



Arkansas Securities
Department



HUGH McDONALD
SECRETARY OF COMMERCE

SUSANNAH MARSHALL
COMMISSIONER
ARKANSAS SECURITIES DEPARTMENT

H.03(b)

To: Arkansas Legislative Council
Co-Chairs, Senator Terry Rice and Representative Jeff Wardlaw
c/o Marty Garrity, Bureau of Legislative Research

From: Arkansas Securities Department

Re: Arkansas Securities Department Quarterly Report Pursuant to Act 281 of 2023.

Date: December 31, 2023

During the 2nd quarter of Fiscal Year 2024, the Arkansas Securities Department collected a total of \$486,475.98 assessed from orders. Of the total, \$486,475.98 was deposited into the State General Revenue fund. A list of the orders is provided on the attached spreadsheet. No settlements or agreements directed payments to a specific entity. Copies of the orders are available on the Department's website at www.securities.arkansas.gov under the legal section.

Pursuant to the Arkansas Securities Act, fines paid for violations involving the Securities Act are deposited into the Investor Education Fund, until the total amount of fines collected reaches \$150,000.00 for each fiscal year. Securities Act fine money in excess of \$150,000.00 collected in any one year is designated as general revenues. All funds collected for violations of the Fair Mortgage Lending Act are directed to general revenue.

During the 2nd quarter of Fiscal Year 2024, the Department spent \$1,206.16 on operating expenses, \$230,701.94 on Grants and \$5,079.75 on promotional items from the Investor Education Fund. The Investor Education Program made 21 presentations to approximately 622 persons during this quarter. These presentations focused on financial literacy, saving for retirement, the stock market, and functions of the Arkansas Securities Department. Throughout the 2nd quarter, the Investor Education Program continued its partnership with Economics Arkansas to host a program for middle school students at Dunbar Magnet Middle School in Little Rock. This program is designed to instruct the students on matters of financial literacy. There are approximately 19 students participating in the program.

Date	Name of Order	Order Number	Total Amount of Fines Assessed	Funds Received by SIE0000	Funds Received by AGA0000	Rescission Offer or Restitution to Arkansas investors	Activities Funded	Summary
10/10/2023	Raymond James	S-23-0014-23-OR01	\$ 75,000.00		\$ 75,000.00		General Revenue	Raymond James & Associates, Inc. ("RJA") and Raymond James Financial Services, Inc. ("RJFS") (RJA and RJFS collectively "Respondents") with respect to a coordinated investigation led by six jurisdictions, including Massachusetts, Washington, Montana, Alabama, Illinois, and California (the "Multi-state Group") into whether Respondents engaged in acts or practices that violated the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42- 101 through 23-42-509, and the Rules of the Arkansas Securities Commissioner ("Rules") promulgated pursuant to the Act. As the result of the investigation, the Multi-state Group concluded that Respondents charged unreasonable commissions on approximately 270,000 low-principal equity transactions nationwide over the past 5-years totaling over \$8,250,000. Respondents, jointly and severally, shall pay an administrative fine, further costs of investigation incurred by the lead states, and \$75,000 to the North American Securities Administrators Association ("NASAA"), totaling \$4,200,000. Respondents shall pay \$75,000.00 to Arkansas within thirty calendar days following the date of entry of this Order.
10/26/2023	ACI Payments, Inc	C-21-0011-23-OR01	\$316,136.36		\$ 316,136.36		General Revenue	ACI Payments is a licensed money transmitter that acquired Speedpay Platform in May 2019 with a two-year transition services agreement with the previous owner of Speedpay. On or about April 2021, ACI conducted testing to optimize the Speedpay Platform's ACH processing code to increase the rate in which ACH files were generated for productions through the Speedpay Platform for the Mortgage Company. The State Money Transmission Regulators determined that, during the Speedpay Optimization Project, the legacy vendors' circumvention of internal data security controls and a lack of segregation between internal production and testing environments resulted in 1,432,821 ACH debit and credit entries to be unintentionally and erroneously sent to the ACH Network. These entries related to 478,568 customer borrowers of the Mortgage Company and reflected a total dollar value of \$2,389,173,559.05 (the "Money Transmission Instruction Error"). The Multi-State investigation led to a settlement for Arkansas in the amount of \$316,136.36 (\$100,000 Administrative Costs and \$216,136.36 Penalty).
10/30/2023	Nexo, Inc	S-23-0001-23-OR01	\$424,528.30		\$ 94,339.62		General Revenue	Nexo, Inc. is a Cayman Islands corporation that provides virtual currency-related financial services to retail and institutional borrower in the United States. They were not registered to do business in Arkansas in any capacity. The North American Securities Administrators Association (NASAA) conducted an investigation into whether the earned interest product (EIP) , which allows clients to earn interest on digital assets, involved the offer and sale of unregistered securities by Nexo. Nexo reached an agreement with NASAA and the fifty states to cease and desist offering or selling the EIP or any security that is not registered, qualified, or exempt to new clients in the US. The total settlement amount was \$22,500,000 and is divided equally amount the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands and paid to each of the 53 Jurisdictions that enter into a consent order. The total amount of the settlement for Arkansas is \$424,528.30 and this is was the last payment for this settlement.
11/6/2023	Blue Owl Technology Income Corp. - Alston & Bird LLP	S-23-0031-23-OR01	\$1,000.00		\$ 1,000.00		General Revenue	Blue Owl is an externally managed, non-diversified closed-end management investment company that has elected to be treated as a business development company (BDC). Due to an administrative error by Blue Owl's legal counsel, Alston & Bird LP, the Registration renewal forms and fee were not timely submitted to the Department on or before the Registration expiration date of May 6, 2023. Blue Owl sold \$175,000 of unregistered shares to two Arkansas Investors. Alston & Bird LLP agreed to pay a fine on Blue Owl's behalf in the amount of \$1000.
	Totals		\$816,664.66	\$0.00	\$486,475.98			