

SB 96 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

Prepared By: Patrick Brennan, LPRO Analyst

Sub-Referral To: Senate Committee On Judiciary

Meeting Dates: 2/15

WHAT THE MEASURE DOES:

Requires broker-dealers and state investment advisers with discretionary trading authority or custody of client funds to maintain an errors and omissions insurance policy in the amount of at least \$1 million as a condition of Oregon licensure.

NOTE: MEASURE HAS A SUBSEQUENT REFERRAL TO THE COMMITTEE ON JUDICIARY

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

[-1 amendment] Removes exception for broker-dealers or state investment advisers that lack discretionary trading authority or custody of client funds.

BACKGROUND:

The Division of Financial Regulation of the Oregon Department of Consumer and Business Services (DCBS) is the state's licensing and regulatory agency for finance and insurance businesses and professionals. As part of this mission, all persons who advise clients on securities and securities trading must be licensed by DCBS as investment advisors.

Oregon regulations also require investment advisors to carry a \$10,000 surety bond to protect clients against loss as a result of regulatory violations. Clients suffering such losses are compensated on a first-come, first-serve basis, however, meaning that once the bond is depleted, their recourse is to seek the personal assets of the investment advisor or their firm.

Senate Bill 96 institutes a requirement that investment advisors and broker-dealers carry a minimum \$1 million insurance policy for errors and omissions (professional liability).