

AMENDED IN ASSEMBLY JUNE 30, 2016  
AMENDED IN ASSEMBLY JUNE 8, 2016  
AMENDED IN ASSEMBLY MARCH 31, 2016  
AMENDED IN ASSEMBLY SEPTEMBER 3, 2015

**SENATE BILL**

**No. 726**

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**Introduced by Senator Hueso**  
**(Coauthor: Senator Hall)**  
(Coauthor: Assembly Member Gipson)

February 27, 2015

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An act to add Section ~~25401.2~~ *25401.1* to the Corporations Code, relating to corporate securities.

LEGISLATIVE COUNSEL'S DIGEST

SB 726, as amended, Hueso. Corporate securities: unlawful ~~conduct~~.  
*conduct: regulations.*

~~(1) The~~

*The* Corporate Securities Law of 1968 generally regulates the offer and sale of corporate securities within the state, and specifically makes specified conduct with regard to the offer and sale of corporate securities unlawful. That law requires the Commissioner of Business Oversight to perform specific oversight duties regarding the offer and sale of securities and provides that any willful violation of that law is a crime.

~~This bill would make it unlawful for any person, directly or indirectly, in this state to knowingly or recklessly make~~

*Existing law prohibits any person from selling a security in this state by means of a communication that includes an untrue statement of material fact or omit to state that omits a material fact necessary in order to make the statements made, in light of the circumstances under which*

the statements are made, not misleading, to any California state government official with the intention of inducing an investigation of a publicly traded company for the purpose of manipulating the value of a security of that publicly traded company for financial gain. The bill would prohibit these provisions from being deemed to require the commissioner to affirmatively track or investigate anonymous complaints he or she receives, or to publicly disclose the substance of a confidential investigation, relating to this unlawful practice: *misleading.*

*This bill would require the commissioner to adopt regulations to prohibit fraudulent and manipulative practices by persons undertaking short sales in the securities market.*

By expanding the scope of a crime, this bill would impose a state-mandated local program.

(2) 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.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

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

1 SECTION 1. Section 25401.1 is added to the Corporations  
2 Code, to read:

3 25401.1. The commissioner shall adopt regulations to prohibit  
4 fraudulent and manipulative practices by persons undertaking  
5 short sales in the securities market.

6 SECTION 1. ~~Section 25401.2 is added to the Corporations~~  
7 Code, to read:

8 25401.2. (a) It is unlawful for any person, directly or indirectly,  
9 in this state to knowingly or recklessly make an untrue statement  
10 of material fact or omit to state a material fact necessary in order  
11 to make the statements made, in light of the circumstances under  
12 which the statements are made, not misleading, to any California  
13 state government official with the intention of inducing an  
14 investigation of a publicly traded company for the purpose of  
15 manipulating the value of a security of that publicly traded  
16 company for financial gain.

1     ~~(b) This section shall not be deemed to require the commissioner~~  
2 ~~to affirmatively track or investigate anonymous complaints he or~~  
3 ~~she receives, or to publicly disclose the substance of a confidential~~  
4 ~~investigation, relating to a violation of this section.~~

5     SEC. 2. No reimbursement is required by this act pursuant to  
6 Section 6 of Article XIII B of the California Constitution because  
7 the only costs that may be incurred by a local agency or school  
8 district will be incurred because this act creates a new crime or  
9 infraction, eliminates a crime or infraction, or changes the penalty  
10 for a crime or infraction, within the meaning of Section 17556 of  
11 the Government Code, or changes the definition of a crime within  
12 the meaning of Section 6 of Article XIII B of the California  
13 Constitution.