



2020-2021 Biennial Report



Letter from DFI Director Charles Clark

The following is the 2020-21 biennial report, submitted on behalf of the dedicated staff here at the Washington State Department of Financial Institutions (DFI). This report highlights how each division within DFI serves Washington's consumers and our regulated financial industries. Staff didn't miss a beat, even after having to develop new work processes after the deadly global COVID-19 pandemic sent everyone home to quarantine.

DFI regulates financial service providers in Washington State — including banks, credit unions, securities brokers, investment advisers, securities issuers, mortgage brokers, mortgage loan originators, payday lenders, money transmitters, check cashers and check sellers, independent escrows and some fintech industries.

DFI's approximately 200 employees are committed to fulfilling our agency's mission to protect consumers and advance the financial health of Washington State by providing fair regulation of financial services and educating consumers to make informed financial decisions.

During this unprecedented time, DFI continued to live up to our mission of leading the way in consumer protection and financial services regulation:

- We were part of a multi-state student education loan servicer initiative to provide borrowers financial relief during the COVID-19 pandemic;
- Our Securities staff participated in a national task force cracking down on COVID-19 investment scams;
- We were among 30 states joining the Commodity Futures Trading Commission (CFTC) in taking action to shut down a \$185 million scheme targeting seniors;
- Our Consumer Services team assisted in finalizing a multi-year, multi jurisdiction investigation into a mortgage servicer, resulting in redress of \$2,117,231 for 4,766 Washington consumers;
- Our Division of Credit Unions staff successfully pivoted to 100% remote exams and continued with their examination schedule with no delays or postponements;
- DFI's Webmaster created help sites for licensees, small businesses and Washington residents — making it one of the most comprehensive coronavirus help sites in our state;
- We launched DFI's Center for Fintech Information (CFI); and
- We received bank and mortgage re-accreditation from the Conference of State Bank Supervisors (CSBS), Credit Union re-accreditation from the National Association of State Credit Union Supervisors (NASCUS) and Money Services Businesses (MSB) accreditation from CSBS — becoming one of only three states to have received MSB accreditation.

Collectively and independently, DFI's five divisions — Securities, Consumer Services, Banks, Credit Unions and Administration — work to create a stronger, more secure financial services environment for businesses and consumers — even during a pandemic.

Sincerely,
Charlie Clark, Director

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Department Overview

Catherine Mele-Hetter, Deputy Director

The Department of Financial Institutions (DFI) was established in October 1993 by RCW 43.320. Its mission is to regulate financial services, protect and educate the public, and promote economic vitality. DFI regulates: state-chartered depository institutions such as banks, credit unions, savings and loan associations, savings banks and foreign banks; the securities industry including securities broker-dealers, investment advisers and their agents, securities issuers, franchises, franchise brokers, and business opportunities; and non-depository institutions and persons including mortgage bankers, mortgage servicers, consumer loan companies, loan officers, check cashers and sellers (including payday lenders), money transmitters and currency exchangers, mortgage brokers and escrow agents and officers. DFI also registers entities that offer tax refund anticipation loans.

DFI conducts four core program activities: chartering, licensing and registration of the financial institutions and individuals listed above; examinations for safety and soundness, compliance and for cause; enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions; and education and public outreach activities including activities aimed at educating and protecting consumers of financial services, and technical assistance and guidance for regulated entities and individuals.

DFI VISION

Leading the way in consumer protection and financial services regulation.

DFI MISSION STATEMENT

We protect consumers and advance the financial health of Washington State by providing fair regulation of financial services and educating consumers to make informed financial decisions.

DFI VALUES

Protecting Consumers

- Promoting a financial services marketplace safe from illegal and deceptive practices and products.
- Empowering Washington State residents to be informed consumers of financial services.
- Educating consumers with an emphasis on underserved communities and vulnerable residents.

Promoting a Healthy and Prosperous Economy

- Growing safe and sound financial institutions.
- Embracing and encouraging technological advancement in the marketplace.
- Building consumer confidence in the marketplace.

Being an Employer of Choice

- Fostering employee wellbeing and growth in a diverse, equitable, and inclusive work environment.
- Maintaining a knowledgeable, engaged, and highly trained workforce.
- Demonstrating respect, accountability, and responsiveness in all of our relationships.

Advancing an Efficient, Effective, and Accountable Agency

- Continually improving and innovating to drive efficiency and performance.
- Being transparent and fair in all of our work.
- Ensuring meaningful and modern laws and regulations.

Department Overview, Continued

DFI's 2020 and 2021 Data

Budgeted Staff:

FY 20 = 209.7

FY 21 = 209.4

19-21 Biennial Budget = \$59,831,000

Cash Fines and Penalties:

FY 20 = \$ 840,316

FY 21 = \$1,486,341

Staff Composition by gender:

FY 20 = 56% female, 44% male

FY 21 = 57.9% female, 42.1% male

Racial Diversity of workforce:

FY 20 = 27.9% Persons of Color

FY 21 = 28% Persons of Color

DFI Communications Outreach

Lyn Peters, Director of Communications

The COVID-19 pandemic sent everyone home just as our Financial Education & Outreach team’s busiest month - Financial Capability Month (April) began. Quick pivots by DFI staff and grantees alike moved education and outreach online, ensuring accessibility to all who could get enough bandwidth with multiple family members working and going to school from home... and figure out where the “mute” button was those online meetings.



Staff rallied to read financial education focused books to Washington youth via videos, like [The Squirrel Manifesto](#), [Prices! Prices! Prices!](#) and [Lemonade In Winter](#).

We did an interview with TVW’s David Williams and nationally recognized money maven Jean Chatzky to share with viewers how to make money last as long as possible, where to sign up for state and federal benefits and how to connect to Washington resources.

Our webmaster developed a list of financial resources and coronavirus-related scams to be cautious of for Washington residents and businesses impacted by the pandemic that was shared on the state’s official COVID resource site. Analytics showed more than 600,000 visits to those sites.

We did online presentations for educators, libraries, senior centers and more. And our Webmaster created a collection of K-12 resources sorted by grade band (<https://dfi.wa.gov/financial-education/fun-clusters>) for parents and teachers hoping to help youth stay entertained between online classes.



DFI’s Securities Director Bill Beatty participated in an AARP Washington Live Town Hall on Coronavirus Financial Scams with more than 7,600 people who called in to learn more about how to spot and avoid becoming a victim of COVID-19-related scams – from fake vaccines or cures and at-home tests, online sales that never come through, companies selling Personal Protective Equipment (PPE) or companies asking you to invest in them.

We continued working with partners and grantees to provide financial education resources to the people of Washington wherever they were.

DFI Communications Outreach, *Continued*

We refused to let our continued working from home status keep us from reaching students where they were, so in April 2021 we moved forward with our Budget For Your Bank (BFYB) Events - online shopping style! While our BFYB events are usually a fun time to go into schools and teach first grade classes the importance of budgeting, in 2021 we still needed to do it from a distance. With email, spreadsheets, online documents and some socially distanced deliveries, students



received a budgeting worksheet with different piggy bank and sticker options, all at varying prices. They also received \$10 of play money to “purchase” the piggy bank and stickers. Students had to decide which objects they would like to buy and could not exceed their \$10 limit. We delivered the BFYB worksheets and fake money for “purchasing” to the school, received an Excel Spreadsheet with the students orders, and then we will individually packaged each students order and send them back to the school (kind of like Amazon: financial education edition).

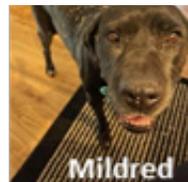
Budget For Your Bank

Income	Total: \$10		
Item:	Cost per Unit:	# Purchased:	Total Spent:
 Bear= \$8		x 8	\$-
 Piggy= \$7		x 7	\$-
 Paw= \$6		x 6	\$-
 Lego= \$5		x 5	\$-
 Foam Sparkle Star Stickers= \$2 Each		x 5	\$-
 Gem Stickers= \$2 Each		x 5	\$-
 3 Foam ABC Stickers= \$2		x 5	\$-
 1 Row of Small Sparkle Star Stickers= \$2		x 5	\$-
 5 Foam Stickers (animals, tools, shapes)= \$2		x 5	\$-
		Total Expenses	\$
		Savings	\$

* Those saving 10% or more of your Income are eligible for a "Super Saver" prize!!!

Working with local organizations like the Financial Education Public Private Partnership (www.feppp.org), Jump\$tart Washington Coalition (www.wajumpstart.org) and many community-based partners and grantees, DFI continues to find new ways to increase and improve financial education in Washington State.

To help keep DFI staff connected and morale high, we strengthened our fairly new internal communications centerpiece, *The Monday Minute from the desk of Charlie Clark*. This weekly email with updates from each division, unit and committee kept us “in the loop” of what we all were working on when we couldn’t be together in person. We shared moments of gratitude for being able to continue doing our work throughout the pandemic. We shared messages of support, grief and the sadness of some longtime DFI staff retirements. We also shared joy - weddings, births, and oh, so many photos of our new “coworkers” - the many beloved pets of DFI. And, yes, there were a few obligatory bread baking, home renovation and gardening stories and photos as well. These weekly messages helped keep us together when we couldn’t BE together.



Division of Banks

Roberta Hollinshead, Director of Banks

The mission of the Division of Banks is to support economic stability and growth in the state of Washington through chartering, regulation, and supervision of commercial and savings Banks, non-depository Trust Companies, and Business Development Companies. The Division of Banks implements state and federal laws regulating the types of institutions described above including: RCW 30A Commercial Banks, RCW 32 Savings Banks, RCW 30B Trust Companies, and RCW 31.24 Business Development Companies.

The division examines banks and trust companies every 12-18 months depending on the size and condition of the institution. Total banking assets and trust companies' assets under management supervised by the Division as of December 31, 2021, were approximately \$80 billion and \$73 billion, respectively.

Beginning in March of 2020, banks and trust companies, like other businesses, were impacted by the COVID-19 Pandemic. Through 2020 and 2021, state chartered banks played a very active role in distributing federal funding as a part of the Small Business Associations Paycheck Protection Program. Banks supported businesses across the state in the implementation of this program. Despite the prolonged pandemic and period of economic uncertainty, the overall financial condition of Washington State Chartered banks remains sound largely attributed to the federal and state government stimulus provided to both business and consumers. Asset quality and earnings performance remains satisfactory although interest margins remain compressed by the low interest rate environment. Industry consolidation and loan growth has continued.

Statutes Administered by the Division of Banks

Chapter 30A RCW	Banks
Chapter 30B RCW	Trust Companies
Chapter 31.24 RCW	Business Development Companies
Chapter 31.35 RCW	Agricultural Lenders, Loan Guaranty Program
Chapter 31.40 RCW	Federally Guaranteed Small Business Loans
Chapter 32 RCW	Mutual Savings Banks
Chapter 33 RCW	Savings and Loan Associations

Division of Banks, *Continued*

2020/2021 Licensing Stats (Number of)

	12/31/2020	12/31/2021
Commercial Banks	30	31
Savings Institutions	8	7
Trust Companies	18	18
Branches of Foreign Banks	1	1
SBA (7) A Lenders	1	1
Total Assets of Banks and Assets Under Management of Trust Companies	\$151,867,868	\$165,328,949

List of Chartering Activity for 2020 and 2021

- 04/07/2020 – Liberty Bay Bank changed their official name to Liberty Bank.
- 11/30/2020 – Laird Norton Trust Company, LLC converted to a limited liability trust company.
- 04/27/2021 – Riverview Community Bank, Vancouver, Washington converted from a federal savings bank to a Washington state-chartered commercial bank.
- 10/29/2021 - First Federal Savings and Loan Association of Port Angeles, Port Angeles, Washington converted from a stock savings bank to a commercial bank and changed its name to First Fed Bank.

Mergers and Acquisitions

2020

- No merger activity.

Division of Banks, *Continued*

2021

- 02/05/2021 – Banner Bank, Walla Walla, Washington acquired Islanders Bank, Friday Harbor, Washington.
- 09/30/2021 – Columbia State Bank, Tacoma, Washington acquired Merchants Bank of Commerce, Sacramento, California.

Division of Consumer Services

Lucinda Fazio, Director of Consumer Services

About the Division of Consumer Services

The mission of the Division of Consumer Services is to protect, inform, and serve consumers through fair, effective, and prompt regulation of non-depository financial institutions including: Consumer Loan Companies (including Mortgage Bankers), Mortgage Brokers, Mortgage Loan Originators, Residential Mortgage Loan Servicers, Student Education Loan Servicers, Check Cashers and Sellers, Small Loan Agents, Payday Lenders, Escrow Companies and Officers, Money Transmitters and Currency Exchangers, and Facilitators of Tax Refund Anticipation Loans (RALs).

The Consumer Services Division implements state and federal laws regulating the above non-depository financial service providers. These entities provide an array of important and rapidly changing financial services from originating loans and servicing mortgages to payday lending and money transmission. The Division's regulatory system is designed to ensure that our licensing process includes a thorough review of each applicant to determine their fitness to provide regulated financial services, to ensure that companies are examined for compliance with state and federal requirements, and to take effective enforcement action when laws are violated and/or consumers are harmed.

The Division is entirely self-supporting, with funding provided by licensing and examination fees, and enforcement actions. No money is received from the state General Fund or other public revenue source.

Statutes Administered by the Division of Consumer Services

Chapter 31.04 RCW	Consumer Loan Act
Chapter 31.45 RCW	Check Cashers and Sellers Act
Chapter 19.146 RCW	Mortgage Broker Practices Act
Chapter 19.230 RCW	Uniform Money Services Act
Chapter 18.44 RCW	Escrow Agent Registration Act
Chapter 43.320 RCW	Mortgage Lending and Fraud Prosecution Account
Chapter 19.265 RCW	Refund Anticipation Loans
Chapter 19.144 RCW	Mortgage Lending and Homeownership

Division of Consumer Services, *Continued*

Industry Facts at a Glance	2020	2021
Mortgage Broker Company Licenses	326	349
Mortgage Broker Branch Office Licenses	197	202
Mortgage Loan Originators (Active)	19,411	23,695
Mortgage Loan Originators (Inactive)	2,687	4,736
Consumer Loan Company Licenses	764	852
Consumer Loan Company Branch Office Licenses	3,093	3,600
Money Transmitter and Currency Exchange Offices	225	255
Check Cashier Company Licenses	94	88
Check Cashier Branch Office Licenses	243	235
Check Seller Company Licenses	0	0
Check Seller Company Branch Office Licenses	0	0
Small Loan Agent	0	0
Payday Lender Endorsement	19	16
Payday Lender Endorsement Branch Office Licenses	41	38
Escrow Company Agents	57	56
Escrow Company Agent Branch Offices	9	9
Escrow Officer (Licensed/Inactive)	99	94
Tax Refund Anticipation Loan Facilitators	375	372

** The Check Cashier and Seller license is required in order to obtain a Payday Lender endorsement. Many licensees only conduct payday loan activity under a Check Cashier or Seller license*

Division of Consumer Services, *Continued*

Licensing Unit:

During 2020, the Licensing Unit conducted the following activities:

- Processed more than 160 complex new licenses for companies, including 24 new Money Transmitters and 96 Consumer Loan licenses
- Licensed more than 6,000 new Mortgage Loan Originators with 89% being issued within 15 days
- Approved more than 19,500 renewal requests, including nearly 18,000 Mortgage Loan Originator renewals
- Completed more than 4,300 employment changes for Mortgage Loan Originators, the majority finished within 5 business days to avoid long gaps where the individual cannot work
- Assisted more than 24,000 existing licensees maintain their license
- Reviewed more than 12,900 criminal and credit background checks to better protect consumers
- Fielded more than 3,500 call center calls to provide assistance to consumers and industry
- Provided technical assistance to licensees with Mortgage Loan Originators working from home under the Department's interim regulatory guidance.

During 2021, the Licensing Unit conducted the following activities:

- Processed more than 200 complex new licenses for companies, including 50 Money Transmitters and 115 Consumer Loan licenses
- Licensed more than 8,600 Mortgage Loan Originators
- Approved more than 28,800 renewal requests, including nearly 23,200 Mortgage Loan Originator renewals
- Completed more than 6,500 employment changes for Mortgage Loan Originators
- Assisted more than 30,000 existing licensees maintain their license
- Reviewed more than 17,800 criminal and credit background checks to better protect consumers
- Fielded more than 3,700 call center calls to provide assistance to consumers and industry
- Continued serving as lead state for the Multi-state Money Services Business Licensing Agreement Program

Division of Consumer Services, *Continued*

Examination Unit

During 2020 and 2021, the Examination Unit conducted the following activities in addition to completing 476 examinations in FY 2020 (07/01/2019 - 06/30/2020) and 471 in FY 2021 (07/01/2020-06/30/2021):

- Three residential lending and one residential loan servicing Multi-State examinations
- Began student education loan servicer examinations (authority began 01/01/2019), conducting eight examinations, with six of those being of the federally contracted servicers - Title IV Additional Servicer (TIVAS) - challenging the boundaries of claimed federal preemption of Washington State's statute.

Enforcement Unit

Top Complaint Issues:

- Residential Mortgage Loan Servicing (461)
- Virtual Currency/Money Transmission (304)
- Residential Mortgage Loan Origination (171)

Criminal Referrals in 2020 and 2021:

- C-16-1935: Leading Organized Crime/Theft in the First Degree (4 counts)/Theft in the Third Degree (1 count)/Money Laundering/Mortgage Fraud
- C-17-2153: Mortgage Fraud/Perjury

Legislative Activities

2020 and 2021

- None

Division of Consumer Services, *Continued*

Individual Industry Stats

Mortgage Brokers

	2020	2021
Companies	326	349
Branch Offices	197	202
Complaints	48	30
Number of Brokered Loans	27,758	26,780
Principal Dollar Amount of Brokered Loans	\$10,546,236,435	\$11,112,196,583

Consumer Loan Companies

	2020	2021
Main Offices	764	852
Branch Offices	3,093	3,600
Complaints	607	455
Number of RE* Loans Made	331,219	318,331
Principal Dollar Amount of RE* Loans	\$118,021,194,848	\$122,716,185,453

*Refers to real estate loans that use borrower's home as security for the loan

Mortgage Loan Originators

	2020	2021
Number of Licensees (Active)	19,411	23,695
Number of Licensees (Inactive)	2,687	4,736
Complaints	0	0

Escrow

	2020	2021
Agents	57	56
Escrow Company Agent Branch Offices	9	9
Officers	99	94
Complaints	28	15

Division of Consumer Services, *Continued*

Money Services

	2020	2021
Companies	225	255
Complaints	153	178
Volume of Currency Exchanges	\$24,367,283	\$161,744,131
Volume of Payment Instrument Sales	\$3,073,632,488	\$3,169,957,528
Volume of Stored Value Sales	\$2,087,609,607	\$7,819,134,750
Volume of Other Money Transmissions	\$30,577,386,705	\$91,731,362,183

Check Casher

	2020	2021
Companies	94	88
Branch Offices	243	235
Complaints	18	17
Number of Checks Cashed	3,955,589	3,868,753
Dollar Amount of Cashed Checks	\$1,397,149,548	\$1,586,105,870

Check Seller

	2020	2021
Companies	0	0
Branch Offices	0	0
Complaints	0	0
Number of Checks Sold*	0	0
Dollar Amount of Checks Sold*	0	0

*Check Seller totals are for checks sold as a licensed Check Seller under the CCSA. This total does not include checks sold by Money Transmitters or as an agent for a Money Transmitter licensee.

Division of Consumer Services, *Continued*

Payday Lender

	2020	2021
Companies	19	16
Branch Offices	41	38
Complaints	0	0
Number of Small Loans	118,189	90,984
Dollar Amount of Small Loans	\$139,192,411	\$122,854,932

Small Loan Agent

	2020	2021
Companies	0	0
Branch Offices	0	0
Complaints	Included in CCSA	

Enforcement Statistics for All Industries

	2020	2021
Statement of Charges	36	23
Summary Cease and Desist or Suspension	2	2
Final Order or Revocation	23	11
Consent Order	55	30
Total Enforcement Actions	120	67
Investigations Opened	71	48
Investigations Closed	86	54
Complaints*	1,315	1,342

*Includes complaints filed against non-licensees

Division of Credit Unions

Amy Hunter, Director of Credit Unions

Credit unions are nonprofit, cooperative associations organized to promote thrift among their members and to create a source of credit for their members at fair and reasonable interest rates. The Division seeks to protect the financial interests of credit union members, including depositors.

The Division examines credit unions at least every 18 months to ensure they have safe and sound practices and no violations of statutes and rules. Credit unions with total assets over \$1 billion and those who receive an unsatisfactory CAMELS (Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity) rating are examined every 12 months. The Division uses a variety of examination and supervision tools to accomplish its mission. In addition, the Division processes a variety of applications from state chartered credit unions that deal with powers, such as mergers, member business loans, etc. The Division also works with consumers (members) regarding complaints they submit to the Division about state chartered credit unions.

Statutes Administered by the Division on Credit Unions

Chapter 31.12 RCW	Washington State Credit Union Act
Chapter 31.13 RCW	Corporate Credit Union Act

Industry Facts At A Glance

	<u>2020</u>	<u>2021</u>
Number of state chartered credit unions	51	50
Number of credit union members in millions	3.9 million	4 million
Total loans	\$42.4 billion	\$43.4 billion
Total assets	\$63.8 billion	\$74.3 billion
Total shares and deposits	\$54.5 billion	\$64.6 billion
Total net worth	\$6.6 billion	\$7.3 billion
Net income	\$144.1 million	\$369.1 million
Net worth to total assets ratio	11.10%	10.45%

Division of Credit Unions, *Continued*

Mergers

2020 Mergers

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Fluke Employees Credit Union	\$ 2.6 million	Sound Credit Union	\$1.8 billion	7/6/2020

2021 Mergers

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Lower Valley Credit Union	\$124 million	Self Help Credit Union	\$1.5 billion	1/6/2021
Lighthouse Credit Union	\$14 million	Rivermark Community Credit Union (Oregon)	\$1.2 billion	5/31/2021
Tesoro Federal Credit Union	\$11.5 million	North Coast	\$311 million	6/1/2021
Coulee Dam Credit Union	\$180 million	Spokane Teachers Credit Union	\$3.2 billion	7/1/2021

Examinations

2020 - 54 total exams completed

2021 - 53 total exams completed

New Credit Union Charters

2020 - No new credit union charters were issued during the biennium

2021 - No new credit union charters were issued during the biennium

Charter Conversions

2020 - There were no charter conversions in the biennium

2021 - There were no charter conversions in the biennium

Acquisitions

2020 Acquisitions - None

2021 Acquisitions - None

Rulemaking Activity

2020 Rulemaking - None

2021 Rulemaking - None

Division of Securities

William Beatty, Director of Securities

The Division of Securities regulates the offer and sale of investments to Washington State residents. Regulation encompasses registration of security, franchise, and business opportunity offerings, and licensing and examination of securities broker-dealers and investment advisers.

The Securities Division provides technical assistance to small businesses, responds to customer complaints, undertakes investigations based upon complaints and undercover work, and brings appropriate administrative, civil and criminal cases.

The Division works directly with the entities it regulates through examinations and market surveillance activity in an effort to assure the public of adequate protection for their investments. It also continues its involvement in national enforcement issues including task force on auction rate securities. The bulk of the Securities Division's enforcement activity is in the administrative area, but it is also active in the criminal arena, making several criminal referrals annually.

Statutes Administered by the Division of Securities

Chapter 19.100 RCW	Franchise Act
Chapter 19.110 RCW	Business Opportunity Act
Chapter 21.20 RCW	Securities Act
Chapter 21.30 RCW	Commodities Act

Division of Securities Statistics

Securities Act

	2020	2021
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$124,497,709,737	\$128,265,930,737
Registered Securities Broker-Dealers	1,689	1,713
Registered Investment Advisers	715	691
Investment Adviser Notifications	2,206	2,381
Registered Securities Salespersons	186,846	197,908
ERA-Active Organizations	95	120
Registered Investment Adviser Representatives	13,450	13,874
Branch Offices of Broker-Dealers	3,541	3,400
Complaints	157	207
Active Enforcement Cases	143	113
Statement of Charges/Orders	73	71

Division of Securities, *Continued***Franchise Act**

	2020	2021
Registered Franchises	904	952
Registered Franchise Exemptions	277	285
Registered Franchise Brokers	555	647
Complaints	19	20
Active Enforcement Cases	18	16
Statement of Charges/Orders	22	18

Business Opportunity Act

	2020	2021
Registered Business Opportunities	2	2
Complaints	3	2
Active Enforcement Cases	0	2
Statement of Charges/Orders	0	0

Commodities Act

	2020	2021
Registered Commodities	0	0
Complaints	2	0
Active Enforcement Cases	1	2
Statement of Charges/Orders	0	0

Division of Securities, *Continued***Registration and Licensing Filing Activity Totals for Calendar Years 2020-2021**

(** This workload data does not include information on registrations or licenses that terminate or fail to renew during the year.)

Registrations, Exemptions & Notifications

	2020 NEW	2020 RENEW	2020 AMEND	2021 NEW	2021 RENEW	2021 AMEND
Investment Companies (Mutual Funds)	2,444	23,452	26,696	2,364	22,855	21,793
Securities Registration Files (S-1s)	1	2	12	0	2	10
Reg As	0	0	0	0	0	0
Other Coordination Filings	3	11	83	1	5	51
Qualifications	22	1	2	8	8	19
SCOR (Small Company Offering Reg.)	0	0	0	0	0	0
Reg A-Tier 2 Notices	67	35	14	84	29	11
Red CF-FED Crowdfunding Notices	11	0	0	3	0	0
Franchises	324	654	160	464	648	137
Exemptions	3,639	0	1,089	6,256	0	1,218
Opinions	2	0	0	0	0	0
Franchise Exemptions	96	179	2	76	211	0
Business Opportunities	1	1	0	2	2	0
Small Business Retirement Marketplace Filings	3	2	0	0	3	0
TOTAL	6,613	24,337	23,058	9,258	23,763	23,239

Division of Securities, *Continued***Firms & Entities**

	2020 NEW	2020 RENEW	2021 NEW	2021 RENEW
Securities Broker-Dealers	64	1,675	95	1,698
Investment Advisers	89	698	109	656
Investment Advisers- Notice Filed	187	2,205	188	2,375
Franchise Brokers	259	387	267	455
Exempt Reporting Advisors	11	95	12	120
TOTALS	610	5,060	671	5,304

Representatives & Salespersons

	2020 NEW	2021 RENEW	2020 NEW	2021 RENEW
Investment Adviser Representatives	2,479	13,656	3,311	13,970
Intrastate Securities Salespersons	0	1	0	0
Agents of Issuers	49	9	27	30
Securities Salespersons	35,682	187,960	45,811	191,181
Salespersons with Disclosure History	3,585	0	3,815	0
TOTALS	41,795	201,626	52,966	205,181

Division of Securities, *Continued*

Licensing Unit:

During 2020, the Licensing Unit conducted the following activities:

- Received 127 Investment Adviser Applications
- Approved 86 Investment Adviser Applications
- Received 94 Broker Dealer Applications
- Approved 65 Broker Dealer Applications
- Reviewed 4205 Representative Applications
- Conducted 3 Roadshow Events
- Received 1,233 calls in the Licensing Unit

During 2021, the Licensing Unit conducted the following activities:

- Received 117 Investment Adviser Applications
- Approved 94 Investment Adviser Applications
- Received 103 Broker Dealer Applications
- Approved 95 Broker Dealer Applications
- Reviewed 5780 Representative Applications
- Sent 672 Requests For Additional Information On Pending Applications
- Received 1,233 calls in the Licensing Unit

Examination Unit:

During 2020 and 2021, the Examination Unit conducted the following activities in addition to completing 195 examinations in 2020 with 36 Technical Assistance Visits and 222 examinations with 39 Technical Assistance Visits in 2021:

- 0 Multi-State Examinations

Enforcement Unit:

Top Complaint Issues:

- Cryptocurrency scams
- Investment/brokerage account servicing
- Unregistered securities offering
- Unregistered franchise offering
- Precious metals

Division of Securities, *Continued*

Criminal Referrals in 2020:

- Shamer Terry (S-19-2827)

On Dec. 4, 2019, the Securities Division entered a Final Order against Terry finding that Terry raised approximately \$110,000 from selling unregistered promissory note investments. On April 2, 2020, the Securities Division made a criminal referral to the Snohomish County Prosecuting Attorney's Office in Everett, Washington. The Division provided supporting documents to Snohomish County and requested that additional bank records be obtained. No additional bank records were ever gathered by Snohomish County. No charges were filed in this matter.

- Roger Duval (S-20-2902)

On Dec. 12, 2019, the Securities Division entered into a Consent Order with Duval, who agreed to the revocation of his securities registrations in Washington and the denial of any future securities registration applications, and to pay \$10,000 in fines and costs. On July 15, 2020, the Division made a criminal referral to the Spokane County Prosecuting Attorney's Office and included some supporting documents. The referral discussed unauthorized withdrawals that Duval made from three brokerage accounts that he managed. No additional bank records were gathered since the referral was made. No charges were filed in this matter.

- Bruce Phillip Hills a/k/a Phil Hills (S-20-2909)

On April 1, 2020, the Securities Division made a criminal referral to the King County Prosecuting Attorney's Office and included some supporting documents. On Sept. 24, 2021, Hills was sentenced in King County Superior Court to 4 months of home confinement and ordered to pay restitution totaling \$174,336.47 to the victims. Earlier that year, Hills pleaded guilty to theft, securities fraud, unlawful issuance of a check, and making false statements to a public servant. Between October 2017 and January 2018, Hills offered and sold two real estate investments to a Seattle resident. Hills then misused these funds, using the majority of the funds for unrelated business and personal expenses instead of the real estate investments. Hills's actions resulted in the Seattle resident losing his entire investment. Hills also passed a bad check in February 2019. The case was investigated by the Securities Division and prosecuted by the King County Prosecuting Attorney's Office.

Criminal Referrals in 2021:

- Charles Burgess a/k/a Dick Burgess

On Sept. 9, 2021, the Securities Division made a criminal referral to the U.S. Attorney's Office Western District of Washington. On January 6, 2023, Burgess was sentenced to 75 months in prison, 3 years of supervision upon release, and \$4,383,617.98 in restitution to 32 investors. On Aug. 11, 2022, Burgess pleaded guilty in Federal Court to one count of mail fraud in violation of USC 1341. Between October 2013 and April 2021, Burgess offered and sold approximately \$6.3 million of investments in a pooled

Division of Securities, *Continued*

investment vehicle to 40 investors, most of whom were Washington residents. Burgess offered and sold participation in the pool to friends, family, and to friends or family of existing pool participants. Burgess sent monthly statements to investors that falsely represented that the pool was successful, and that investors were making a consistent profit. Further, Burgess used funds from the pool to pay himself excessive fees, to pay his own personal expenses, and to make Ponzi payments to investors. The case was investigated by the Securities Division and the FBI and prosecuted by the U.S. Attorney's Office Western District of Washington.

Rulemaking Activity

2020

- Electronic Filing Depository Requirements

Effective Jan. 10, 2020, the Securities Division adopted amendments to WAC 460-44A-503 to require that notice filings and fees for securities offerings made in reliance on Rule 506 of federal Regulation D be submitted electronically through the North American Securities Administrators Association's (NASAA) Electronic Filing Depository (EFD).

- WA Securities Division Adopts Amended Franchise Interpretive Statement No. 4

On March 13, 2020, the Securities Division amended Franchise Act Interpretive Statement No. 4 – Provisions in Franchise Agreements Setting the Site of Arbitration, Mediation, and/or Litigation. The amended version of Franchise Act Interpretive Statement No. 4 explains that the Securities Administrator will not register a franchise offering that includes a franchise agreement that sets the site of arbitration or mediation unless the agreement specifies that the site of arbitration or mediation will be: (1) in the state of Washington, (2) as mutually agreed upon at the time of arbitration or mediation, or (3) as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, the franchise agreement must allow a franchisee to bring an action or proceeding arising out of or in connection with the sale of a franchise, or a violation of the Washington Franchise Investment Protection Act, in Washington.

2021

- Small Company Offering Registration ("SCOR")

On Jan. 28, 2021, the Securities Division filed a Preproposal Statement of Inquiry to amend chapter 460-17 WAC, which governs a 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"). 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.



2020 - 2021 BIENNIAL REPORT
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