

SENATE BILL REPORT

SB 5796

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 26, 1993

Brief Description: Prohibiting sellers of securities from charging customers due to a low number of transactions in an account or for transferring an account.

SPONSORS: Senators Moore and Pelz

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5796 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Cantu, Fraser, McAuliffe, Newhouse, Pelz, Prince, and Vognild.

Staff: Benson Porter (786-7470)

Hearing Dates: February 24, 1993; February 26, 1993

BACKGROUND:

Some securities firms have recently announced that they will impose fees on customers who transfer their accounts to another firm. Moreover, some firms are currently charging fees when a customer's account fails to have a certain number of transactions within certain time period.

Interest has been expressed in eliminating these charges because they are claimed to be anti-competitive and incentives for unnecessary securities transactions.

SUMMARY:

A securities broker-dealer, salespersons, investment advisor, or investment advisor salesperson may not charge a customer a fee based on the lack of or low number of transactions in the customer's account. In addition, a fee may not be charged for transferring securities or closing or transferring an account.

EFFECT OF PROPOSED SUBSTITUTE:

The prohibited fees may be charged if the customer signs a disclosure document authorizing the particular fee.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR:

The consumer may not have adequate notice and ability to reject the imposition of new fees. The fees may not reflect the firms' actual costs in processing the transaction.

TESTIMONY AGAINST:

This bill will limit the ability of securities firms to recover the costs of processing these transactions.

TESTIFIED: Mark Greenberg, Securities Industry Association (con);
Jack Beyers and Mike Stevenson, Securities Division (pro)