

# the quarter

newsletter of the pennsylvania department of banking and securities



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Office of the Secretary of Banking and Securities



## Anniversary Update: One Year After the Merger

By **Glenn E. Moyer**  
Secretary of Banking and Securities

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[Learn more](#) ▶

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#### Capital Formation in PA: Staying Ahead of the Curve

The department's Corporation Finance and Chief Accountant's offices are responsible for reviewing all securities offerings proposed to be made in Pennsylvania.

[Learn more](#) ▶



#### Public Wi-Fi "Hotspots" Pose Potential Threat

Used without care and caution, these hotspots represent a potential threat to your business and your customers.

[Learn more](#) ▶



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## Anniversary Update: One Year After the Merger

by **Glenn E. Moyer**, Secretary



It has been one year since the PA Securities Commission was merged into the Department of Banking to form the **new** Department of Banking and Securities, following the enactment of Act 86 of 2012.

My colleagues and I are pleased to report that the dust created by the merger has pretty much settled. We are functioning as an integrated financial regulator, exceeding projected cost savings, and moving forward with legislative and regulatory agendas.

In order to keep you updated, here is a selected list of achievements and highlights from the merger transition:

- When Act 86 of 2012 was passed, the combined complement of the two agencies was 280. Today, we have trimmed the new agency's complement to 243, and we are proposing an additional reduction to 236 as part of our FY14-15 budget request;
- A year ago, agency staff worked in six offices across Pennsylvania. Today, we have cut the number of our offices in half;
- We have integrated, updated and streamlined functions in information technology, legal counsel, communications, administration, human resources, and consumer services areas;
- We now regulate more than 220 chartered depository institutions; license, register, examine and investigate more than 15,000 non-bank lenders and more than 200,000 securities professionals; and review and "clear" more than 5,000 securities offerings annually before they are made available for sale to Pennsylvania investors; and
- We have realigned our outreach efforts, focusing on Investor Education and even created a Facebook page, "**PA Investor Education**" – please "like" us!

The policies and practices of the new Department of Banking and Securities reflect the balance and efficiency inherent in the "open for business" mandate of the Corbett Administration.

Today, we work to foster a strong economy for Pennsylvania by ensuring the safety and soundness of financial institutions, encouraging capital formation, regulating financial services providers, and protecting consumers and investors.





# Department Launches Facebook Community to Help Investors

Investors of all ages and levels of experience have a new Facebook community to help them learn more about how to grow and protect their money. "PA Investor Education" can be accessed at:

[www.facebook.com/PAInvestorEducation](http://www.facebook.com/PAInvestorEducation).

The PA Investor Education Facebook community features information about the department's Investor Education programs, public events and publications, press releases, links to investment news and investor protection alerts, access to online databases designed to help investors, and more.



"The Corbett Administration recognizes the power of social media to connect people to information they need and can use," Glenn E. Moyer, Secretary of Banking and Securities said. "We developed PA Investor Education on Facebook to help connect the public with the expertise of our department's excellent Investor Education program as well as other leading investor education and protection programs."

The department's trained, professional Investor Education staff travel across Pennsylvania to present non-commercial, educational programs on basic and advanced investment principles, as well as investor protection, at senior citizen expos, community center functions, schools and other public events such as "Money Matters."

"I invite everyone to 'like' us on Facebook," Moyer said.

Use your smartphone to scan this QR code.



## 2014 Banking Holidays Announced

### Fixed Holidays

- January 1 – New Year's Day
- January 20 – Dr. Martin Luther King, Jr. Day
- May 26 – Memorial Day
- July 4 – Independence Day
- September 1 – Labor Day
- November 27 – Thanksgiving Day
- December 25 – Christmas Day

### Optional Holidays

- February 12 – Lincoln's Birthday
- February 17 – Washington's Birthday
- April 18 – Good Friday
- June 14 – Flag Day
- October 13 – Columbus Day
- November 4 – Election Day
- November 11 – Veterans' Day



When a fixed holiday falls on a Sunday, it shall be observed on the following Monday; when it falls on a Saturday, it may also be observed on the following Monday.

Flag Day, June 14, falls on a Saturday in 2014. As an optional holiday, there is no provision in the Banking Code to observe Flag Day on an alternate day.



## Capital Formation in Pennsylvania: Staying Ahead of the Curve

by Jeff Soderstedt, Michael Benson and Brett Warren

The department's Corporation Finance and Chief Accountant's offices are responsible for reviewing all securities offerings proposed to be made in Pennsylvania. These include equity and debt offerings, whether registered or exempted from registration. The most typical filings comprise **Real Estate Investment Trusts (REIT's)**, **Church Extension Funds (CEF's)**, **Rule 506 Offerings**, **Mutual Funds**, and **Unit Investment Trusts**.

Over the last year, we have spent considerable time adjusting to the changing landscape of securities law. There has been an increase in filings by "hybrid issuers," or those whose offering does not fall directly in line with traditional corporate financing structures, such as REIT's and Equipment Leasing Programs.

Both offices have kept abreast of the securities law implications from the federal **JOBS ACT** and have already begun implementing changes. We have focused on the use of confidential filings by emerging growth companies, the lift of the general solicitation and advertising ban for offers and sales made pursuant to **Rule 506**, and changes to the "bad actor" disqualification rules for notice filings of federally-covered securities. Our Corporation Finance and Accounting Office staffs, as well as the securities industry, are preparing for the SEC to promulgate rules concerning crowd funding from Title III of the JOBS Act to coincide with Section 4(a)(6) of the **Securities Act of 1933**.

The Office of Chief Accountant, in particular, has been working with businesses to ensure that companies maintain uniform and transparent disclosure of their operating performance and securities' valuation. This is especially true for non-traded REITS. We are assisting in the development of improved disclosure of non-GAAP financial measures, distributions and redemptions, valuation methodologies of REIT shares and the establishment of a uniform basis for such shares.



(left to right): Jeffrey Soderstedt, the new Director of the Corporation Finance Office; Brett Warren, Corporation Finance; and Michael Benson, Chief Accountant.

Businesses today are facing difficulties in navigating through these changes in the securities law and finding sources of capital to meet their short and long-term goals. We are working to provide guidance to businesses regarding Pennsylvania laws and regulations to ensure that these businesses create offering documents that provide sufficient information to investors so they can make informed decisions.

Since the Securities Commission merged into the Department of Banking last year, the Corporation Finance Office has continued to proactively reach out to businesses prior to docketing to ensure that they have exhausted all filing options, which may result in reduced legal costs. In addition, the Corporation Finance Office continues to receive daily calls from business owners and/or business' counsel to help them navigate them through numerous filing options tailored to their set of circumstances. Staff members of both offices look forward to the challenge of continuing to assist businesses and protecting investors amidst future developments in the area of securities law.



Victoria A. Reider

## Department Announces New NASAA PA Member Representative

In August, Secretary Glenn E. Moyer appointed Victoria A. Reider, Executive Deputy Secretary, as the Member Representative agent for Pennsylvania for all business related to the North American Securities Administrators Association (NASAA). Reider replaces Steven Irwin, who had represented Pennsylvania on behalf of the PA Securities Commission, which was consolidated into the department last year.

NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

"As an attorney with extensive financial regulatory experience and a leader in national regulatory circles, Vicki will represent Pennsylvania's interests well," said Moyer. "I am pleased that she is able to take on this additional responsibility, and I am grateful for the dedication and service Commissioner Irwin provided to the Pennsylvania securities industry."

In the United States, NASAA is the voice of state securities agencies responsible for capital formation and investor protection. Their fundamental mission is protecting consumers who purchase securities or investment advice, and their jurisdiction extends to a wide variety of issuers and intermediaries who offer and sell securities to the public.

## Advancement



**Tim Knopp** has been named as Acting Director of the Bureau of Non-Depository Examinations. Knopp has served as a Senior Financial Institutions Examiner and has been with the department since March of 2005. He received an MBA from Shippensburg University this past May. He

replaces Don DeBastiani, who has taken on a new assignment with the Consumer Financial Protection Bureau.



## Department Welcomes Fox Chase Bank to State Charter

The Department of Banking and Securities welcomes Fox Chase Bank, Montgomery County, which converted from a federal savings bank to a Pennsylvania state-chartered savings bank in the third quarter of 2013.



## CYBERsection



# Public Wi-Fi “Hotspots” Pose Potential Threat

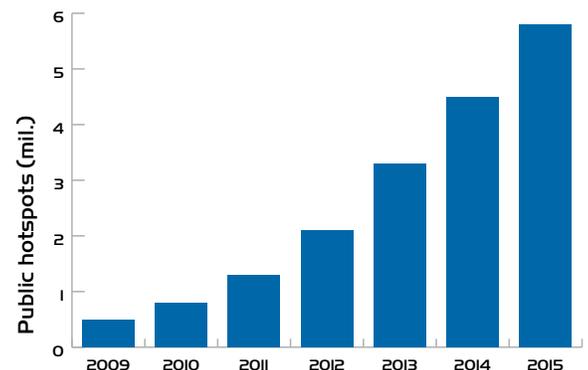
Your staff and your customers are increasingly becoming reliant upon connecting to each other through wireless Internet connections (Wi-Fi). They connect using their laptop computers, tablets, smart phones and other devices. Used inside a secure, password-protected, encrypted network, Wi-Fi communications are shielded from attack from hackers and other threats.

However, more people are connecting to the Internet through free public Wi-Fi “hotspots” at cafes, hotels, airports – even the grocery store. In 2009, businesses and organizations hosted about half a million public Wi-Fi hotspots. Today, that number has increased to more than 3 million, and Wi-Fi industry analysts predict about 6 million public Wi-Fi hotspots in two years.

Used without care and caution, these hotspots represent a potential threat to your business and your customers. These free, public Wi-Fi hotspots can be targeted by hackers who can steal the data being transmitted in the hotspot. A hacker can also use other methods to trick a device into giving away data, and in some cases the hacker can even take control of a device.

The Federal Trade Commission has published **recommendations** on how to keep your employees’ and your customers’ data safe while they are traveling and using public Wi-Fi. Among their tips:

- When using a Wi-Fi hotspot, only log in or send personal information to websites that you know are fully encrypted. To be secure, your entire visit to each site should be encrypted – from the time you log in to the site until you log out. If you think you’re logged in to an encrypted site but find yourself on an unencrypted page, log out right away.
- Don’t stay permanently signed in to accounts. When you’ve finished using an account, log out.
- Do not use the same password on different websites. It could give someone who gains access to one of your accounts access to many of your accounts.
- Many web browsers alert users who try to visit fraudulent websites or download malicious programs. Pay attention to these warnings, and keep your browser and security software up-to-date.
- If you regularly access online accounts through Wi-Fi hotspots, use a **virtual private network (VPN)**. VPNs encrypt traffic between your computer and the internet, even on unsecured networks. You can obtain a personal VPN account from a VPN service provider. In addition, some organizations create VPNs to provide secure, remote access for their employees.



Source: Informa Telecoms & Media



# COMPLIANCE CORNER

## 3rd Quarter 2013 Public Enforcement Orders

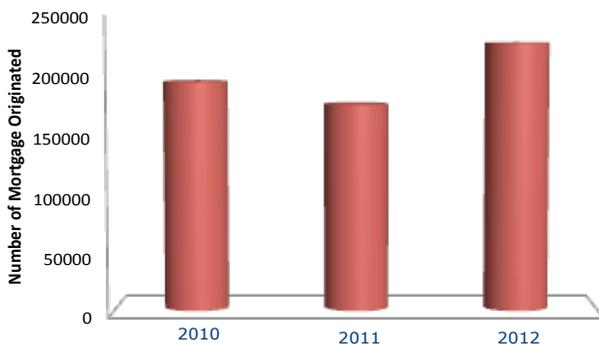
The Department of Banking and Securities issued 12 public enforcement orders during the third quarter of 2013. These orders included fines, assessments and repaid costs that could reach the amount of \$851,012:

- Five Consent Agreements and Orders issued for unlicensed loan activity;
- One Summary Order to Cease and Desist for unlicensed loan activity;
- Three Consent Agreements and Orders issued for violations of the Pennsylvania Securities Act of 1972;
- One Consent Agreement and Order issued resulting in a license suspension for violations of the Mortgage Licensing Act;
- One Summary Order to Cease and Desist resulting in permanent bar from the securities business in Pennsylvania; and
- One Order to Show Cause for violations of the Pennsylvania Securities Act of 1972.

Comprehensive lists of public enforcement orders administered by the Department of Banking and Securities are available online at [www.dobs.state.pa.us](http://www.dobs.state.pa.us). Consumers, businesses and investors can make inquiries or file a complaint against any company or individual regulated or licensed by the Department of Banking and Securities online or by calling **1-800-PA-BANKS** (800-722-2657).

# RESEARCH QUARTER

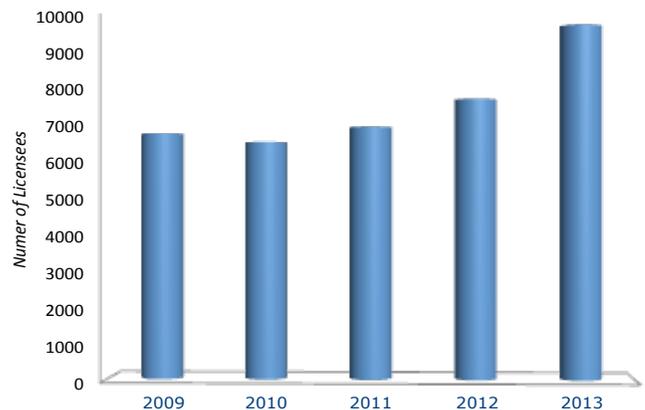
### Mortgages Originated 2010-2012 14 PA Metropolitan Statistical Areas\*



Data Source: Consumer Financial Protection Bureau

\* Allentown-Bethlehem-Easton, Altoona, Erie, Harrisburg-Carlisle, Johnstown, Lancaster, Lebanon Philadelphia, Pittsburgh, Reading, Scranton Wilkes-Barre, State College, Williamsport, York Hanover

### Licensed PA Mortgage Loan Originators 2009-Present



Data Source: Pennsylvania Department of Banking and Securities