

HOUSE BILL REPORT

SB 6131

As Reported by House Committee On: Consumer Protection & Business

Title: An act relating to repealing the debenture company laws from the securities act of Washington.

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

Sponsors: Senators Mullet, Hobbs, Short, Wilson, L. and Das; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Consumer Protection & Business: 2/20/20 [DP].

Brief Summary of Bill

- Repeals the state's debenture statutes.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 12 members: Representatives Kirby, Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Duerr, Dufault, Johnson, J., Ryu, Santos, Walen and Ybarra.

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;

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- 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, at least 50 percent of debenture securities must have maturity dates of two years or more.

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Washington debentures statutes are repealed.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: Available.

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

Staff Summary of Public Testimony:

(In support) This bill is identical to House Bill 2407, and there continues to be broad support.

(Opposed) None.

Persons Testifying: Bill Beatty, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: None.