



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5244

Introduced 2/10/2026, by Rep. Dan Ugaste

SYNOPSIS AS INTRODUCED:

New Act

735 ILCS 5/2-1003

from Ch. 110, par. 2-1003

815 ILCS 505/2MMMM new

Creates the Litigation Financing Transparency Act. Provides that a person shall not engage in litigation financing in the State unless the person is registered as a litigation financier under the Act. Provides that, to register as a litigation financier, a person shall file a registration statement with the Department of Financial and Professional Regulation. Sets forth requirements for registration. Prohibits litigation financier from engaging in specified conduct. Sets forth required disclosures in litigation financing agreements. Provides that a violation of the Act constitutes an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. Amends the Code of Civil Procedure. Provides that a party may obtain discovery of the existence and terms and conditions of a litigation financing agreement if it is the subject of or is involved in a pending action. Amends the Consumer Fraud and Deceptive Business Practices Act to make a conforming change.

LRB104 19343 SPS 32790 b

1 AN ACT concerning business.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Litigation Financing Transparency Act.

6 Section 5. Definitions. As used in this Act:

7 "Affiliate" means a person that directly, or indirectly
8 through one or more intermediaries, controls, is controlled
9 by, or is under common control with another person.

10 "Consumer" means any individual, government entity, or
11 commercial entity who resides, is present, or is domiciled in
12 this State or who is or has standing to become a plaintiff,
13 claimant, or complainant in a civil action, administrative
14 proceeding, legal claim, or other legal proceeding or in
15 pursuit of any claim or cause of action in this State.

16 "Department" means the Department of Financial and
17 Professional Regulation.

18 "Entity" means any domestic or foreign corporation,
19 partnership, limited partnership, limited liability company,
20 trust, fund, plan, or any other business, enterprise,
21 association, or organization of any kind or nature.

22 "Foreign person" means an individual or an entity that is
23 not:

- 1 (1) a citizen of the United States;
- 2 (2) an alien lawfully admitted for permanent residence
3 in the United States;
- 4 (3) an unincorporated association with a majority of
5 members who are citizens of the United States or aliens
6 lawfully admitted for permanent residence in the United
7 States; or
- 8 (4) a corporation that is incorporated in the United
9 States.

10 "Foreign principal" means:

- 11 (1) the government or a government official of any
12 country other than the United States;
- 13 (2) a political subdivision or political party of a
14 country other than the United States; or
- 15 (3) a partnership, association, corporation,
16 organization, or other combination of persons organized
17 under the laws of or having its principal place of
18 business in a country other than the United States whose
19 shares or other ownership interest is owned by the
20 government or a government official of a country other
21 than the United States or is owned by a political
22 subdivision or political party of a country other than the
23 United States.

24 "Legal representative" means any attorney, group of
25 attorneys, or law firm duly licensed and authorized to
26 practice law and to represent a consumer in a civil action,

1 administrative proceeding, legal claim, or other legal
2 proceeding in this State.

3 "Litigation financier" means any broker-dealer,
4 institutional investor, issuer, or any other person engaged in
5 or formed, created, or established for the purpose of engaging
6 in any kind of business or economic activity that involves
7 providing litigation financing.

8 "Litigation financing agreement" or "litigation financing"
9 means an agreement in which a litigation financier agrees to
10 provide financing to a consumer or entity that is or has
11 standing to become a party to or counsel of record for a civil
12 action, administrative proceeding, legal claim, or other legal
13 proceeding seeking to recover monetary damages, which right is
14 contingent in any respect on the outcome of the action, claim,
15 or proceeding by settlement, judgment, or otherwise, or on the
16 outcome of any matter within a portfolio that includes the
17 action, claim, or proceedings and involves the same legal
18 representative or affiliated legal representative. "Litigation
19 financing agreement" or "litigation financing" does not
20 include:

21 (1) an agreement where a legal representative consents
22 to provide legal services on a contingency fee basis or to
23 advance the client's legal costs, and where the services
24 or costs are provided by the legal representative in
25 accordance with the Illinois Rules of Professional Conduct
26 as adopted by the Supreme Court of Illinois;

1 (2) a preexisting contractual obligation to indemnify
2 or defend a party to a civil action, administrative
3 proceeding, legal claim, or other legal proceeding seeking
4 to recover monetary damages, or any other legal
5 proceeding;

6 (3) any obligation of a health insurer to pay any sums
7 for healthcare for an injured person under the terms of a
8 health insurance plan or agreement;

9 (4) Any obligation to repay a financial institution
10 for loans made directly to a party to a civil action,
11 administrative proceeding, legal claim, or other legal
12 proceeding seeking to recover monetary damages, or the
13 party's legal representative, provided that the repayment
14 of the loan is not contingent upon the outcome of the
15 action, claim, or proceedings, or on the outcome of any
16 matter within a portfolio that includes the action, claim,
17 or proceedings, and involves the same legal representative
18 or affiliated legal representative; or

19 (5) funding provided to a nonprofit organization that
20 is funded by private donations, represents one or more
21 clients on a pro-bono, no-cost basis, and seeks only
22 injunctive relief on behalf of its clients; provided,
23 however, that the provisions of this paragraph shall not
24 be construed to prohibit or otherwise affect any award of
25 costs or attorney's fees to the nonprofit organization
26 seeking only injunctive relief on behalf of a client that

1 the nonprofit organization represents on a pro-bono,
2 no-cost basis, or to the client.

3 "Litigation financing contract" or "contract" means a
4 written contract memorializing the terms and conditions of a
5 litigation financing agreement.

6 "Secretary" means the Secretary of Financial and
7 Professional Regulation.

8 "Sovereign wealth fund" means an investment fund owned or
9 controlled by a foreign principal or an agent thereof.

10 Section 10. Registration.

11 (a) A person shall not engage in litigation financing in
12 this State unless the person is registered as a litigation
13 financier under this Act.

14 (b) If the person registering as a litigation financier is
15 an entity:

16 (1) the entity shall be authorized to do business in
17 this State; and

18 (2) the entity's articles of incorporation, charter,
19 articles of organization, certificate of limited
20 partnership, or other organizational or governing document
21 shall contain a statement that the entity is authorized to
22 engage in the business of litigation financing and is
23 registered as a litigation financier by the Department
24 under this Act.

25 (c) To register as a litigation financier, a person shall

1 file with the Department a registration statement setting
2 forth the following:

3 (1) the legal name of the person;

4 (2) the principal business address and preferred
5 mailing address of the person;

6 (3) the telephone number and email address through
7 which the person may be contacted;

8 (4) the name, principal business address, and
9 preferred mailing address of the person's registered agent
10 that is authorized to accept service of process on behalf
11 of the person;

12 (5) the name, principal business address, and
13 citizenship or country of incorporation or registration of
14 any foreign person, foreign principal, or sovereign wealth
15 fund affiliated with the person seeking to register as a
16 litigation financier under this Act in any capacity
17 directly or indirectly related to the person's litigation
18 financing business; and

19 (6) any other information deemed necessary by the
20 Department.

21 (d) If the person seeking to register as a litigation
22 financier is an entity, the entity shall file with the
23 Department a registration statement that provides, with
24 respect to each person that directly or indirectly owns,
25 controls, holds with the power to vote, or holds proxies
26 representing 5% or more of the voting shares of the litigation

1 financier, the following:

2 (1) the legal name of each person;

3 (2) the principal business address and preferred
4 mailing address of each person;

5 (3) if the person is an individual:

6 (A) the individual's occupation;

7 (B) any offices and positions held with the person
8 seeking to register as a litigation financier during
9 the previous 5 years;

10 (C) any conviction of a crime other than
11 misdemeanor traffic violations during the previous 10
12 years; and

13 (D) the name, principal business address, and
14 citizenship or country of incorporation or
15 registration of any foreign person, foreign principal,
16 or sovereign wealth fund affiliated with the
17 individual seeking to register as a litigation
18 financier under this Act in any capacity directly or
19 indirectly related to the individual's litigation
20 financing business;

21 (4) if the person is an entity:

22 (A) the nature of the entity's business operations
23 during the previous 5 years or a description of the
24 business intended to be undertaken by the entity and
25 the entity's subsidiaries, if any;

26 (B) a list of all individuals who are or who have

1 been selected to become directors or officers of the
2 entity and each subsidiary of the entity, including,
3 for each individual, the information required under
4 paragraph (3); and

5 (C) the name, principal business address, and
6 citizenship or country of incorporation or
7 registration of any foreign person, foreign principal,
8 or sovereign wealth fund affiliated with the entity
9 seeking to register as a litigation financier under
10 this Act in any capacity directly or indirectly
11 related to the entity's litigation financing business;
12 and

13 (5) any other information deemed necessary by the
14 Department.

15 (e) A person subject to registration under this Act shall
16 file, within 30 days after any change to the most recently
17 filed registration or within 30 days after the registration
18 becomes inaccurate or incomplete in any respect, an amended
19 registration with the Department.

20 (f) The Secretary may prescribe the forms and the filing
21 fees that the Secretary deems necessary for the purposes of
22 this Act.

23 (g) All documents and information filed with the
24 Department under this Act are public records subject to
25 disclosure in accordance with the Freedom of Information Act.

1 Section 15. Litigation financier prohibitions.

2 (a) A litigation financier shall not:

3 (1) Engage in litigation financing in this State that
4 is, in any capacity directly or indirectly related to the
5 person's litigation financing business, affiliated with
6 any: (i) foreign person; (ii) foreign principal; or (iii)
7 sovereign wealth fund of a foreign government or foreign
8 nongovernment person, that is designated by the United
9 States Secretary of Commerce as a foreign adversary under
10 15 CFR 7.4.

11 (2) Direct, or make any decisions with respect to, the
12 course of any civil action, administrative proceeding,
13 legal claim, or other legal proceeding for which the
14 litigation financier has provided litigation financing, or
15 any settlement or other disposition thereof. The
16 prohibition includes, but is not limited to, decisions in
17 appointing or changing legal representatives, choice or
18 use of expert witnesses, and litigation strategy. All
19 rights to make decisions with respect to the course and
20 settlement or other disposition of the subject civil
21 action, administrative proceeding, legal claim, or other
22 legal proceeding shall remain solely with the parties to
23 the action, claim, or proceedings and their legal
24 representatives. The provisions of this paragraph shall be
25 strictly construed in favor of the consumer or individual
26 or entity receiving litigation funding and against the

1 litigation financier.

2 (3) Pay or offer commissions, referral fees, rebates,
3 or other forms of consideration to any person, including,
4 but not limited to, an attorney or any employee of an
5 attorney or a law firm, medical provider, chiropractic
6 physician, or physical therapist or any of their employees
7 or agents in exchange for referring a consumer to a
8 litigation financier.

9 (4) Accept any commissions, referral fees, rebates, or
10 other forms of consideration from any person, including,
11 but not limited to, an attorney or any employee of an
12 attorney or a law firm, medical provider, chiropractic
13 physician, or physical therapist or any of their employees
14 or agents for providing any goods or rendering any
15 services to the consumer or individual or entity receiving
16 litigation funding.

17 (5) Contract for, receive, or recover, whether
18 directly or indirectly, any amount that exceeds 25% of, or
19 that is greater than an amount equal to, the gross amount
20 of any judgment, award, settlement, verdict or other form
21 of monetary relief obtained by the plaintiffs or claimants
22 in a civil action, administrative proceeding, legal claim,
23 or other legal proceeding seeking to recover monetary
24 damages financed by a litigation financing agreement after
25 the payment of any attorney's fees and costs owed in
26 connection to the action, claim, or proceedings.

1 (6) Advertise false or misleading information
2 regarding its products or services.

3 (7) Require any consumer or individual or entity
4 receiving litigation funding to hire or engage any person
5 providing any goods or rendering any services.

6 (8) Fail to promptly deliver a fully completed and
7 signed litigation financing contract to the consumer and
8 the consumer's legal representative.

9 (9) Attempt to secure a remedy or obtain a waiver of
10 any remedy, including, but not limited to, compensatory,
11 statutory, equitable remedies, or punitive damages, that
12 the consumer may or may not be entitled to pursue or
13 recover otherwise.

14 (10) Offer or provide legal advice to the consumer.

15 (11) Assign or securitize a litigation financing
16 agreement in whole or in part.

17 (12) Report a consumer to a credit reporting agency if
18 insufficient funds remain to repay the litigation
19 financier in full from the proceeds received from any
20 judgment, award, settlement, verdict, or other form of
21 monetary relief obtained in a civil action, administrative
22 proceeding, legal claim, or other legal proceeding that is
23 the subject of the litigation financing agreement.

24 (b) No person that provides any goods or renders any
25 services to the consumer or individual or entity receiving
26 litigation funding shall have a financial interest in

1 litigation financing provided by a litigation financier to the
2 consumer, and no person shall receive any commissions,
3 referral fees, rebates, or other forms of consideration from
4 any litigation financier or the litigation financier's agents,
5 employees, owners, or affiliates.

6 Section 20. Liability for litigation financiers.

7 (a) A litigation financier shall be jointly and severally
8 liable for any award or order imposing or assessing damages,
9 costs, or monetary sanctions against a consumer arising from
10 or relating to any civil action, administrative proceeding,
11 legal claim, or other legal proceeding for which the
12 litigation financier is providing litigation financing.

13 (b) In each litigation financing contract, the litigation
14 financier shall agree to indemnify, and shall indemnify even
15 without the agreement, the plaintiffs and claimants to the
16 civil action, administrative proceeding, legal claim, or other
17 legal proceeding that is the subject of the litigation
18 financing agreement and the plaintiffs' and claimants' legal
19 representatives against any adverse costs, attorney's fees,
20 damages, or sanctions that may be ordered or awarded against
21 the persons in the action, claim, or proceedings; provided,
22 however, that the indemnification shall not be required or
23 enforceable for adverse costs, attorney's fees, damages, or
24 sanctions that the litigation financier can show resulted from
25 the intentional misconduct of the plaintiffs or claimants or

1 their legal representatives.

2 Section 25. Disclosures.

3 (a) The terms and conditions of a litigation financing
4 agreement shall be set forth in a fully completed, written
5 litigation financing contract with no material terms or
6 conditions omitted, and the contract shall contain all
7 material terms and conditions at the time it is signed by any
8 party.

9 (b) Upon execution of a litigation financing contract, a
10 litigation financier shall not amend the terms or conditions
11 of the litigation financing agreement that is memorialized by
12 the contract without full disclosure to and prior written
13 consent of all parties to the litigation financing agreement.

14 (c) Each litigation financing contract shall set forth the
15 name, principal business address, and preferred mailing
16 address of the litigation financier on the first page of the
17 contract, and the following disclosures shall be typed in at
18 least 14 point bold font and placed clearly and conspicuously
19 immediately above the consumer's signature line in the
20 litigation financing contract:

21 "IMPORTANT DISCLOSURES -- PLEASE READ CAREFULLY

22 1. Right to Cancellation: You, the consumer, or your
23 legal representative may cancel this litigation financing
24 agreement without penalty or further obligation within 5

1 business days from the date you sign this contract or the
2 date you receive financing from the litigation financier,
3 whichever date is later. You or your legal representative
4 may cancel this litigation financing agreement by sending
5 a notice of cancellation to the litigation financier and
6 returning to the litigation financier any funds received
7 from the litigation financier at the litigation
8 financier's preferred mailing address set forth on page 1
9 of this contract.

10 2. The maximum amount the litigation financier may
11 receive or recover from any contingent payment provided
12 for in this litigation financing agreement shall be no
13 more than an amount equal to the share of the proceeds
14 collectively recovered by the plaintiffs or claimants in a
15 civil action, administrative proceeding, legal claim, or
16 other legal proceeding seeking to recover monetary damages
17 financed by this litigation financing agreement after the
18 payment of any attorney's fees and costs owed in
19 connection to the action, claim, or proceedings.

20 3. The litigation financier agrees that it has no
21 right to, and will not demand, request, receive, or
22 exercise any right to, influence, affect, or otherwise
23 make any decision in the handling, conduct,
24 administration, litigation, settlement, or resolution of
25 your civil action, administrative proceeding, legal claim,
26 or other legal proceeding. All of these rights remain

1 solely with you and your legal representative.

2 4. You, the consumer, are not required by the terms of
3 this litigation financing agreement to continue to be
4 represented by any particular legal representative, and
5 the litigation financing agreement does not include any
6 right for the litigation financier, any legal
7 representative, or any other person to claim or seek to
8 recover any assessment, charge, fee, penalty, or damages
9 of any kind if you elect to change legal representatives
10 at any time.

11 5. If there is no recovery of any money from your civil
12 action, administrative proceeding, legal claim, or other
13 legal proceeding, or if there is not enough money to
14 satisfy in full the portion assigned to the litigation
15 financier, you will not owe anything in excess of the
16 proceeds collectively recovered by the plaintiffs or
17 claimants in a civil action, administrative proceeding,
18 legal claim, or other legal proceeding seeking to recover
19 monetary damages financed by this litigation financing
20 agreement after the payment of any attorney's fees and
21 costs owed in connection to the action, claim, or
22 proceedings.

23 6. You are entitled to a fully completed litigation
24 financing contract with no material terms or conditions
25 omitted prior to signing. Before signing the litigation
26 financing contract, or authorizing anyone to sign it on

1 your behalf, you should read the contract completely and
2 consult an attorney."

3 (d) Only the consumer shall be authorized to execute a
4 litigation financing contract on the consumer's own behalf,
5 except in cases where the consumer lacks the legal capacity to
6 execute a contract. The consumer's legal representative in the
7 civil action, administrative proceeding, legal claim, or other
8 legal proceeding seeking to recover monetary damages financed
9 by the corresponding litigation financing agreement shall not
10 execute a litigation financing contract on behalf of the
11 consumer. A litigation financing contract executed by the
12 legal representative on behalf of the consumer shall be void
13 and unenforceable as a matter of law.

14 (e) If the consumer is represented by a legal
15 representative in the civil action, administrative proceeding,
16 legal claim, or other legal proceeding that is the subject of
17 the litigation financing agreement, the legal representative
18 shall acknowledge in the litigation financing contract that
19 the legal representative and the legal representative's
20 employer and employees have not received or paid a commission,
21 referral fee, rebate, or any other consideration from or to
22 the litigation financier and have no obligation to do so in the
23 future.

24 (f) If the consumer's legal representative is a party to a
25 litigation financing agreement related to the consumer's civil

1 action, administrative proceeding, legal claim, or other legal
2 proceeding that is the subject of the consumer's litigation
3 financing agreement, the legal representative shall disclose
4 and deliver a copy of the legal representative's litigation
5 financing contract to the consumer. Following the disclosure
6 and delivery, the consumer shall sign an acknowledgment that
7 the consumer has read and understands the terms and conditions
8 of the consumer's legal representative's litigation financing
9 contract. The consumer shall be provided with a copy of the
10 signed acknowledgment.

11 Section 30. Nullification of agreement for violation. Any
12 violation of this Act by a litigation financier renders the
13 litigation financing agreement void and unenforceable by the
14 litigation financier or any successor-in-interest to the
15 litigation financing agreement.

16 Section 35. Penalties.

17 (a) It is unlawful for a litigation financier to enter
18 into or offer to enter into a litigation financing agreement
19 unless the litigation financier is registered under this Act.

20 (b) A person that willfully violates this Act shall be
21 guilty of a Class 4 felony.

22 (c) The Attorney General or the proper prosecuting
23 attorney with or without a reference from the Secretary may
24 institute criminal proceedings under this Act.

1 (d) This Act does not limit the power of this State to
2 punish a person for conduct that constitutes a crime under
3 other laws of this State.

4 Section 40. Enforcement. A violation of this Act
5 constitutes an unlawful practice under the Consumer Fraud and
6 Deceptive Business Practices Act. All remedies, penalties, and
7 authority granted to the Attorney General by the Consumer
8 Fraud and Deceptive Business Practices Act shall be available
9 to the Attorney General for the enforcement of this Act.

10 Section 45. Rulemaking. The Secretary may adopt rules to
11 implement and administer this Act.

12 Section 90. The Code of Civil Procedure is amended by
13 changing Section 2-1003 as follows:

14 (735 ILCS 5/2-1003) (from Ch. 110, par. 2-1003)

15 Sec. 2-1003. Discovery and depositions.

16 (a) Discovery, such as admissions of fact and of
17 genuineness of documents, physical and mental examinations of
18 parties and other persons, the taking of any depositions, and
19 interrogatories, shall be in accordance with rules.

20 (b) (Blank).

21 (c) (Blank).

22 (d) Whenever the defendant in any litigation in this State

1 has the right to demand a physical or mental examination of the
2 plaintiff pursuant to statute or Supreme Court Rule, relative
3 to the occurrence and extent of injuries or damages for which
4 claim is made, or in connection with the plaintiff's capacity
5 to exercise any right plaintiff has, or would have but for a
6 finding based upon such examination, the plaintiff has the
7 right to have his or her attorney, or such other person as the
8 plaintiff may wish, present at such physical or mental
9 examination. The plaintiff also has the right to designate an
10 additional person to be present and video record the
11 examination. The changes to this Section by this amendatory
12 Act of the 103rd General Assembly apply to actions commenced
13 or pending on or after the effective date of this amendatory
14 Act of the 103rd General Assembly.

15 (e) No person or organization shall be required to furnish
16 claims, loss or risk management information held or provided
17 by an insurer, which information is described in Section
18 143.10a of the "Illinois Insurance Code".

19 (f) A party may obtain discovery of the existence and
20 terms and conditions of a litigation financing agreement if it
21 is the subject of or is involved in a pending action. Any
22 information concerning the litigation financing agreement is
23 not by reason of disclosure admissible in evidence at trial;
24 provided, however, that nothing in this subsection shall be
25 construed to limit the admissibility of such information as
26 evidence of a party's claim or defense. As used in this

1 subsection, "litigation financing agreement" has the meaning
2 set forth in the Litigation Financing Transparency Act.

3 (Source: P.A. 103-388, eff. 7-28-23.)

4 Section 95. The Consumer Fraud and Deceptive Business
5 Practices Act is amended by adding Section 2MMMM as follows:

6 (815 ILCS 505/2MMMM new)

7 Sec. 2MMMM. Violations of the Litigation Financing
8 Transparency Act. A person who violates the Litigation
9 Financing Transparency Act commits an unlawful practice within
10 the meaning of this Act.

11 Section 97. Severability. The provisions of this Act are
12 severable under Section 1.31 of the Statute on Statutes.