

## CHAPTER 8

### Investment Securities

#### SECTIONS

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#### § 801. Definitions.

When used in this chapter, unless the context otherwise requires:

(1) “Issuer” means any person who issues or proposes to issue any security, except that:

(a) with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates of interest or shares in an unincorporated investment trust not having a board of directors or persons performing similar functions or of the fixed, restricted management, or unit type, the term “issuer” means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which the security is issued; and

(b) with respect to certificates of interest or participation in oil, gas, or mining titles or leases or in payments out of production under such titles or leases, there is not considered to be any “issuer.”

(2) “Person” means an individual, a corporation, a partnership, an association, a joint-stock company, a trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

(3) “Sale or sell” means every contract of sale or disposition of a security or interest in a security for value.

(4) “Security” means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest, or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest, or participation in an oil, gas, or mining title or lease, or in payments out of production under such a title or lease, or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed sum of money either in a lump sum or periodically

for life or for some other specified period.

**Source:** COM PL 3-3 § 8; TT Code 1970, 71 TTC 8; TT Code 1980, 71 TTC 8.

**Editor's note:** Subsections rearranged in alphabetical order in 1982 edition of this code.

### **§ 802. Registration required.**

It shall be unlawful for any person, directly or indirectly, to issue, sell, exchange, or transfer any security, as defined in section 801 of this chapter, in the Trust Territory unless or until such security has been registered with the Registrar of Corporations and approval of the registered security has been granted by the High Commissioner.

**Source:** COM PL 3-3 § 1; TT Code 1970, 71 TTC 1; TT Code 1980, 71 TTC 1.

### **§ 803. Method of registration.**

Any security may be registered by filing a registration statement signed by each issuer, its principal executive officer or officers, and the majority of its board of directors or persons performing similar functions, and in case the issuer is a noncitizen, as that term is defined in section 202 of title 32 of this code, by its duly authorized representative in the Trust Territory. In case of a security issued by a foreign government, the United States, or any political subdivision thereof, the statement may be signed by the underwriter of such security.

**Source:** COM PL 3-3 § 2; TT Code 1970, 71 TTC 2; TT Code 1980, 71 TTC 2.

**Cross-reference:** Title 32 of this code is on Business Regulation.

### **§ 804. Contents of registration statement.**

The registration statement, when relating to a security other than a security issued by a foreign government, the United States, or any political subdivision thereof, shall contain the information the Registrar of Corporations by rule or regulation shall require for the protection of investors, and shall contain the approval of the High Commissioner for the issuance, sale, exchange, or transfer of such security.

**Source:** COM PL 3-3 § 3; TT Code 1970, 71 TTC 3; TT Code 1980, 71 TTC 3.

### **§ 805. Stop orders.**

The High Commissioner may issue a stop order against any security transaction subject to this chapter if after approval of such transaction it appears that:

- (1) the registration statement includes any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading; or
- (2) upon examination by the Registrar of Corporations of the books, records, practices, and management of the issuer, material misrepresentations or misleading statements were made at the time of registration, and approval under the circumstances prevailing at the time of examination.

**Source:** COM PL 3-3 § 4; TT Code 1970, 71 TTC 4; TT Code 1980, 71 TTC 4.

### **§ 806. Review of orders.**

- (1) Any person aggrieved by an order of the High Commissioner may obtain review on the record upon which the order was based, by filing a petition for review in the Trial Division of the High Court within 60 days of entry of such order, asking that it be modified or set aside.
- (2) The findings of the Registrar of Corporations as to facts, if supported by evidence, shall be conclusive.
- (3) The decision of the Trial Division shall be subject to review by the Appellate Division of the High Court on appeal in accordance with law or rule.

**Source:** COM PL 3-3 § 5; TT Code 1970, 71 TTC 5; TT Code 1980, 71 TTC 5.

### **§ 807. Exemptions.**

- (1) The provisions of this chapter shall not apply to the following classes of securities:
  - (a) any security issued or guaranteed by the United States or the Trust Territory or any political subdivision thereof;
  - (b) any security issued by an entity organized and operated exclusively for religious, educational, benevolent, fraternal, or charitable purposes and not for pecuniary profit, no part of the net earnings of which inures to the benefit of any person or individual;
  - (c) certificates issued by a receiver or trustee in bankruptcy, with the approval of the Court;
  - (d) any security exchanged by the issuer with its existing security holders exclusively;
  - (e) any security which is issued in exchange for one or more bona fide outstanding securities, claims, or property interest or partly in exchange and partly for cash, when the terms and conditions of such issuance and exchange are approved by the High Commissioner as to the fairness thereof;
  - (f) any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace or any renewal thereof.

(2) The Registrar of Corporations may from time to time by rule and regulation, and subject to such terms and conditions as may be prescribed therein, add any class of securities exempted, if he finds that the enforcement of this chapter with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering.

**Source:** COM PL 3-3 § 6; TT Code 1970, 71 TTC 6; COM PL 4C-15 §§ 1, 2; TT Code 1980, 71 TTC 6.

**§ 808. Right to sue for damages incurred through misrepresentation.**

In the event any registration application contains a misrepresentation of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements not misleading, any person acquiring such security (unless it be proved that at the time of acquisition he knew of such misrepresentation or omission) may sue the issuer and every person who signed the registration application or any supporting document, or any officer or director of the issuer, for the recovery of such damages as shall represent the difference between the amount paid for the security and the value at the time of suit. No such action shall be filed later than one year after the discovery of the misrepresentation or omission.

**Source:** COM PL 3-3 § 7; TT Code 1970, 71 TTC 7; TT Code 1980, 71 TTC 7.