

the quarter

newsletter of the pennsylvania department of banking and securities



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DEPARTMENT OF BANKING
AND SECURITIES

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Office of the Secretary of Banking and Securities



Delivering Education to Investors from a Trusted Source

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

Across Pennsylvania, we are learning that people are once again eager to invest their hard-earned money for themselves and their families. The question many of these investors share is simple: **where to start?** [Learn more](#)



This Issue

- 2 Delivering Education to Investors
- 3 New Resource for Start-Ups, Small Businesses
- 4 Corbett Signs Financial Laws
- 4 New DoBS Website Coming
- 5 Securities Leadership Takes Focus
- 6 CYBERsection
- 7 Advancement
- 8 Caution with New Virtual Currencies
- 9 DoBS Launches Mortgage Examination Guidance Online
- 9 Compliance Corner
- 10 Research Quarter

Corbett Signs Updates to Securities, Credit Union Laws

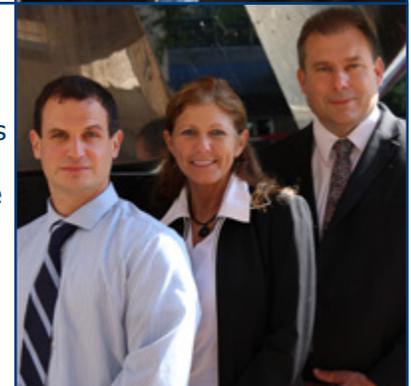
In June, Governor Tom Corbett signed into law amendments to the PA Securities Act of 1972 and the Credit Union Code, updating and modernizing both statutes.

[Learn more](#)



Securities Regulators Work to Make Compliance Transparent, Protect Investors

Since the merger of the PA Securities Commission into the PA Department of Banking in 2012, leadership of the securities regulatory function of the new PA Department of Banking and Securities has acquired some new faces. [Learn more](#)



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Delivering Education to Investors from a Trusted Source

by **Glenn E. Moyer**, Secretary

A little more than a year ago on a Tuesday evening in a hotel ballroom in Cranberry Township, I stood on a podium in front of more than 300 people who were anxious and hungry to learn. They had traveled from several counties in western Pennsylvania to attend a “Money Matters” conference in order to learn about what to do with their money: how to protect it, how to make it grow, and how to make sure it was there for them in retirement.

That evening, those investors expressed hope in our economic recovery and confidence that the worst of the recession was over for them. Across Pennsylvania, we are learning that people are once again eager to invest their hard-earned money for themselves and their

families. The question many of these investors share is simple: **where to start?**

That “Money Matters” conference helped hundreds of investors answer that question – **where to start?** In the past 2½ years, our Investor Education team – Tina Kotsalos and Doug Hassenbein – has crisscrossed Pennsylvania to speak at nearly 600 events, addressing more than 42,000 people (including more than 25,000 senior citizens) who asked where they could start investing.

As we looked to the future following last year’s “Money Matters,” Tina and Doug explored ways to refine their approach. We decided to deliver targeted programs several times a year throughout the commonwealth designed around the unique challenges active-duty military and veterans face with financial and investment decisions.

To achieve this goal, we joined the Pennsylvania Military Finance Alliance (PMFA), a new coalition of government and non-profit agencies that includes the Pennsylvania Department of Military and Veterans Affairs. In March the PMFA hosted its first “Making \$ense of Finance” conference at PNC Park in Pittsburgh for more than 100 members of the military, veterans and their families.

A few days ago, the second “Making \$ense of Finance” conference was held in central Pennsylvania at Fort Indiantown Gap. We are making plans to offer the next “Making \$ense of Finance” conference this fall in the Philadelphia area.

The work our Investor Educators and the PMFA are doing with veterans and the military is in its early stages, but we are optimistic that “Making \$ense of Finance” will help return a valuable benefit to the citizens among us who have given so much to our country and commonwealth. However, our work does not stop there! *continued >*



The PA Department of Banking and Securities Investor Education team, Doug Hassenbein and Tina Kotsalos



One of Pennsylvania's most significant financial challenges involves helping young people learn how to protect and grow their money as they transition into adulthood. Our Investor Education program works to meet this challenge through its "Save & Invest PA!" This program is offered in high schools, colleges and public forums with the goal of turning "teen spenders" into "teen investors."

The "Save & Invest PA!" program is designed specifically to demonstrate to high school students how serious and consistent investing can help them achieve their financial goals and a sustainable, independent future as adults. The program helps students overcome the common misconception that "you already need to be a millionaire" to start investing. The program also helps young people from becoming caught up in a variety of financial scams, including those offered over the Internet, which can be ruinous.

In the last two school years alone, our Investor Educators have visited 165 schools and community forums across Pennsylvania and directly addressed more than 6,000 students.

More than ever, as our economy grows and financial opportunities in the global marketplace are offered to investors, Pennsylvanians deserve this kind of leadership and service. They need a trusted source to answer the question about investing – where to start? Governor Corbett and my colleagues are proud of the dedication, vision and achievements of the Investor Education team at the Department of Banking and Securities. Through their work, each day we are reminded of the hope and confidence of our fellow Pennsylvanians as our economy continues to recover.

New Resource for Start-Ups, Small Businesses Launched



Business owners looking to raise capital to expand or start new businesses have a new resource at the department's website to help guide them in the offering and sales of securities. This resource can be found by visiting www.dobs.state.pa.us and clicking on "Entrepreneur Education."

"Entrepreneur Education" addresses several important issues business owners must address if they are going to raise capital by offering securities, including:

- How to Raise Capital for Your Business
- Disclosure and Your Securities Offering
- Registering Your Securities Offering
- Information on Exemptions to the PA Securities Act of 1972

"People tend to be more willing to invest in a company that has a clear focus on its objectives and how it will achieve them," said Secretary of Banking and Securities Glenn E. Moyer. "The new 'Entrepreneur Education' section of our website was developed by our professional staff to help businesses achieve that focus."

Representatives of prospective securities issuers can contact department staff for further assistance at (717) 787-1854 or toll free in Pennsylvania at **1-800-PA-BANKS** (800-722-2657).



Corbett Signs Securities, Credit Union Law Amendments

Last month, Governor Tom Corbett signed into law two bills that will affect financial services companies under the department’s supervision.

The governor signed a series of amendments to the Pennsylvania Securities Act of 1972 contained in Senate Bill 1045 into law as Act 52 of 2014 ([here](#)). These amendments address a number of issues related to the merger of the PA Securities Commission into the PA Department of Banking in 2012, clean up outdated statutory language, and include provisions aimed at adapting to anticipated federal Jumpstart Our Business Startups Act (the “JOBS Act”) rules related to crowdfunding.

“The changes in Act 52 provide meaningful regulatory relief for the securities industry while ensuring that the department has the appropriate enforcement authority to discipline ‘bad actors’ in the industry,” said Secretary of Banking and Securities Glenn E. Moyer.

The governor also signed into law House Bill 2009 as Act 62 of 2014, modernizing the Credit Union Code ([here](#)). Act 62 was a joint effort of the PA Credit Union Association and the department, and provides a number of needed updates and clarifications to the Code.

“The Governor’s approval of Act 62, is a great win for Pennsylvania’s state-chartered credit unions, for their operations and service to their members,” said Patrick Conway, President & CEO of the PA Credit Union Association.

The department is endowed with administrative powers through more than a dozen laws that have evolved over more than a century. This [online resource](#) assembles many relevant statutes and regulations in one place.



New DoBS Agency Website to be Launched in Late 2014

As part of the Corbett Administration’s “eGovernment” technology initiative to create more responsive state government online services, the department will be redesigning and launching its new agency website in late 2014. The eGovernment initiative was developed to:

- Move state government websites off aging website hardware and software
- Strengthen cybersecurity capabilities
- Adopt mobile-first, responsive design approach
- Expand the number of online and mobile services

When completed, all state government agency websites will be designed to work on desktops, laptops, tablets and mobile devices, including PC’s and Macs, Androids and iPhones. When launched, the department’s new website address will be: www.dobs.pa.gov.

Securities Regulators Work to Make Compliance Transparent and Protect Investors



Left to Right: Glenn Skreppen, Jamie Robenseifner and Eric Pistilli.

Since the merger of the PA Securities Commission into the PA Department of Banking in 2012, leadership of the securities regulatory function of the new PA Department of Banking and Securities has acquired some new faces. They bring a wealth of experience and skills to the challenges facing the industry in the midst of economic recovery and following the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the JOBS Act of 2012.

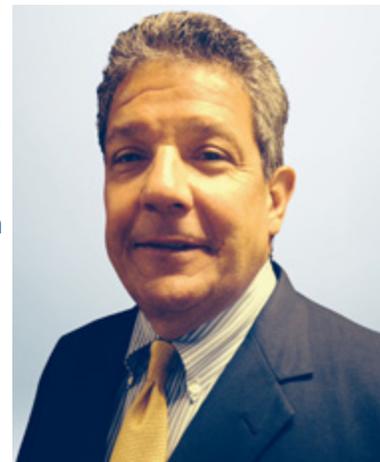
Jamie Robenseifner is director of the Bureau of Securities Licensing, Compliance and Enforcement. Prior to the merger, she served as the department's chief of Non-Depository Licensing. In addition to taking on new responsibilities for staff supervision, she also had to focus on a different aspect of regulatory supervision. "I love the variety in my work. When Dodd-Frank was passed, I became expert on what the law meant for the mortgage industry," she says. "When I came to work in securities, I worked very hard to get up to speed on entirely different subject matter areas such as the 'IA switch,' general solicitation and crowdfunding."

Glenn Skreppen is assistant director of the Bureau of Securities Licensing, Compliance and Enforcement. Prior to the merger in 2012, he

worked in the private sector, in equities at BNY Mellon. "It has been an interesting learning experience," he says of making the transition from private to public sector. "When I worked at BNY Mellon, regulation and compliance seemed to be cut and dried, no questions asked. Now that I work on the 'other side' as a regulator, I have come to understand the importance of back-and-forth communication between a company and its regulator to ensure everyone has a mutual understanding of compliance issues."

Jim Klutinyoty (right) is the western region chief for securities

examinations and investigations, based in the department's Pittsburgh office. Prior to the merger, he served with the PA Securities Commission for 25 years as examiner and investigator. He works closely with securities firms, he says, "to help them understand the rules and how to prevent



exam problems before they happen." The companies he examines "appreciate our desire to be fair and understand when we must enforce the law."

Eric Pistilli is chief of securities licensing. He worked in licensing for the PA Securities Commission at the time of the merger and was promoted to his current position following the retirement of Susan Zerbe. "Licensing is the first line of defense for Pennsylvania investors," he says. Under Dodd-Frank, more than 140 investment adviser firms with assets under management of between \$25 million and \$100 million switched from federal (SEC) regulation to state regulation with the department, 92 of whom had principal offices in Pennsylvania. "We worked with these *continued >*



firms to help with the paperwork, make sure they understood requirements, and got registered," he says. "The vast majority handled the switch in a competent, professional manner."

As the dust from the merger has settled, this leadership group looks forward to continuing its licensing and examination work without missing a beat. Some of the challenges are new from the days of the Securities Commission, such as understanding social media and crowdfunding. Some of the challenges are historic, such as risk assessment and investor protection. Looking forward, Robenseifner describes their outlook best: "Negative news headlines from only one firm's bad behavior can reflect badly on the entire industry. We are working on a prescriptive basis with our client companies to help ensure they follow the law, do right by their customers, and make sure those bad headlines are not necessary."

CYBERsection



SECURITY

Can You Have Enough Cybersecurity?

"There are two kinds of companies," U.S. House Intelligence Committee Chairman Mike Rogers has stated. "Those that have been hacked, and those that have been hacked but don't know it yet."

The Federal Financial Institutions Examination Council (FFIEC), an interagency body composed of financial services regulators, has launched a website devoted to cybersecurity awareness ([here](#)). The purpose of this website is to assist management and directors of financial services institutions to understand supervisory expectations, increase awareness of cybersecurity risks, and assess and mitigate cybersecurity risks.

Additionally, the FFIEC has developed a pilot program, "Cybersecurity Assessment," to help federal and state banking regulators assess the vulnerability of companies under their supervision, assess cybersecurity threats and assist in addressing cybersecurity risks. Learn more about the Cybersecurity Assessment ([here](#)).

"In a world where the leading experts in this space say almost anything can be hacked, regardless of how careful you are – how much is enough?" Tim Pawlenty, CEO of the Financial Services Roundtable, has asked.

"Companies have to be completely resilient where if something were destroyed, that would be the crux of the business," Mary Galligan, director at Deloitte, has stated. "The CEO is deciding what he can let walk out the door."

Staff Members Honored for 30+ Years of Commonwealth Service

Paul Wentzel has served the department since 1981 as Executive Assistant to nine Cabinet secretaries. He also served as Acting Secretary of Banking in 2002-2003 and 2011. He has provided counsel and guidance to businesses under the department's supervision and their trade associations, members of the General Assembly and their staffs, and leadership within the Corbett Administration, as well as those of Governors Thornburgh, Casey, Ridge, Schweiker and Rendell. He has played an important role in drafting and negotiating some of Pennsylvania's most important financial services legislation. Previously, he served as research analyst for the Business and Commerce Committee of the Pennsylvania House of Representatives.



Executive Deputy Secretary Vicki Reider, Paul Wentzel and Secretary Glenn Moyer



Robyn Galloway with Secretary Moyer

Robyn Galloway serves in the Licensing Division of the Bureau of Securities Licensing, Compliance and Enforcement. "Her outstanding customer service ability has resulted in numerous accolades from Pennsylvania residents as well as financial services providers," her supervisor Eric Pistilli reported at an All-Staff meeting in May. "Robyn is truly valued as an essential member of the team and we are most fortunate to have had her working on behalf of Pennsylvania businesses and investors for the past 30 years."

Advancement

Jim Keiser, a Non-Depository compliance administrator, was elected President of the National Association of Consumer Credit Administrators (NACCA) at the association's 79th annual meeting. NACCA was founded in 1935 to improve the supervision of consumer credit agencies and to facilitate the administration of laws governing these agencies.

"When NACCA was established in 1935, it had, what now appears to be, the rather narrow scope of addressing regulation of the traditional small loan companies," said Keiser. "Since then, the regulatory authority of NACCA members, and therefore the scope of NACCA, has expanded to include motor vehicle and other sales finance activity, payday and title lending, mortgage lending and the consumer credit counseling industry."



Elected leadership of NACCA serve on a volunteer basis. More information about NACCA can be found at www.naccaonline.org.



Consumers, Businesses and Investors Urged to be Cautious with New Virtual Currencies

The department is urging consumers, businesses and investors to consider the risks if they intend to use or invest in virtual currencies, including cryptocurrencies such as Bitcoin or Litecoin.

Virtual currency is an electronic medium of exchange. Virtual currencies can be purchased, sold and exchanged with other types of virtual currencies or real currencies, like the U.S. dollar. This can happen through various mechanisms such as exchangers, administrators or merchants that are willing to accept virtual currencies in lieu of real currency.

"These virtual currencies – unlike U.S. dollars – are not backed by tangible assets or the full faith and credit of the U.S. government, and currently are subject to little or no regulation in any country," said Secretary of Banking and Securities Glenn E. Moyer. "In addition, we have seen that the value of virtual currencies is highly volatile and the very concepts underlying these currencies are still being debated by financial and legal experts."

Consumers, businesses and investors may additionally consider the following before investing in a virtual currency:

- The Internal Revenue Service has declared that virtual currency will be treated as property and not as currency, and transactions therefore may be subject to certain taxes under IRS code.
- Virtual currencies can be stolen or otherwise subject to cybercrime.
- Virtual currency accounts are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, which insure bank and credit union deposit accounts up to \$250,000.

This advisory has been issued in conjunction with the **Conference of State Bank Supervisors** and the **North American Securities Administrators Association**.



Department Launches Mortgage Examination Guidance Online

As part of an initiative to make compliance more transparent, the department's Non-Depository Bureau of Examinations has issued examination guidance for mortgage licensees and posted the guidance online ([here](#)).

The department issues Mortgage Lender, Mortgage Broker, Mortgage Loan Correspondent, Mortgage Loan Originator and Mortgage Consumer Discount Company licenses. The definitions of and criteria for obtaining these licenses are set forth at length in the Mortgage Licensing Act ([here](#)).

The new online guidance addresses examination and compliance issues such as:

- What topics will be addressed during an exam
- Why an exam is being scheduled
- Where an exam will take place
- What a licensee should expect during the examination
- When and how an exam will be scheduled
- What records a licensee will be expected to produce
- How compliance issues can be resolved

The department previously posted guidance for motor vehicle sales finance companies ([here](#)). These types of guidance are not intended to be substituted for legal advice and do not bind the department to any specific examination procedure.



COMPLIANCE CORNER

2nd Quarter 2014 Enforcement Orders

The Department of Banking and Securities issued 10 enforcement orders during the second quarter of 2014. Final orders included fines and assessments of \$16,500, including:

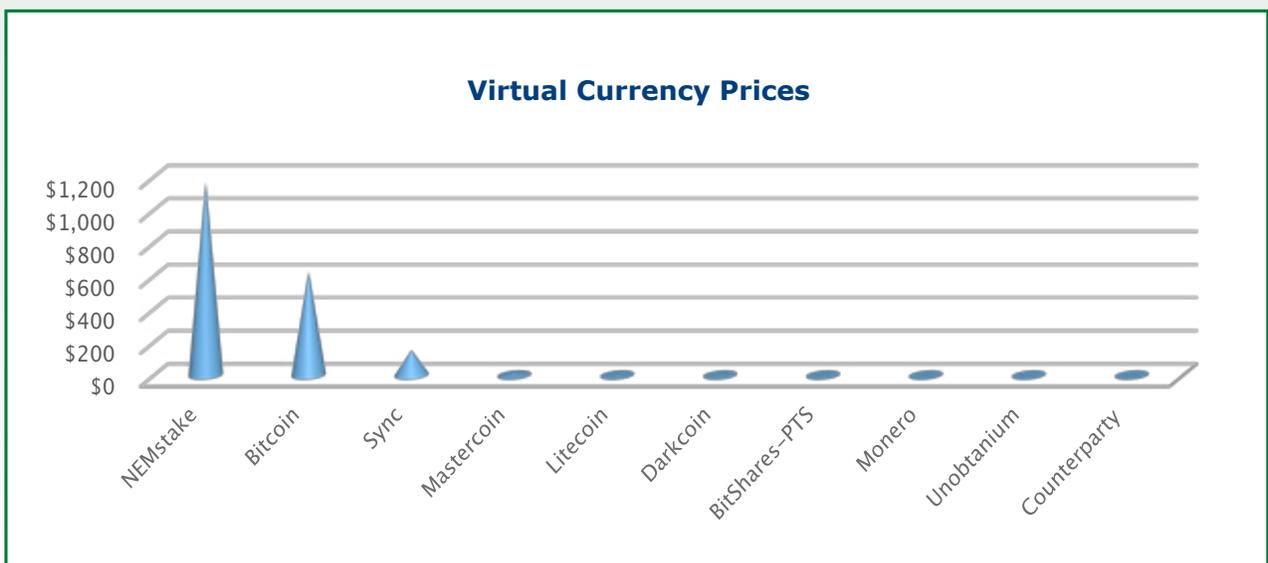
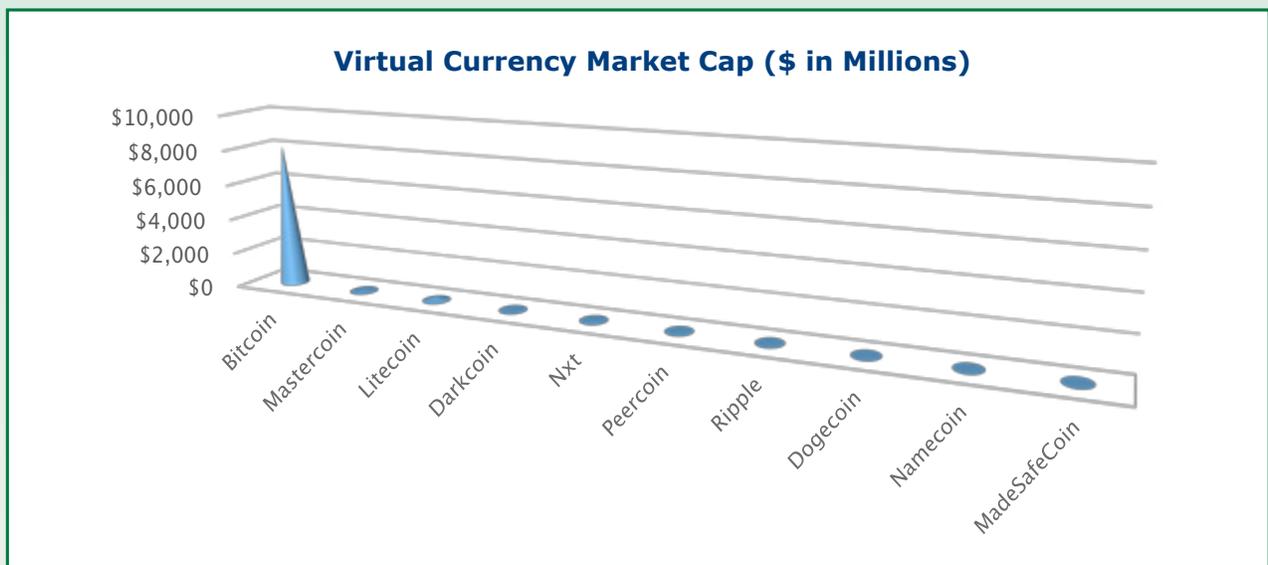
- Six Orders for violations of the Mortgage Licensing Act, including the suspension of two mortgage brokers' licenses and a cease and desist order for unlicensed loan modification activity.
- Two Consent Agreements and Orders issued for violations of the Pennsylvania Securities Act of 1972, which resulted in a permanent bar from doing business in Pennsylvania, a one-year bar and one suspension; and
- One Consent Agreement and Order for violations of the Check Cashers Licensing Act.

Additionally, in response to multiple consumer complaints, the department issued one Cease and Desist order for unlicensed lending in violation of the Consumer Discount Company Act and the Loan Interest and Protection Law.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at 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

As of July 9, 2014, the website Coinmarketcap.com listed the values and price of 400 virtual currencies. Total market cap for all currencies was listed as \$8,672,174,081. Bitcoin represents 94 percent of all market cap, with 365 of these currencies possessing a market cap of less than \$1 million. In addition to well-known Bitcoin and Litecoin, virtual currencies include Unobtainium, Dogecoin and Einsteinium.



Source: Coinmarketcap.com - As of July 9, 2014