

**SENATE BILL REPORT**

**SB 5844**

**AS OF MARCH 4, 1991**

**Brief Description:** Allowing registration action against supervisory persons and fines against registrants.

**SPONSORS:** Senator Moore.

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Staff:** Mark Hutson (786-7488)

**Hearing Dates:** March 5, 1991

**BACKGROUND:**

It has been stated that in a down draft or period of slow trades in the market that the rate and occurrences of "creative" securities trading can tend to increase. It has been further stated that this kind of activity benefits only those parties who stand to gain by receiving financial compensation due to unnecessary buying and selling. Some concern has been raised that this amounts to nothing more than unfounded or excessive trading that is not in the best interest of the investor or the public they serve.

Under existing law, there is no authority for the director of the Department of Licensing to bar, censure, or impose fines for the failure to supervise the act of churning or overtrading type activities. Also under current law, there is no provision for a public hearing.

**SUMMARY:**

New language is created that prevents and penalizes for excessive or unfounded trading which is found not to be in the public's best interest and does nothing more than generate commissions or other financial compensations for the securities salespersons, investment advisor salespersons, or employees.

New language is introduced, "failure to reasonably supervise" to be defined roughly as the supervisory duty to review transactions and implement procedures to prevent excessive or unfounded trading, exclusive of parties other than the investor.

The issuance of a summary order is authorized and limits fines to no more than \$5,000 per act or omission.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested