

FINAL BILL REPORT

SB 6202

C 15 L 98

Synopsis as Enacted

Brief Description: Changing the securities act to conform with federal statute.

Sponsors: Senators Winsley and Prentice; by request of Department of Financial Institutions.

Senate Committee on Financial Institutions, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: Washington State is one of many jurisdictions trying to comply with the National Securities Markets Improvement Act of 1996 and the Uniform Securities Act. Provisions of those acts affect definitional and procedural matters regarding the offer and sale of securities by investment advisers, and investment adviser representatives. The manner in which federal covered securities are offered for sale in the state is also affected.

At the request of the Department of Financial Institutions, numerous technical and conforming provisions are sought in order to provide consistency.

Summary: The investment adviser definition is clarified to exclude broker-dealers, salespersons and investment adviser representatives (IARs), to coordinate with characteristics found in the Uniform Securities Act. Publishers of electronic information are also excluded from the definition of investment adviser.– Investment adviser representative,– federal covered security– and federal covered adviser– are defined.

It is unlawful to buy or sell a security without disclosure and consent of the client, or to engage in dishonest or unethical practices.

IARs are added to those who may register or be exempt, and categories of exemption are established, such as organizations with no place of business in Washington, or those who service specified limited clients who are not members of the general public.

Federal covered advisers– are among those who can hold themselves out as financial planners– or investment counselors.–

It is unlawful for investment advisers to employ unregistered IARs.

Filing fees and requirements are detailed, and application and accounting information is specified for registration and renewal of securities offerings.

It is unlawful to offer or sell a security unless it is registered, exempt from registration, or is a federal covered security, with filing and fee required at the discretion of the Director of the Department of Financial Institutions.

The director also has the ability to require a filing fee, and reporting of federal covered securities, including the authority to issue stop orders for failure to comply. The director may investigate and identify relevant criminal activities and assist prosecutors.

An exemption from filing is provided, based on type of security or dollar amount.

Filers are required to consent to service of process.

Votes on Final Passage:

Senate	46	0
House	95	0

Effective: June 11, 1998