

# Monthly Bulletin

California Department of Business Oversight



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**Volume 6, Number 5**

**December 2018**

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## Request for Forbearance in California Wildfire Disaster Areas

In recognition of the impact of the November wildfires in Butte, Los Angeles and Ventura counties, Commissioner of Business Oversight Jan Lynn Owen and the California Office of Emergency Services (CalOES) are asking financial services providers to recognize the severity of the disaster and work with those affected in their efforts to repay mortgages and other loans.

Although there are limitations on assistance institutions can provide, any support extended to survivors of these disasters is appreciated.

A number of disaster assistance programs have been implemented to help individuals, businesses, farmers and impacted communities recover. The state urges forbearance on the part of many industries to help with what is expected to be a long-term recovery process. For additional information, contact Karma Hackney, CalOES individual assistance officer, at (916) 845-8141.

To assist recovery efforts, a consortium of federal and state financial regulatory agencies on Nov. 15 issued a [statement on supervisory practices](#) relating to the wildfires. The Governor's office also has published a [State Resources Guide](#) for small businesses. In addition, the DBO has established a web page highlighting [disaster relief resources](#).

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7575 Metropolitan Drive, Suite 108  
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## Guarding Against Cyber Threats

On Nov. 30, Commissioner Owen issued [Release No. 66-FS](#) to advise escrow agents to guard against cyber threats and to immediately report thefts to the DBO.

Between January 2016 and June 2018, California-licensed escrow companies reported to the DBO at least 30 thefts of personal or financial information by means of computers or the internet (“cyber theft”).

Of nearly \$6 million wired to online impersonators, licensees recovered less than \$2.8 million. Because Escrow Agents’ Fidelity Corporation (EAFC) does not cover trust losses resulting from cyber theft, licensees had to replace the balance of nearly \$3.2 million.

Under California Escrow Law ([Fin. Code, § 17000 et seq.](#)), licensees are required to “immediately report” to both the Commissioner and the EAFC knowledge of “abstraction or misappropriation of money, funds, trust obligations, or property deposited with a licensed escrow agent.” ([Fin. Code, § 17414, sub. \(c\).](#))

Failure to comply with this reporting requirement may subject a licensee to administrative action, such as a discontinuance order and/or license suspension or revocation. (Fin. Code, §§ [17602](#), [17603](#), [17608](#).)



## Invitation for Comments: Commercial Financing Regulations

Governor Edmund G. Brown Jr. recently signed legislation establishing the nation’s most extensive set of protections for small business owners seeking financing. [SB 1235 \(Glazer\)](#)

requires lenders and other commercial financing companies to provide clear and consistent disclosures to small business owners. The legislation directs the DBO to adopt regulations implementing the disclosure requirements.

Prior to initiating a formal rulemaking action with the Office of Administrative Law, the DBO has issued an [Invitation for Comments](#). Interested parties and stakeholders are encouraged to submit comments to [regulations@dbo.ca.gov](mailto:regulations@dbo.ca.gov) before the deadline of Jan. 22, 2019.



## Notice of Modifications to Proposed Regulations: DBO Conflict of Interest Rule Revision

The Commissioner of Business Oversight published a Notice of Rulemaking Action with the Office of Administrative Law on Dec. 22, 2017. The proposed regulatory action would amend [section 260.607 of Title 10](#) of the California Code of Regulations, which sets out rules regarding conflict of interest and incompatible activities for DBO employees.

This proposed action would also adopt section 260.607.5 of title 10 of the California Code of Regulations. (The DBO's current Conflict of Interest Code is contained in [section 250.30 of title 10](#) of the California Code of Regulations, which is not being amended.)

No public comments were received. The Commissioner is proposing additional changes to the regulations, a copy of which is being made available to the public in accordance with [Government Code section 11346.8\(c\)](#).

A copy of the [Notice and proposed text](#) can be found on the DBO's website. Comments may be sent to [regulations@dbo.ca.gov](mailto:regulations@dbo.ca.gov) by a Dec. 17 deadline.



## New State Laws That May Affect DBO Licensees

[Highlights of 2018 State Chaptered Legislation](#), a compendium of new laws that may affect or be of interest to DBO licensees, is now available on the DBO website. The collection includes a brief description and a link to the text of each bill.

We hope you find the document useful and welcome any suggestions to improve its value to you and your organization.



## Broker-Dealer/Investment Adviser Renewals Due Soon

A reminder that 2019 registration renewal statements and fees for the Broker Dealer/Investment Adviser (BDIA) program are due by Dec. 17.

All registered firms may view and print their preliminary renewal statements through E-Bill on FINRA's WebCRD/IARD system. The DBO sent out courtesy renewal reminders on Nov. 26. Renewal fees are due for broker-dealers, investment advisers and exempt reporting advisers.

Full payment of each Preliminary Renewal Statement must be posted to a firm's FINRA Renewal Account by Dec. 17. Firms are encouraged to submit their payments no later than Dec. 14 to make sure payments post to renewal accounts by the deadline. Renewal fees must be posted by Dec. 17 for a firm's registration to remain in effect during calendar year 2019.

For more information on the renewal program for investment advisers and exempt reporting advisers, including a renewal calendar, payment methods and FAQs, visit the CRD/IARD website at <https://www.iard.com/renewals>.

For more information on the renewal program for broker-dealers, visit the CRD website at <http://www.finra.org/industry/renewal>.



## Premium Finance Company Assessment Reminder

Commissioner Owen has assessed all California insurance premium finance companies in order to fund the DBO's administration of laws governing such firms.

The Commissioner makes the assessments pursuant to California Financial Code sections [18350](#), [18351](#) and [18352](#).

An invoice and cover letter for the assessment on each institution was sent to each licensee. Assessments must be paid in full by December 20.

The base assessment rate is set at 0.008327 percent of each company's total assets as of Dec. 31, 2017. The minimum assessment is \$250.

To pay by check, licensees should mail payments to:

Department of Business Oversight  
Attn: Accounting Office  
1515 K Street, Suite 200  
Sacramento, CA 95814-4052

Premium finance companies wishing to pay electronically via ACH, please include the invoice number and credit:

Department of Business Oversight  
Routing Number: 021052053  
UPIC Account Number: 10440639

For questions about assessments, please contact Rowena Lumen at (415) 542-6273 or [Rowena.Lumen@dbo.ca.gov](mailto:Rowena.Lumen@dbo.ca.gov), or Lisa Huang at (415) 542-6256 or [Lisa.Huang@dbo.ca.gov](mailto:Lisa.Huang@dbo.ca.gov).



## Changes to Call Report Forms Beginning Dec. 31

The DBO has made process improvements to the call report procedures to increase efficiencies and reduce regulatory burden.

### Agencies and Branches of Foreign Banks

#### Report of Assets and Liabilities FFIEC 002

Agencies and branches of foreign banks will no longer be required to submit a PDF copy of the form FFIEC 002 Report of Assets and Liabilities.

The DBO will obtain the call report data directly from the FFIEC.

### Report of Income Form DBO 523

Form DBO 523 has been revised from Excel to PDF beginning with the Dec 31, 2018 call report period. The new form and instructions are available on the DBO website at [www.dbo.ca.gov/forms/foreign\\_banks/default.asp](http://www.dbo.ca.gov/forms/foreign_banks/default.asp). Agencies and branches of foreign banks must complete and send the PDF form to [callreport@dbo.ca.gov](mailto:callreport@dbo.ca.gov) starting Dec. 31, 2018.

### **Trust Companies and Departments**

The DBO has revised the call report forms to increase efficiencies and reduce regulatory burden. The following forms have been revised from Excel to PDF:

Form DBO 502 - Trust Company Report of Condition Form

Form DBO 505 - Fiduciary and Related Services

Form DBO 524 - Trust Company Report Income

These call reports must be submitted using the new PDF form beginning with the Dec. 31, 2018 call report period. The new forms and instructions are available on the DBO website at [www.dbo.ca.gov/forms/trust\\_companies/default.asp](http://www.dbo.ca.gov/forms/trust_companies/default.asp). Trust companies must complete and send the PDF form to [callreport@dbo.ca.gov](mailto:callreport@dbo.ca.gov) starting Dec. 31, 2018.

### **National Banks, Federal Savings Banks, and Foreign (Other State) Banks Authorized to Engage in Trust Business in California**

The DBO has revised call report Form DBO 506 to increase efficiencies and reduce regulatory burden. Form DBO 506 is Schedule U – Report on Fiduciary Activities in California and Related Security Deposited with the State Treasurer of California.

Form DBO 506 has been revised from Excel to PDF beginning with the Dec. 31, 2018 call report period. The new form and instructions are available on the DBO website at <http://www.dbo.ca.gov/forms/national/default.asp>. National banks, federal savings banks, and foreign (other state) banks authorized to engage in trust business in California must complete and send the PDF form to [callreport@dbo.ca.gov](mailto:callreport@dbo.ca.gov) starting Dec. 31, 2018. A signed hard copy must also be sent to the DBO.

**For all call report forms:** the only change is to the format. No changes have been made to the line items or instructions. Call reports must be submitted in the PDF form. Reports submitted in Excel will not be accepted.

Questions may be directed to Patrick Carroll at [patrick.carroll@dbo.ca.gov](mailto:patrick.carroll@dbo.ca.gov) or (415) 263-8559.



## Banks Must Submit Lists of Offices by Dec. 31

Pursuant to [Financial Code section 1077](#), all commercial banks, industrial banks and trust companies are required to file with the DBO a list of all offices they currently maintain and operate. The report must specify the type of each office listed (branch or facility, head office, but not ATMs) and its complete address. Please note that this requirement does not apply to other Division of Financial Institutions licensees, e.g., credit unions and money transmitters.

Responses may be submitted by email to [Licensing@dbo.ca.gov](mailto:Licensing@dbo.ca.gov) or by mail to:

Department of Business Oversight  
Division of Financial Institutions  
Attn: Strategic Support Section  
One Sansome Street, Suite 600  
San Francisco, CA 94104-4428

Banks should submit the required information to the DBO on or before Dec. 31.



## FFIEC Issues Update to Examination Modernization Project

On Nov. 27, the Federal Financial Institutions Examination Council (FFIEC) issued the [second update on the status of its Examination Modernization Project](#). The project is a follow-up to the review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act.

The project identifies and assesses ways to improve the effectiveness, efficiency, and quality of community financial institutions' safety and soundness examination processes, particularly through increased use of technology.

The FFIEC released its [first update](#) last March, which identified steps taken to improve the examination process, including the identification of areas with the potential for the most meaningful supervisory burden reduction.

This second update is focused on tailoring examination plans and procedures based on risk, which is another area that holds promise for reducing burden.



## Joint Statement on Innovation to Combat Money Laundering

On Dec. 3, the boards of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Financial Crimes Enforcement Network (FinCEN), the National Credit Union Administration, and the Office of the Comptroller of the Currency (OCC) issued a [joint statement](#) to encourage banks to

implement innovative approaches to meet Bank Secrecy Act/anti-money laundering (BSA/AML) compliance obligations, in order to further strengthen the financial system against illicit financial activity.

The statement recognizes that private sector innovation, including new ways of using existing tools and adopting new technologies, can help identify suspicious activity and combat money laundering and terrorist financing.

Banks are encouraged to consider, evaluate, and, where appropriate, responsibly implement innovative approaches in this area.

The agencies will not penalize banks that maintain effective anti-money laundering programs but choose not to pursue innovative approaches.

The statement stresses the agencies' commitment to engagement with the private sector to modernize and innovate in their BSA/AML compliance programs.

The agencies also welcome industry's feedback on how the agencies can best support innovative efforts through explanations of, or updates to, supervisory processes, regulations, and guidance.

Comments may be submitted electronically to FinCEN at [FRC@fincen.gov](mailto:FRC@fincen.gov).

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## **Commercial Bank Activity**

### **Merger**

My Bank, Belen, New Mexico, to merge with and into United Business Bank, Walnut Creek  
Effectuated: 11/30/18

The Merchants National Bank of Sacramento, Sacramento, to merge with and into Redding Bank of Commerce, Redding  
Filed: 11/9/18

### **Purchase of Partial Business Unit**

Exchange Bank to acquire approximately \$40 million of fiduciary assets from First Northern Bank of Dixon  
Approved: 11/15/18

### **Voluntary Surrender of License**

Bank of Rio Vista (in connection with the acquisition by Farmers & Merchants Bank of Central California)  
Effectuated: 11/28/18

## **Premium Finance Company Activity**

### **New Premium Finance Companies**

Arch Premium Finance, Inc.  
660 Newport Center Drive, Newport Beach  
Approved: 11/1/18

**New Premium Finance Companies (cont.)**

Biz Premium Finance Corp  
6200 Canoga Avenue, Woodland Hills  
Approved: 10/29/18

National Premium Finance, Inc.  
1081 Westwood Boulevard, Los Angeles  
Approved: 11/7/18

**Acquisition of Control**

Eric Magee and Chad Bitterlich, to acquire control of Western Pacific Finance, Inc.  
Approved: 11/29/18

**Change of Name**

US Premium Finance, Inc. to change its name to P1 Finance of California, Inc.  
Effected: 4/17/18

**Credit Union Activity****Merger**

Desert Communities Federal Credit Union, Needles, to merge with and into Arrowhead Central Credit Union, Rancho Cucamonga  
Filed: 10/2/18

**Foreign (Other Nation) Bank Activity****New Office**

Banco Santander, S.A.  
Address to be determined in the San Francisco Bay Area (Representative Office)  
Filed: 11/27/18

**Erratum**

It was erroneously reported in the November 2018 Monthly Bulletin that the DNB Bank ASA Palo Alto representative office opened on October 31, 2018. The correct opening date is November 14, 2018.

## **Money Transmitter Activity**

### **New Money Transmitter**

AvidXchange, Inc.  
Approved: 11/15/18

### **Acquisition of Control**

New Skrill USA Holdco LLC, to acquire control of Skrill USA Inc.  
Withdrawn: 11/13/18

Paysafe Group Holdings Limited, to acquire control of Skrill USA, Inc.  
Filed: 11/9/18

### **Voluntary Surrender of License**

Metro Remittance (USA), Inc.  
Effected: 11/5/18

**JAN LYNN OWEN**

Commissioner of Business Oversight



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The *Monthly Bulletin* is available without charge via e-mail. To subscribe, go to: <http://www.dbo.ca.gov/Resources/subscription.asp>.