



the quarter

newsletter of the pennsylvania department of banking and securities



Protect ► Regulate ► Inform ►

Office of the Secretary of Banking and Securities



Protect Yourself. Protect Your Customers.

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

Financial services businesses like yours are under attack or being targeted for attack in ways that I could not have imagined when I began my career in financial services more than 35 years ago.

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Corbett Signs 2013-14 Budget

Governor Tom Corbett signed the 2013-14 budget on June 30, 2013. The \$28.375 billion balanced budget was the third consecutive budget signed on time by the governor, and contained no tax increases.

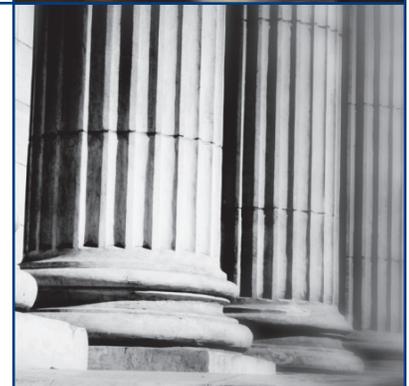
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Legislative Updates:

Banking Law Modernization, Bank Shares Tax, Amended Mortgage Licensing Act, and Banks and Trusts can now organize as LLCs. These initiatives were all addressed in recent legislative acts signed by Governor Tom Corbett.

[Learn more](#)



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Protect Yourself. Protect Your Customers.

by **Glenn E. Moyer**, Secretary



Financial services businesses like yours are under attack or being targeted for attack in ways that I could not have imagined when I began my career in financial services more than 35 years ago. By taking advantage of the business and social networks built for our benefit, perpetrators operating in the shadows are dedicating themselves to stealing money and value from businesses and their customers around the world.

The attack may come in the form of a Distributed Denial of Service, or DDoS. This is the kind of attack that has made headlines this year when launched against some of our nation's largest banks, disrupting customers from completing transactions on their banks' websites. Or, the attack might come in the form of a computer virus that has infected your customers' computers that, in turn, infects your system when they connect to their online accounts on your network servers.

Or, the attack might come in the form of information (true or false) that could hurt your company posted on a website or social media platform.

Or, the attack might come in a form that your IT people have not yet encountered.

As I travel around the state talking to financial services providers, the issue of cybersecurity consistently ranks among the top areas of interest and concern.

The unfortunate reality of doing business across regions and borders today is that, if you are managing a business like a community bank or credit union, mortgage company or auto dealer, large brokerage firm or independent investment adviser, your business could be attacked over the Internet.

As too many businesses have learned the hard way, cybersecurity is an issue that can damage your business' financial bottom line and, more importantly, your customers. If your business is not perceived as "secure," your customers will leave you for a "more secure" competitor.

Information technology may once have been a "middle management" issue. However, IT issues can no longer simply be the purview of the "IT guy." Boards and executive management must take a more hands-on approach to ensure the security of their business and their customers. *Continued...*



Continued from pg. 2

I would urge all boards and managers to review the "Nine Steps to Make Your Business Safer" (Page 7).

The process of thwarting these cybersecurity challenges is constant and ever-changing. We can never "arrive" at a final set of actions or pause, because in that moment of relaxation, you are already falling behind what may be coming next. If your management team does not take appropriate steps to protect your business and your customers on the Internet, where will you go on the Internet to get your reputation back?



Governor Corbett Signs 2013-14 Budget



Governor Corbett signs 2013-14 budget, joined by Lt. Gov. Jim Cawley (right) and Rep. William Adolph, chair of the House Appropriations Committee.

Governor Tom Corbett signed the 2013-14 budget on June 30, 2013. The \$28.375 billion balanced budget was the third consecutive budget signed on time by the governor, and contained no tax increases.

"This budget once again provides record levels of state funding for basic education, while meeting our obligations to those in need, ensuring the safety of our citizens and supporting our job creators," Corbett said.



Department Welcomes Union Community Bank to State Charter

The Department of Banking and Securities welcomes Union Community Bank, Lancaster County, which converted from a federal savings bank to a Pennsylvania state-chartered stock savings bank in the second quarter of 2013.



LEGISLATIVE UPDATES

Banking Law Modernization Package Completed

On June 24, Governor Tom Corbett signed Senate Bill 371 into law as Act 23 of 2013. Act 23 is the fourth and last part of a package of bills designed to update and modernize Pennsylvania's banking laws. The governor previously signed the other three parts of the package into law in fall 2012.

Act 23 of 2013 repeals the Savings Association Code of 1967, which requires the remaining four state-chartered savings and loan associations either to convert to another state charter, convert to a federal charter or merge with another depository institution.

"It simply did not make business sense for the department to operate a regulatory program for just four institutions," said Glenn E. Moyer, Secretary of Banking and Securities. "I am grateful for Senator Mike Brubaker's leadership with this bill, and my hope is that all four S&L's will elect to become state-chartered savings banks, which will give them the same tax treatment and expanded lending powers."

Moyer had discussed the repeal with the CEO's of all four S&L's in 2012 and received their support. The department has waived the application fee for charter conversion for the four affected institutions.

In the mid-1980's, more than 3,200 federally insured savings and loan associations operated in the United States. At their peak, more than 1,000 S&L's operated in Pennsylvania alone. However, since the 1980's the number of S&L's in Pennsylvania declined until recently, when just four state-chartered savings and loan associations remain in business.

Bank Shares Tax Update

On July 9, Governor Corbett signed the Tax Code (House Bill 465) into law as Act 52 of 2013, significantly amending the Bank Shares Tax.

In recognizing the Bank Shares Tax as a "tough issue" that PA Bankers Association staff, volunteers and counsel have been working on for two years, PBA president and CEO Duncan Campbell stated, "We believe that Act 52 demonstrates progress toward a more reasonable bank shares tax arrangement for the banking industry in Pennsylvania."

Among its key provisions, Act 52:

- Eliminates use of a six-year average, instead basing the tax on a bank's most recent year-end equity capital;
- Expands the extent to which out-of-state banks doing business in Pennsylvania are subject to the tax;
- Changes the interstate apportionment of tax liabilities to one based solely upon receipts (rather than receipts, deposits and payroll); and
- Rebalances the tax rate from 1.25 percent to 0.89 percent, calculated by the PA Department of Revenue to preserve Bank Shares Tax revenue for fiscal years 2013-15 while achieving the goal of being "revenue neutral."

In addition, Act 52 directs the PA Department of Revenue, Secretary of the Department of Banking and Securities and representatives from the banking industry to conduct a study of the revised Bank Shares Tax structure. The study is to be reported to the House and Senate Appropriations and Finance Committees by January 2015.



Mortgage Licensing Act Amended and Updated

On July 2, Governor Corbett signed House Bill 1124 into law as Act 38 of 2013, bringing the Mortgage Licensing Act into compliance with federal SAFE Act regulations as well as continuing his administration's initiative to reduce unnecessary regulations.

Among the law's key provisions:

- Employees of non-profit organizations and government agencies such as Habitat for Humanity and the PA Housing Finance Agency are exempted from mortgage loan originator licensing requirements when acting within the scope of their employment.
- Mortgage loan originators are no longer required to be W-2 employees of the mortgage lender or broker.
- A person may make or broker three mortgage loans annually without being licensed as a mortgage loan originator (unless determined to be in the mortgage loan business by the department).
- The licensing requirements for branch offices are eased in order to recognize improved technology and permit more lending business to occur outside branch offices for consumer convenience.
- Mortgage loan originators licensed in other states and physically located in Pennsylvania do not need a Pennsylvania license if they originate no loans in Pennsylvania.

"As the department's top legislative priority this spring, the Act provides needed clarity in light of recent federal regulatory changes," said Glenn E. Moyer, Secretary of Banking and Securities. "These changes also improve and re-balance provisions added to the Mortgage Licensing Act in 2008 and 2009 during the height of the mortgage crisis."

A Secretary's Letter has been issued on this subject and can be found on the department's website (www.dobs.state.pa.us) under "Legal."



Banks and Trusts Can Now Organize as LLCs

On July 9, Governor Tom Corbett signed Senate Bill 304 into law as Act 67 of 2013, eliminating the prohibition against banks and trust companies organizing themselves as Limited Liability Corporations (LLC) in Pennsylvania.

Investors Learn to Protect, Grow Assets at “Money Matters” 2013 Conference



More than 300 investors travelled to Cranberry Township in April to participate in a “Money Matters” investor education conference. Those attending could meet individually and discuss financial issues with Department of Banking and Securities staff (top left) as well as attend popular workshops on subjects such as retirement planning, led by Don Blandin, president and CEO of the Investor Protection Trust.

MONEY MATTERS
2013 > SAVE > INVEST > PROTECT



Updated Brochures Highlight Changes in Markets, Protection from Scams

Investors, home buyers and home owners can benefit from updated brochures being published by the Department of Banking and Securities, including:

- “SCAMS: Protect Yourself, Protect Your Money” discusses some of the top financial scams targeting consumers and investors, including how to identify a Ponzi scheme, home improvement scams and affinity fraud. This brochure also identifies ways consumers and investors can protect themselves and who they can contact if they have become a victim.
- “Understanding Reverse Mortgages” has been updated to reflect recent changes to this complex financial product designed for senior citizens.
- “Shopping for a Mortgage” discusses five steps potential home buyers should consider before taking out a mortgage.



You can order these and other Department of Banking and Securities information brochures by contacting Katrina Boyer, Consumer Group Relations Coordinator, at katrboyer@pa.gov or (717) 214-5565 or visiting www.dobs.state.pa.us.

CYBERsection



SECURITY

Nine Steps to Make Your Business Safer

1. Familiarize yourself with Distributed Denial of Service attacks, Corporate Account Takeovers (CATO) and other threats, including the recent \$45 million theft using ATM's.
2. Familiarize yourself with all available regulatory guidance on cybersecurity threats.
3. Familiarize yourself with the President's Executive Order "Improving Critical Infrastructure Cybersecurity" issued on February 12, 2013.
4. Allocate appropriate resources to follow industry-generated best practices regarding online and mobile services.
5. Take appropriate steps to ensure that third-party vendors are following industry-generated best practices regarding online and mobile services.
6. Install appropriate cybersecurity response and recovery policies and practices.
7. Develop appropriate policies and practices to address customer concerns about cybersecurity breaches.
8. Develop appropriate policies and practices to address customer and/or bank losses resulting from cybersecurity breaches, including addressing public relations issues.
9. Develop loss mitigation policies and procedures.



Department Merger Update

All information about the department's work in securities oversight and regulation can now be accessed on the Department of Banking and Securities website (www.dobs.state.pa.us).

Because all securities-related data and services have been moved to the department's website and intranet, the former Securities Commission website has been deactivated. Bookmarks for these pages will no longer work.

If you have questions about how to find information about securities-related information – or any information hosted on the department's website – please call the department's Press and Communications Office (717) 783-4721 or email Ed Novak at enovak@pa.gov.



COMPLIANCE CORNER

2nd Quarter 2013 Public Enforcement Orders

The Department of Banking and Securities issued 14 public enforcement orders during the second quarter of 2013. These orders included fines in the amount of \$53,500, and included:

- Five Consent Agreements and Orders issued for unlicensed loan activity;
- Two Summary Orders 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 the revocation of a license and a lifetime prohibition from the mortgage business in Pennsylvania; and
- Two Summary Orders to Cease and Desist resulting in the suspension of licenses for violations of the Motor Vehicle Sales Finance Act.

In addition, the Banking and Securities Commission affirmed one Summary Order to Cease and Desist 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. 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).

DoBS Posts Examination Guidance to Website

The department has posted examination guidance for Motor Vehicles Sales Finance Act companies to its website (here; or visit www.dobs.state.pa.us and visit "Licensing/Motor Vehicle Finance Companies").

The guidance includes topics such as:

- Who conducts the exams
- Examination topics addressed
- Expectations for on-site and off-site exams
- Scheduled and unscheduled exams
- Invoicing of exams

Disclaimer: This information is presented as guidance to licensees regarding the usual manner in which the department conducts examinations. No legal rights, benefits or defenses are created by the posting of this guidance. The department is permitted to conduct examinations in the manner it deems fit and may alter its approach on a case by case basis. This information in no way binds the department to any specific examination procedure.



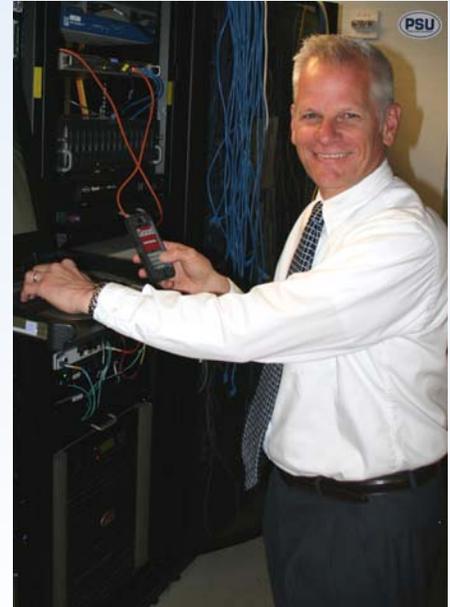
Advancement

The Department of Banking and Securities recently honored 28 employees on the incremental 5-year anniversaries of service in state government. Twenty-two have served more than 10 years.

Celebrating 30 years of service:

Catherine Fagan, (left)
Human Resources

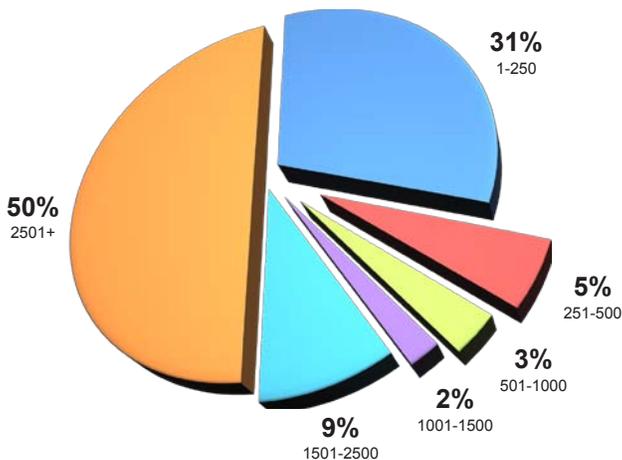
Richard Huff, (right)
Chief Information Officer



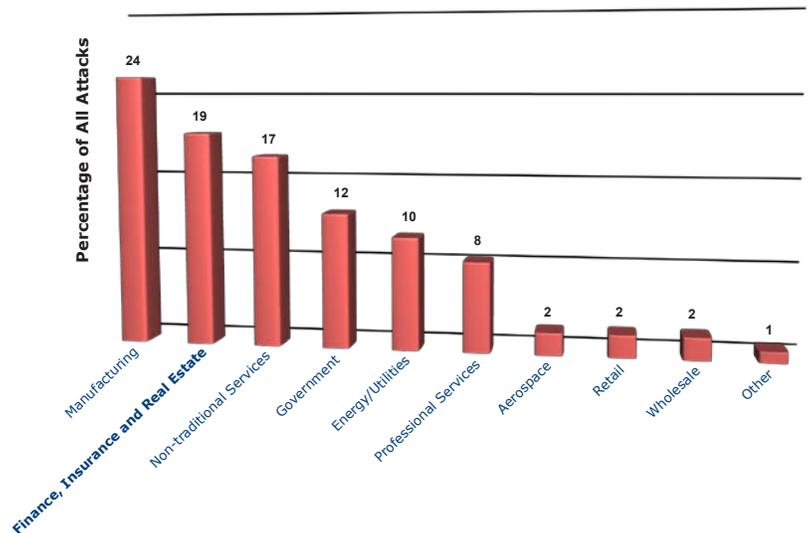
RESEARCH QUARTER

Cybersecurity Threat Trends

% Targeted Attacks by Company Size
(Number of Employees)



Targeted Attacks by Top 10 Industry Sectors



Data Source: Source: Symantec Internet Security Threat Report 2013