
**Financial Institutions &
Insurance Committee**

HB 2975

Brief Description: Granting an exemption under the state securities act.

Sponsors: Representatives Newhouse, Kirby and Dunn.

Brief Summary of Bill

- Adds a transfer by gift to a nonprofit entity to the list of exceptions to the requirement preventing transfer of an instrument or interest by a mutual or cooperative association in a transaction exempt from the State Securities Act.

Hearing Date: 1/26/06

Staff: Jon Hedegard (786-7127).

Background:

The Department of Financial Institutions (DFI), through its Securities Division, is responsible for the regulation of the securities market in this state. The mission of the Securities Division is to protect Washington residents from dishonest or fraudulent practices by people selling investments. The Securities Division utilizes a variety of regulatory and enforcement tools, including:

- registration requirements for securities, franchise and business opportunity offerings;
- licensing and examination of broker-dealers and investment advisers; and
- investigations based upon complaints.

The State Securities Act is Chapter 21.20 RCW. The chapter requires registration of people involved in certain practices, including broker-dealers, salespersons, and investment advisers, and investment adviser salespersons. The chapter requires the registration of certain offerings. Additionally, certain offerings are defined as "securities" and must be registered.

There are exemptions from registration for certain securities. Additional provisions exempt both a specified transaction and the persons involved in the transaction from registration, notice, filing and fee requirements.

One such exempt transaction is a transaction by a mutual or cooperative association that:

- meets certain conditions regarding advertising;
- involves an instrument or interest related to a member or patron of the association; and

- the instrument or interest is nontransferable or meets a specific exception.

The specific exceptions to the nontransferable requirement are:

- death;
- operation of law;
- bona fide transfer for security purposes only to the association, a bank, or other financial institution;
- intrafamily transfer; or
- transfer to an existing member or person who will become a member.

Summary of Bill:

The bill adds an additional exception to the nontransferable provision regarding exempt transactions by a mutual or cooperative association. The additional exception is a transfer by gift to a nonprofit entity.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.