

SENATE BILL REPORT

SB 5332

As Passed Senate, March 7, 1995

Title: An act relating to securities.

Brief Description: Regulating securities.

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

Brief History:

Committee Activity: Financial Institutions & Housing: 2/7/95, 2/10/95 [DP].
Passed Senate, 3/7/95, 47-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Catherine Mele (786-7470)

Background: In 1993, the Legislature consolidated several responsibilities of the Department of General Administration and the Department of Licensing into the Department of Financial Institutions. The Department of Licensing transferred the Securities Division to the Department of Financial Institutions. The Securities Division regulates securities, franchises, business opportunities, and commodities, and other speculative investments.

In 1994, the Department of Financial Institutions began a process of identifying unnecessary regulatory burdens in the regulation of securities. From this analysis, it is recommended that some filing and notice requirements be eliminated from the Securities Act of Washington.

Under the Securities Act of Washington, the director of the Department of Financial Institutions, or an officer designated by the director, has the ability to subpoena witnesses to aid in an investigation. It is suggested that such powers be modified to allow the director or designee to issue subpoenas that would aid other states in securities investigations.

Currently, when there is a violation of the Securities Act, the director has the power to issue a cease and desist order to stop the behavior. However, the director must obtain a court order to mandate an affirmative action, such as returning investor funds.

Summary of Bill: Various filing requirements are eliminated.

The director is permitted to issue subpoenas for other states, if the activity that occurred in the other states also violated Washington's Securities Act.

The director is permitted to include affirmative relief, such as returning an investor's funds, in a cease and desist order.

Various modifications are made to the filing provisions of the Securities Act of Washington.

Appropriation: None.

Fiscal Note: Requested.

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

Testimony For: This bill updates the Securities Act by deleting various filing and notice requirements. The bill eliminates the need for using the cumbersome injunctive process to give consumers affirmative relief. The subpoena powers are part of a national movement for states to help each other in apprehending securities violators.

Testimony Against: None.

Testified: Debra Bortner, Department of Financial Institutions.