

Date of Hearing: June 10, 2013

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Roger Dickinson, Chair
SB 537 (Banking & Financial Institutions) – As Amended: May 16, 2013

SENATE VOTE: 36-0

SUBJECT: Business and finance

SUMMARY: Makes technical and clarifying changes to several sections of the Financial Code administered by the Department of Financial Institutions (DFI) and to provisions of the Franchise Investment Law administered by the Department of Corporations (DOC). Specifically, this bill:

- 1) Within the Franchise Investment Law, standardizes the length of time in which franchisors have to deliver disclosure documents to prospective franchisees at 14 calendar days, and updates state law references to the document used by franchisors to provide specified information to prospective franchisees, by referring to this document as a “franchise disclosure document” rather than an “offering circular.”
- 2) Within the Financial Code, corrects a heading reference, updates state law to reflect changes in minimum levels of federal deposit insurance limits, deletes references to obsolete code sections, corrects incorrect code section references, restores code section references that were inadvertently deleted, and adds clarifying language and definitions.

EXISTING LAW

- 1) Authorizes DFI to administer provisions of the Financial Code regulating the activities of state-chartered banks and industrial loan companies, state-chartered credit unions, money transmitters, trust companies, and insurance premium finance companies (Divisions 1 through 7 of the Financial Code).
- 2) Authorizes DOC to administer the Franchise Investment Law (Division 5 of the Corporations Code).
- 3) Effective July 1, 2013, reorganizes DFI and DOC as divisions within a new Department of Business Oversight (Government Reorganization Plan Number 2).

FISCAL EFFECT: None

COMMENTS:

SB 537 is a technical clean-up bill to various provisions of the Financial Code. The following summarizes the purpose of the proposed amendments to the Financial Code:

- 1) Correct the heading of Division 1, Article 4, Chapter 7 to restore applicability of the provisions in this article to banks. This article was incorrectly titled by SB 664 (Committee on Banking & Financial Institutions, Chapter 243, Statutes of 2011).

- 2) Reflect the increase in federal deposit insurance from \$100,000 to \$250,000 (Section 1805).
- 3) Amend references to incorrect code sections and delete references to obsolete code sections (Sections 155, 185, 329, 376, 413, 563, 1024, 1026, 1080, 1255, 1495, 1515, 1702, 1805, 1806, 1835, 1858, 4805.01, 4805.02, 4805.05, 4805.10, 4821.5, 4822, 4823, 4824, 4826.5, 4827, 4827.3, 4827.7, 4871.5, 4877.03, 4901.5, 4961.5, 4970, 4982, 4990, 4995, and 18003).
- 4) Clarify to which law or laws a particular section applies (Sections 101, 103, 133, 171, 189, 326, 331, 377, and 600).
- 5) Conform language to the Money Transmission Act definition of a money transmitter (Sections 185 and 329).
- 6) Add clarifying language and definitions (Sections 186, 187, 188, 190, 329, 405, 589, 590, 672, 1331, 1473, 1485, and 1495).
- 7) Restore inadvertently deleted code section references (Sections 329 and 1485).
- 8) Simplify an unnecessarily complicated definition (Section 379).
- 9) The following summarizes the purpose of the proposed amendments to the Franchise Investment Law:
- 10) SB 998 (Cox), Chapter 101, Statutes of 2007 required disclosure documents to be delivered by franchisors to prospective franchisees 14 calendar days, rather than 10 business days, before that prospective franchisee signs any franchise agreement. However, that legislation failed to revise all of the sections that required revision, in order to effect its change. SB 537 would make the changes inadvertently omitted from SB 998.

The Federal Trade Commission, North American Securities Administrators Association, and California regulations refer to the disclosure document required to be provided by franchisors to prospective franchisees as a franchise disclosure document. However, some provisions of California's Franchise Investment Law continue to refer to this document by its old name ("offering circular"). SB 537 standardizes the references to this document in California law by deleting references to "offering circular" and replacing them with references to "franchise disclosure document."

REGISTERED SUPPORT / OPPOSITION:

Support

International Franchise Association (IFA)

Opposition

None on file.

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