

# HOUSE BILL REPORT

## SB 6390

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*As Reported By House Committee on:  
Financial Institutions & Insurance  
Appropriations*

**Title:** An act relating to enforcement powers of the director of licensing in regard to the securities industry.

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

**Sponsor(s):** Senators Moore, von Reichbauer and Rasmussen.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 27, 1992,  
DP.  
Appropriations, March 2, 1992, DP.

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**HOUSE COMMITTEE ON  
FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** *Do pass.* Signed by 12 members:  
Representatives Dellwo, Chair; Zellinsky, Vice Chair;  
Broback, Ranking Minority Member; Mielke, Assistant Ranking  
Minority Member; Anderson; Dorn; Inslee; R. Johnson;  
R. Meyers; Paris; Schmidt; and Scott.

**Staff:** John Conniff (786-7119).

**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 reasonably supervise a salesperson or an investment advisor salesperson.

**Summary of Bill:** The director is authorized to censure or fine a securities company, or its officer, director, or

partner for violations of securities act. In addition, the director is authorized to limit the company's business activity in the state.

A person does not violate the securities act requirements to reasonably supervise another person when reasonable procedures are established and the supervising person has reasonably discharged his or her duties 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.

**Fiscal Note:** Not requested.

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

**Testimony For:** The securities division needs these additional enforcement tools this act provides to ensure proper management oversight of securities broker-dealers and other securities professionals.

**Testimony Against:** None.

**Witnesses:** (Pro) Jack Beyers, Washington State Department of Licensing Securities Division.

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**HOUSE COMMITTEE ON  
APPROPRIATIONS**

**Majority Report:** *Do pass.* Signed by 28 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Bowman; Braddock; Brekke; Carlson; Dorn; Ebersole; Ferguson; Fuhrman; Hine; Lisk; May; Nealey; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Vance; Wang; and Wineberry.

**Staff:** Nancy Stevenson (786-7137).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Financial Institutions & Insurance:** No new changes were recommended.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.