



June 25, 2014

**To all Broker-Dealers, Investment Advisers and Registrants of Securities Subject to the Pennsylvania Securities Act of 1972:**

On behalf of the Commonwealth of Pennsylvania Department of Banking and Securities (the “Department”), I am pleased to announce that on June 10, 2014, Governor Corbett signed into law Senate Bill 1045 as Act 52 of 2014 (the “Act”), which amends the Pennsylvania Securities Act of 1972 (the “1972 Act”), 70 P.S. § 1-101 *et seq.*, to reflect changes necessitated by the 2012 merger of the Pennsylvania Securities Commission into the Department of Banking and developments in federal and state securities laws over the past decade. The Act is effective on August 11, 2014.

As a matter of background, following the October 1, 2012 merger of the Pennsylvania Securities Commission into the Department of Banking to create the Department, the Department assembled a voluntary group of securities industry professionals from across the Commonwealth to work with the Department to update the 1972 Act as a result of the merger and recent changes in both federal and state securities laws. The draft amendments that resulted from this collaboration were introduced as Senate Bill 1045 by Chairman Don White of the Senate Banking and Insurance Committee on June 27, 2013.

In summary, the amendments encompass merger-related and other statutory clean-up, provisions aimed at adapting to anticipated federal Jumpstart Our Business Startups Act (the “JOBS Act”) rulemakings related to “crowdfunding,” and changes that 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. Highlights of the amendments, with references to the applicable section of the 1972 Act, include:

- Definitional changes and additions - “Agent,” “Bank,” “Commission,” “Commissioner,” “Department,” “Investment adviser,” “Investment adviser representative,” “Securities and Exchange Commission,” “Self-regulatory organization” and “Security” (Section 102).
- Clarifications to securities exempt from registration (Section 202), and exempt transactions (Section 203).
- JOBS Act placeholders related to “crowdfunding” issuances and portals and their oversight - new Sections 203(u), 211(b.1), 302(e.1 and 2), 304(d), 510(f).
- Reduction in restrictions on retroactive securities registrations (Section 210) - eliminates need for rescission offers as a result of unintentional overselling.
- Clarification that a failure to timely file documents or fees with the Department for federally covered securities does not subject a registrant to a private right of action (new Section 211(d)).
- Clarification of Section 302(d) registration exemption for investment advisers.
- Ability for the Department to order continuing education as a penalty (Section 304(f)).

**GLENN E. MOYER – SECRETARY OF BANKING AND SECURITIES**

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- Removal of the requirement for paper licenses (deletion of Section 304(g)).
- Clarification of registration denial, revocation, suspension authority to allow Department enforcement actions based upon FINRA actions (Section 305(a)(iv)).
- Insertion of 10-year statute of limitations on Department enforcement actions stemming from Section 305(a)(v), (vi), (vii), (ix) and (xiii), consistent with the Uniform Securities Act of 2002.
- Inclusion of new Section 305(h) to provide for control person liability in enforcement matters (as opposed to existing control person liability in private rights of action in Section 503), consistent with the Uniform Securities Act of 2002.
- Clarified confidentiality regarding closed investigations (Section 601(c.1)(1)(i)).
- Fee and assessment updates, which were last amended in 2004 (Section 602.1(a)).
- Inclusion of 10-year statute of limitations on assessments (fines) issued by the Department under Section 602.1(c), and clarification of the Department's assessment authority in Section 602.1(c)(1)(i).
- Ability for the Department to accept electronic payments, as the Department continues to automate securities licensing and registration functions (new Section 606(e)).
- Addition of new Section 607(e) to reflect applicability of Administrative Agency Law to Department proceedings to coincide with the deletion of existing Section 607(b).
- Establishment of a new Securities Regulation Account (new Section 703.1) - a restricted account within the General Fund which would provide a dedicated account for special initiatives or strategic regulatory needs or developments; investor and entrepreneurial education and outreach programs; and unanticipated or adverse industry circumstances that require enhanced investor protection activities.

This letter is not intended as and does not constitute legal advice. Please keep in mind that this letter contains generalizations regarding the Act discussed herein and is therefore not inclusive of all of its provisions, conditions, exceptions, and details. It is critically important for you to read the Act and seek guidance from your legal counsel regarding the effects of the Act on your business operations. A link to the Act may be found on the Department's website at [www.dobs.state.pa.us](http://www.dobs.state.pa.us).

Questions regarding the provisions of the 1972 Act related to broker-dealer or investment adviser activities should be addressed to Eric Pistilli, Chief, Securities Licensing Division at (717) 783-4243. Questions related to the securities registration and exemption provisions should be addressed to Jeff Soderstedt, Director, Office of Corporation Finance at (717) 783-4223. We at the Department look forward to working with you in order to seamlessly implement the Act in Pennsylvania in the coming months.

Sincerely,

/s/ Glenn E. Moyer  
Secretary of Banking and Securities