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**SB-1055 Banks and credit unions: savings promotions.** (2017-2018)

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**Senate Bill No. 1055**

**CHAPTER 847**

An act to add Sections 1415 and 14870 to the Financial Code, relating to financial institutions.

[ Approved by Governor September 27, 2018. Filed with Secretary of State September 27, 2018. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1055, Bradford. Banks and credit unions: savings promotions.

The Banking Law provides for the regulation of banks by the Commissioner of Business Oversight, and the California Credit Union Law provides for the regulation of credit unions by the commissioner. Except as specified, the California Constitution prohibits the Legislature from authorizing lotteries in California. Existing statutory law, subject to specified exceptions, makes it a crime for a person to contrive, prepare, set up, propose, or draw any lottery, whether it is called a lottery, raffle, gift enterprise, or other name.

This bill would authorize a bank and a credit union to sponsor or participate in a savings promotion that provides savings account depositors with a chance to win designated prizes, if the bank or credit union satisfies certain requirements. The bill would prohibit these savings promotions from being considered a lottery or raffle with the meaning of those aforementioned criminal provisions, as provided.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 1415 is added to the Financial Code, to read:

**1415.** (a) For purposes of this section, the following definitions apply:

- (1) "Nonqualifying account" means a deposit account, other than a demand deposit account, that is not a qualifying account.
- (2) "Qualifying account" means a deposit account, other than a demand deposit account, through which a bank's depositors may obtain chances to win prizes in a savings promotion.
- (3) "Savings promotion" means a contest or promotion to encourage savings deposits that is sponsored by one or more banks, or by a banking trade association or its subsidiary in conjunction with one or more banks, and in which bank depositors are offered a chance to win designated prizes.

(b) A bank may sponsor or participate in a savings promotion if all of the following requirements are satisfied:

(1) Bank depositors are not required to pay any fee or otherwise provide any consideration in order to enter the savings promotion.

(2) All material terms of, and fees charged by a bank in connection with, a qualifying account are comparable to those of comparable nonqualifying accounts offered by the bank.

(3) Each entry in the savings promotion has an equal chance of winning.

(4) Participants in the savings promotion are not required to be present at a prize drawing in order to win.

(c) For purposes of this section, a depositor's deposit of at least a specified amount of money in a qualifying account, which is required in order to enter the savings promotion, is not consideration if the interest rate associated with the qualifying account is not reduced, as compared to comparable nonqualifying accounts offered by the bank, to account for the possibility of winning a prize.

(d) A savings promotion offered by a bank shall not be considered a lottery within the meaning of Section 319 or 319.3 of the Penal Code, or a raffle within the meaning of Section 320.5 of the Penal Code.

**SEC. 2.** Section 14870 is added to the Financial Code, to read:

**14870.** (a) For purposes of this section, the following definitions apply:

(1) "Nonqualifying account" means a deposit account, other than a demand deposit account, that is not a qualifying account.

(2) "Qualifying account" means a deposit account, other than a demand deposit account, through which a credit union's depositors may obtain chances to win prizes in a savings promotion.

(3) "Savings promotion" means a contest or promotion to encourage savings deposits that is sponsored by one or more credit unions, or by a credit union trade association or its subsidiary in conjunction with one or more credit unions, and in which credit union depositors are offered a chance to win designated prizes.

(b) A credit union may sponsor or participate in a savings promotion if all of the following requirements are satisfied:

(1) Credit union depositors are not required to pay any fee or otherwise provide any consideration in order to enter the savings promotion.

(2) All material terms of, and fees charged by a credit union in connection with, a qualifying account are comparable to those of comparable nonqualifying accounts offered by the credit union.

(3) Each entry in the savings promotion has an equal chance of winning.

(4) Participants in the savings promotion are not required to be present at a prize drawing in order to win.

(c) For purposes of this section, a depositor's deposit of at least a specified amount of money in a qualifying account, which is required in order to enter the savings promotion, is not consideration if the interest rate associated with the qualifying account is not reduced, as compared to comparable nonqualifying accounts offered by the credit union, to account for the possibility of winning a prize.

(d) A savings promotion offered by a credit union shall not be considered a lottery within the meaning of Section 319 or 319.3 of the Penal Code, or a raffle within the meaning of Section 320.5 of the Penal Code.