

SB 96 A STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

Action Date: 02/15/17

Action: Do pass with amendments. Refer to Judiciary by prior reference. (Printed A-Eng).

Vote: 5-0-0-0

Yeas: 5 - Beyer, Girod, Monroe, Riley, Thomsen

Fiscal: No fiscal impact

Revenue: No revenue impact

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WHAT THE MEASURE DOES:

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

ISSUES DISCUSSED:

- Relative expense of bond compared to insurance
- Example of fraudulent broker behavior
- Applicability only to licensees of Department of Consumer and Business Services
- Concerns about errors and omissions insurance policy covering fraud cases

EFFECT OF 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 advisers. Oregon regulations require investment advisers 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-served 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-A institutes a requirement that investment advisers and broker-dealers carry a minimum \$1 million insurance policy for errors and omissions (professional liability).