

HOUSE BILL REPORT

SSB 5928

As Passed House:

April 7, 1999

Title: An act relating to good faith communications to self-regulatory organizations delegated authority by government agencies.

Brief Description: Extending immunity from liability to those who communicate a complaint or information to self-regulatory agencies.

Sponsors: Senate Committee on Judiciary (originally sponsored by Senator Prentice).

Brief History:

Committee Activity:

Judiciary: 4/1/99 [DP].

Floor Activity:

Passed House: 4/7/99, 90-0.

Brief Summary of Substitute Bill

- Provides immunity to individuals who communicate a complaint or information to self-regulatory agencies.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 12 members: Representatives Carrell, Republican Co-Chair; Constantine, Democratic Co-Chair; Hurst, Democratic Vice Chair; Lambert, Republican Vice Chair; Cox; Dickerson; Esser; Kastama; Lantz; Lovick; McDonald and Schindler.

Staff: Jim Morishima (786-7191).

Background:

A person who in good faith communicates a complaint or information to any federal, state, or local governmental agency is immune from civil liability for any claim relating to that communication. However, there is no comparable immunity for communications made to a non-governmental, self-regulatory agency, even if the

agency's authority has been delegated by a governmental entity and the governmental entity has oversight over the agency.

One such self-regulatory agency is the National Association of Securities Dealers (NASD). All securities professionals and firms must register with the NASD. The NASD operates under authority delegated by the Securities and Exchange Commission (SEC) and is subject to the oversight of the SEC.

Summary of Bill:

A person who in good faith communicates a complaint or information to any self-regulatory agency is immune from civil liability for any claim relating to that communication if:

- the self-regulatory agency regulates persons involved in the securities or futures business;
- the self-regulatory agency has been delegated its authority by a federal, state, or local government agency; and
- the self-regulatory agency is subject to the oversight of the delegating agency.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: When brokerage firms disclose discipline and termination information to the NASD, they run the risk of defamation suits. This bill will encourage brokerage firms to make candid disclosures by insulating them from liability for discipline and termination information they disclose to the NASD in good faith.

Testimony Against: None.

Testified: David Dennis, D.A. Davidson and Company.