

SENATE BILL REPORT

SB 5181

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 19, 1993

Brief Description: Requiring securities advisers to provide a copy of new account forms.

SPONSORS: Senator Moore

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5181 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Barr, Cantu, Fraser, McAuliffe, Newhouse, Pelz, Prince, and Sutherland.

Staff: Benson Porter (786-7470)

Hearing Dates: February 18, 1993; February 19, 1993

BACKGROUND:

Under the National Association of Securities Dealers' (NASD) rules of fair practice, NASD members must make reasonable efforts to obtain information concerning the customer's financial status, tax status, and investment objectives. There is no requirement that this information be forwarded to the client for verification.

SUMMARY:

Investment advisors must forward a copy of a new account form to the client within 30 days of opening the account so that the client can verify the accuracy of the information.

EFFECT OF PROPOSED SUBSTITUTE:

Both investment advisors and broker-dealers must forward a copy of an account form, investment advisory contract, or subsequent revisions thereto within 30 days to the customer. The investment advisor and broker-dealer must forward these forms, contracts, or revisions that affect the customer's rights or contain the customer's investment objectives.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The provision of information under this bill will provide consumers with the opportunity to know their rights and investment objectives as contained in the advisor's or broker's records.

TESTIMONY AGAINST: None

TESTIFIED: Mike Stevenson, Securities Division, Department of Licensing (pro)