



PREPROPOSAL STATEMENT OF INQUIRY

**CR-101 (October 2017)
(Implements RCW 34.05.310)**

Do **NOT** use for expedited rule making

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FILED

DATE: March 06, 2018

TIME: 8:02 AM

WSR 18-06-075

Agency: Department of Financial Institutions, Securities Division

Subject of possible rule making: The Securities Division is considering mandating the filing of applications for registration of franchise offerings and franchise brokers, as well as for franchise exemption notice filings, through the Securities Division's electronic franchise filing system.

Statutes authorizing the agency to adopt rules on this subject: RCW 19.100.250

Reasons why rules on this subject may be needed and what they might accomplish: In 2013, the Securities Division announced the availability of its online electronic franchise filing system ("e-filing system"). The e-filing system was intended to facilitate electronic submission of franchise registration and renewal applications, and post-effective amendments online, eliminating the need to make any paper or other physical submissions to the Securities Division. Since then, the Securities Division has expanded its e-filing system capabilities to accept franchise broker and franchise exemption filings.

A significant number of applicants have utilized the e-filing system since its inception. In 2017 alone, the Securities Division received 991 franchise registration filings through the e-filing system. Although the Securities Division currently accepts filings through the e-filing system and paper submissions, paper submissions require the Securities Division to manually receive, process and scan the filings, which may result in delays to the applicant receiving any follow-up correspondence or notice of effective registration. Requiring franchisors and franchise brokers to use the e-filing system will eliminate inefficiencies and result in a streamlined process for both applicants and the Securities Division.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: The Federal Trade Commission ("FTC") requires franchisors to provide prospective franchisees with certain disclosure. The Securities Division requires a franchisor to prepare a disclosure document that coordinates with the FTC required disclosures. The FTC does not, however, require registration or filings in connection with franchise offerings. A handful of states regulate franchise offerings and franchise brokers, however, no coordination is necessary to require franchisors to use the Securities Division's e-filing system.

Process for developing new rule (check all that apply):


- Negotiated rule making
- Pilot rule making
- Agency study
- Other (describe) The Securities Division is soliciting comments from interested persons and will adopt rules only after the consideration of public comments

Interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication by contacting:

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(If necessary)

Name:
Address:
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Other:

Additional comments:	
Date: March 5, 2018	Signature: 
Name: William M. Beatty	
Title: Securities Administrator	