

**SENATE BILL REPORT**

**SB 6390**

**AS PASSED SENATE, FEBRUARY 12, 1992**

**Brief Description:** Concerning the director of licensing's enforcement of the securities industry.

**SPONSORS:** Senators Moore, von Reichbauer and Rasmussen

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** Do pass.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

**Staff:** Benson Porter (786-7470)

**Hearing Dates:** February 6, 1992

**BACKGROUND:**

Under the Securities Act of Washington, all securities broker-dealers, salespersons, investment advisers, and investment adviser salespersons must meet registration requirements in order to conduct business. However, this registration may be suspended, revoked, or denied by the Director of the Department of Licensing in certain enumerated situations. For example, the director may take any of these actions if the director finds the person has willfully violated a provision of the act or has engaged in dishonest or unethical practices in the securities or investment commodities business. In addition, the director can suspend, revoke, or deny the registration for those who fail to supervise reasonably a salesperson or an investment advisor salesperson.

In light of reported accounts of fraudulent practices involving securities sales, support has been expressed for increased regulatory authority over those who fail to reasonably supervise securities sales.

**SUMMARY:**

The enforcement powers of the Director of the Department of Licensing are modified with regard to the securities industry.

The director is authorized to censure or fine the securities company, or its officer, director, or partner for violations of enumerated provisions. In addition, the director is authorized to limit the company's business activity in the state.

A person does not fail to reasonably supervise another person when reasonable procedures are established and the supervising

person has reasonably discharged his or her duties thereunder without reasonable cause to believe there is a violation.

The director is authorized to impose a fine not to exceed \$5,000 for each act or omission constituting a basis for issuing the order. The fine cannot be imposed until after notice and opportunity for hearing.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**TESTIMONY FOR:**

This bill is needed because it will give state regulators additional reinforcement tools to combat securities fraud.

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Mark Greenberg, Securities Industry Assn.; Jack Beyers, WA Securities Div.; Walt Corneille, IAEP, IDS