

## SECURITIES ACT POLICY STATEMENT - 08

RE: GOVERNMENT BOND PROMOTIONS BY RETAILERS RCW 21.20.005(10) - "OFFER" AND "SALE" RCW 21.20.005(3) - "BROKER-DEALER"

### **Question Presented:**

What requirements apply to a retailer who offers a government bond as a promotional item?

### **Statutes:**

**RCW 21.20.005(10)** in part defines "offer" and "sale" as follows:

Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing is considered to constitute part of the purchase and to have been offered and sold for value.

**RCW 21.20.005(3)** defines "broker-dealer" to mean:

Any person engaged in the business of effecting transactions in securities for the account of others or for that person's own account.

### **Discussion and Conclusion:**

In accordance with RCW 21.20.005(10), a retailer that offers a government bond as a "bonus" or "free gift", along with its retail products, is offering and selling securities for value. RCW 21.20.140 requires every offering of a security to be either registered or exempt. While the sale of a government bond is normally exempt under RCW 21.20.310(1), the sale of a government bond in conjunction with the sale of a retail product or service will not qualify for the RCW 21.20.310(1) exemption. In addition, because the retailers involved in the bond promotions are engaged in effecting repeated transactions in securities, the retailers must register as broker-dealers.

RCW 21.20.010 makes it unlawful for any person to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. To protect the public from misleading advertising, the Securities Administrator has determined that all advertising and promotional materials for securities offered with retail products must disclose material information about the security. For example, promotions involving government bonds must disclose information concerning the bonds' interest rate, market value, tax consequences and maturity date.

Adopted: January 1, 1991

Replaces: Statement of Policy 85 - 61

Jack L. Beyers, Securities Administrator

Prepared by: Janet G. McKinney, Securities Examiner