

Publications

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Deadline Approaches for Comments on NASAA Proposed Model Franchise Broker Law

Key Takeaways:

- The North American Securities Administrators Association (NASAA) has proposed a Model Franchise Broker Registration Act that would require franchise brokers and their representatives to register with states and provide presale disclosure statements.
- If adopted, the model law would serve as a framework for states to regulate franchise brokers, similar to existing laws in California, New York and Washington.
- The proposed act outlines prohibited practices, registration requirements, disclosure obligations and recordkeeping duties for franchise brokers and their representatives.
- Comments on the proposal are due by August 27, 2025, and NASAA may adopt a final version after reviewing public input.

NASAA is requesting public comment for its proposed NASAA Model Franchise Broker Registration Act (Franchise Broker Act). If adopted by NASAA, the proposed law would be a model for states to use to regulate franchise brokers and their representatives through registration and presale disclosure obligations. NASAA's request for comment and proposed model Franchised Broker Act can be accessed [here](#). Comments are due by August 27, 2025.

Three states currently have laws regulating franchise brokers. New York and Washington have long required franchise brokers to register with state franchise administrators before offering or selling franchises. Last September, California amended its California Franchise Investment Law to require franchise brokers to comply with annual registration and additional presale disclosure requirements. Subject to funding appropriation, California's new broker regulation regime is anticipated to go into effect in July 2026.

Summary of NASAA's Proposed Model Franchise Broker Act

As previously reported, NASAA, which is an association that includes state franchise regulators, has been contemplating franchise broker regulation for some time. Last year it solicited comments on a prior version of its proposed model act.

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As currently drafted, NASAA's proposed Franchise Broker Act lists various prohibited practices and would require franchise brokers and their representatives to register with a state before offering or selling franchises, provide a presale "disclosure statement" before engaging with a prospective franchisee about a specific franchise opportunity and maintain specified records. It would be unlawful for a franchisor to use the services of a franchise broker or franchise broker representative that is not registered in the relevant state.

NASAA's proposed model law focuses on franchise brokers and their representatives.

- A "franchise broker" is a person or entity "that directly or indirectly engages in the business of the offer or sale of a franchise and receives, or is promised, a fee, commission or other form of consideration" from a franchise system. The term "franchise broker" does not include: a franchise broker representative; a franchisor, subfranchisor, franchisor affiliate, or their officers, directors or employees; or a current franchisee so long as such franchisee does not receive fees, commissions or other forms of consideration valued at more than \$5,000 in a calendar year.
- A "franchise broker representative" is a natural person (other than a franchise broker) "who represents a franchise broker in effecting or attempting to effect the offer or sale of a franchise." It can include partners, officers and directors of a franchise broker, as well as employees or consultants involved in franchise sales or solicitations but does not include an individual involved only in clerical or administrative acts.

Broker Registration

Under NASAA's proposed Franchise Broker Act, a franchise broker and a franchise broker representative must be registered with the relevant state before offering or selling franchisees in that state. Franchisors may not use an unregistered franchise broker or franchise broker representative.

As part of the annual registration process, a franchise broker or representative must submit a completed application (NASAA envisions a short uniform application form), consent to jurisdiction, venue and service of process in the relevant state and pay a registration fee. NASAA anticipates issuing a proposed model form of application. NASAA's proposal further contemplates that a state may impose an examination, minimum experience, continuing education and/or minimum financial or insurance requirements as part of the registration process.

Unless a state imposes a different time period, broker registrations would be tied to a particular calendar year expiring on December 31.

A state may deny, suspend or revoke the registration of any franchise broker or franchise broker representative, including, among other grounds, if the broker or representative has been convicted of certain crimes, engaged in dishonest or unethical practices, is insolvent or fails to comply with applicable franchise sales laws.

Broker Disclosures

Under the proposed act, a franchise broker or franchise broker representative must first provide a prospective franchisee with a "disclosure statement" *before* engaging about a specific franchise opportunity.

The disclosure statement must contain disclosures regarding (i) material litigation, (ii) how the franchise broker or representative was compensated in the previous calendar year and (iii) any other information the particular state requires. NASAA envisions the

disclosure statement will be just a few pages long and contain a mix of general statements specifically prescribed by NASAA about working with franchise brokers and the mandated broker-specific disclosures. NASAA anticipates issuing a proposed model form of disclosure statement.

A state may require the disclosure statement be filed before it can be used.

Other Requirements

Under the proposed act, every franchisor broker and representative must keep and maintain a complete set of books, records and accounts related to any offers and sales of franchises for five calendar years.

Comments and Next Steps

The deadline to comment on NASAA's proposed Franchise Broker Act is August 27, 2025. Comments must be emailed to NASAA's Comments inbox (nasaacomment@nasaa.org), with copies to Theresa Leets (theresa.leets@dfpi.ca.gov), Bill Beatty (bill.beatty@dfi.wa.gov) and Erin Houston (ehouston@sos.nv.gov). Comments should not include any information that the commenter does not wish to become publicly available as NASAA intends to post all comments received to its website without edits or redactions.

After the close of the comment period, NASAA will review all comments and consider whether to present the proposal, in its current or revised form, to the NASAA Board of Directors for potential adoption by the NASAA membership. Though not binding in any state, many franchise registration states have traditionally followed NASAA's franchise-related recommendations. Accordingly, we anticipate that various franchise registration states will amend their franchise sales laws to impose registration and presale disclosure requirements on franchise brokers and their representatives if NASAA adopts its proposed Model Franchise Broker Act.

We urge you to provide your comments before the deadline, and we will update you on NASAA's decision regarding its Franchise Broker Act as well as any model registration application or model disclosure statement it proposes.