

the quarter

newsletter of the pennsylvania department of banking and securities



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Office of the Secretary of Banking and Securities



A New Financial Services Regulator for the 21st Century

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

The Corbett administration has made identifying and acting on opportunities to streamline Pennsylvania's government to improve efficiency and effectiveness a top priority.

[Learn more](#)



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Governor Corbett Signs Banking Modernization into Law

Governor Tom Corbett has signed legislation into law that will amend and modernize three important banking statutes.

[Learn more](#)



Crowdfunding: Opportunities and Challenges

Crowdfunding has harnessed the power of the Internet for fundraising, but also promises to have an impact on the issuance of securities.

[Learn more](#)



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A New Financial Services Regulator for the 21st Century

by **Glenn E. Moyer**, Secretary

When I first became Secretary of what was once known as the Department of Banking, my priorities were to actively explain the benefits of the state charter option for banks, improve and expand the Department of Banking's relationships with the financial service industries and bring the laws and regulations that govern Pennsylvania banks into the 21st century.

At the same time I was learning about and working on Department of Banking issues, I also focused my efforts on implementing the Corbett Administration's three primary goals for Pennsylvania, especially with Pennsylvania's business sector:

- A stable and reliable financial future for the commonwealth;
- A job available for every Pennsylvanian that wants one; and
- A trained and educated workforce that is ready for the jobs of today **and** tomorrow.

Governor Corbett issued an "open for business" mandate to his cabinet secretaries to ensure that all state executive agencies are working to enhance Pennsylvania's ability to compete in the global marketplace.

The Corbett administration has also made identifying and acting on opportunities to streamline Pennsylvania's government to improve efficiency and effectiveness a top priority.

On July 2nd Governor Corbett signed HB 2438 into law, which consolidated the functions of the Pennsylvania Securities Commission into the Department of Banking. The Governor's budget office estimated this consolidation would save taxpayers about \$1 million in the first year, but we are already identifying additional savings to more than double that amount in the first year.

Beyond saving money, the merger "reconnects" two agencies with compatible missions and

functions that had been joined from the early 1920's until the mid 1970's. The Securities Commission oversaw nearly 200,000 securities agents, broker dealers, investment advisers, notice filers and investment adviser representatives who operate in our commonwealth.

Agency mergers in Harrisburg are "rare birds," so there is little precedent – and a fair amount of discomfort and uncertainty among many – as we continue to work through this merger process. Allow me focus on several details:

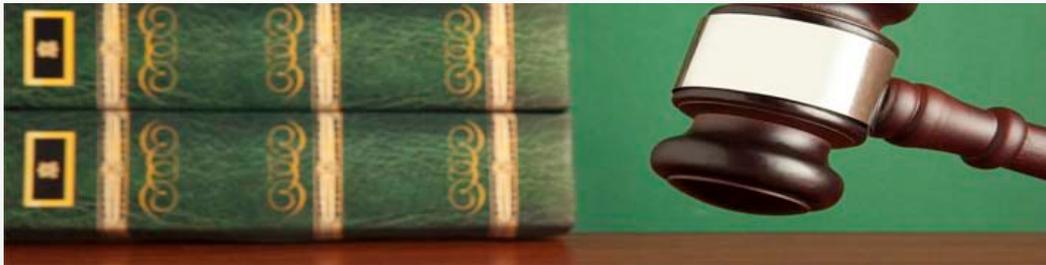
First, the merger was implemented on October 1. For several months, both our senior staffs worked to make sure that we did not "miss a beat," and I can report that the first several weeks have gone as smoothly as possible.

Importantly, both the size and the overall responsibilities of the former three-person Securities Commission have changed. The permanent structure of the **new** Banking and Securities Commission has been expanded from three to five: three part-time commissioners nominated by the governor and confirmed by the Senate (as had been the case), plus the Secretary of Banking and Securities and an administration executive staff member appointed by the governor.

The expanded Banking and Securities Commission will be primarily responsible for adjudicating disputes with banking and securities institutions and all licensees and registrants under our supervision that cannot

Continued...

be resolved at the professional staff level. I am particularly pleased about Governor Corbett's nomination of former Attorney General Jerry Pappert to chair the Commission and the Senate's recent confirmation of Jerry. Under Jerry's leadership, the Banking and Securities Commission will carry on with a great tradition and forge new, beneficial relationships within the financial services community.



Overall operational responsibilities for securities licensing, registration, compliance, enforcement and corporation finance functions have been transferred from the commissioners, and will be overseen by a newly created Deputy Secretary for Securities, who will be a professional, full-time, senior staff-level manager.

I am pleased to announce that Aimee Toth from Pittsburgh has taken on these responsibilities as our new (and first!) Deputy Secretary for Securities. She has just the right blend of experience and knowledge, and the securities industry can be assured that Aimee will provide informed leadership of the highest professional caliber (see more on her on [Page 7](#)).

All legal functions dedicated to securities-related issues have been transferred to the Governor's Office of General Counsel and report to the department's Chief Counsel, Carter Frantz. The position of Senior Deputy Chief Counsel for Securities has been created to oversee the securities legal function, and we have appointed Scott Lane to serve in this important legal capacity. Some of you know Scott already from his work with the Securities Commission and we are pleased that we have been able to retain such an experienced professional with great institutional memory.



Bob Lam, retired Securities Commissioner

At the "new" Department of Banking and Securities, we are engaged in several initiatives to create new efficiencies, reduce or eliminate red tape and modernize our approaches to the 21st century financial marketplace. More than ever, I am convinced that the Department of Banking and Securities is stronger, ready to build on the reputations of the Securities Commission and the Department of Banking, and focused on actively assisting in rebuilding Pennsylvania's economy.

Last but not least, I want to recognize Bob Lam, who retired from the Securities Commission at the end of September. For decades, Bob has been a tireless, dedicated and wise voice for investor protection and capital formation in Pennsylvania. For a good number of those years, he served as the Chairperson of the Commission. All of us at the Department of Banking and Securities owe Bob a debt of gratitude for the trails he blazed. We will work tirelessly on behalf of investors and businesses to "fill a large pair of shoes."



Governor Corbett Signs Banking Modernization Legislation into Law

Governor Tom Corbett has signed legislation into law that will amend and modernize three banking statutes:

House Bill 2368 (sponsor: Rep. John D. Payne) will simplify and modernize all of the commercial, mortgage and consumer lending provisions of the Banking Code, removing conflicting and antiquated lending provisions. It will also reflect and clarify the current, deregulated commercial, mortgage and consumer lending interest rates and fees.

House Bill 2369 (sponsor: Rep. Dan Truitt) will bolster the department's operational and enforcement authority, and bring the department into line with most other state regulators by including provision for civil money penalties for banking institutions. (Pennsylvania had been one of only five states without this specific provision.)

House Bill 2370 (sponsor: Rep. Carl Walker Metzgar) will repeal requirements for duplicative mortgage loan disclosures.

"The passage of these bills is a big step toward bringing Pennsylvania banking into the 21st century," said Secretary of Banking and Securities Glenn E. Moyer. "My senior staff and I would like to recognize the leadership of Representative Dick Hess, chair of the House Commerce Committee, and Senator Don White, chair of the Senate Banking & Insurance Committee, in shepherding this important legislation through the General Assembly.

"Additionally, the overall support and guidance of the Pennsylvania Bankers Association, its senior staff and membership, was critical to the success of this forward-looking banking reform," Secretary Moyer added. "Governor Corbett and I are pleased that we are finding common-sense approaches to ensuring the safety and soundness of a healthy Pennsylvania banking industry."

Merger/Transition Directory

Consumer Hotline >

1.800.PA.BANKS (800.772.2657) in PA
Out of state: 717.787.1854

Investor Hotline >

1.800.600.0007 in PA
Out of state: 717.787.8061

Media Inquiries >

717.783.4721

Philadelphia Office (Securities) >

215.560.2088

Pittsburgh Office (Securities) >

412-565-5083

Mailing Addresses >

Banking Matters:
Market Square Plaza, 17 North 2nd Street,
Suite 1300, Harrisburg PA 17101-2290

Securities Matters:
Eastgate Office Building, 2nd Floor,
1010 N 7th Street,
Harrisburg, PA 17102-1410

Crowdfunding: Opportunities, Challenges to the Securities Marketplace

by **Jonna Stratton**, Director of Corporation Finance and **Scott Lane**, Deputy Chief Counsel for Securities



The premise behind the crowdfunding concept is simple: A little from a lot can go far. Crowdfunding has harnessed the power of the Internet for fundraising, but also promises to have an impact on the issuance of securities.

To date, crowdfunding has been utilized in a non-securities context by non-profit organizations and the entertainment industry to raise money for causes and projects. In the not-too-distant future small businesses will be able to use crowdfunding to raise capital for their business ventures.

Crowdfunding as a means to raise business capital became possible through Title III (the "CROWDFUND Act") of the federal Jumpstart Our Business Startups Act (JOBS Act), passed into law earlier this year. Section 302 of the CROWDFUND Act created an exemption from registration with federal and state regulators for issuers of securities, provided that:

- The aggregate amount sold to all investors by the issuer, including any amount sold in reliance on the exemption during a 12-month

period preceding the date of the transaction, does not exceed \$1.0 million; and

- The aggregate amount sold to any particular investor during the same period does not exceed the greater of \$2,000 or 5 percent of the annual income or net worth of the investor if either is less than \$100,000 (and 10 percent of either if either is equal to or greater than \$100,000, not to exceed an aggregate of \$100,000).

Furthermore, issuers must comply with additional requirements, including the transaction being conducted through a compliant broker or funding portal. The Securities and Exchange Commission is expected to adopt a rule in early 2013 to implement this exemption from registration.

From a "blue sky", or state, standpoint, at present, issuers of all types of securities will have to work within the current regulatory scheme. Issuers should become familiar with the Pennsylvania Securities Act of 1972 and accompanying regulations tailored to small business. To learn more about these and other exemptions, visit www.dobs.state.pa.us or contact the Department of Banking and Securities at 1-800-600-0007.



Share with
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associates!**

What do you think about The Quarter?

Is there an issue you would like to see addressed in the next edition? Drop us an **email** and let us know your thoughts.



Senate Confirms Former Attorney General Pappert to Banking and Securities Commission



Following Governor Tom Corbett's September nomination, the Senate confirmed Former Attorney General Gerald (Jerry) Pappert to serve on the new PA Banking and Securities Commission in October.

"Jerry Pappert has proven his leadership and commitment to the Commonwealth throughout his illustrious and successful career," Corbett said. "His exceptional public and private sector experience has prepared him well for this position. I am confident that Jerry will serve Pennsylvania with integrity and honor."

Pappert served in the Pennsylvania Office of the Attorney General for eight years, from 1997-2003 as the First Deputy and from 2003-2005 as the Attorney General. He has extensive private sector legal experience as well, which includes being a partner in a large Philadelphia law firm and the General Counsel of an international biopharmaceutical company based in Pennsylvania.

Utilizing both securities and banking laws, the new Banking and Securities Commission will resolve issues with banking and securities institutions and all licensees and registrants under the department's supervision that cannot be resolved at the professional staff level, as well as perform outreach activities.

NASAA Announces IARD System Fee Waiver for Investment Adviser Firms

In September, the North American Securities Administrators Association (NASAA) announced the waiver of the Investment Adviser Registration Depository (IARD) system fees for investment adviser firms and the reinstatement of substantially reduced initial set-up and annual system fees paid by investment adviser representatives.

For 2013, the initial IARD set-up and renewal fee will be \$10 for IARs. These fees were \$45 when the IARD system first became operational.

The IARD system is an Internet-based national database sponsored by NASAA and the Securities and Exchange Commission. The IARD system provides investment advisers and their representatives a single source for filing state and federal registration and notice filings, and serves state and federal regulators as a nationwide database for the collection and dissemination of information about individuals and firms in the investment advisory field.

The system contains the employment and disciplinary histories of more than 28,000 investment adviser firms and more than 290,000 individual investment adviser representatives. IARD system fees are used for user and system support and for enhancements to the system.



Aimee Toth Named Deputy Secretary for Securities

On October 5 at the Greater Pittsburgh Compliance Roundtable Symposium, Secretary of Banking and Securities Glenn E. Moyer announced Aimee A. Toth of Pittsburgh as Deputy Secretary for Securities.

The Deputy Secretary for Securities will oversee the administration and all operations related to the regulation of the securities industry in Pennsylvania.

"We are pleased and privileged that an experienced and dedicated professional such as Aimee will be joining the Banking and Securities team," Moyer said. "The securities industry can be assured that Aimee will provide informed leadership of the highest professional caliber."

Toth most recently served as the chief compliance officer and general counsel for Allegheny Financial Group/Allegheny Investments, Ltd. She was a senior litigation attorney with the PA Securities Commission until 2004. Previously she served as general counsel for a family-owned construction firm and CEO of Apparel Manufacturing Companies. She served in a private legal practice after public service as a prosecutor in the Philadelphia District Attorney's Office.

Toth earned a bachelor's degree from Allegheny College and a law degree from The Dickinson School of Law.

consumer protection



Holiday Shopping (and Saving) Tips

by **Cheryl O'Hara**, Director of Consumer Services

Something about the next few months on the calendar brings out the shopper in all of us. Over the past decade, American shoppers have spent on average \$830 shopping each year for Christmas.

Since it takes an average of three months or longer to pay off credit cards from holiday debt, consumers are paying a lot of interest. And shoppers who use debit cards risk incurring heavy overdraft fees of approximately \$30 for each "bounced" transaction.

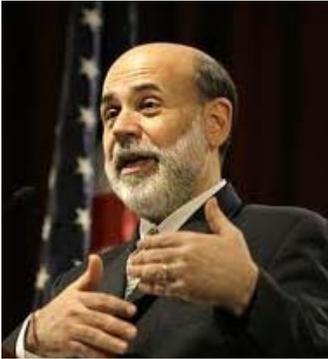
Following these simple tips can help keep a lot of cash in your pocket:

- Set aside money during the year in a savings account. (This practice will also earn you a nominal amount of money in interest.)
- Take advantage of lay-away programs at stores
- Shop weekly instead of all at once
- Budget year round
- If you are using your debit card, know your balance prior to making a purchase
- Be sure to record each and every debit card transaction

Statistical source: American Research Group

Fed Chairman Bernanke on Financial Education

by **Mary Rosenkrans**, Director of Financial Education



In August, three Pennsylvania schoolteachers and I joined teachers from across the nation in Washington, D.C. to attend a presentation by Federal Reserve Chairman Ben Bernanke on the importance of teaching financial education in schools.

“Financial education supports not only individual well-being, but also the economic health of our nation,” Bernanke told us. “As the recent financial crisis illustrates, consumers who can make informed decisions about financial products and services not only serve their own best interests, but collectively, they also help promote broader economic stability.”

All my traveling companions teach a personal finance class in their high schools: Jim Fiora from Pequea Valley School District, Linda Mendelsohn from Forest City Regional School District, and Deborah Tobin from West Chester School District.

“When you have someone like Chairman Bernanke taking time out of what must be an unbelievably tight schedule, it emphasizes the importance of the topic,” said Linda Mendelsohn.

Jim Fiora worked in the financial services industry for 20 years prior to becoming a business teacher. He liked Bernanke’s emphasis on utilizing economic reasoning and critical thinking skills to make decisions about finances.

Beginning this school year, all 11th grade students in Fiora’s district, Pequea Valley, will take a required Personal Finance Management course in order to graduate. Mendelsohn’s district, Forest City, has had a similar requirement for eight years.

A transcript and video archive of the town hall meeting is available at the Federal Reserve website [here](#). Financial education resources are available from the website “*Your Money’s Best Friend*” (www.moneysbestfriend.com) or contact Mary Rosenkrans, Director of Financial Education, at marosenkra@pa.gov or at 717-214-4755.

Advancement

Begene Bahl has been promoted to Senior Deputy Chief Counsel for Banking, based in Harrisburg.

Banking and Securities Commissioner **Steven Irwin** has been elected president-elect of the North American Securities Administrators Association.

Scott Lane has been appointed Acting Senior Deputy Chief Counsel for Securities, based primarily in Pittsburgh.

Joseph Minisi has been appointed Acting Deputy Chief Counsel for Securities Litigation; he will be moving from the Philadelphia office to Harrisburg headquarters in 2013.

James Acri retired at the end of September after an impactful career as one of the nation’s leading experts on trusts and estates.



NMLS: Change in License Display

Effective Nov. 1, 2012, the Department of Banking and Securities, Non-Depository Licensing Division, will no longer issue or provide "paper" license certificates to mortgage, debt management services, money transmitter and accelerated mortgage payment provider licensees.

If you are required by law to display your license at your place of business, the department directs you to print and display the Pennsylvania license information that is located on the NMLS Consumer Access website.

To print the NMLS license information for display or as evidence of licensure:

- Log into the website: www.nmlsconsumeraccess.org;
- Enter licensee name, NMLS ID, and/or License Number;
- Click on your record to open it;
- Scroll down to "State Licenses/Registrations" and click on the "[+] View All";
- Go to the Regulator column and find Pennsylvania, then look to the right and click "[+] View Detail."



You should see the licensee's Pennsylvania information including the License/Registration #; Original Issue Date, Status, Status Date and Other Trade Names used in Pennsylvania.

This is the form that will meet the requirement of displaying your license at your place of business or to show as proof of licensure.



COMPLIANCE CORNER

Third Quarter Public Enforcement Orders

The Non-Depository Bureau of Compliance and Licensing administered 18 public enforcement orders during the third quarter of 2012, which included fines in the amount of \$103,850.

The following violations were included in the orders:

- Two companies engaged in unlicensed mortgage loan origination activity;
- Three companies engaged in unlicensed mortgage loan modification activity;
- Four companies engaged in unlicensed auto finance sales activity;
- Two companies engaged in unlicensed money transmitter activity;
- One company engaged in illegal payday lending; and
- Six companies engaged in various other unauthorized non-mortgage related activity.

These orders include the revocation of two licenses for violating a previous consent agreement issued by the department for unauthorized auto finance sales activity in Pennsylvania.



Basel III Update

One of the most pressing regulatory issues facing community banks is the proposed implementation of the Basel III standards beyond the “systemically important” financial institution level.

Under the guidance and support of the Conference of State Bank Supervisors (CSBS), state financial regulators are urging federal regulators to reject the proposed rules for community bankers and instead find a capital framework that does not attempt to fit all American banks into a single category.

“In the period following the onset of the banking crisis in 2008, it seems that the economic stress and political emotions of the moment focused regulators’ attention on ‘fixing’ our financial system with harsh prescriptions such as increasing capital levels of banking institutions across the board,” Secretary of Banking and Securities Glenn E. Moyer said in a recent speech. “With the benefit of some hindsight, I believe the authors of Basel III overreacted.”

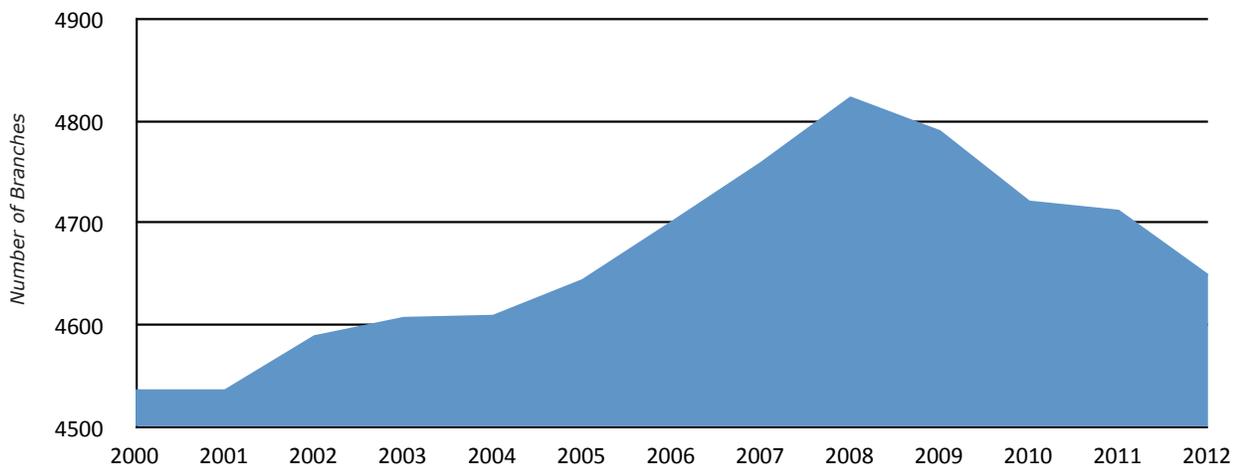
CSBS recently issued two comment letters to federal regulators, one recommending that Basel III rules apply only to institutions covered under Basel II ([read here](#)), and the other expressing opposition to the proposed rule to revise the risk weights for risk-based capital ([read here](#)).

Federal Reserve Chairman Ben Bernanke has been publicly addressing the issue, stating at a September press conference: “In terms of Basel III, of course, it’s not one-size-fits-all. Many of the most difficult, complex regulations apply only to the largest and most complex institutions.”

On September 27, a group of 53 U.S. Senators, including Pennsylvania Senator Pat Toomey, sent a letter to the FDIC, Comptroller of the Currency and Federal Reserve bringing to their attention that “raising capital for community banks in the best of times is challenging and nearly impossible in times of economic stress.” In addition, the senators asked the regulators to consider the “significant, unintended consequences” the proposed rules would have on community banks. Read the letter [here](#).

RESEARCH QUARTER

Bank Branching Trends in PA (2000-2012)



Data Source: FDIC Summary of Deposits