

Date of Hearing: April 23, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 2795 (Committee on Banking and Finance) – As Amended April 16, 2026

**SUBJECT:** Financial regulation

**SUMMARY:** This is the omnibus Assembly Banking Committee bill.

Specifically, **this bill:**

- 1) Authorizes the DFPI to send annual assessment notices via NMLS and eliminate the need to adopt regulations in order to use NMLS forms for each licensing or registration program.
- 2) Repeals Division 15.5 of the Financial Institutions Code, titled “State Assistance Fund for Enterprise, Business and Industrial Development Corporation.”
- 3) Amends Government Code 16430 to add language to clarify rating requirements for Municipal Bonds, Foreign Government Bonds, Commercial Paper, and Corporate Bonds as well as add uniform language regarding eligible federal agency securities.
- 4) Corrects a mistake wherein the Franchise Broker law was inadvertently changed in two places. This correction will make it unlawful to effect or attempt to effect a sale of a franchise unless the broker is registered.

**EXISTING LAW:**

DFPI Notice

- 1) Requires the commissioner to notify, by mail, each licensee of any additional amount assessed and levied against it. (Corp.Code section 25608 (0)(4), Financial Code (Fin.Code) sections 8032(a), 12214(b)(2), 2041(d), 17207(e)(1)and (h)(1), 18351, 23016(b), 50401(c))

Franchise Broker

- 2) Makes unlawful for any person to effect or attempt to effect a sale of a franchise, except in transactions, unless that person is any of the following:
  - a) Identified in an application or amended application filed with the commissioner pursuant to Part 2 (commencing with Section 31100) of this division.
  - b) Licensed by the Department of Real Estate as a real estate broker or real estate salesperson.
  - c) Licensed by the commissioner as a broker-dealer or agent pursuant to the Corporate Securities Law of 1968.
  - d) Registered as a franchise broker pursuant to Part 7 (commencing with Section 31520).

PMIA Bond Ratings

- 3) Regarding eligible securities for the investment of surplus moneys, bonds, notes, or other obligations eligible for investment must be within the top three ratings of a nationally recognized statistical rating organization. (Government Code (Gov.Code) section 16430(d)(2))
- 4) Requires investment grade rating or its equivalent, or better for bonds, notes, warrants, and other securities not in default that are the direct obligations of the government of a foreign country that the International Monetary Fund lists as an advanced economy and for which the full faith and credit of that country has been pledged for the payment of principal and interest, if the securities are rated, by a nationally recognized statistical rating organization. (Gov.Code section 16430(f))
- 5) Requires commercial paper of “prime” quality as defined by a nationally recognized statistical rating organization that rates these securities, if the commercial paper is issued by a federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified. (Gov.Code section 16430(g)(1))
- 6) Prohibits the purchase of eligible commercial paper that exceeds 270 days maturity. (Gov.Code section 16430(g)(2)(A))
- 7) Requires, at the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision to be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state’s investment. (Gov.Code section 16430(g)(3))

#### SAFE-BIDCO

- 8) Allows for the formation of a non-profit corporation, the purpose of which is to engage in special projects in the interest of promoting small business growth. (Fin.Code 32000 et seq.)

**FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.**

#### COMMENTS:

##### 1) National Multistate Licensing System (NMLS)

Existing law limits how the Department of Financial Protection and Innovation (DFPI) can communicate with licensees regarding annual assessments. The annual assessment allocates costs of administering the licensing program among licensees of that program. The fee amount is adjusted by the individual licensee based on the amount of the licensee’s assets. Licensees have 30 days to pay after the invoice date. Current law requires the Department to notify licensees of their annual assessment fees “by mail.” Although “by mail” is not explicitly defined in the Financial Code, courts and other presiding entities would more than likely interpret these guidelines to require service by postal mail for the following reasons:

- “By mail” was commonly understood to mean physical, postal mail when these statutes were written and enacted; and

- California Code of Civil Procedure provides persuasive authority that “by mail” requires service by postal mail.

Currently, many NMLS filing requirements are contained in regulations. Most licensees, except for state-chartered banks and credit unions, are registered using NMLS. The NMLS frequently updates its forms, causing regulations to become outdated. For example, most recently, NMLS has proposed increasing its fees for licensees and registrants. This will require DFPI to update its regulations. Under the Administrative Procedure Act (APA), when requiring applications through NMLS, the rulemaking action must identify and adopt the specific version of the form in existence at the date of the rulemaking when that particular form is referenced in the rulemaking package. In order to require that an applicant apply through NMLS, DFPI must conduct rulemaking to adopt the requirement in regulations each time and specify the necessity for each data element in every application and form on NMLS. This creates a large amount of workload for DFPI’s legal division.

The amendments provided will instead allow the DFPI to provide notice of assessments by electronic service and in some cases by NMLS. The amendment also adds a general provision that applies any time the DFPI requires a person to register or apply for licensure through NMLS or maintain licensure or registration through NMLS. The general provision would require the applicant, licensee or registrant to provide information through NMLS, and pay fees required by NMLS for the use of the system. These changes will reduce costs to the Department and reduce attorney workload hours related to these bureaucratic requirements.

## **2) Update to PMIA Bond Rating Requirement Language**

The State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers’ money to help manage the State’s cashflow, as well as provide investment options for local governments through the Local Agency Investment Fund (LAIF). The Investment Division of the Treasurer’s office manages the PMIA on behalf of the Treasurer. Current legislation specifies eligible securities that the PMIA can purchase, and the Investment Policy sets management goals for the PMIA of safety, liquidity and yield. However, the Government Code regulating these requirements has been amended over time using inconsistent benchmarks and now outdated terms to describe ratings.

Clarification is needed to ensure the rating requirements for eligible investments, including Municipal Bonds, Foreign Government Bonds, Commercial Paper Bonds, and Corporate Bonds are more easily identifiable and that there is uniform language regarding eligible federal agency securities. This will leave less room for error and misinterpretation and ensure the safety of the PMIA. Amendments also update the maximum maturity of bonds to 397 days which is in parity with current federal and state practices. The final amendment, repeal of the collateral requirement upon request of the PMIA, is needed because the language is obsolete. It is no longer feasible to execute, and the risk associated with these purchases is already adequately managed by the limitations set by credit ratings, maturity dates, purchase amounts, and portfolio allocation requirements stated in Government Code Section 16430.

## **3) Correction Regarding Franchise Broker Law**

Division 5 of the Corporations Code governs franchise investment law. In 2024, SB 919 was enacted to require a franchise broker to register with the commissioner before engaging in certain activities as prescribed, particularly, it would make it unlawful for a franchise broker to offer or

sell a franchise in this state unless the franchise broker is registered pursuant to these provisions. However, franchise brokers, to whom the measure was also meant to apply, are regulated in a different part of the Division. This amendment will make a correction to the section on exemptions to clarify the application to specified franchise brokers.

#### **4) SAFE-BIDCO**

The State Assistance Fund for Enterprise Act of 1989 authorizes the creation of a nonprofit corporation called the State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO) for the general purpose of enhancing the availability of financial assistance for small businesses in California. The act requires the State Controller to establish a separate account in the General Fund entitled the State Enterprise Loan Fund, which is continuously appropriated for purposes of the act. There has been no substantive legislation since 2004 affecting this law other than one non-substantive change in 2016. Per Westlaw searches conducted in late 2025, there has been no litigation resulting in a published court decision on Division 15.5. SAFE-BIDCO became insolvent by 2017 and was seized by the Department of Financial Protection & Innovation (then the “Department of Business Oversight”). SAFE-BIDCO was subsequently liquidated and then dissolved in 2023 (which was filed with the California Secretary of State). This amendment is a clean up to repeal Division 15.5.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

**Last verified 4/21/26**

None received.

##### **Opposition**

**Last verified 4/21/26**

None received.

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