

the quarter

newsletter of the pennsylvania department of banking and securities



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Office of the Secretary of Banking and Securities



Looking Forward

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

We are witnessing this world of borrowing, lending and investing swiftly changing before our eyes. New challenges to traditional ways of transacting finance are popping up on the landscape at a breathtaking pace.

[Learn more](#)



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Department Earns Bank, Mortgage Supervision Reaccreditations

This is done through a comprehensive review of all department operations including administration and finance, personnel, training, examination, supervision, and legislative powers.

[Learn more](#)



Department Launches New "Responsive" Website

The Department launched its new website at the beginning of December. The new address is dobs.pa.gov. The responsive design of the new website allows users equally good access on PC and Apple computers and tablets, as well as iPhone and Android smart phones.

[Learn more](#)



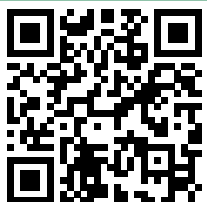
LICENSE RENEWAL

Time to renew your license!

DEADLINE IS DECEMBER 31
Mortgage, Check Cashers, Debt Management, Money Transmitters, Pawnbrokers. Renew through NMLS. Contact us with questions.

NEWS RELEASES

State Securities Regulator Offers Electronic, Paperless Filing Option
State Agency Identifies Persistent Threats to Investors for 2015
State Agency Identifies Top Emerging Threats to Investors for 2015
Banking and Securities Department Announces Quarterly Report on Enforc...



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Looking Forward by Glenn E. Moyer, Secretary

The current business environment for financial service providers can either keep you awake at night out of concern – or excitement. Either way, some dose of “healthy realism” can go a long way toward your moving forward each morning. Borrowing, lending and investing continue to be vital and essential to our economy. Pennsylvania’s financial services providers absorbed the worst of the recession and continue to function as the engine of our recovery.

We are witnessing this world of borrowing, lending and investing swiftly changing before our eyes. New challenges to traditional ways of transacting finance are popping up on the landscape at a breathtaking pace. With names like Bitcoin (virtual currencies), Indiegogo (crowdfunding) and Lending Club (P2P lending), these new products

and services are no longer on the horizon. They are here, creating headlines and promising to transform the fundamental relationship between people and their money.

State and federal financial regulators are already assessing the impact of these new market participants, but the more important test will be how businesses and consumers respond to this new form of competition. The new players clearly have identified inefficiencies (or opportunities) in the relationship between businesses, customers and money. History teaches us that we are in an age of entrepreneurs, entering a period of enormous opportunity.

I cannot predict if any of these challengers will emerge as significant and mainstream members of financial markets in the coming years. I am very confident that traditional business providers are working very hard to rise to the challenge. I suspect, whatever the outcome, down the road consumers will benefit from more convenient, more efficient, and less expensive ways to pay for things, save, borrow and invest their money.

At the same time that technology has provided opportunity, technology has also fostered a threat, in one word: cybersecurity. Long simmering as a problem, cybersecurity has “boiled over,” drawing the full attention not only of IT staffs, but also executive management and boards of directors. Since we also live in an age of intensifying interconnectedness, businesses will need to ensure, assure and insure the security of connections with customers, vendors and third parties. Or, simply put, they will cease to be businesses. Financial services providers and their regulators will certainly make this issue a top priority for the foreseeable future.

In the past four years, almost every one of my professional conversations has included the term “Dodd-Frank.” Four years ago, we hoped the dust-up from the passage and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act would have settled by now. Much to my disappointment, the “dust” is still swirling. A significant amount of rulemaking remains unfinished, with the resulting business and regulatory uncertainty unresolved.

However, as part of my “education” as a regulator, I learned that I am not alone among regulators in wanting our client businesses to succeed. I believe that Pennsylvania’s financial services providers can continue to thrive under Dodd-Frank because they work hard on relationships with their customers, remain close to their markets, and want a level, competitive and fair playing field. Financial services providers that embrace these “Pennsylvania values” can do business in peaceful coexistence with forthcoming rules and regulations – and their state and federal regulators. *continued >*

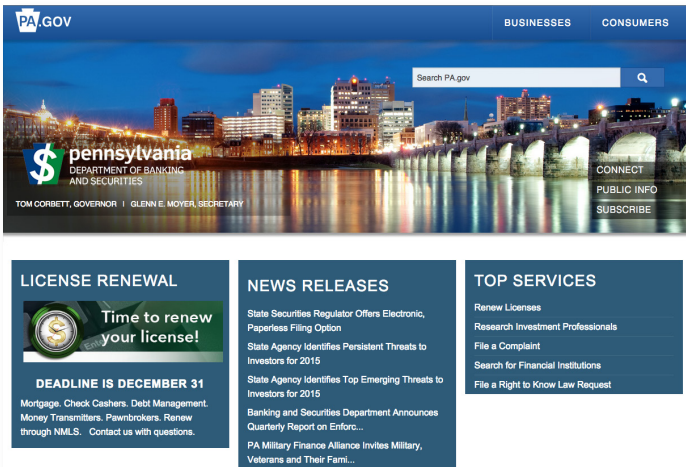


On a forward-looking basis, it is becoming increasingly apparent to me that Pennsylvania can – and should – do more to be a “trust-friendly” state. The 16 state-chartered and four federally chartered non-depository trust companies based in the commonwealth, as well as banks that offer trust services, are at a competitive disadvantage when compared to the trust powers and judicial processes available in other states, including some nearby. Addressing this issue will require both legislative and judicial problem-solving in the coming years. The first step will involve getting people into the same room to have productive discussions and debate about how to help those firms and professionals that offer trust services to individuals and/or businesses in Pennsylvania be competitive in this new business environment.

I recognize the challenges of what is now acknowledged as the “new normal” – including changing regulatory regimes, technology innovations, cybersecurity, and evolving customer demands. But as a person who hopefully has developed and possesses a “business mentality,” I believe the financial services institutions, firms and individual professionals that navigate these challenges will be highly successful for years to come

We at the Department of Banking and Securities are committed to high standards, and to communicating our expectations to our clients clearly and candidly. Based on this department’s record of firm-but-fair regulation, hard work and understanding of Pennsylvania’s marketplace, we believe the Department of Banking and Securities can be viewed as an important and valued strategic consideration for any financial services provider’s business planning.

An effective and well-respected Department of Banking and Securities, combined with financial services providers that are strong, focused and forward-looking, is a powerful partnership for Pennsylvania. Together, we can look forward to being a key link in creating sustainable growth and prosperity for all Pennsylvanians.



Department Launches New “Responsive” Website

The Department of Banking and Securities launched its new website at the beginning of December. The new address is www.dobs.pa.gov.

This change is part of the state government’s eGovernment initiative, whose goals include: moving all executive agency websites from aging hardware and software; adopting a mobile-first, “responsive design” approach; and expanding the number of online and mobile services. The

department’s emphasis is to provide “one stop shopping” for the needs of businesses and consumers.

The responsive design of the new website allows users equally good access on PC and Apple computers and tablets, as well as iPhone and Android smart phones. Questions can be directed to the department’s press secretary, Ed Novak, at enovak@pa.gov.

Department of Banking and Securities Earns Bank, Mortgage Supervision Reaccreditations

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) have announced that the Department of Banking and Securities received certificates of accreditation, certifying that the department maintains the highest standards and practices in state banking supervision, as set forth by the CSBS Bank Accreditation Program, and mortgage supervision, as set forth by the AARMR/CSBS Mortgage Accreditation Program.

"We are pleased to congratulate the entire staff of the Pennsylvania Department of Banking and Securities on receiving bank and mortgage supervision reaccreditation," said CSBS President and CEO John W. Ryan. "This reaccreditation demonstrates the constant commitment of Secretary Glenn E. Moyer and his talented staff to maintaining top-notch standards in financial services supervision."

The CSBS Accreditation Program involves a comprehensive review of the critical elements that assure a banking department's ability to discharge its responsibilities. This is done through a review of all department operations including administration and finance, personnel, training, examination, supervision, and legislative powers.

"Congratulations to our colleagues in Pennsylvania," said Rod Carnes, AARMR President and Deputy Commissioner of the Georgia Department of Banking and Finance. "By receiving this mortgage accreditation, the Pennsylvania Department of Banking and Securities has shown its commitment to exceptional supervision of the commonwealth's residential mortgage industry."

To achieve mortgage accreditation, state agencies must undergo a voluntary comprehensive review by the CSBS and AARMR accreditation team, comprised of veteran state regulators. The accreditation process begins with the completion of an extensive self-evaluation questionnaire on all department operations, including administration and finance, personnel, training, examination, supervision, and legislative powers.

This is the department's fifth bank reaccreditation, with the first occurring in 1986. This is also the department's second mortgage accreditation, with the first occurring in 2009, when the department was the first in the nation to receive joint CSBS-AARMR accreditation for mortgage supervision.



(Left) CSBS Senior Executive Vice President Mike Stevens and (Right) Secretary Glenn E. Moyer



Department Offers Electronic, Paperless Securities Filing Option

In December, the Department of Banking and Securities participated in the launch of the online Electronic Filing Depository (EFD) to enhance the efficiency of the regulatory filing process for certain securities offerings. EFD is available at: www.efdnasaa.org.

Developed by the North American Securities Administrators Association (NASAA), EFD is an online system that allows users to electronically submit a Form D to state securities regulators and pay related fees. The EFD website also enables investors to search, free of charge, all Form D

filings made with state securities regulators through EFD. Use of the EFD by businesses offering securities for sale in Pennsylvania is not required.

“We are very pleased that our partners at NASAA have developed the EFD system, which allows for an easier and more streamlined method for Form D requirements,” said Secretary of Banking and Securities Glenn E. Moyer. “Businesses can cut through some old-fashioned red tape and investors are protected through improved transparency of Form D filings.”

The EFD system initially will be limited to Form D filings for Regulation D, Rule 506 offerings, but NASAA expects the filing system will be expanded to include additional state securities registration and notice filing materials.

Department Identifies Top Threats to Investors for 2015

The Department of Banking and Securities and the North American Securities Administrators Association have identified the top threats facing investors in 2015. **The top emerging threats include:**

- Binary Options
- Stream-of-Income Investments
- Marijuana Industry Investments
- Virtual Currencies and Cybersecurity Risks

Learn more about these emerging threats [here](#).

The top persistent threats facing investors in 2015 include:

- Ponzi Schemes
- Affinity Fraud
- Internet Fraud
- Oil and Gas Investments in the Fracking Era
- Promissory Notes
- Federal Regulation D/Private Offerings

Learn more about these persistent threats [here](#).

“Investors continue to be approached with unregistered securities offerings and by individuals who are not vetted and licensed by an appropriate securities regulator,” said Glenn E. Moyer, Secretary of Banking and Securities. “We cannot stress enough that investors should do their homework regarding any investment opportunity, including checking the background of the person or company offering the investment using tools such as **FINRA’s BrokerCheck** or the **SEC’s Edgar database**.”





Moyer Delivers Keynote at PA Military Finance Alliance Conference

Secretary of Banking and Securities Glenn E. Moyer delivered the keynote address at the "Making \$ense of Finance" conference in Philadelphia on November 8. "Making \$ense of Finance" conferences are designed specifically towards the financial and investing challenges faced by members of the military, veterans and their families.

According to a **FINRA Investor Education Foundation study**, it is estimated that 25 percent of military families carry a credit card balance of more than \$10,000; 50 percent carry debt month-to-month; 19 percent report at least one financial problem in the past month; 15 percent have obtained a short-term, high-interest loan in the past 12 months; and foreclosure filings among military populations rose 32 percent during the toughest part of the Great Recession.

"Personal finance is a serious issue among our ranks," said Moyer. "And so our focus with these conferences is on what we can do to help our military and veterans make good, informed financial decisions in order to build for a more secure future for themselves and their families."

This conference was the third of its kind presented in 2014 by the PA Military Finance Alliance (PMFA), a cooperative effort of the PA Department of Military and Veterans Affairs, PA Department of Banking and Securities, PA National Guard, PA Office of Attorney General, Army OneSource, Better Business Bureaus Serving Eastern and Western PA, Liberty USO and Advantage Credit Counseling Services.

PMFA is planning its next conference in the Carlisle/Army War College area.



Department Welcomes First Community Bank of Mercersburg to State Charter

The Department of Banking and Securities welcomes First Community Bank of Mercersburg, Franklin County, which converted from a national banking association (operating as The First National Bank of Mercersburg) to a Pennsylvania state chartered bank in the fourth quarter of 2014.



CYBERsection



SECURITY

Eight Lessons for Businesses from the Data Breaches of 2014

According to Bank Technology News, “investigations of the major data breaches of 2014, which have involved about 927 million consumer records, are shedding light on the dark world of cybercrime.” Reporter Penny Crossman made a list of eight lessons to guide security teams as they work to strengthen their defenses.

1. Hackers have become better organized.
2. Law enforcement is aggressively going after the black markets for stolen data.
3. Employees are often the weakest link.
4. Third-party providers are a huge target.
5. Data breach fatigue is setting in.
6. Open source software libraries will continue to be targeted.
7. Payment data breaches are expected to rise, then fall, as a consequence of the U.S.’s adoption of EMV card standards.
8. Business leaders are being held more accountable for data breaches.



Reprint information for the full article [here](#).

New Bond Form for Non-Bank Licensees

All non-bank licensees are required to submit a new bond form in 2015.

If your license is managed through the department, you need to have the new bond form submitted to the department by March 31, 2015. The bond form is available here for **Auto Sales Finance Companies, Collector Repossessors** and **Consumer Discount Companies**. A letter explaining this change was just sent to you.

If your license is managed by NMLS, you need to have the new bond form submitted to the department by April 30, 2015. The bond form is available [here](#). A letter explaining this change will be sent to you in February. If you have questions about the new bond form, contact us at ra-asklicensing@pa.gov.



Biery Designated as Commission Chair

Following the resignation of Gerald J. Pappert as chair of the Banking and Securities Commission on January 2, Governor Tom Corbett designated Commission member James R. Biery of Mechanicsburg to serve as chair.

Biery retired from the Pennsylvania Bankers Association in November 2013 as President and CEO where he had served for 37 years. He was unanimously confirmed by the Senate in April 2014 to serve on the Commission. He currently serves on the boards of the Public School Employees' Retirement System and DNB First, N.A., a bank serving Chester and Delaware counties.

Pappert was confirmed by the U.S. Senate in December to become a judge on the U.S. District Court for the Eastern District of Pennsylvania in Philadelphia.



COMPLIANCE CORNER

4th Quarter 2014 Enforcement Orders

The Department of Banking and Securities issued 12 enforcement orders during the **fourth quarter of 2014**. Final orders included fines and assessments of \$159,820, including:

- Three Consent Agreements and Orders issued for violations of the Pennsylvania Securities Act of 1972;
- Three Consent Agreement and Orders issued for violations of the Motor Vehicle Sales Finance Act;
- One Consent Agreement and Order issued for violations of the Money Transmitter Act; and
- One Consent Order issued under the Department of Banking and Securities Code.

Additionally, the department issued two Orders to Show Cause for alleged violations of the Pennsylvania Securities Act of 1972; one Cease and Desist Order for alleged violations of the Motor Vehicles Sales Finance Act; and one Order for alleged violations of the Mortgage Licensing Act.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at www.dobs.pa.gov. 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).