

SENATE BILL REPORT

SB 6202

As Passed Senate, February 12, 1998

Title: An act relating to the securities act of Washington.

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

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

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/27/98, 2/3/98 [DP].
Passed Senate, 2/12/98, 46-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Hale, Heavey, Kline and Prentice.

Staff: Joanne Conrad (786-7472)

Background: Washington State is one of many jurisdictions trying to comply with the National Securities Markets Improvement Act of 1996 (NSMIA) and the Uniform Securities Act. Provisions of those acts affect definitional and procedural matters regarding the offer and sale of securities by investment advisors, and investment advisor 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 of Bill: The "investment advisor" definition is clarified to exclude broker-dealers, salespersons and investment advisor representatives (IARs), to coordinate with characteristics found in the Uniform Securities Act. Publishers of electronic information are also excluded from the definition of "investment advisor."

"Investment advisor representative," "federal covered security" and "federal covered advisor" 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 advisors" are among those who can hold themselves out as "financial planners" or "investment counselors."

It is unlawful for investment advisors 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 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.

Appropriation: None.

Fiscal Note: Requested on January 26, 1998.

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

Testimony For: These reporting, filing, enforcement, definitional and technical changes are needed to conform to the Uniform Securities Act and the National Securities Markets Improvement Act, allowing Washington to function in national and international markets in an orderly, regulated manner.

Testimony Against: None.

Testified: Deborah Bortner, Department of Financial Institutions (pro).