
**Consumer Protection & Business
Committee**

HB 2407

Brief Description: Repealing the debenture company laws from the securities act of Washington.

Sponsors: Representatives Kirby and Vick; by request of Department of Financial Institutions.

Brief Summary of Bill

- Repeals the state's debenture statutes.

Hearing Date: 1/21/20

Staff: Robbi Kesler (786-7153).

Background:

Debenture Company.

"Debenture company" means an issuer of any note, debenture, or other debt obligation for money used or to be used as capital or operating funds of the issuer, which is offered or sold in this state, and which issuer is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in:

- Notes, or other debt obligations, whether or not secured by real or personal property;
- vendors' interests in real estate contracts;
- real or personal property to be leased to third parties; or
- real or personal property.

A debenture is a type of debt instrument unsecured by collateral. Because debentures have no collateral backing, debentures must rely on the creditworthiness and reputation of the issuer for support. Similar to most bonds, debentures may pay coupon payments. In Washington State, at least 50 percent of debenture securities must have maturity dates of two years or more.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In Washington, debenture companies are required to maintain a net worth of at least \$200,000 for securities up to \$1 million and must maintain a net worth of 10 percent of the outstanding securities for securities between \$1 million and \$100 million. One half of the net worth must be held in cash or comparably liquid assets. Every debenture company must report annually on financial and business conditions of the issuer.

Summary of Bill:

Washington debentures statutes are repealed.

Appropriation: None.

Fiscal Note: Requested on January 15, 2020.

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