

Kansas Administrative Regulations

Kansas Department of Insurance

Article 13.—Insider Stock Trading

40-13-20. Certain securities transactions not violative of K.S.A. 40-266.

40-13-20. Certain securities transactions not violative of K.S.A. 40-266. (a) A person shall not be deemed to have violated the provisions of K.S.A. 40-266 if:

(1) the security transaction is in the process of execution by a broker of an order for an account in which the person has no direct or indirect interest; or

(2) a sale made by, or on behalf of, a dealer in connection with a distribution of a substantial block of securities meets the following conditions:

(A) The sale is represented by an over-allotment in which the dealer is participating as a member of an underwriting group, or the dealer or a person acting for the dealer intends to offset the sale with a security to be acquired by or on behalf of the dealer as a participant in an underwriting, selling, or soliciting-dealer group of which the dealer is a member at the time of the sale, whether or not the security to be acquired shall be subject to a prior offering to existing securityholders or some other class of persons; and

(B) other persons not within the purview of K.S.A. 40-266 shall be participating in the distribution of the block of securities on terms at least as favorable as those on which the dealer is participating and to an extent at least equal to the aggregate participation of each person exempted from the provisions of K.S.A. 40-266 by this section. The performance of the functions of a manager of a distributing group and the receipt of a bona fide payment for performing the functions shall not preclude an exemption which would otherwise be available under this subsection.

(3) The security shall be acquired by any person who is entitled as an incident to ownership of an issued security, and without the payment of consideration to receive another security "when issued" or "when distributed," if:

(A) The sale shall be made subject to the same conditions as those attached to the right of acquisition;

(B) the person shall exercise reasonable diligence to deliver the security to the purchaser promptly after the right of acquisition matures; and

(C) the person shall report the sale on the appropriate form for reporting transactions by persons subject to K.S.A. 40-264.

(b) This subsection shall not be construed as exempting transactions involving both a sale of a security "when issued," or "when distributed," and a sale of the security where the seller expects to receive the "when issued" or "when distributed" security, if the two transactions result in the sale of more units than the aggregate owned by the seller, and those to be received by him or her pursuant to his or her right of acquisition. (Authorized by K.S.A. 40-103, 40-271; implementing K.S.A. 40-266; effective Jan. 1, 1967; amended May 1, 1980; amended May 1, 1986.)

***** Authenticated Kansas Administrative Regulation *****