

California Department of Business Oversight As Religious Regulator

Article By:

Keith Paul Bishop

In December last, **California Department of Business Oversight** published the [2016 Commissioner's Report on the Offer or Sale of Securities by Permit under Corporations Code Section 25113](#). This report, which is required by **California Corporations Code** Section 25113(d), provides data on the permits issued by the Commissioner under the Corporate Securities Law of 1968. Qualification by permit is one of three ways in which the offer and sale of securities may be qualified in California.

It may come as a surprise to some that the largest category of permit recipients in 2016 was churches and church extension funds. Together, they received nearly 29% of all permits issued. The term church is not limited to Christian denominations. Under the Commissioner's regulations, a "church" may be a synagogue, temple, mosque or other place of worship. See 10 CCR § 260.140.72(c). The DBO's report refers to "church extension fund", but this term is not found in either the CSL or the Commissioner's regulations. The [North American Securities Administrators Association](#) (aka "NASAA") defines a church extension fund as follows:

A NOT-FOR-PROFIT ORGANIZATION affiliated or associated with a DENOMINATION, or a fund that is accounted for separately by a DENOMINATION organized as a NOT-FOR-PROFIT ORGANIZATION, that offers and sells NOTES primarily to provide funding for loans to various affiliated churches and related religious organizations of the DENOMINATION for the acquisition of property, construction or acquisition of buildings and other related capital expenditures or operating needs.

NASAA [Statement of Policy Regarding Church Extension Fund Securities](#) (adopted April 17, 1994, amended April 18, 2004) (note terms in all capitalized letters are also defined in the policy).

The Commissioner has adopted guidelines for qualification of offerings of debt securities by churches. 10 CCR §§ 260.140.72 – .72.6. However, these guidelines are concerned with financial and disclosure matters, not matters of faith or doctrine. However, the Commissioner may impose a suitability requirement that an investor be "affiliated" with the church.

Lest anyone think that the dollar amounts of these offerings are small, the dollar amount sought to be raised by church extension funds receiving permits in 2016 was \$2,228,291,000.

© 2010-2025 Allen Matkins Leck Gamble Mallory & Natsis LLP

National Law Review, Volume VII, Number 23

Source URL: <https://natlawreview.com/article/california-department-business-oversight-religious-regulator>