



PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES

# QUARTER

## What is the Essential Focus of Regulation?



**Juniata Students Win National Competition**

**Compliance 2019 Conference Update**

**Protect Yourself Against Ransomware**



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## SECRETARY ROBIN L. [dobssecretary@pa.gov](mailto:dobssecretary@pa.gov) **Wiessmann**

### ••• What is the Essential Focus of Regulation? **Consumer Protection.**

After Facebook announced a plan to launch its cryptocurrency, Project Libra, government, consumer advocates, and banking industry officials expressed concern that the tech giant in particular, and crypto markets in general, will not be sufficiently regulated.

Though they foster faster, more efficient transactions, “fintech” companies also create new risks for consumers, either through self-inflicted missteps, cybersecurity vulnerabilities, or speed-of-light scams. These companies do not have the prudential standards of traditional banking and commerce, and they require supervision by regulatory bodies that can more rapidly adapt to them.

Some might think that state banking regulators do not have the tools and resources to do the job, compared to federal regulators. However, I believe state regulators are the best line of defense to protect consumers from risks in the financial marketplace. While homogeneous federal policies create laudable efficiencies, states are ideally suited to regulate fintech and protect consumers, for three primary reasons.

#### **1. Adaptability**

Historically, states have been the primary regulator for fintech, and the majority also provide oversight of non-traditional financial companies such as mortgage lenders, money transmitters, and

consumer lending companies. The Pennsylvania Department of Banking & Securities has seen a lot of change in this area in the last 10 years and has been flexible in its response.

Before the financial crisis in 2008, Pennsylvania supervised around 40 money transmitter companies. The department now supervises more than 100, a 250 percent increase, largely due to internet-based companies transmitting funds without brick and mortar locations. To handle the surge without increasing staff and overhead, the department modernized off-site, electronic exams. This change reduced the regulatory burden on companies, as well as the time and expenses affiliated with an exam.

#### **2. Agility**

Because of the smaller scope, states are better able to find the balance between consumer protection and efficient markets. A strong, competitive marketplace is a necessary foundation for economic growth. Often, it is industry itself that seeks regulation to provide predictability and continuity.

Just as individuals and companies operating in the fintech space are laboratories of innovation, states as laboratories of democracy.



They have direct and personal connections with their citizens, are able to grapple with myriad nuances within the fintech space, and can offer a front line of defense for consumers. In Pennsylvania, Mortgage Servicing Legislation, for example, leveled the playing field for the industry, brought uniformity with other states and the feds, and protected consumers. This is due entirely to our proximity to consumers and our responsiveness to concerns immaterial to federal regulators, but profoundly important to consumers.



exactly that on issues as varied as community policing, healthcare, education, and consumer financial protection. We listen to our stakeholders, formulate approaches, then compare and share best practices. State agencies collaborate on multi-state examinations, and the Nationwide Multistate Licensing System hosts a tool for regulators to share information with one another. Over time, states adopt policies that are more balanced than a single solution conceived by a lone administration. State policies can endure longer than federal solutions, which can change from term to term.

So, can states really do the necessary job of protecting consumers in the fintech space? In fact, states are already the primary regulator of some of the largest financial services firms in the world, including money-transmitters and mortgage servicers. What's more, states are not subjective in their oversight but rather apply principle-based regulation that looks at the underlying activity.

The idea that states are static in their regulatory approach is misinformed and maligning. States constantly strive to balance statutory responsibilities, to protect consumers and strengthen the marketplace.

What state regulation lacks in efficiency it more than makes up for in both innovation and resiliency. We do this with the ultimate priority always in mind: consumer protection. The result is a robust and efficient marketplace that is safer for our citizens.

### 3. Approach

The varied approach by states to best practices provides both diversity of thought and political resiliency. Long before “crowdsourcing” entered the lexicon, states have been doing

### ••• Juniata Students Win National Competition

On May 23 students from Juniata College won first place out of 58 college teams in the Conference of State Bank Supervisors' (CSBS) national **2019 Community Bank Case Study Competition**. They will each receive a \$1,000 scholarship.

The team partnered with Kish Bank in Belleville, Pa., to prepare a case study focused on a recent regulatory relief provision contained in the Economic Growth, Consumer Protection and Regulatory Reform Act. These relief provisions are intended to spur lending activity and reduce compliance costs for smaller banks and credit unions.

Secretary Robin L. Wiessmann explained that the case study, “will help banks to understand how the regulatory relief provisions will affect them and gave the students a chance to see the value of community banking.”

As the national winners, Juniata College students will present their case study at the 2019 Community Banking in the 21st Century Research and Policy Conference at the Federal Reserve Bank of St. Louis in October.

The Pennsylvania Department of Banking & Securities has actively supported students and universities in the competition since 2017. This year, 17 teams participated from Pennsylvania.





• • • **Consumer Alert**



The Department has noticed a considerable upward trend in a particular type of investor fraud. The fraud centers around promissory notes, which are like IOUs.

In the scam, an investor is sold a fake promissory note that is to be paid by a given time or on demand. The seller might be a person who offers an investment opportunity in a great sounding business. The person says that the opportunity is more lucrative than other investments because, for example, the rate of return is guaranteed. Buyers are sometimes pressured to decide quickly.

Here are five promises of an investment to watch out for:

1. Insured or guaranteed returns
2. Above-market returns
3. Risk-free notes
4. Short-term offers
5. Unsolicited offers

Before investing in a promissory note, ask questions and do research. To learn more about this type of fraud, [read the advisory](#) from the North American Securities Administrators Administration.

• • • **Consumer Alert**

On June 13 The Federal Deposit Insurance Corporation (FDIC) alerted bank customers that the website FDICconnect.com is NOT the FDIC-run website, FDICconnect.gov. Notice that the real website has a double “C” and ends with .gov.

Though it is not affiliated with the FDIC, FDICconnect.com promotes itself as a consumer-focused provider of FDIC pass-through insurance for bank deposits.

Through the true website FDICconnect.gov, bankers can download official FDIC correspondence and conduct secure file exchanges with the FDIC. It is not a portal for bank customers.

**Source:** FDIC.gov



**“Fraud BINGO”**

August 1, 11:00 AM to 12:00 PM  
Plains AAC  
50 Second Street  
Plains (Luzerne)

August 9, 11:00 AM to 12:00 PM  
McSherrystown Senior Center  
201 S 3rd Street  
McSherrystown (Adams)

**“Avoiding Scams and ID Theft”**

August 8, 2:00 PM to 3:00 PM  
Philadelphia Senior Center  
509 South Broad Street  
Philadelphia (Philadelphia)

**Legislative Expo**

Rep. Martin Causer Senior Expo  
August 2, 9:00 AM to 1:00 PM  
University of Pittsburgh at Bradford  
Bradford (Bradford)

Rep. Donna Oberlander  
Nifty Sixty Plus Baby Boomer Expo  
August 2, 10:00 AM to 12:00 PM  
Clarion Mall  
Clarion (Clarion)

Rep. Clint Owlett Senior Expo  
August 2, 10:00 AM to 1:00 PM  
Wellsboro Area High School  
225 NICHOLS ST  
Wellsboro (Tioga)

**Veterans Expo and Job Fair**

Consumer protection, financial education  
August 27, 9:00 AM to 2:00 PM  
Radisson Hotel Harrisburg  
1150 Camp Hill Bypass  
Camp Hill (Cumberland)

Complete calendar of events [online](#)



## Wiessmann Elected to CSBS Executive Committee

Secretary Wiessmann was recently elected as Secretary of the Conference of State Banking Supervisors.



For the announcement, Wiessmann said she is thankful for the opportunity to work with her state regulator peers to discuss the future of financial services.

“State regulators play an important role ensuring our institutions are operating safely and soundly and serving the needs of their communities,” she said.

Wiessmann also serves as a member of the Non-Depository Supervisory Committee, and the North American Securities Administrators Association Fintech Committee.



## FDIC 2019 Director’s College

The Federal Deposit Insurance Corporation (FDIC) will present, along with two partner associations, two programs for banking board of directors. FDIC 2019 Director’s College is a half-day event that includes two breakout sessions, a large group case study exercise on fintech, and an economy update.

### October 23

8:15 AM

Double Tree Hotel, Monroeville.

Register: [Pennsylvania Association of Community Bankers](#)

Contact: Barbara Holbert 717.231.7447

### November 14

8:15 AM

Hershey Country Club, Hershey.

Register: [Pennsylvania Bankers Association](#)

Contact: Jackie Catalano 717.255.6939

### Breakout topics include:

- Conversation with the Regulators
- Liquidity Management – Is Your Bank’s Oversight Program Appropriate? Guidance for New Directors
- Late Cycle Credit – How Stressed is Your Portfolio?
- Audit Committee Oversight

This is an excellent chance for banking directors to share experience and insights with banking colleagues, walk through a CRE stress scenario, and learn about audit and board governance, as well as new trends in funding structures.

Please see the [Breakout Module Summaries](#) for more details.

## Banking Careers

Attend the **Next Generation Bankers Academy** to prepare for a career in banking. It’s **FREE** for college students.

**August 19-23, 2019**

Lancaster PA Metro Area

[< REGISTER HERE >](#)



**SAFETY AND SECURITY**

# Cybersection



## ••• Protect Yourself Against Ransomware



On May 7, computer systems for the city of Baltimore were hacked and seized as part of a ransomware attack. In mid-June, Key-Biscayne, Florida, became the third town in Florida within a month to be the victim of ransomware.

During a ransomware attack, critical files are encrypted by a remote party until a ransom is paid. In the case of Baltimore, to return all systems to normal functioning the price would be 13 Bitcoins, or at the time about \$75,000.

If the ransom is not paid, as in the majority of state and local government attacks, it can take months for technology operations to return to normal. This means that voice mail, email, database, and online systems are inoperable, causing havoc to business operations and customer service.

Ransom attacks have been on the rise because of online payment methods, such as bitcoin and other cryptocurrencies, that are outside the established regulatory system. In Florida, the three attacks started with an employee clicking on a attachment in an email.

To mitigate the risk of a ransomware event, the U.S. Department of Homeland Security recommends the following precautions:

- Update software and operating systems with the latest patches.
- Never click on links or open attachments in unsolicited emails.
- Backup data regularly on a separate, off-line device.
- Follow safe practices when browsing the Internet.

Go here to read more about [safe practices from the U.S. Department of Homeland Security](#).

If you have questions or concerns, call us at [1.800.PA.BANKS](tel:1.800.PA.BANKS).

### References

Chokshi, Niraj. (May 22, 2019). Hackers are holding Baltimore Hostoage: How they struck and What's Next. *The New York Times*. ([Article](#))

Gallagher, Sean. (June 28, 2019). Florida LAN: Someone clicks link, again, giving Key Biscayne ransomware. *Ars Technica*. ([Article](#))

Career opportunities are available **NOW!**

[> JOBS AT DOBS](#)

## Your Voice Counts!

### Social Media Feedback

We are assessing our current social media strategy and would love to hear from you. Your voice will help us deliver content on the subjects that matter most to you.

The survey has 8 questions and should take less than two minutes.

[> BEGIN SURVEY](#)

Thank you!



# BACK 2 BACK

## OCTOBER COMPLIANCE EVENTS



### Financial Industry Regulatory Authority (FINRA) District Compliance Seminar with the State of Pennsylvania

**October 16**

12:00 PM – 6:00 PM, Radisson Hotel Harrisburg/Camp Hill.

There is no cost to attend this event.

**Session topics include:**

- Common Examination Findings and Effective Practices
- Protecting Senior Investors
- Hot Topics in Anti-Money Laundering

In addition, senior staff from FINRA, State of Pennsylvania and North American Securities Administrator Association (NASAA) will hold a panel about the regulatory environment.

Contact 202.728.6980. Visit FINRA's [website](#) for a detailed agenda and to register online.

**then join us October 17 at:**

# COMPLIANCE 2019

## STATEWIDE SECURITIES CONFERENCE

Compliance 2019 is designed to keep investment professionals up-to-date on federal and state securities laws and regulations.

**8:00 AM – 5:00 PM, Radisson Hotel - Harrisburg/Camp Hill, PA - Cost - \$200**



**Keynote Speaker: Jane Norberg**

Chief of the Office of the Whistleblower at the Securities and Exchange Commission. She will give an overview of the SEC's whistleblower program, which was established with the passage of The Dodd-Frank Act in 2010.

**Other sessions include:**

- What to Expect from an Investment Adviser Exam
- Enforcement and Regulatory Update
- Technology and Regulation, "Some Observations About Trends and Changes"
- Due Diligence for Alternative Products
- Anti-Money Laundering, Financial Crimes and Fraud Trends
- SeniorSafe: Preventing Financial Exploitation of the Elderly

**Contact:** [compliance2019@pa.gov](mailto:compliance2019@pa.gov). For a detailed agenda, description of speakers, hotel rate, and to register online, visit the conference website at [dobs.pa.gov](http://dobs.pa.gov)



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# COMPLIANCE CORNER Compliance



## • • • 2nd Quarter 2019 Enforcement Orders

The Department protects consumers through the following laws:

- Check Casher Licensing Act
- Consumer Credit Code
- Consumer Discount Company Act
- Credit Services Act
- Debt Management Services Act
- Debt Settlement Services Act
- Loan Interest & Protection Law
- Money Transmitter Act
- Mortgage Licensing Act
- Pawnbrokers Licensing Act

In the month of May, the Department of Banking and Securities issued **63 enforcement orders**, with fines and assessments totaling **\$1,368,900**. To see details on these enforcements, go to [dobs.pa.gov](https://dobs.pa.gov).

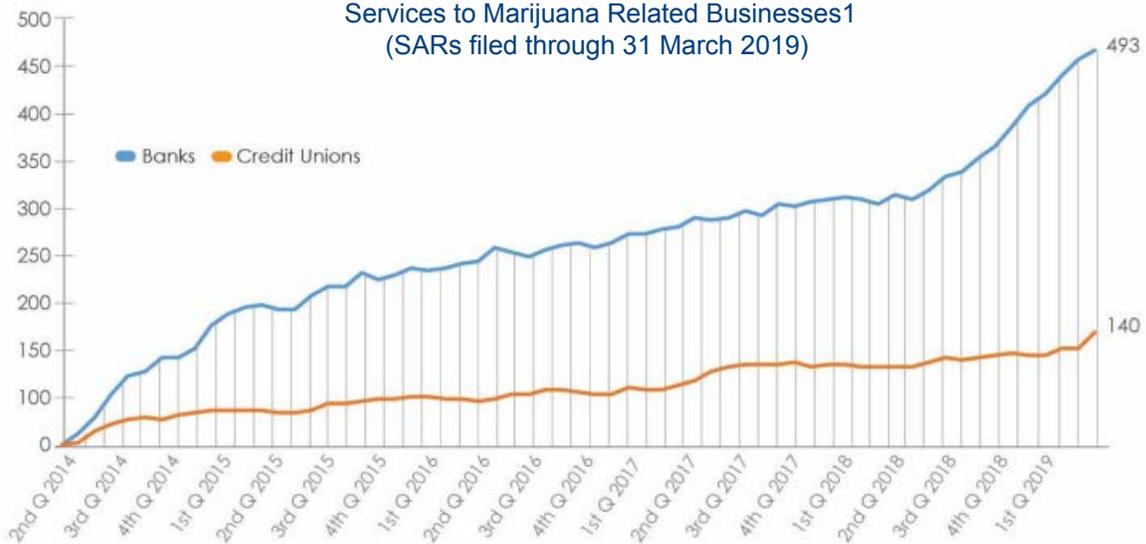
To file a complaint about financial products or services, please call **1.800.PA.BANKS** (800.600.0007) or [online](#).



# INDUSTRY DATA | TRENDS | STATS Research

## • • • Marijuana Banking Update

Depository Institutions (by type) Providing Banking Services to Marijuana Related Businesses<sup>1</sup>  
(SARs filed through 31 March 2019)



Since 2014, the number of depository institutions providing banking services to marijuana based businesses has been steadily rising.

<sup>1</sup>Source: [Financial Crimes Enforcement Network.pdf](#)