

SENATE BILL REPORT

SB 6483

As Passed Senate, February 16, 2002

Title: An act relating to regulating securities.

Brief Description: Regulating securities.

Sponsors: Senators Prentice and Winsley; by request of Department of Financial Institutions.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/30/02, 1/29/02 [DP].
Passed Senate: 2/16/02, 45-0.

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Benton, Fairley, Franklin, Gardner, Hochstatter, Honeyford, Rasmussen, Regala and Winsley.

Staff: Joanne Conrad (786-7472)

Background: The National Conference of Commissioners on Uniform State Laws (NCCUSL) studies and develops drafts of recommended legislation that states may then choose whether to adopt. Recently, NCCUSL published a draft "Uniform Securities Act" (USA).

The Washington State Department of Financial Institutions (DFI) is the executive agency responsible for enforcement of securities laws, and protection of consumers and investors. DFI requested enactment of some of the recommendations in the NCCUSL Uniform Securities Act.

Summary of Bill: Technical changes in the definition of "securities" comply with recent case law and allow the Department of Financial Institutions to reach the sale of variable annuities. DFI regulates sales practices regarding variable annuities, while regulation of variable annuities products remains with the Office of the Insurance Commissioner. Technical changes also include language prohibiting unethical conduct by investment advisors.

DFI's ability to regulate investment advisors, broker-dealers and others is expanded to coordinate with the Uniform Securities Act (USA), including expansion of the look-back period for past convictions of investment advisors from five years to ten years. Conditions subjecting investment advisors to potential disciplinary action are added.

Access by DFI to certain National Crime Information Center (FBI) data bases for investigation of criminal activity is permitted.

DFI is allowed to enforce its own subpoenas and direct financial institutions not to disclose the existence and contents of a subpoena to third parties, other than the institution's legal counsel.

Other technical changes are made to coordinate with existing statutes.

Appropriation: None.

Fiscal Note: Requested on January 18, 2002.

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

Testimony For: This bill is part of the gradual implementation of the Uniform Securities Act and is supported by the National Association of Securities Dealers Regulation Company. It allows agencies to cross-rely on each other's finding regarding improper conduct in the securities industry. It should help the DFI deal with prime bank scams.

Testimony Against: None.

Testified: Deborah Bortner, DFI (pro); Carrie Tellefson, OIC (pro).