

FINAL BILL REPORT

HB 2975

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Synopsis as Enacted

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

Sponsors: By Representatives Newhouse, Kirby and Dunn.

House Committee on Financial Institutions & Insurance

Senate Committee on Financial Institutions, Housing & Consumer Protection

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 (Act) requires registration of people involved in certain practices, including broker-dealers, salespersons, investment advisers, and investment adviser salespersons. The Act 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;
- intra-family transfer; or
- transfer to an existing member or person who will become a member.

Summary:

An additional exception to the nontransferable provision regarding exempt transactions by a mutual or cooperative association is created. The additional exception is a transfer by gift to a nonprofit entity. The entity must meet the definition of a nonprofit in the state tax exemption chapter and must be exempt from federal taxes.

Votes on Final Passage:

House	98	0	
Senate	47	0	(Senate amended)
House	97	0	(House concurred)

Effective: June 7, 2006