bad actors operating across both sectors, thereby improving consumer protections. As noted by Director Deiter, South Dakota's unified approach enabled faster resolutions and reduced bureaucratic inefficiencies.

- **Simplified Licensing:** Financial professionals holding both insurance and securities licenses will benefit from a streamlined licensing process, reducing regulatory burdens and enhancing service delivery. For example, routine inquiries currently handled separately could be addressed more efficiently under a unified framework.

### **Enhanced Consumer Protection**

This consolidation is not about cost savings; it is about ensuring North Dakotans receive the level of protection they deserve from their financial regulators. The Securities Department has struggled for years—whether through mismanagement, lack of enforcement, or outright neglect—and those struggles have directly harmed North Dakota citizens. The unwillingness to acknowledge or correct these long-standing deficiencies has only exacerbated the situation, leaving consumers vulnerable. The transition of the Securities Department to the Insurance Department will finally provide the necessary resources and leadership to correct these deficiencies.

A unified regulatory body will ensure consistent oversight across both insurance and securities markets. Specific benefits include:

- **Stronger Investigations and Enforcement:** Consolidating investigative resources will allow for more efficient enforcement actions against bad actors operating in both sectors. As seen in other states, including South Dakota, a unified approach enables faster resolutions and reduces bureaucratic inefficiencies that currently hinder North Dakota’s ability to respond to fraud and misconduct.
- **Proactive Regulation:** Unlike the Securities Department, which has been reactive—if not outright negligent—the Insurance Department has a strong track record of enforcing laws and protecting consumers. For example, 47 states have already implemented the Annuity Suitability Law, significantly improving consumer protections in the annuity space. The 16 states that have combined securities and insurance oversight are far ahead in enforcement and consumer protection efforts in this area. Meanwhile, North Dakota’s Securities Department has failed to act, leaving gaps in consumer protection.
- **Guarding Against Federal Overreach:** Under the Biden Administration, the federal government has attempted multiple times to preempt state-based regulation in financial markets. A stronger, more competent state securities regulator housed within the Insurance Department will be better positioned to maintain North Dakota’s sovereignty in financial regulation and prevent federal overreach.

The bottom line: securities regulation is a small piece of the broader financial services market, and much of that oversight falls under the SEC. However, what remains at the state level is crucial to protecting North Dakotans. Over the past decade, the Securities Department’s leadership and operational deficiencies have led to significant losses for

North Dakota consumers. This consolidation is a response to those failures, ensuring accountability and effectiveness moving forward.

### **Operational Efficiencies Without Sacrificing Consumer Protection**

While some may worry that merging two departments could dilute focus or expertise, the opposite is true. Combining the Securities Department into the Insurance Department will eliminate redundancies and maximize resources in ways that actually improve consumer protection.

- **Cross-Training and Workforce Development:** Investigators, examiners, and licensing personnel will be able to handle issues across both insurance and securities, reducing duplication and fostering collaboration. South Dakota has already demonstrated how cross-training can lead to a more capable regulatory team.
- **Unified Licensing and Compliance Monitoring:** Financial professionals holding both insurance and securities licenses will benefit from a streamlined licensing process, reducing regulatory burdens while maintaining high compliance standards.
- **Stronger Data and Intelligence Sharing:** The Insurance Department already has extensive access to regulatory databases from entities like the Financial Industry Regulatory Authority (FINRA), the U.S. Securities and Exchange Commission (SEC), and the National Association of Insurance Commissioners (NAIC). Bringing securities regulation under the Insurance Department will ensure seamless data-sharing and a more robust regulatory infrastructure.

This transition is long overdue. While it will take time to fully correct the deep-seated issues in the Securities Department, the risk of delay means further damage to North Dakota citizens. The Insurance Department will not be perfect—but our track record speaks for itself. We have a history of prudent, reasonable consumer protection regulation.

### **Proven Leadership in Efficient and Effective Government**

North Dakotans expect government agencies to be good stewards of taxpayer dollars while still delivering high-quality services. The Insurance Department has a proven history of achieving both.

- **Track Record of Fiscal Responsibility:**
  - When I took office eight years ago, the Insurance Department had 49.5 FTEs.
  - Today, we are at 47 FTEs—even after taking on an additional 10 FTEs from the Fire Marshal last session.
  - Despite these added responsibilities, our operating line is up only 4% over the past eight years.
  - We consistently review and cut excess while ensuring we have the resources needed to do our job effectively.

- **Contrast with the Securities Department:** The Securities Department, in contrast, has failed to implement even the most basic programs designed to protect consumers. A prime example is the Restitution Assistance Fund, established by the 68th Legislative Assembly. Despite its passage and clear legislative intent, no administrative rules have been drafted, no proposed legislation has been developed, and no progress has been made toward implementing the fund. This was a fund brought forth by Securities Department leadership approved by this body, with the expectation of making North Dakotans whole when they are harmed by securities fraud, and yet no meaningful steps have been taken by the department to implement this fund. This is an example that has left vulnerable adults without the support they were promised.

The reality is that this merger is not about saving money—it's about fixing a broken system. North Dakotans deserve a regulatory body that enforces the law, protects consumers, and operates efficiently. That is what we have delivered in the Insurance Department, and it is what we will bring to the Securities Department.

### **Learning from Other States' Success**

North Dakota is not the first state to take this step, and the states that have done so are significantly ahead in consumer protection and enforcement efforts.

- South Dakota, our neighboring state, has successfully combined securities and insurance under a single department, creating a more effective regulatory environment.
- Other states that have consolidated these functions have reported greater enforcement capabilities, stronger consumer protections, and improved regulatory efficiency.

Governor Armstrong recognized the serious issues within North Dakota's Securities Department and initiated this conversation because action is needed this session. For over a decade, mismanagement, negligence, and an unwillingness to address fundamental problems have resulted in real harm to North Dakota consumers.

### **Support from the Governor's Office**

While this merger would reduce the Governor's number of cabinet appointments, Governor Armstrong supports this transition due to its clear benefits. As you all know, Governor Armstrong has no difficulty articulating his positions, so I will let him speak for himself on this matter. However, his support reflects the administration's recognition of the value this move brings to our state.

The integration of the North Dakota Securities Department into the North Dakota Insurance Department represents a strategic and necessary step to modernize our regulatory framework. By consolidating oversight of these two interconnected sectors, we can:

- Enhance consumer protections.
- Realize operational efficiencies.
- Respond effectively to market innovations.
- Provide comprehensive consumer education.

The Insurance Department has a long and proven track record of efficient, consumer-focused regulation. We are not perfect, but we have demonstrated a commitment to prudent oversight, operational efficiency, and strong consumer protections. The Securities Department, unfortunately, has not.

By following the example of successful states—particularly South Dakota—we can improve enforcement, enhance consumer protection, and bring much-needed accountability to securities regulation in North Dakota. The risk of inaction is simply too great.

I respectfully urge the Committee to support Senate Bill 2214. Thank you for your time and consideration. I am happy to answer any questions you may have.





# NORTH DAKOTA

## Insurance Department

Safeguarding promises. Fostering Fairness.



### FACT SHEET

#### Senate Bill 2214

Moving the Securities Department to the North Dakota Insurance Department

Senate Bill 2214, as introduced, would merge the North Dakota Securities Department with the Insurance Department and transfer the necessary authorities to the Insurance Commissioner. Both departments share a commitment to safeguarding the financial well-being of North Dakotans. This merger would modernize operations, align overlapping responsibilities, and create a streamlined approach to financial regulation.

### Why Merge?

- › Streamlined operations
- › Enhanced consumer protections
- › Cost savings & efficiency
- › Unified regulatory framework
- › Legal & law enforcement resources
- › Successes in other states

#### Insurance Department

Regulates insurance agents & companies

Oversees life, health, auto & property policies

Handle claims disputes & policyholder complaints

Consumer Protection

Financial fraud investigation

Public education & awareness

Promoting financial stability

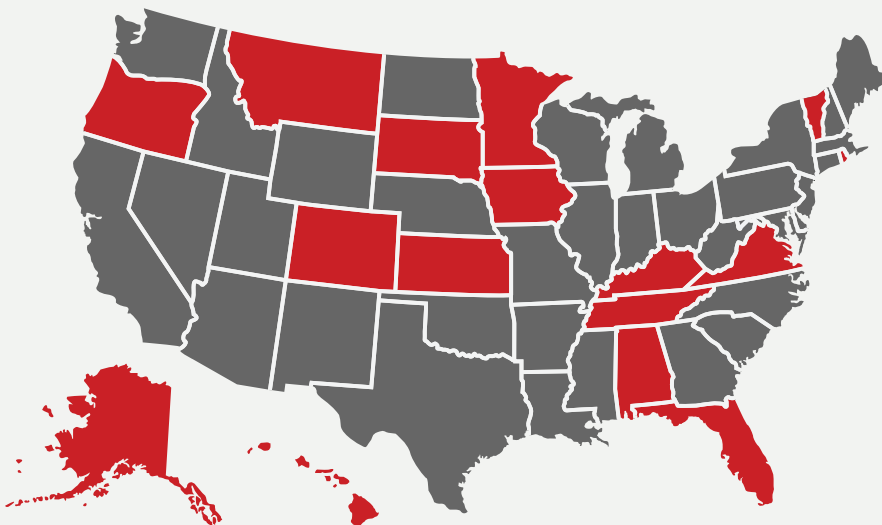
Professional licensing

#### Securities Department

Regulates securities brokers, dealers & investment advisers

Oversees the sale of stocks, bonds & other investment products

Provide investor education & protection



In the U.S., at least **16 states** have their securities regulatory agency under the same umbrella as their insurance department.

*"Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers."*

**Larry Deiter, Director**

*Division of Insurance*

*South Dakota Department of Labor and Regulation*



January 27, 2025

**SENT ELECTRONICALLY**

Honorable Insurance Commissioner Jon Godfread  
600 E Boulevard Ave  
Bismarck, ND 58505

Re: Merger of Insurance and Securities Operations in South Dakota

Commissioner Godfread,

The South Dakota Division of Insurance is pleased to share its experience from merging the former South Dakota Division of Securities into its operations in January 2017.<sup>1</sup> Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers. From life and annuity products, health care, property insurance, and investment products, the regulatory protections offered by each area are analogous on many levels. Observations we have noted from our experiences merging these two regulatory entities include but are not limited to:

**Consumer Protection.** Individuals operating as securities brokers are often licensed as insurance producers, as well. By administering market oversight in one Division, we have created a more consistent approach in handling complaints, investigations, examinations, and enforcement actions by the State. Since the 2017 merger, the South Dakota Division of Insurance has conducted numerous investigations and examinations of individuals who are cross-licensed. Those efforts would have been complicated by unnecessary interaction with another agency, requiring further meetings, coordination, and bureaucracy. Duplicative efforts are inefficient and increase cost. We have had no difficulty applying both the Insurance Code and the Uniform Securities Act to resolve files with existing skill and expertise. An efficient review of an individual's comprehensive conduct with consumers in the market is the end result. This cohesive approach has better served the public by providing protection and quickly removing bad actors.

**Operational Efficiency.** When merging, we found many parallel administrative processes between the license types. Both sets of licensees take examinations, complete applications for review, pay license fees, provide criminal background information, receive review by the regulator, pay taxes, and receive continuing education. Aside from nuances in the regulation, these functions are largely the same. We have continuously found ways to streamline processes, integrate solutions, and combine data systems across license types. This has led to cross-training staff on many topics to support these markets.

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<sup>1</sup> Executive Order 2017-02.

**Innovation.** A variety of new products blur the lines between insurance and securities, often causing decreased speed-to-market deployment by industry. Instead of multiple agencies and wrangling about which regulation to apply, a single Division is better positioned to respond to new and innovative product offerings. Working collaboratively allows innovative products to receive expedited review, providing the public with greater options and a consistent regulatory approach.

As discussed, South Dakota has experienced positive advantages to merging its Insurance and Securities Divisions. Around a dozen states have combined their insurance and securities departments in a growing national trend for efficient and effective regulation of these related financial services markets.

If you have additional questions regarding South Dakota's experience since the 2017 merger, I would be happy to provide more detailed information. Thanks!

Sincerely,



Larry Deiter, Director  
*South Dakota Division of Insurance*  
*Department of Labor & Regulation*

## **State vs. Federal Securities Regulation: Who is Responsible for What?**

Securities regulation in the United States is a dual system, with oversight responsibilities split between state securities regulators and the U.S. Securities and Exchange Commission (SEC). Each has distinct roles in protecting investors, maintaining market integrity, and enforcing securities laws.

### **Federal Regulation – The Role of the SEC**

The SEC is the primary federal regulator of the securities industry, overseeing national markets, larger financial institutions, and broad investor protections. Its responsibilities include:

#### **Oversight of National Markets & Large Firms**

- **Public Companies & Securities Offerings:** The SEC regulates publicly traded companies, ensuring compliance with reporting requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934.
- **Stock Exchanges & Self-Regulatory Organizations (SROs):** The SEC oversees major trading platforms like the New York Stock Exchange (NYSE), Nasdaq, and Financial Industry Regulatory Authority (FINRA).
- **Large Investment Firms & Asset Managers:** The SEC supervises major investment firms, including hedge funds, mutual funds, and investment advisors with \$100 million+ in assets under management.

#### **Enforcement of Federal Securities Laws**

- **Insider Trading & Market Manipulation:** Investigates cases of fraud, including insider trading, Ponzi schemes, and misleading financial statements.
- **SEC Civil Enforcement Actions:** The SEC can bring lawsuits and impose fines, bans, and criminal referrals in cases of major financial fraud.

#### **Interstate & Global Securities Activities**

- The SEC regulates interstate securities transactions and securities fraud cases with national or international scope.
- Works with foreign regulators in cases involving cross-border fraud.

### **State Securities Regulation – The Role of State Agencies**

Each U.S. state has its own securities regulator, typically housed in an independent securities commission, the attorney general's office, or a department like the North Dakota Insurance Department (if merged). State securities regulation is focused on local investor protection and smaller securities transactions.

#### **Primary Responsibilities of State Securities Regulators**

- **Licensing & Registration**

- **Broker-Dealers & Investment Advisers:** State regulators oversee small and mid-sized investment advisers (under \$100M in AUM), as well as individual brokers operating within the state.
- **Securities Offerings:** States regulate the registration of certain securities offerings, particularly those that are not federally preempted (e.g., intrastate offerings).
- **Blue Sky Laws:** Each state enforces its own "Blue Sky Laws," which are designed to prevent fraud in securities transactions at the state level.
- **Enforcement & Fraud Prevention**
  - **Ponzi Schemes & Local Fraud Cases:** State regulators handle cases involving fraud within their jurisdiction, including scams targeting elderly and vulnerable investors.
  - **Consumer Complaints & Investigations:** State securities regulators investigate investor complaints and have the power to fine, suspend, or revoke licenses for bad actors.
  - **Coordination with Prosecutors:** State agencies work with state attorneys general and local law enforcement to pursue criminal charges against fraudsters.
- **Investor Education & Protection**
  - States have a key role in educating the public on securities fraud, investment risks, and financial literacy.
  - Programs such as fraud prevention initiatives for seniors and first-time investors often originate at the state level.
- **Coordination with the SEC & Federal Regulators**
  - States share enforcement authority with the SEC and often bring parallel enforcement actions.
  - In some cases, states take action faster than the SEC, especially for scams affecting local investors before they gain national attention.

### The Overlap & Differences: SEC vs. State Regulators

Function	SEC (Federal)	State Securities Regulator
<b>Oversight of Public Companies</b>	Regulates all publicly traded companies	No authority over public companies
<b>Stock Exchanges &amp; Large Firms</b>	Oversees national markets & SROs (NYSE, Nasdaq, FINRA)	No authority over national stock exchanges
<b>Licensing &amp; Registration</b>	Regulates large investment firms (AUM \$100M+)	Registers small/mid-sized investment advisers and brokers
<b>Securities Offerings</b>	Oversees IPOs & national securities offerings	Regulates intrastate securities offerings
<b>Enforcement &amp; Fraud Prevention</b>	Handles major fraud cases, insider trading, Ponzi schemes	Investigates local fraud, scams, and Ponzi schemes

<b>Consumer Protection &amp; Education</b>	National financial education initiatives	Local investor education & fraud prevention programs
<b>Coordination &amp; Joint Actions</b>	Works with states, DOJ, and international regulators	Cooperates with SEC on cases with state implications

## **Why States Matter: The Case for Strong State Securities Regulation**

While the SEC handles national and large-scale cases, state securities regulators often act as the first line of defense for local investors. The North Dakota Securities Department's failure to effectively regulate securities has left consumers vulnerable, which is why consolidation into the Insurance Department is necessary.

### **Key Examples of Why State Regulation Matters**

#### **1. The Annuity Suitability Law & State Leadership**

- States that have combined securities and insurance regulation (like South Dakota) have been much more proactive in protecting investors in this area.

#### **2. State-Level Fraud Enforcement is More Responsive**

- Many Ponzi schemes and fraudulent investment schemes start small and target local investors before they gain national attention.

#### **3. Preventing Federal Preemption of State Authority**

- If North Dakota does not step up its securities enforcement efforts, it risks losing state authority over key areas of financial regulation.

### **Why This Transition is Necessary**

- The SEC does not handle local enforcement—that's the role of the state regulator.
- The Securities Department has failed to meet its responsibilities. This lack of action has resulted in consumer harm, delayed enforcement, and regulatory gaps.
- Other states that have merged securities with insurance regulation have seen stronger consumer protections, improved enforcement, and better operational efficiencies.

By bringing securities regulation under the Insurance Department, we can:

- Ensure proper enforcement of securities laws and prevent further financial harm to North Dakotans.
- Hold bad actors accountable more quickly before frauds escalate.
- Modernize North Dakota's regulatory approach to align with best practices seen in states like South Dakota and others that have successfully merged their regulatory functions.

This is not about cost savings—it's about fixing a broken system before more North Dakota investors are harmed. The time to act is now.

**2025 HOUSE APPROPRIATIONS**

**SB 2214**

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Appropriations Committee Roughrider Room, State Capitol

SB 2214  
3/27/2025

A BILL for an Act to amend and reenact subsection 4 of section 6-01-07.1, subsections 4 and 5 of section 10-04-02, sections 10-04-03 and 10-04-16, paragraph 2 of subdivision a of subsection 1 of section 10-04-16.1, section 26.1-06-12, subsection 3 of section 43-10.1-01, subsection 2 of section 43-23.1-05, subsection 4 of section 51-19-02, subsection 3 of section 51-23-02, subsection 1 of section 51-23-15, subsection 1 of section 54-12-08, subsection 1 of section 54-59-22.1, subsection 4 of section 57-38.5-01, and subsection 5 of section 57-38.6-01 of the North Dakota Century Code, relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

8:33 a.m. Chairman Vigesaa called the meeting to order.

Members present: Chairman Vigesaa, Vice Chairman Kempenich, Representatives Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Mitskog, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner

### Discussion Topics:

- Committee Action
- Insurance and Securities Departments merging

8:35 a.m. Representative Warrey introduced the bill.

8:45 a.m. Tim Karsky, ND Securities Commissioner answered questions.

8:46 a.m. Representative Swiontek moved Do Pass.

8:46 a.m. Representative Kempenich seconded the motion.

8:47 a.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glenn Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y

Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

8:47 a.m. Motion passed 23-0-0.

8:47 a.m. Representative Warrey will carry the bill.

8:49 a.m. Chairman Vigesaa closed the meeting.

*Krystal Eberle, Committee Clerk*

*Bill was reconsidered.*



# 2025 HOUSE STANDING COMMITTEE MINUTES

## Appropriations Committee Roughrider Room, State Capitol

SB 2214  
3/27/2025

A BILL for an Act to amend and reenact subsection 4 of section 6-01-07.1, subsections 4 and 5 of section 10-04-02, sections 10-04-03 and 10-04-16, paragraph 2 of subdivision a of subsection 1 of section 10-04-16.1, section 26.1-06-12, subsection 3 of section 43-10.1-01, subsection 2 of section 43-23.1-05, subsection 4 of section 51-19-02, subsection 3 of section 51-23-02, subsection 1 of section 51-23-15, subsection 1 of section 54-12-08, subsection 1 of section 54-59-22.1, subsection 4 of section 57-38.5-01, and subsection 5 of section 57-38.6-01 of the North Dakota Century Code, relating to the insurance commissioner assuming the duties of the securities commissioner; and to provide an appropriation.

10:46 a.m. Chairman Vigesaa opened the meeting.

Members present: Chairman Vigesaa, Vice Chairman Kempenich, Representatives Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Mitskog, Monson, Murphy, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner

Member absent: Representative Nathe

### Discussion Topics:

- Committee Action

10:46 a.m. Representative Martinson moved to Reconsider Actions on SB 2214.

10:46 a.m. Representative Swiontek seconded the motion.

10:46 a.m. Voice Vote, motion carried.

10:47 a.m. Representative Richter moved to amend to add an emergency clause.

10:47 a.m. Representative Stemen seconded the motion.

10:47 a.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glenn Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	AB
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y

Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	AB
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	AB
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

10:47 a.m. Motion carried 20-0-3.

10:49 a.m. Representative Swiontek moved Do Pass as Amended.

10:49 a.m. Representative Pyle seconded the motion.

10:49 a.m. Roll Call Vote

<b>Representatives</b>	<b>Vote</b>
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	AB
Representative Mike Berg	Y
Representative Glenn Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	AB
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

10:49 a.m. Motion passed 21-0-2. Representative Warrey will carry.

10:50 a.m. Chairman Vigesaa closed the meeting.

*Krystal Eberle, Committee Clerk*

March 27, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO**

VG 3/27/25  
1 of 10

**SENATE BILL NO. 2214**

Introduced by

Senators Patten, Rummel, Hogue

Representatives Stemen, Swiontek, Warrey

1 A BILL for an Act to amend and reenact subsection 4 of section 6-01-07.1, subsections 4 and 5  
2 of section 10-04-02, sections 10-04-03 and 10-04-16, paragraph 2 of subdivision a of  
3 subsection 1 of section 10-04-16.1, section 26.1-06-12, subsection 3 of section 43-10.1-01,  
4 subsection 2 of section 43-23.1-05, subsection 4 of section 51-19-02, subsection 3 of section  
5 51-23-02, subsection 1 of section 51-23-15, subsection 1 of section 54-12-08, subsection 1 of  
6 section 54-59-22.1, subsection 4 of section 57-38.5-01, and subsection 5 of section 57-38.6-01  
7 of the North Dakota Century Code, relating to the insurance commissioner assuming the duties  
8 of the securities commissioner; ~~and to provide an appropriation~~ to provide for a transfer; to  
9 provide an effective date; and to declare an emergency.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. AMENDMENT.** Subsection 4 of section 6-01-07.1 of the North Dakota Century  
Code is amended and reenacted as follows:

4. The commissioner may furnish information and enter sharing agreements as to  
matters of mutual interest to an official or examiner of the federal reserve system,  
federal deposit insurance corporation, federal home loan bank board, national credit  
union administration, office of thrift supervision, comptroller of the currency, any other  
federal government agency, insurance commissioner, ~~office of the securities~~  
~~commissioner~~, regulatory trade associations, any state bank or credit union  
supervisors or supervisors of other licensed entities of other states, or a nationwide  
multistate licensing system.

**SECTION 2. AMENDMENT.** Subsections 4 and 5 of section 10-04-02 of the North Dakota Century Code are amended and reenacted as follows:

4. "Commissioner" means the ~~securities~~insurance commissioner of this state.

5. "Department" means the ~~state securities~~insurance department.

**SECTION 3. AMENDMENT.** Section 10-04-03 of the North Dakota Century Code is amended and reenacted as follows:

**10-04-03. Administration of chapter.**

1. ~~The state securities department is under the supervision of a chief officer designated as the securities commissioner. The securities commissioner must be appointed by the governor and confirmed by the senate and shall hold office for a term of four years, beginning on the first day of July following a national presidential election and continuing until a successor has been appointed, confirmed by the senate, and has qualified, unless removed as herein provided. If the senate is not in session, the governor may make an interim appointment, and the interim appointee may hold office until the senate confirms or rejects the appointment. The commissioner may not own or control any security required to be registered under this chapter, or any security which is exempt based on the approval of the securities department. The commissioner may not be an officer, director, or employee of any broker-dealer, agent, investment adviser, or investment adviser representative required to be registered under this chapter, or of a federal covered adviser required to be notice-filed under this chapter. The governor may remove from office any commissioner who fails to discharge faithfully the duties of office or who becomes disqualified under the provisions of this section.~~

a. It is the prime duty of the commissioner to administer the provisions of this chapter. ~~The commissioner shall receive a salary within the amount appropriated for salaries by the legislative assembly. The commissioner shall use a seal with the words "securities commissioner, North Dakota" and such design as the commissioner may prescribe engraved thereon by which seal the commissioner may authenticate documents used in the administration of this chapter.~~

b. The commissioner may employ such employees as are necessary for the administration of this chapter. In the absence or disability of the commissioner,



1 the deputy or designee of the commissioner may administer ~~the provisions of this~~  
2 chapter as acting commissioner.

3 c. The commissioner may not:

4 (1) Own or control any security required to be registered under this chapter or  
5 any security that is exempt based on the approval of the department; or

6 (2) Be an officer, director, or employee of any broker-dealer, agent, investment  
7 adviser, or investment adviser representative required to be registered  
8 under this chapter, or of a federal covered adviser required to be notice-filed  
9 under this chapter.

10 2. ~~The commissioner shall have authority to administer~~may:

11 a. Administer oaths in, and ~~to~~ prescribe forms for, all matters arising under this  
12 chapter. ~~The commissioner may from time to time make,; and~~

13 b. Adopt, amend, and rescind such rules, forms, and orders as are necessary under  
14 this chapter, including rules and forms governing registration statements,  
15 applications and reports, and defining any terms, whether or not used in this  
16 chapter, if the definitions are consistent with this chapter.

17 3. The commissioner shall cooperate with the administrators of the securities laws of  
18 other states and of the United States with a view toward achieving maximum  
19 uniformity in the interpretation of like provisions of the laws administered by them and  
20 in the forms which are required to be filed under such law.

21 ~~3. In addition to their regular compensation, the commissioner and the commissioner's~~  
22 ~~employees shall be paid travel expenses necessary and actually incurred in the~~  
23 ~~performance of their duties.~~

24 4. a. A special fund is established in the state treasury and designated as the investor  
25 education and technology fund. The commissioner may deposit the following  
26 moneys into the investor education and technology fund:

27 a. (1) Payments for tuition or other costs associated with educational services or  
28 materials provided by the department.

29 b. (2) Grants or donations for the purpose of investor education received by the  
30 commissioner from any public or private source.

- 1           e. ~~(3)~~ Civil penalties assessed by the commissioner under the Securities Act of  
2                       1951, if the commissioner finds ~~that~~the violations or alleged violations  
3                       underlying the assessment of civil penalties:
- 4               ~~(1)~~ ~~The violations or alleged violations underlying the assessment of civil~~  
5               ~~penalties involve~~
- 6               ~~(a)~~ Involve repeat violations, involve numerous investors, or appear to  
7                       have been perpetrated on a systematic basis; and
- 8               ~~(2)~~ ~~The violations or alleged violations underlying the assessment of civil~~  
9               ~~penalties could~~
- 10           ~~(b)~~ Could have been prevented or significantly curtailed had the individual  
11                       investors involved in the matter been more knowledgeable about  
12                       financial concepts in general, or about any specific laws, practices, or  
13                       procedures relating to the securities industry.
- 14           b. The commissioner shall maintain and administer the investor education and  
15               technology fund. The moneys in the fund are appropriated to provide education  
16               services to the public relating to any of the financial services industries, including  
17               the securities industry, and to provide for the technology needs of the  
18               department, including the purchase or rental of equipment or software, servicing  
19               of the equipment or software, and training the commissioner's staff in the use of  
20               the equipment or software.
- 21           5. A special fund is established in the state treasury and designated as the securities  
22               ~~department~~ special fund. All fees, civil penalties, or other moneys collected under this  
23               chapter must be deposited in the securities ~~department~~ special fund, except funds  
24               permitted to be deposited into the investor education and technology fund under  
25               subsection 4 or civil penalties collected from enforcement actions for the purpose of  
26               distribution to aggrieved investors, which may be deposited in the investor restitution  
27               fund. Funds in the investor restitution fund are appropriated to the ~~securities~~  
28               commissioner on a continuing basis for distribution to aggrieved investors.
- 29           a. The moneys deposited in the securities ~~department~~ special fund are reserved for  
30               use by the ~~securities department~~commissioner to defray the expenses of the  
31               department in the discharge of administrative and regulatory powers and duties



of the department ~~as prescribed by law~~ under this chapter. Deposits under this subdivision are subject to the applicable laws relating to the appropriations of state funds and to the deposit and expenditure of state moneys. The securities commissioner is responsible for the proper expenditure of these moneys as provided by law.

b. ~~The office of management and budget shall transfer any balance in the securities department special fund in excess of the amounts necessary for department expenditures pursuant to the department's biennial appropriation to the general fund. Except as otherwise provided by law, after the fiscal year has been closed and all expenses relating to the fiscal year have been accounted for, the office of management and budget shall transfer any balance remaining in the securities special fund that exceeds one million dollars to the general fund.~~

6. The commissioner may honor requests from interested persons for the issuance of a statement or opinion concerning the applicability of this chapter or the rules adopted under this chapter to any transaction or proposed transaction ~~which~~ that may be subject to this chapter. Any such request must be accompanied by a nonrefundable fee of one hundred fifty dollars.

**SECTION 4. AMENDMENT.** Section 10-04-16 of the North Dakota Century Code is amended and reenacted as follows:

**10-04-16. Orders, injunctions, and prosecutions for violations - Civil penalty.**

If it appears to the commissioner, either upon complaint or otherwise, that any person has engaged in, or is engaging in, or is about to engage in any act or practice or transaction ~~that is~~ prohibited by this chapter or by any order of the commissioner issued under this chapter or which is declared to be illegal ~~in~~ under this chapter, the commissioner may:

1. Issue any order, including cease and desist, rescission, stop, and suspension orders, which the commissioner deems necessary or appropriate in the public interest or for the protection of investors. An order of the commissioner is effective upon issuance. The commissioner may, in addition to any other remedy authorized by this chapter, impose by order and collect a civil penalty against any person found in an administrative action to have violated any provision of this chapter, or any rule or order adopted or issued under this chapter, in an amount not to exceed ten thousand dollars

1 for each violation. The commissioner may bring actions to recover penalties pursuant  
2 to this section in district court. A person aggrieved by an order issued pursuant to this  
3 subsection may request a hearing before the commissioner if a written request is  
4 made within fifteen days after receipt of the order. If a request for hearing is made  
5 under this subsection, the commissioner shall schedule a hearing within a reasonable  
6 time. Subsections 3 and 4 of section 10-04-12 apply to any hearing conducted under  
7 this subsection. If, after a hearing, the commissioner sustains an order previously  
8 issued, the sustaining order is subject to appeal to the district court of Burleigh County  
9 according to the procedures set forth in chapter 28-32. Any order issued under this  
10 subsection is a final order if it is properly served and no hearing was requested within  
11 the required timeline. If an order issued under this subsection is sustained or modified  
12 after a hearing held in accordance with section 10-04-12, the order sustaining or  
13 modifying that order is a final order. If the final order is not appealed in accordance  
14 with the procedures set forth in chapter 28-32 or if the final order is sustained on  
15 appeal, the ~~securities department~~ commissioner may file a certified copy of the final  
16 order with the clerk of a court of competent jurisdiction. The order so filed has the  
17 same effect as a judgment of the court and may be recorded, enforced, or satisfied in  
18 the same manner as a judgment of the court.

- 19 2. Apply to the district court of any county in this state for an injunction restraining the  
20 person and the person's agents, employees, partners, officers, and directors from  
21 continuing the act, practice, or transaction or engaging ~~therein~~ or doing any acts in  
22 ~~furtherance thereof~~ that further the practice or transaction, and for such other and  
23 further relief as the facts warrant. In any proceeding for an injunction, the  
24 commissioner may apply for and on due showing be issued the court's subpoena  
25 requiring the appearance ~~forthwith~~ of any defendant and the defendant's agents,  
26 employees, partners, officers, or directors, and the production of the documents,  
27 books, and records necessary for the hearing upon the petition for an injunction. Upon  
28 proof of any of the offenses described in this section, the court may grant the  
29 injunction as the facts warrant, and a receiver or conservator may be appointed for the  
30 defendant or the defendant's assets, and the court may assess civil penalties in an  
31 amount not to exceed ten thousand dollars for each violation of this chapter, and any



1 rules promulgated thereunder~~adopted~~ or orders issued thereunder~~under this chapter~~.

2 The court ~~shall~~may not require the commissioner to post a bond.

3 3. Refer any evidence available concerning the act, practice, or transaction to the  
4 appropriate criminal prosecutor who may, with or without the reference, institute the  
5 necessary criminal proceedings. The prosecutor may apply for and on due showing be  
6 issued the court's subpoena requiring the appearance ~~forthwith~~ of any defendant and  
7 the defendant's agents, employees, partners, officers, and directors, and the  
8 production of any documents, books, and records necessary for the prosecution of the  
9 criminal proceedings.

10 **SECTION 5. AMENDMENT.** Paragraph 2 of subdivision a of subsection 1 of section  
11 10-04-16.1 of the North Dakota Century Code is amended and reenacted as follows:

12 (2) ~~No~~A person is not liable to a broker-dealer, agent, investment adviser,  
13 federal covered adviser, or investment adviser representative for defamation  
14 relating to a statement that is contained in a record required or requested by  
15 the securities department ~~pursuant to~~under this subsection or required to be  
16 maintained under section 10-04-10.3, unless the person knew, or should  
17 have known at the time the statement was made, that it was false in a  
18 material respect or the person acted in reckless disregard of the statement's  
19 truth or falsity.

20 **SECTION 6. AMENDMENT.** Section 26.1-06-12 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **26.1-06-12. Securities laws.**

23 This chapter does not limit or modify ~~in any way~~ any responsibility, authority, power, or  
24 jurisdiction of the securities commissioner or ~~of~~provided in the securities laws of this state.

25 **SECTION 7. AMENDMENT.** Subsection 3 of section 43-10.1-01 of the North Dakota  
26 Century Code is amended and reenacted as follows:

27 3. "Commissioner" means the ~~securities~~insurance commissioner.

28 **SECTION 8. AMENDMENT.** Subsection 2 of section 43-23.1-05 of the North Dakota  
29 Century Code is amended and reenacted as follows:

30 2. Unless the method of disposition is adopted for the purpose of evasion of this chapter,  
31 the registration provisions of this chapter do not apply to:

- 1           a. Offers and dispositions of securities currently registered with the North Dakota  
2           ~~securities commissioner~~insurance department;
- 3           b. A subdivision as to which the plan of disposition is to dispose to ten or fewer  
4           persons; or
- 5           c. A subdivision as to which the commission has granted an exemption as provided  
6           in section 43-23.1-11.

7       **SECTION 9. AMENDMENT.** Subsection 4 of section 51-19-02 of the North Dakota Century  
8 Code is amended and reenacted as follows:

- 9           4. "Commissioner" means the ~~securities~~insurance commissioner.

10       **SECTION 10. AMENDMENT.** Subsection 3 of section 51-23-02 of the North Dakota  
11 Century Code is amended and reenacted as follows:

- 12           3. "Commissioner" means the ~~securities~~insurance commissioner ~~of this state~~.

13       **SECTION 11. AMENDMENT.** Subsection 1 of section 51-23-15 of the North Dakota Century  
14 Code is amended and reenacted as follows:

- 15           1. This chapter must be administered by the ~~securities~~insurance commissioner.

16       **SECTION 12. AMENDMENT.** Subsection 1 of section 54-12-08 of the North Dakota  
17 Century Code is amended and reenacted as follows:

- 18           1. After consultation with the head of the state department or institution or with the state  
19           board, commission, committee, or agency affected, the attorney general may appoint  
20           assistant or special assistant attorneys general to represent the state board,  
21           commission, committee, or agency. A state officer, head of any state department,  
22           whether elected or appointed, or state department, board, commission, committee, or  
23           agency may not employ legal counsel, and ~~no person may~~a person may not act as  
24           legal counsel in any matter, action, or proceeding in which the state or any state  
25           department, board, commission, committee, or agency is interested or is a party,  
26           except upon written appointment by the attorney general. Workforce safety and  
27           insurance, the department of transportation, the state tax commissioner, the public  
28           service commission, the insurance commissioner, and the agriculture commissioner,  
29           ~~and the securities commissioner~~ may employ attorneys to represent them. These  
30           entities shall pay the salaries and expenses of the attorneys they employ within the  
31           limits of legislative appropriations. The attorneys that represent these entities must be

special assistant attorneys general appointed by the attorney general pursuant to this section. Absent good cause, the attorney general shall appoint as special assistant attorneys general licensed attorneys selected by these entities. The attorney general may revoke the appointment only for good cause or upon the request of the entity. Good cause means an inadequate level of experience, competence, or ethical standards.

**SECTION 13. AMENDMENT.** Subsection 1 of section 54-59-22.1 of the North Dakota Century Code is amended and reenacted as follows:

1. The following state agencies shall obtain centralized desktop support services from the information technology department:
  - a. Office of administrative hearings.
  - b. Office of the governor.
  - c. Commission on legal counsel for indigents.
  - d. Public employees retirement system.
  - e. North Dakota university system office.
  - f. Department of career and technical education.
  - g. Department of financial institutions.
  - h. Department of veterans' affairs.
  - i. Aeronautics commission.
  - j. Council on the arts.
  - k. Agriculture commissioner.
  - l. Department of labor and human rights.
  - m. Indian affairs commission.
  - n. Protection and advocacy project.
  - o. Secretary of state.
  - p. State treasurer.
  - q. State auditor.
  - r. ~~Securities department.~~

**SECTION 14. AMENDMENT.** Subsection 4 of section 57-38.5-01 of the North Dakota Century Code is amended and reenacted as follows:



- 1       4. "Qualified business" means a business other than a real estate investment trust which  
2       is a primary sector business that:
- 3       a. Is incorporated or its satellite operation is incorporated as a for-profit corporation,  
4       passthrough entity, or joint venture;
- 5       b. Is in compliance with the requirements for filings with the securitiesinsurance  
6       commissioner under the securities laws of this state;
- 7       c. Has North Dakota residents as a majority of its employees in the North Dakota  
8       principal office or the North Dakota satellite operation;
- 9       d. Has its principal office in this state and has the majority of its business activity  
10      performed in this state, except sales activity, or has a significant operation in  
11      North Dakota that has or is projected to have more than ten employees or one  
12      hundred fifty thousand dollars of sales annually; and
- 13      e. Relies on innovation, research, or the development of new products and  
14      processes in its plans for growth and profitability.

15       **SECTION 15. AMENDMENT.** Subsection 5 of section 57-38.6-01 of the North Dakota  
16      Century Code is amended and reenacted as follows:

- 17      5. "Qualified business" means a cooperative, corporation, partnership, or limited liability  
18      company that:
- 19      a. Is incorporated or organized in this state after December 31, 2000, for the  
20      primary purpose of being an agricultural commodity processing facility;
- 21      b. Has been certified by the securitiesinsurance commissioner to be in compliance  
22      under the securities laws of this state; and
- 23      c. Has an agricultural commodity processing facility, or intends to locate one, in this  
24      state.

25       **SECTION 16. ~~APPROPRIATION~~ — TRANSFER.** The office of management and budget  
26      shall transfer any amounts and full-time equivalent positions appropriated or authorized for the  
27      securities ~~department's appropriation into~~ department to the insurance ~~department's~~  
28      ~~appropriation~~ commissioner, for the biennium beginning July 1, 2025, and ending June 30, 2027.

29       **SECTION 17. EFFECTIVE DATE.** This Act becomes effective July 1, 2025.

30       **SECTION 18. EMERGENCY.** This Act is declared to be an emergency measure.

**REPORT OF STANDING COMMITTEE  
SB 2214**

**Appropriations Committee (Rep. Vigesaa, Chairman)** recommends **AMENDMENTS** ([25.0555.01001](#)) and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 2 ABSENT OR EXCUSED AND NOT VOTING). SB 2214 was placed on the Sixth order on the calendar.