



PREPROPOSAL STATEMENT OF INQUIRY

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

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FILED

DATE: January 28, 2021

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WSR 21-04-062

Agency: Department of Financial Institutions, Securities Division

Subject of possible rule making: The Securities Division is considering amending chapter 460-17 WAC, which governs an optional method of registration known as Small Company Offering Registration ("SCOR"), in light of amendments to federal exemptions from registration and amendments to the SCOR Statement of Policy and SCOR Form promulgated by the North American Securities Administrators Association ("NASAA").

Statutes authorizing the agency to adopt rules on this subject: SCOR registration is an optional method of state registration, available to companies offering securities in reliance on the federal exemption from registration under Rule 504 of Regulation D or under Section 3(a)(11) of the Securities Act of 1933.

Effective January 20, 2017, the Securities and Exchange Commission ("SEC") amended federal Rule 504 to increase the offering amount limitation thereunder from \$1 million to \$5 million. The SEC also amended Rule 147, an intrastate offering safe harbor to Section 3(a)(11) of the Securities Act of 1933 and further adopted a new intrastate offering exemption in Rule 147A.

In response to these amendments, NASAA promulgated an amended Small Company Offering Registrations (SCOR) Statement of Policy, and made corresponding amendments to the Form U-7 (the registration statement and disclosure document to be completed in connection with a SCOR registration) in order to allow issuers to more fully take advantage of this program under the amended federal rules.

On November 2, 2020, the SEC adopted further amendments to Rule 504, including raising the offering limit from \$5 million to \$10 million.

To allow issuers to more fully take advantage of the SCOR program under the amended federal rules, the Division is considering amending chapter 460-17 WAC.

Reasons why rules on this subject may be needed and what they might accomplish: The proposal amendments would conform the Division's existing rules to recent amendments to federal rules, and to the Statement of Policy promulgated by NASAA. This will allow issuers to take advantage of the program and raise capital consistent with investor protection.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: The amendments that the Division is considering affect the regulation of securities and exempt securities transactions. Securities are subject to regulation by other state regulatory agencies and the Securities and Exchange Commission. The amendments under consideration would better coordinate our rules with other state and federal agencies, and with uniform standards promulgated by NASAA.

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)

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Web site:
Other:

Additional comments:

Date: January 28, 2021

Name: William Beatty

Title: Securities Administrator

Signature:

A handwritten signature in black ink, appearing to read "William Beatty", written in a cursive style.