

## Assembly Bill No. 1508

### CHAPTER 242

An act to amend Sections 1800.5, 1801, 1807, 1809, 1819, and 1821 of, to add Sections 1803.1, 1803.2, 1803.3, 1803.4, 1803.6, 1816.1, 1816.2, 1816.3, 1816.4, 1816.5, 1816.6, 1816.7, 1816.8, and 1819.5 to, to repeal Sections 1805 and 1805.5 of, and to repeal and add Section 1803.5 of, the Financial Code, relating to money transmission.

[Approved by Governor September 26, 2007. Filed with  
Secretary of State September 26, 2007.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1508, Lieu. Money transmission: licensees and agents.

Existing law provides for the licensure and regulation by the Commissioner of Financial Institutions of money transmitters, who receive money in this state for transmission to foreign countries, and makes a violation of these provisions a crime.

Existing law authorizes licensees to appoint a person to act as an agent for that licensee if, among other things, that person has obtained the authorization of the commissioner to act as an agent for that licensee.

This bill would delete the provision requiring the commissioner to authorize a person to act as an agent for a licensee. Instead, the bill would require a licensee to conduct a review of the proposed agent's fitness to act as an agent and determine that the proposed agent is of good character and sound financial standing and to maintain records of this review for a specified period.

Existing law authorizes the commissioner to revoke or suspend an agent's authorization, after a hearing, if the commissioner makes certain findings, and to immediately suspend or revoke that authorization if necessary to protect the public.

The bill would authorize the commissioner, after notice and a hearing, to issue an order suspending or barring an agent from continuing to be or becoming an agent of any licensee for a specified period if the commissioner makes certain findings, and to issue an order immediately suspending or barring that agent from continuing to be or becoming an agent of any licensee if necessary to protect the public. The bill would specify procedures with respect to applications to modify or rescind the order and would require a licensee to suspend or terminate an agent if an order with respect to the agent becomes effective.

Existing law prohibits a licensee from establishing a branch office, as defined, or changing the location of a branch office without obtaining the approval of the commissioner and paying certain fees. Existing law also requires licensees, at the end of each fiscal quarter, to file with the

commissioner a report containing, among other things, the addresses of each branch office and agent. Existing law requires a licensee, upon order of the commissioner, to deposit and maintain a specified amount of cash or securities, or a bond, with the Treasurer as a trust fund.

This bill would delete the provision requiring a licensee to obtain the commissioner's approval to establish or change the address of a branch office or requiring the payment of fees with respect to the offices. The bill would require a licensee, at the end of each calendar year quarter, to file with the commissioner a report containing, among other things, the current status and address of each branch office in this state, the names of persons who acted as the licensee's agent, and the volume of transmission money received, including a specified schedule. The bill would require a licensee to own at all times specified eligible securities, as defined, in an amount not less than the aggregate amount of all transmission money received by the licensee.

Existing law requires a licensee to file with the commissioner a certified copy of every receipt form used by it or by its agents for money received for transmission. Under existing law, no licensee or its agents shall use any receipt unless a certified copy has first been filed with and approved by the commissioner.

This bill would require a licensee to file the certified copy of every receipt form within 10 business days of its first use and would require the commissioner to notify the licensee if the receipt does not comply with specified requirements. The bill would require a new licensee, as defined, to file a certified copy of the receipt forms to be used by it or its agents for money received for transmission with the commissioner and would prohibit the new licensee from using the receipt forms until approved by the commissioner.

Existing law authorizes the commissioner to revoke or suspend a license issued to a money transmitter if, after a hearing, the commissioner finds, among other things, the licensee has committed a violation of the licensing act or any rule or regulation adopted by the commissioner.

This bill would provide the commissioner with the authority to revoke or suspend a license, after notice and opportunity for hearing, for a violation of any other state or federal law that reasonably applies to the conduct of the licensee and would further authorize the commissioner, when necessary to protect the public, to issue an order immediately revoking or suspending that licensee's license and would specify procedures for a hearing following the issuance of such an order.

Because the bill would revise requirements pertaining to money transmission licensees and their agents, a violation of which would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

SECTION 1. Section 1800.5 of the Financial Code is amended to read: 1800.5. For the purposes of this chapter:

(a) (1) "Receiving money for transmission" means receiving money for the purpose of transmitting the same or its equivalent to foreign countries.

(2) Except as otherwise provided in paragraph (3), "receiving money for transmission" does not include selling any check, draft, money order, travelers check, or other instrument (whether or not negotiable) for the transmission or payment of money.

(3) "Receiving money for transmission" includes the sale by a person, either directly or indirectly through an agent, of any check or draft which:

(A) Is drawn by the person;

(B) Is drawn on, or is payable through or at, an office of a bank located in a foreign country;

(C) Is denominated in a foreign currency; and

(D) Is not designated on its face by the term "money order" or "travelers check" or by any substantially similar term.

(b) "Transmission money" means money received in this state by a licensee for transmission to a foreign country, or any equivalent into which the money is converted, from the time the money is received for transmission to a foreign country until the time the transmission of the money in accordance with the agreement of the licensee with the customer is completed, or, if the transmission is not completed, until such time as the money is repaid to the customer.

(c) "Agent" means any person in this state whom a licensee has appointed as its agent with authority to receive transmission money on behalf of the licensee, provided that the licensee becomes liable for the transmission of the transmission money from the time when the transmission money is received by the person. However, "agent" does not include any officer or employee of the licensee when acting as such at an office of a licensee.

(d) "Licensee" means any corporation licensed pursuant to this chapter.

(e) For the purposes of Section 1802.2, 1803.5, and 1804 the following terms shall have the following meanings:

(1) "Control" has the meaning set forth in Section 700.

(2) "Officer" has the meaning set forth in Section 33057.

(f) "Branch office" means any office in this state, other than the headquarters office of a licensee or agent, at which the licensee receives money for transmission to a foreign country, either directly or through an agent.

SEC. 2. Section 1801 of the Financial Code is amended to read:

1801. (a) Fees shall be paid to, and collected by, the commissioner, as follows:

(1) The fee for filing with the commissioner an application for a license is five thousand dollars (\$5,000).

(2) The fee for filing with the commissioner an application for approval to acquire control of a licensee is three thousand five hundred dollars (\$3,500).

(3) A licensee shall pay to the commissioner annually on or before July 1, a licensee fee of two thousand five hundred dollars (\$2,500).

(4) A licensee shall pay to the commissioner annually on or before July 1, one hundred twenty-five dollars (\$125) for each licensee branch office.

(5) A licensee shall pay to the commissioner annually on or before July 1, twenty-five dollars (\$25) for each agent headquarter office and each agent branch office.

(6) Whenever the commissioner examines a licensee or any agent of a licensee, the licensee shall pay, within 10 days after receipt of a statement from the commissioner, a fee of seventy-five dollars (\$75) per hour for each examiner engaged in the examination plus, if it is necessary for any examiner engaged in the examination to travel outside this state, the travel expenses of the examiner.

(b) (1) Each fee for filing an application with the commissioner shall be paid at the time the application is filed with the commissioner.

(2) No fee for filing an application with the commissioner shall be refundable, regardless of whether the application is approved, denied, or withdrawn.

SEC. 3. Section 1803.1 is added to the Financial Code, to read:

1803.1. (a) No licensee shall appoint any person as an agent unless it has conducted a review of the proposed agent's fitness to act as an agent and has determined that the proposed agent and any persons who control the proposed agent are of good character and sound financial standing.

(b) A licensee shall maintain records of this review for each agent while the agent is receiving transmission money on behalf of the licensee, and for three years after the relationship with the agent has terminated.

SEC. 4. Section 1803.2 is added to the Financial Code, to read:

1803.2. (a) Each licensee shall be liable as a principal for the transmission of the transmission money from the time when the transmission money is received by the agent.

(b) Each licensee shall exercise reasonable supervision over its agents to ensure compliance with applicable laws, rules, and regulations with respect to receiving transmission money.

SEC. 5. Section 1803.3 is added to the Financial Code, to read:

1803.3. (a) If, after notice and a hearing, the commissioner finds that an agent of a licensee or any director, officer, employee, or controlling person of that agent, or director, officer, or employee of that controlling person satisfies any of the factors set forth in paragraphs (1) to (7), inclusive, the commissioner may issue an order suspending or barring that agent from continuing to be or becoming an agent of any licensee during the period for which that order is in effect:

(1) Violated any provision of this chapter or any regulation or order issued under this chapter.

(2) Engaged or participated in any unsafe or unsound act with respect to the business of receiving transmission money.

(3) Is an agent of a licensee who, because of its operations and financial condition, is not competent to supervise and monitor the agent.

(4) Is not of good character or of sound financial standing.

(5) Is not competent to engage in the business of receiving money for transmission.

(6) Will not comply with all applicable provisions of this chapter and of any regulation or order issued under this chapter.

(7) Has made or caused to be made in any application or report filed with the commissioner or in any proceeding before the commissioner, any statement that was, at the time and in the light of the circumstances under which it was made, false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that is required to be stated therein.

(b) If applicable, the commissioner may disclose to the licensee criminal history information upon which an order is based.

(c) If the commissioner finds that any of the factors set forth in subdivision (a) is true with respect to any agent and that it is necessary for the protection of the public interest, the commissioner may issue an order immediately suspending or barring that agent from continuing to be or becoming an agent of any licensee during the period for which that order is in effect.

(d) (1) Within 30 days after an order is issued pursuant to subdivision (c), the licensee or the agent or former agent with respect to whom the order was issued may file with the commissioner an application for a hearing on the order.

(2) Within 30 days after the hearing, the commissioner shall affirm, modify, or rescind the order.

(3) The right of the licensee or agent or former agent to petition for judicial review of the order shall not be affected by the failure of that person to apply to the commissioner for a hearing on the order pursuant to this subdivision.

SEC. 6. Section 1803.4 is added to the Financial Code, to read:

1803.4. (a) The licensee or the agent or former agent with respect to whom an order has been issued under Section 1803.3 may apply to the commissioner to modify or rescind the order. The commissioner shall not grant an application to modify or rescind the order unless the commissioner finds that it is in the public interest to do so and the commissioner reasonably believes that person will, if and when that person becomes an agent, comply with all applicable provisions of this chapter and any regulations, rules, and orders issued under this chapter.

(b) The right of the licensee or the agent or former agent to petition for judicial review of the order shall not be affected by the failure of that person to apply to the commissioner pursuant to subdivision (a) to modify or rescind the order.

SEC. 7. Section 1803.5 of the Financial Code is repealed.

SEC. 8. Section 1803.5 is added to the Financial Code, to read:

1803.5. (a) Any licensee, having as an agent any person to whom an order has been issued pursuant to Section 1803.3 shall, when that order becomes effective, immediately suspend or terminate that person as an agent.

(b) No person, with respect to whom an order issued under Section 1803.3 is in effect, shall become or continue to be an agent of any licensee.

SEC. 9. Section 1803.6 is added to the Financial Code, to read:

1803.6. An agent of a licensee shall not appoint a subagent to receive transmission money.

SEC. 10. Section 1805 of the Financial Code is repealed.

SEC. 11. Section 1805.5 of the Financial Code is repealed.

SEC. 12. Section 1807 of the Financial Code is amended to read:

1807. (a) The commissioner may by order or regulation grant exemptions from this section in cases where the commissioner finds that the requirements of this section are not necessary.

(b) Each licensee shall, within 90 days after the end of each fiscal year, or within such extended time as the commissioner may prescribe, file with the commissioner an audit report for the fiscal year.

(c) The audit report called for in subdivision (b) shall comply with all of the following provisions:

(1) The audit report shall contain such audited financial statements of the licensee for or as of the end of the fiscal year prepared in accordance with generally accepted accounting principles and such other information as the commissioner may require.

(2) The audit report shall be based upon an audit of the licensee conducted in accordance with generally accepted auditing standards and such other requirements as the commissioner may prescribe.

(3) The audit report shall be prepared by an independent certified public accountant or independent public accountant who is not unsatisfactory to the commissioner.

(4) The audit report shall include or be accompanied by a certificate of opinion of the independent certified public accountant or independent public accountant that is satisfactory in form and content to the commissioner. If the certificate or opinion is qualified, the commissioner may order the licensee to take such action as the commissioner may find necessary to enable the independent or certified public accountant or independent public accountant to remove the qualification.

(d) Each licensee shall, not more than 45 days after the end of each quarter (except the fourth quarter of its fiscal year), or within a longer period as the commissioner may by regulation or order specify, file with the commissioner a report containing all of the following:

(1) Financial statements, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cashflows, for, or as of the end of, that fiscal quarter, verified by two of the licensee's principal officers. The verification shall state that each of the officers making

the verification has a personal knowledge of the matters in the report and that each of them believes that each statement on the report is true.

(2) Other information as the commissioner may by regulation or order require.

(e) Each licensee, not more than 45 days after the end of each calendar year quarter, shall file with the commissioner a report containing all of the following:

(1) The current address of each branch office of the licensee in this state. If a branch office was opened or closed during the calendar year quarter, the date it was opened or closed. If a branch office was relocated during the calendar year quarter, the addresses of the old and new locations and the date of relocation for each new location.

(2) The name of each person who acted as an agent of the licensee during the calendar year quarter and the address for each location at which the agent received transmission money. If a person was appointed or terminated as an agent during the calendar year quarter, the date of appointment or termination. If an agent relocated, the addresses for the old and new agent locations and the date of relocation.

(3) The total volume of transmission money received in the calendar year quarter, the average daily transmission liability for the quarter, and a schedule of each foreign country to which transmission money was sent along with the total amount of transmission money sent to that foreign country in that calendar year quarter.

(4) Other information as the commissioner may by regulation or order require.

(f) Each licensee shall file with the commissioner other reports as and when the commissioner may by regulation or order require.

SEC. 13. Section 1809 of the Financial Code is amended to read:

1809. (a) (1) Each licensee shall file with the commissioner a certified copy of every receipt form used by it or by its agents for money received for transmission within 10 business days of its first use. No licensee or its agents shall use any receipt, a certified copy of which has not been filed with the commissioner or use a receipt that the commissioner has deemed not to be in compliance pursuant to paragraph (2).

(2) If the commissioner determines, within 10 business days of the filing date of a receipt, that the receipt does not comply with the requirements of this section or of Sections 1810.5 and 1815, the commissioner shall notify the licensee in writing that the receipt is not in compliance with those requirements.

(b) Notwithstanding subdivision (a), before a new licensee issues its first receipt to a customer, it shall file with the commissioner a certified copy of the receipt forms to be used by it or its agents for money received for transmission. The new licensee shall not use the receipt forms until approved by the commissioner. For purposes of this subdivision, a new licensee is a licensee that has not been previously licensed by the commissioner as a money transmitter.

(c) If a receipt is required by this chapter to be in English and another language, the English version of the receipt shall govern any dispute concerning the terms of the receipt. However, any discrepancies between the English version and any other version due to the translation of the receipt from English to another language including errors or ambiguities shall be construed against the licensee or its agent and the licensee or its agent shall be liable for any damages caused by these discrepancies.

(d) Any licensee violating the requirements of this section shall be subject to a fine of fifty dollars (\$50) for each violation.

(e) If any licensee or its agent uses a receipt form, a certified copy of which has not been filed with the commissioner, the licensee shall be liable for the acts of its agents whether or not the licensee authorized the agent to use that form.

(f) The receipt form shall comply with the requirements of Sections 1810.5 and 1815.

SEC. 14. Section 1816.1 is added to the Financial Code, to read:

1816.1. For purposes of Sections 1816.2 to 1816.8, inclusive, the following definitions shall apply:

(a) “Eligible security” means any United States currency eligible security or foreign currency eligible security.

(b) “Eligible securities rating service” means any securities rating service that the commissioner has by regulation or order declared to be an eligible securities rating service pursuant to Section 1816.5.

(c) “Eligible rating,” when used with respect to any security or class of securities and any eligible securities rating service, means any rating assigned to such security or class of securities by such eligible securities rating service which the commissioner has by regulation or order declared to be an eligible rating pursuant to Section 1816.6.

(d) “Foreign currency eligible security” means any of the following that is, or is denominated in, a foreign currency and that the commissioner has not by regulation or order declared to be ineligible pursuant to Section 1816.3:

(1) Any of the following that is of comparable quality to the United States currency eligible securities specified in paragraphs (1) to (7), inclusive, of subdivision (f):

(A) Cash.

(B) Any deposit in an office of a bank located in a foreign country.

(2) Any other security or class of securities that the commissioner has by regulation or order declared to be eligible securities pursuant to Section 1816.4.

(e) “Transmission money” has the same meaning set forth in subdivision (b) of Section 1800.5.

(f) “United States currency eligible security” means any of the following that is, or is denominated in, United States currency and that the commissioner has not by regulation or order declared to be ineligible pursuant to Section 1816.3:

(1) Cash.

(2) Any deposit in an insured bank, an insured savings and loan association, or an insured credit union.

(3) Any bond, note, or other obligation which is issued or guaranteed by the United States or by any agency of the United States.

(4) Any bond, note, or other obligation that is issued or guaranteed by any state of the United States or by any governmental agency of or within any state of the United States and that is assigned an eligible rating by an eligible securities rating service.

(5) Any bankers acceptance that is eligible for discount by a federal reserve bank.

(6) Any commercial paper that is assigned an eligible rating by an eligible securities rating service.

(7) Any bond, note, or other obligation or preferred stock that is assigned an eligible rating by an eligible securities rating service.

(8) Any share of an investment company that is an open-end management company, that is registered under the Investment Company Act of 1940 (12 U.S.C. Sec. 80a-1 et seq.), that holds itself out to investors as a money market fund, and that operates in accordance with all provisions of the Investment Company Act of 1940 and of the regulations of the Securities and Exchange Commission applicable to money market funds, including Section 270.2a-7 of the regulations of the Securities and Exchange Commission (17 C.F.R. 270.2a-7).

For purposes of this paragraph and paragraph (9), “investment company,” “management company,” and “open-end” have the meanings set forth in Sections 3, 4, and 5, respectively, of the Investment Company Act of 1940 (12 U.S.C. Secs. 80a-3, 80a-4, and 80a-5, respectively).

(9) Any share of an investment company that is an open-end management company, that is registered under the Investment Company Act of 1940 (12 U.S.C. Sec. 80a-1 et seq.), and that invests exclusively in securities that constitute United States currency eligible securities under this subdivision.

(10) Any account due to any licensee from any agent of the licensee on account of the receipt of transmission money by the agent, if the account is current and not past due or otherwise doubtful of collection.

(11) Any other security or class of securities that the commissioner has by regulation or order declared to be eligible securities pursuant to Section 1816.4.

(g) “Value” means the following:

(1) When used with respect to an eligible security owned by a licensee that consists of an account due to the licensee from an agent of the licensee on account of the receipt of transmission money by the agent, net carrying value as determined in conformity with generally accepted accounting principles. However, in computing the value of the account due to the licensee, any amount due on account of the receipt of transmission money by the agent shall be excluded if the time elapsed between the receipt of transmission money and the date of computation exceeds the average time that elapses between the time of receipt of transmission money and the time of payment of transmission money to the beneficiary.

(2) The following when used with respect to any other eligible security owned by a licensee:

(A) In case the practice and policy of the licensee is to hold eligible securities to maturity, net carrying value as determined in conformity with generally accepted accounting principles.

(B) In any other case, market value.

SEC. 15. Section 1816.2 is added to the Financial Code, to read:

1816.2. (a) For purposes of Sections 1816.3 to 1816.8, inclusive, a licensee shall be deemed to own an eligible security only if the following apply:

(1) The licensee owns the eligible security solely and exclusively in its own right, both of record and beneficially.

(2) The eligible security is not subject to any pledge, lien, or security interest.

(3) The licensee can freely negotiate, assign, or otherwise transfer the eligible security.

(b) Notwithstanding subdivision (a), no licensee shall be deemed not to own an eligible security solely on account of any of the following facts, provided that, but for such fact, the licensee would be deemed to own the eligible security under the provisions of subdivision (a):

(1) The fact that the eligible security is owned of record by a documented nominee of the licensee or by a securities depository which is licensed under, or exempt from licensing under, Division 14 (commencing with Section 30000).

(2) The fact that the licensee has pledged the eligible security with the United States or any state of the United States to secure payment by the licensee of transmission money.

(3) The fact that pursuant to Section 1816 the eligible securities are owned beneficially by the persons from whom the licensee received transmission money.

SEC. 16. Section 1816.3 is added to the Financial Code, to read:

1816.3. If the commissioner finds that any eligible security or class of eligible securities is not of sufficient liquidity or quality to be eligible securities, the commissioner may by regulation or order declare the security or class of securities to be ineligible.

SEC. 17. Section 1816.4 is added to the Financial Code, to read:

1816.4. If the commissioner finds that any security or class of securities that is not an eligible security is of sufficient liquidity and quality to be an eligible security, the commissioner may by regulation or order declare the security or class of securities to be eligible securities.

SEC. 18. Section 1816.5 is added to the Financial Code, to read:

1816.5. The commissioner may by regulation or order declare a securities rating service to be an eligible securities rating service if the commissioner finds the following with respect to the securities rating service:

(a) It has been continuously engaged in the business of rating securities for a period of not less than three years.

(b) It is competent to rate securities and is nationally recognized for rating securities in a competent manner.

(c) It publishes its ratings of securities on a nationwide basis.

SEC. 19. Section 1816.6 is added to the Financial Code, to read:

1816.6. If the commissioner finds that a rating assigned to a class of securities by an eligible securities rating service indicates that the class of securities is of sufficient quality to be eligible securities, the commissioner may by regulation or order declare the rating to be an eligible rating.

SEC. 20. Section 1816.7 is added to the Financial Code, to read:

1816.7. Each licensee shall at all times own eligible securities having an aggregate value computed in accordance with generally accepted accounting principles of not less than the aggregate amount of all transmission money received by it.

SEC. 21. Section 1816.8 is added to the Financial Code, to read:

1816.8. (a) In computing for purposes of Section 1816.7 the aggregate value of eligible securities owned by a licensee, all of the following shall be excluded:

(1) The value of any eligible security if and to the extent that the value of the eligible security, when combined with the aggregate value of all other eligible securities owned by the licensee that are issued or guaranteed by the same person or by any affiliate of the same person by whom the eligible security is issued or guaranteed, exceeds 10 percent of the aggregate value of all eligible securities owned by the licensee.

(2) The portion of the aggregate value of all eligible securities of the type described in paragraph (10) of subdivision (f) of Section 1816.1 that exceeds 20 percent of the aggregate value of all eligible securities.

(b) Subdivision (a) shall not require the exclusion of the value of any of the following eligible securities, and each of the following eligible securities shall be exempted from the limitations of subdivision (a):

(1) The following United States currency eligible securities:

(A) Cash.

(B) Any deposit in an insured bank or an insured savings and loan association.

(C) Any bond, note, or other obligation for the payment of which the full faith and credit of the United States are pledged.

(2) Any eligible security that the commissioner, in view of the financial condition of the obligor or issuer and any other factors as may in the opinion of the commissioner be relevant, finds to be of a quality that exclusion of the value of the eligible security pursuant to subdivision (a) is not necessary for the purposes of this division and that the commissioner by regulation or order exempts from the limitations of subdivision (a).

SEC. 22. Section 1819 of the Financial Code is amended to read:

1819. The commissioner may revoke or suspend any license issued pursuant to this chapter, if, after notice and opportunity for hearing, he or she finds any of the following:

(a) The licensee has violated any provision of this chapter, any rule or regulation adopted by the commissioner, or any federal or state law that

reasonably applies to the conduct of the licensee's money transmission business.

(b) Any fact or condition exists which, if it had existed at the time of the original application for the license, would be grounds for denying an application for a license under Section 1802.2.

(c) The licensee is conducting its business in an unsafe manner.

(d) The licensee has failed to obey a final order issued by the commissioner.

SEC. 23. Section 1819.5 is added to the Financial Code, to read:

1819.5. (a) If the commissioner finds that any of the factors set forth in Section 1819 is true with respect to any licensee and that it is necessary for the protection of the public interest, the commissioner may issue an order immediately suspending or revoking the licensee's license.

(b) (1) Within 30 days after the license is suspended or revoked pursuant to subdivision (a), the licensee may file with the commissioner an application for a hearing on the suspension or revocation.

(2) If the commissioner fails to commence a hearing within 15 business days after the application is filed with the commissioner or within a longer period of time agreed to by the licensee, the suspension or revocation shall be deemed rescinded.

(3) Within 30 days after the hearing, the commissioner shall affirm, modify, or rescind the suspension or revocation. Otherwise, the suspension or revocation shall be deemed rescinded.

(4) The right of the licensee to petition for judicial review of the suspension or revocation, shall not be affected by the failure of the licensee to apply to the commissioner for a hearing on the suspension or revocation pursuant to this subdivision.

SEC. 24. Section 1821 of the Financial Code is amended to read:

1821. Whenever it appears to the commissioner that a licensee has done or is doing any of the acts specified in subdivisions (a) to (g), inclusive, the commissioner may take possession of the property and business of the licensee and retain possession until the licensee resumes business or its affairs are finally liquidated. The licensee, with the consent of the commissioner, may resume business upon those conditions as the commissioner may prescribe.

(a) The licensee has violated any federal or state law or any rule or regulation that reasonably applies to the conduct of the business of the licensee.

(b) The licensee is conducting its business in an unsafe or unauthorized manner.

(c) The licensee refuses to submit its books, papers, and affairs to the inspection of the commissioner.

(d) The licensee or any officer of a licensee refuses to be examined upon oath touching the concerns of the licensee.

(e) The licensee has suspended payment of its obligations.

(f) The licensee is in a condition that it is unsound, unsafe, or inexpedient for it to transact business.

(g) The licensee neglects or refuses to observe any order of the commissioner made pursuant to Section 1818 unless the enforcement of the order is restrained in a proceeding brought by the licensee.

SEC. 25. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.