

HOUSE BILL REPORT

SSB 5195

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to excessive securities transactions.

Brief Description: Regulating excessive securities transactions.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senator Moore).

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, April 1, 1993, DPA.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: John Conniff (786-7119).

Background: Regulations adopted pursuant to Washington's Securities Act prohibit securities churning. Churning is generally defined as the purchase or sale of securities for a customer's account that are excessive in size and frequency in light of the character of the account and that are made because of the securities advisor's ability to control or influence the frequency of trades.

Currently, if a securities advisor is found guilty of churning a client's account, the securities advisor is liable for restitutionary damages including the consideration paid for the security, interest from the date of payment, costs, and reasonable attorneys' fees, less any income received on the security.

Summary of Amended Bill: The Securities Division may censor or fine an officer, director, partner, or other person supervising the activities of a securities broker dealer whenever the broker dealer engages in churning a customer's account or placing the customer in inappropriate investments as defined. Standards are created to measure the quality of broker dealer supervision.

Amended Bill Compared to Substitute Bill: The double damages and joint and several liability penalties for securities churning and improper investments are replaced with greater regulatory powers to be exercised by the Securities Division.

Fiscal Note: None.

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

Testimony For: None.

Testimony Against: None.

Witnesses: None.