

**DEPARTMENT OF BUSINESS OVERSIGHT***Ensuring a Fair and Secure Financial Services Marketplace for all Californians***INITIAL STATEMENT OF REASONS FOR PROPOSED REGULATORY ACTION****CONFLICTS OF INTEREST****TITLE 10. CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT****Statement of Specific Purpose** (Gov. Code Sec. 11346.2(b)(1))

The Department of Business Oversight (“Department”) licenses and regulates financial institutions and financial services in California.

This 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 Department employees. (The Department’s Conflict of Interest Code is contained in section 250.30 of title 10 of the California Code of Regulations, which is not being amended.) This proposed action would also adopt section 260.607.5 of title 10 of the California Code of Regulations.

The Department is updating 260.607 to make necessary technical changes, updating obsolete references to reflect the newly formed Department of Business Oversight and substituting “official or employee” for outdated references to “assistant, clerk or deputy,” where applicable.

To be more consistent with Form 700 reporting requirements under the Political Reform Act<sup>1</sup> and section 250.30 of title 10 of the California Code of Regulations, the proposed rule also limits the types of securities holdings that employees must report to the Department by exempting mutual fund shares (unless a banking or financial services fund) and securities issued by the federal government, among other types of securities not relevant to a conflict determination.

The proposed rule enhances reporting by requiring employee annual reports to include a fair market value range for each non-exempt security to be more consistent with Form 700 reporting requirements. The rule revises outside employment requirements to

<sup>1</sup> See Gov. Code Section 81000 *et seq.*

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remove restrictions regarding the concurrent employment of parents and children, also consistent with Form 700 reporting requirements.

Content from section 260.607 regarding restrictions on appearances by former officials and employees would be moved to a new section, 260.607.5 of title 10 of the California Code of Regulations.

The Department believes these proposed changes represent a common sense and balanced approach to reporting that helps eliminate confusion caused by different reporting requirements. The revisions promote public confidence in government by making it easier for the Department to identify potential conflicts of interest between an employee's personal financial interests and the employee's duties to the Department, while limiting compelled disclosure of confidential personal financial information that is irrelevant to the conflict determination.

**Major Regulations (Gov. Code Section 11346.2(b)(2))**

The Department has determined that this proposed rulemaking action is not a major regulation.

**Studies Relied Upon (Gov. Code Section 11346.2(b)(3))**

The Department did not rely upon any reports or studies in proposing this rulemaking action.

**Potential for Adverse Economic Impact on Business and Individuals (Gov. Code Section 11346.3(a))**

The Commissioner has determined that the proposed regulatory action will not have an adverse economic impact or potential for an adverse economic impact on business, including the ability of California businesses to compete with businesses in other states, or individuals.

**Economic Impact Assessment (Gov. Code Section 11346.3(b))**

**The Creation or Elimination of Jobs within the State**

The Commissioner has determined that this regulatory proposal will not have an impact on the creation or elimination of jobs in the State of California.

**The Creation of New Businesses or the Elimination of Existing Businesses within the State**

The Commissioner has determined that this regulatory proposal will not have an impact on the creation of new businesses or the elimination of existing businesses in the State of California.

The Expansion of Businesses Currently Doing Business within the State

The Commissioner has determined that this regulatory proposal will not have a negative impact on the expansion of businesses currently doing business in California.

The Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety and the State's Environment

The Commissioner has determined that this regulatory proposal will not have a negative impact on the health and welfare of California residents, worker safety or the State's environment.

**Reasonable Alternatives (Gov. Code Section 11346.2(b)(5))**

- (A) The Department is not aware of any reasonable alternative that would achieve the same purpose and be equally effective.
- (B) The proposed rulemaking action would not have any adverse impact on small businesses. The Department has not proposed any alternatives to the proposed regulatory action.

**Evidence Relied Upon (Gov. Code Section 11346.2(b)(5))**

In making the determination that this rulemaking action will not have a significant adverse impact on business, the Department has not relied upon any evidence to the contrary.