

SENATE BILL REPORT

SB 5928

As Reported By Senate Committee On:
Judiciary, March 3, 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: Senator Prentice.

Brief History:

Committee Activity: Judiciary: 3/1/99, 3/3/99 [DPS].

SENATE COMMITTEE ON JUDICIARY

Majority Report: That Substitute Senate Bill No. 5928 be substituted therefor, and the substitute bill do pass.

Signed by Senators Heavey, Chair; Kline, Vice Chair; Costa, Goings, Hargrove, Haugen, Johnson, Long, McCaslin, Roach, Thibaudeau and Zarelli.

Staff: Penny Nerup (786-7484)

Background: Under current Washington law, a person who communicates a complaint or information to any agency of the federal, state or local government is immune from civil liability for any claim relating to that communication.

The National Association of Securities Dealers (NASD) is a regulatory agency for virtually every firm and individual in the United States that conducts securities business with the public. All securities professionals and firms must register with NASD. NASD operates under authority delegated by the Securities and Exchange Commission.

Members of brokerage firms are required to disclose information about departing brokers to NASD. These persons may then be sued by the departing broker for disclosing negative information to NASD. NASD suggests adding language to the Washington immunity statutes that would extend immunity from civil liability to members of brokerage firms when they disclose information to NASD in order to encourage complete and candid disclosure of this information without fear of lawsuits.

Summary of Substitute Bill: Immunity from civil lawsuits is extended to those persons who communicate a complaint or information to any self-regulatory organization that has been delegated authority by a federal, state, or local governmental agency for claims based upon that communication.

Substitute Bill Compared to Original Bill: The substitute bill limits the scope of the immunity to those persons involved in the securities or futures business.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Reporting the reasons for departures of brokers is required by the securities industry. If a broker leaves because of suspected misdeeds, it is even more important that the securities firm be candid in providing this information. Brokerage firms are less than candid because of fear of lawsuits, which are often successful; or because attorneys for these terminated brokers often dictate the terms of the firing which deter the lawsuit but which allows the broker to be rehired and commit other misdeeds at the new firm.

Testimony Against: None.

Testified: PRO: Michael W. Reinhardt, Esq., Ragen MacKenzie, Inc.; Deborah Bortner, Department of Financial Institutions; David G. Dennis, Esq., D.A. Davidson.