

HOUSE BILL REPORT

SSB 5195

As Passed House
April 8, 1993

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;
Appropriations, April 3, 1993, DPA(FII);
Passed House - Amended, April 8, 1993, 97-0.

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).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Financial Institutions & Insurance. Signed by 25 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Leonard; Linville; Peery; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott; Wang; Wineberry; and Wolfe.

Staff: Beth Redfield (786-7130).

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 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.

Fiscal Note: None.

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

Testimony For: (Financial Institutions & Insurance): None.

(Appropriations): None.

Testimony Against: (Financial Institutions & Insurance): None.

(Appropriations): None.

Witnesses: (Financial Institutions & Insurance): None.

(Appropriations): None.