



PROPOSED RULE MAKING

CR-102 (June 2012)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Department of Financial Institutions, Securities Division

- | | |
|---|--|
| <input checked="" type="checkbox"/> Preproposal Statement of Inquiry was filed as WSR 16-01-048 ; or | <input checked="" type="checkbox"/> Original Notice |
| <input type="checkbox"/> Expedited Rule Making--Proposed notice was filed as WSR _____; or | <input type="checkbox"/> Supplemental Notice to WSR _____ |
| <input type="checkbox"/> Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1). | <input type="checkbox"/> Continuance of WSR _____ |

Title of rule and other identifying information: (Describe Subject) The Securities Division is proposing to amend chapter 460-99C WAC to reflect amendments made to related federal rules, and to reflect recent statutory changes made to the state crowdfunding exemption codified in the Securities Act of Washington (originally codified at RCW 21.20.880 through RCW 21.20.886).

Hearing location(s):

Department of Financial Institutions
150 Israel Road SW
Tumwater, WA 98501

Date: 7/11/2017 Time: 10:00 AM

Date of intended adoption: 7/12/2017
(Note: This is **NOT** the **effective** date)

Submit written comments to:

Name: Michelle Webster
Address: 150 Israel Road SW, Tumwater, WA 98501
e-mail michelle.webster@dfi.wa.gov
fax (360)704-6491 by (date) 7/11/2017

Assistance for persons with disabilities: Contact

Carolyn Hawkey, PO Box 9033, Olympia, WA 98507 by 7/10/2017
TTY (360) 664-8126 or (360) 902-8760

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

On October 26, 2016, the Securities and Exchange Commission adopted final rules amending exemptions to facilitate intrastate and regional securities offerings. See SEC Rulemaking Release No. 33-10238, titled "Exemptions to Facilitate Intrastate and Regional Securities Offerings," available at: <https://www.sec.gov/rules/final/2016/33-10238.pdf>. Included in these amendments are changes to the federal intrastate offering exemption, on which the state crowdfunding exemption was based.

In addition, on April 25, 2017, Governor Inslee signed into law House Bill 1593, which amends the state crowdfunding exemption in the Securities Act of Washington. The House Bill includes amendments to the reference to federal exemptions from registration, and repeals certain statutes related to crowdfunding portals.

Accordingly, the Division is proposing to amend the crowdfunding rules in WAC 460-99C to align with the recent changes in federal and state law, which will allow the rules to better facilitate capital formation. The proposed amendments would: allow offerings under either federal Rule 147 or newly adopted federal Rule 147A; remove the requirement to use a portal; relax ongoing reporting requirements; expand the types of securities an issuer can offer under the crowdfunding rules; and exclude accredited investors from individual investment limits.

Reasons supporting proposal:

As the rules contained in chapter 460-99C WAC implement the state crowdfunding exemption, the Division proposes to amend these rules to ensure coordination of our rules to related federal amendments and to state statutory amendments, and to promote capital formation.

Statutory authority for adoption: RCW 21.20.450; RCW 21.20.880

Statute being implemented: RCW 21.20.880

Is rule necessary because of a:

- | | | |
|-------------------------|---|-----------------------------|
| Federal Law? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Federal Court Decision? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| State Court Decision? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

If yes, CITATION:
17 C.F.R. 230.147; 17 C.F.R. 230.147A

DATE
5/25/2017

NAME (type or print)
Gloria Papiez

SIGNATURE

TITLE
Director

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: May 25, 2017
TIME: 2:48 PM

WSR 17-12-009

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Department of Financial Institutions, Securities Division

- Private
 Public
 Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Michelle Webster, Esq.	150 Israel Road SW, Tumwater, WA 98501	(360) 902-8736
Implementation....Gloria Papiez, Director, DFI	150 Israel Road SW, Tumwater, WA 98501	(360) 902-8760
Enforcement.....William Beatty, Director, Securities	150 Israel Road SW, Tumwater, WA 98501	(360) 902-8760

Has a small business economic impact statement been prepared under chapter 19.85 RCW or has a school district fiscal impact statement been prepared under section 1, chapter 210, Laws of 2012?

Yes. Attach copy of small business economic impact statement or school district fiscal impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

RCW 19.85.030 requires an agency to prepare a small business economic impact statement if the proposed rule will impose more than minor costs on businesses in an industry. The proposed updates merely seek to better coordinate the amended proposed rules with existing federal law and changes to the Securities Act of Washington. As House Bill 1593 and corresponding changes to chapter 460-99C WAC were intended to remove some of the complexities and expense associated with the original exemption and its rules, the proposed rules will reduce costs for businesses seeking to make an offering in reliance on the state crowdfunding exemption.

Is a cost-benefit analysis required under RCW 34.05.328?

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No: Please explain: The Department of Financial Institutions is not an agency identified in RCW 34.05.328.