



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

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Notice of Preproposal Statement of Inquiry Concerning the Repeal of WAC 460-42A-030

April 30, 2025

We are writing to inform you that the Securities Division is considering the possible repeal of WAC 460-42A-030.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandated the removal of certain references to credit ratings in the regulations adopted by the U.S. Securities and Exchange Commission under the Securities Act of 1933, the Securities and Exchange Act of 1934, and the Investment Company Act of 1940. To increase uniformity with our federal counterpart and remove references to credit ratings in Washington's securities regulations, the Securities Division is now considering the repeal of WAC 460-42A-030.

WAC 460-42A-030 relates to the qualification for the municipal securities exemption from registration under RCW 21.20.310(1). RCW 21.20.310(1) provides an exemption from registration to securities "issued or guaranteed by the United States, any state, any political subdivision of a state, or any agency or corporate or other instrumentality of one or more of the foregoing..." However, this exemption excludes "any security payable solely from revenues to be received from a nongovernmental industrial or commercial enterprise¹," except where, among other things, the administrator "finds that registration with respect to such securities is not necessary in the public interest and for the protection of investors."

As authorized by RCW 21.20.310(1), the Securities Division adopted WAC 460-42A-030 to make the exemption available to any security payable solely from revenues to be received from a nongovernmental industrial or commercial enterprise provided the security receives a certain credit rating. Consequently, some municipal securities payable solely by nongovernmental industrial or commercial enterprises that would otherwise not qualify for the municipal securities exemption may qualify for the exemption under WAC 460-42A-030.

A repeal of WAC 460-42A-030 may offer greater protection to Washington investors by eliminating reliance on credit ratings as a substitute for regulatory review and registration with respect to municipal securities offerings conducted by issuers located in this state that are payable solely by a nongovernmental industrial or commercial enterprise.²

¹ WAC 460-42A-020 explains that the term "industrial or commercial enterprise" as employed in RCW 21.20.310(1) "includes, but is not limited to, a private profit or nonprofit hospital, health care facility, college, university or educational institution, single or multifamily mortgage loan program, port authority concessionaire, or manufacturing or service business."

² We note that Section 18(b)(4)(E) generally preempts state registration requirements with respect to municipal securities offerings except "with respect to the offer or sale of such security in the State in which the issuer of such

If you have questions, please contact the undersigned by telephone at (360) 902-8797 or by email at Nathan.Quigley@dfi.wa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Nathan Quigley". The signature is fluid and cursive, with a large initial "N" and a long horizontal stroke at the end.

Nathan Quigley
Securities Division