
SENATE BILL 5844

State of Washington

52nd Legislature

1991 Regular Session

By Senator Moore.

Read first time February 25, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to securities; amending RCW 21.20.110; and
2 prescribing penalties.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 21.20.110 and 1986 c 14 s 45 are each amended to read
5 as follows:

6 The director may by order deny, suspend, or revoke registration of
7 any broker-dealer, salesperson, investment adviser salesperson, or
8 investment adviser; or bar, censure, or fine the registrant or an
9 officer, director, partner, or person occupying similar status or
10 performing similar functions for a registrant, from engaging with a
11 registered broker-dealer or investment adviser; or restrict or limit a
12 registrant's function or activity of business for which registration is
13 required in this state, if the director finds that the order is in the
14 public interest and that the applicant or registrant or, in the case of

1 a broker-dealer or investment adviser, any partner, officer, or
2 director:

3 (1) Has filed an application for registration under this section
4 which, as of its effective date, or as of any date after filing in the
5 case of an order denying effectiveness, was incomplete in any material
6 respect or contained any statement which was, in the light of the
7 circumstances under which it was made, false, or misleading with
8 respect to any material fact;

9 (2) Has willfully violated or willfully failed to comply with any
10 provision of this chapter or a predecessor act or any rule or order
11 under this chapter or a predecessor act, or any provision of chapter
12 21.30 RCW or any rule or order thereunder;

13 (3) Has been convicted, within the past five years, of any
14 misdemeanor involving a security, or a commodity contract or commodity
15 option as defined in RCW 21.30.010, or any aspect of the securities or
16 investment commodities business, or any felony involving moral
17 turpitude;

18 (4) Is permanently or temporarily enjoined by any court of
19 competent jurisdiction from engaging in or continuing any conduct or
20 practice involving any aspect of the securities or investment
21 commodities business;

22 (5) Is the subject of an order of the director denying, suspending,
23 or revoking registration as a broker-dealer, salesperson, investment
24 adviser, or investment adviser salesperson;

25 (6) Is the subject of an order entered within the past five years
26 by the securities administrator of any other state or by the federal
27 securities and exchange commission denying or revoking registration as
28 a broker-dealer or salesperson, or a commodity broker-dealer or sales
29 representative, or the substantial equivalent of those terms as defined
30 in this chapter or by the commodity futures trading commission denying

1 or revoking registration as a commodity merchant as defined in RCW
2 21.30.010, or is the subject of an order of suspension or expulsion
3 from membership in or association with a self-regulatory organization
4 registered under the securities exchange act of 1934 or the federal
5 commodity exchange act, or is the subject of a United States post
6 office fraud order; but (a) the director may not institute a revocation
7 or suspension proceeding under this clause more than one year from the
8 date of the order relied on, and (b) the director may not enter any
9 order under this clause on the basis of an order unless that order was
10 based on facts which would currently constitute a ground for an order
11 under this section;

12 (7) Has engaged in dishonest or unethical practices in the
13 securities or investment commodities business;

14 (8) Is insolvent, either in the sense that his or her liabilities
15 exceed his or her assets or in the sense that he or she cannot meet his
16 or her obligations as they mature; but the director may not enter an
17 order against a broker-dealer or investment adviser under this clause
18 without a finding of insolvency as to the broker-dealer or investment
19 adviser;

20 (9) Has not complied with a condition imposed by the director under
21 RCW 21.20.100, or is not qualified on the basis of such factors as
22 training, experience, or knowledge of the securities business; ~~((or))~~

23 (10) Has failed to supervise reasonably his or her salespersons if
24 he or she is a broker-dealer or his or her investment adviser
25 salesperson if he or she is an investment adviser; or

26 (11) Has failed to reasonably supervise securities salespersons,
27 investment adviser salespersons, or employees if that person assumed or
28 is designated to carry out the supervisory procedures of the broker-
29 dealer or investment adviser. For purposes of this section, the term
30 "reasonably supervise" means, but is not limited to, reviewing the

1 appropriations of transactions or otherwise implementing procedures to
2 prevent excessive or unfounded trading, solely designed to generate
3 commissions or other compensation for the securities salespersons,
4 investment advisor salespersons, or employees.

5 The director, upon a finding that it is in the public interest and
6 necessary or appropriate for the protection of investors, may issue a
7 summary order pending final determination of a proceeding under this
8 section. The amount of a fine imposed under this section may not
9 exceed five thousand dollars for each act or omission that constitutes
10 the basis for issuing the order and may only be imposed following
11 notice and an opportunity for a hearing.

12 The director may by order summarily postpone or suspend
13 registration pending final determination of any proceeding under this
14 section.