



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

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Coronavirus Aid, Relief, and Economic Security (CARES) Act Loans

The Washington State Department of Financial Institutions, Securities Division (DFI), is aware of the loan programs available to eligible employers under the CARES Act (CARES Act loan).¹ Based on the disruptions caused by the COVID-19 outbreak affecting state registered investment advisers (Adviser), DFI has received a number of inquiries from Advisers regarding CARES Act loans and their impact to the net worth requirements prescribed in WAC 460-24A-170 for investment advisers.

DFI understands all or portions of a loan obtained from a loan program under the CARES Act from a lender may be forgiven. Should a firm obtain a CARES Act loan, DFI will not consider it a net worth deficiency if the following is met:

1. The Adviser meets the net worth requirement prior to obtaining the loan and would not be considered deficient but for the loan; and
2. The loan must be specifically identified in the financial books and records, including the balance sheet of the Adviser.

Should it be determined the loan or a portion of the loan will not be forgiven, and the Adviser will be required to repay the loan or a portion of the loan, the Adviser must notify DFI immediately to provide details of the situation and reclassify the loan as a liability. Information including the loan application and supporting documentation, the notification of loan approval, and all information pertaining to the portion of the loan that will be forgiven should be maintained as a part of the required books and records of the Adviser.

If the reclassification results in the Adviser falling below their net worth requirement, the Adviser must notify the Director as required in WAC 460-24A-170(4) and file a report containing the information required therein. Advisers may choose to obtain a bond or otherwise take the necessary action to meet their minimum net worth requirement.

For additional information please contact Kristen Standifer at (360) 902-8815.

¹ For a guide and FAQ, *The Small Business Owner's Guide to the CARES Act*, see: https://www.sbc.senate.gov/public/_cache/files/2/9/29fc1ae7-879a-4de0-97d5-ab0a0cb558c8/1BC9E5AB74965E686FC6EBC019EC358F.the-small-business-owner-s-guide-to-the-cares-act-final-.pdf