
SENATE BILL 5384

State of Washington

53rd Legislature

1993 Regular Session

By Senators Moore, Newhouse, McAuliffe and Erwin; by request of
Department of Licensing

Read first time 01/26/93. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to performance-based compensation of investment
2 advisers; and amending RCW 21.20.030.

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

4 **Sec. 1.** RCW 21.20.030 and 1959 c 282 s 3 are each amended to read
5 as follows:

6 It is unlawful for any investment adviser to enter into, extend, or
7 renew any investment advisory contract unless it provides in writing:

8 (1) That the investment adviser shall not be compensated on the
9 basis of a share of capital gains upon or capital appreciation of the
10 funds or any portion of the funds of the client; however, this
11 subsection does not prohibit: (a) An investment advisory contract
12 which provides for compensation based upon the total of a fund averaged
13 over a definite period, or as of definite dates or taken as of a
14 definite date; or (b) performance compensation arrangements permitted
15 under any rule the director may adopt in order to allow performance
16 compensation arrangements permitted under the Investment Advisers Act
17 of 1940 and regulations promulgated by the securities and exchange
18 commission thereunder;

1 (2) That no assignment of the contract may be made by the
2 investment adviser without the consent of the other party to the
3 contract; and

4 (3) That the investment adviser, if a partnership, shall notify the
5 other party to the contract of any change in the membership of the
6 partnership within a reasonable time after the change.

7 (~~Subsection (1) above does not prohibit an investment advisory~~
8 ~~contract which provides for compensation based upon the total of a fund~~
9 ~~averaged over a definite period, or as of definite dates or taken as of~~
10 ~~a definite date.~~) "Assignment", as used in subsection (2) (~~above~~)
11 of this section, includes any direct or indirect transfer or
12 hypothecation of an investment advisory contract by the assignor or of
13 a controlling block of the assignor's outstanding voting securities by
14 a security holder of the assignor; but, if the investment adviser is a
15 partnership, no assignment of an investment advisory contract is
16 considered to result from the death or withdrawal of a minority of the
17 members of the investment adviser having only a minority interest in
18 the business of the investment adviser, or from the admission to the
19 investment adviser of one or more members who, after admission, will be
20 only a minority of the members and will have only a minority interest
21 in the business.

--- END ---