



# PREPROPOSAL STATEMENT OF INQUIRY

**CR-101 (June 2004)**  
(Implements RCW 34.05.310)  
Do **NOT** use for expedited rule making

**Agency:** Department of Financial Institutions, Securities Division

**Subject of possible rule making:** The Securities Division is considering amending WAC 460-80-300 to explicitly allow for delivery of Franchise Disclosure Documents over the Internet or by other electronic means, or in machine-readable media, subject to certain requirements.

**Statutes authorizing the agency to adopt rules on this subject:** RCW 19.100.250, which authorizes the director to make, amend and rescind such rules, forms and orders as are necessary to carry out the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW.

**Reasons why rules on this subject may be needed and what they might accomplish:** Neither the Washington State Franchise Investment Protection Act nor the Securities Division's rules explicitly allow a franchisor to provide the Franchise Disclosure Document electronically to prospective franchisees. On September 14, 2003, the North American Securities Administrators Association (NASAA) approved a Statement of Policy Regarding Electronic Delivery of Franchise Disclosure Documents. This Statement of Policy provided text for proposed state regulation regarding electronic delivery by franchisors of Franchise Disclosure Documents to franchisees. On January 22, 2007, the Federal Trade Commission adopted amendments to its Franchise Rule that explicitly allowed electronic delivery of Franchise Disclosure Documents.

The Securities Division recognizes that explicitly allowing for electronic disclosure of franchise disclosure documents may benefit prospective franchisees by making franchise disclosure documents more readily available and more readable. Allowing electronic disclosure also benefits franchisors by reducing costs associated with reproduction and delivery of disclosure materials. Accordingly, the Securities Division is exploring amending its regulations regarding delivery and receipt of Franchise Disclosure Documents to allow for electronic delivery.

**Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:** The amendments under consideration by the Securities Division affect the regulation of franchise offerings. Franchise offerings are also subject to regulation by the Federal Trade Commission under federal law, and subject to regulation by other jurisdictions that have adopted the NASAA model rule. As the amendments considered by the Division reflect the language of the NASAA Statement of Policy, and the FTC rules similarly allow for electronic delivery of Franchise Disclosure Documents, the amendments under consideration would better coordinate the Securities Division's rules with other federal or state agencies.

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

- Negotiated rule making
- Pilot rule making
- Agency study
- Other (describe)

The Division is soliciting comments from interested persons and will adopt rules only after the consideration of public comments.

**How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:**

(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)

Michelle Webster, Associate General Counsel  
Department of Financial Institutions, Securities Division  
P.O. Box 9033  
Olympia, WA 98507-9033

Telephone: 360-902-8736  
Fax: 360-704-6491  
E-mail: [michelle.webster@dfi.wa.gov](mailto:michelle.webster@dfi.wa.gov)

**DATE**  
January 13, 2014

**NAME (TYPE OR PRINT)**  
William M. Beatty

**SIGNATURE**

**TITLE**  
Securities Administrator

**CODE REVISER USE ONLY**

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

**DATE: January 13, 2014**

**TIME: 3:22 PM**

**WSR 14-03-063**