
**SENATE COMMITTEE ON
BANKING AND FINANCIAL INSTITUTIONS**
Senator Steven Bradford, Chair
2019 - 2020 Regular

Bill No: AB 913 **Hearing Date:** June 5, 2019
Author: Limón
Version: February 20, 2019 Introduced
Urgency: No **Fiscal:** Yes
Consultant: Eileen Newhall

Subject: Broker-dealers: exemptions: finders: filings.

SUMMARY This bill modifies the annual renewal statement of information filing deadline for finders under the Corporate Securities Law of 1968 and gives the Commissioner of Business Oversight (commissioner) authority to require finders to include on that statement of information any information the commissioner reasonably determines is necessary, as specified.

EXISTING LAW

- 1) Defines finders, as specified, under the Corporate Securities Law of 1968 and exempts finders from the requirement to be registered as a broker-dealers, as long as they adhere to several requirements and refrain from engaging in several prohibited acts. Among the requirements, each finder must submit a statement of information about him or herself; pay a filing fee to the Department of Business Oversight (DBO); and submit an annual renewal statement of information to DBO within 30 days of the anniversary of the finder's initial statement of information.

THIS BILL

- 1) Requires finders to submit their annual renewal statements of information on or before December 31 following the anniversary of their initial statements of information filings.
- 2) Adds "any other information the commissioner, by rule or order, reasonably determines is necessary" to the list of information that must be included in a finder's renewal statement of information.

COMMENTS

- 1) Purpose: This bill is sponsored by the author to ease DBO's administrative burden in connection with the oversight of Corporate Securities Law finders.
- 2) Background: Finders, as defined under the Corporate Securities Law of 1968, are natural persons who, for direct or indirect compensation, introduce or refer one or more accredited investors, as defined, to issuers, or issuers to one or more accredited investors, solely for the purposes of a potential offer or sale of securities of the issuer in an issuer transaction in California. Finders were granted statutory authority to operate in California by AB 667 (Wagner), Chapter 743, Statutes of

2015, a bill sponsored by the Corporations Committee of the Business Law Section of the California State Bar (now known as the California Lawyers Association).

Prior to enactment of AB 667, finders operated freely in California and were the method by which most early stage businesses raised capital from investors. However, very few finders registered with DBO as broker-dealers; instead, nearly all finders operated under the regulatory radar. Unregistered finders not only risked the possibility that DBO would bring enforcement actions against them for engaging in business that required registration, but their lack of statutory authority also carried the risk that the companies on whose behalf they helped identify investors could be sanctioned by DBO. AB 667 was promoted as a solution that provided regulatory certainty for finders, while helping to ensure investor protection.

- 3) Discussion: According to representatives of the California Lawyers Association, AB 667 has worked as intended. However, this bill's author is aware of challenges that DBO is facing in administering AB 667, due to that law's requirement that finders submit their annual renewal statements on a rolling basis. DBO would reportedly prefer to receive finder renewal statements within the same timeframe that they receive filings from other securities professionals over which they have jurisdiction (i.e., on or before December 31st of each year).

This bill also amends the finder statute to ensure that DBO has clear authority to request any information from finders that it reasonably determines is necessary.

- 4) Support: None received
- 5) Opposition: None received
- 6) Prior and Related Legislation:
- a) AB 667 (Wagner), Chapter 743, Statutes of 2015 defined finders, as specified, and exempted them from the requirement to be licensed as broker-dealers under the Corporate Securities Law of 1958.

LIST OF REGISTERED SUPPORT/OPPOSITION

Support

None received

Opposition

None received

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