



Regulatory Compliance Bulletin

September 30, 2018

SB 826 -- Representation of Women on Corporate Boards

SB 826, chaptered September 30, 2018, adds Section 301.3 and Section 2115.5 to the California Corporations Code.

The new law requires domestic general corporations or foreign corporations that are publicly held corporations¹ with their principal places of business located in California to have a minimum of one woman on its board of directors commencing on December 31, 2019. A company may increase the number of directors on its board to comply with the law.

Beginning December 31, 2021, the bill increases the required minimum number of woman directors to two, if the corporation has five authorized directors, or to three, if the corporation has six or more authorized directors. If the number of directors is four or fewer, the corporation shall have a minimum of one woman director.

No later than July 1, 2019, the Secretary of State is required to publish a report

¹A publicly held corporation is defined as a corporation with outstanding shares listed on a major United States stock exchange. (Cal. Corp. Code §301.3(f)(2).) A foreign corporation with outstanding shares listed on a major United States stock exchange is also considered a publicly held corporation. (Cal. Corp. Code §2115.5 (b).)

documenting the number of domestic and foreign corporation whose principal executive offices are located in California and who have at least one female director.

No later than March 1, 2020, and annually thereafter, the Secretary of State is required to publish a report stating, at a minimum:

- (1) The number of corporations subject to Section 301.3 that were in compliance with the requirements of that section during at least one point during the previous calendar year.
- (2) The number of publicly held corporations that moved their United States headquarters either to or out of California during the previous calendar year.
- (3) The number of publicly held corporations that were subject to that Section 301.3 during the preceding year, but are no longer publicly traded.

The new law authorizes the Secretary of State to impose fines for violations of the law, as follows:

- (1) For failure to timely file required information with the Secretary of State, \$100,000;
- (2) For a first violation, \$100,000; and

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(3) For a second or subsequent violation, \$300,000.

Each director seat that is required to be held by a female, but is not held by a female during at least a portion of a calendar year, shall count as a violation.

Jason Lane was CBA's lead lobbyist on SB 826.

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