



PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES

# THE QUARTER

## Disruption...or Adaptation?



**Mortgage Servicing Update**

**AARP Volunteers Recognized for Service**

**The Next Generation of Bankers...is Coming!**





# INSIDE THIS EDITION

- 2 **Disruption...or Adaptation?**
  - 3 **PA Increases Consumer Protections on Skimming Possession / Use Penalties**
  - 3 **Volunteers Needed for Financial Reality Fair**
  - 4 **Outreach Spotlight**
  - 4 **Did You Know?**
  - 5 **AARP Volunteers Recognized for Service**
  - 5 **Elder Financial Abuse Prevention Training Offered to Financial Institutions**
  - 6 **DoBS Cybersecurity Efforts Expand**
  - 6 **Mortgage Servicing License Update**
  - 7 **Secretary's Synopsis**
  - 7 **Program Launched for "Next Generation"**
  - 8 **Compliance Corner**
  - 8 **Research: Marijuana Law Map**
- .....  
**Subscribe to the newsletter**



## SECRETARY ROBIN L. Wiessmann • dobssecretary@pa.gov

### Disruption...or Adaptation?

The financial services industry and its regulators have been hearing the word “disruption” used to portend the end of institutions and the rise of a new class of businesses that embrace technology innovation. Perhaps it is time to reflect on these predictions and whether they might have been oversold as they relate to financial services.

This spring, I had the privilege of participating in several regulatory-business panel discussions sponsored by the Conference of State Bank Supervisors, the North American Securities Administrators Association, and the PA Bankers Association. These discussions were wide-ranging and covered several topics of importance to traditional financial services, but every discussion among representatives of established companies and organizations focused or touched on technology innovation.

Financial services offer a variety of ways for people and businesses to interact with money: deposit, invest, transmit, borrow, and spend. The nature of these services has not changed, but the ways they are delivered have changed. Railroads, telephones, credit cards, debit cards, fax machines, MAC machines and ATMs, email, websites...all represent innovation opportunities for financial services that adopted them, not disruptions.

Smartphone apps and the algorithms at their foundations represent enormous opportunities in financial services – for traditional service providers. The companies we regulate are not waiting to be replaced by an algorithm; rather, they are working with the algorithm to produce better results for their customers.



The “disruption community” will also point to the transformative possibilities of virtual currencies like Bitcoin and Ripple and the blockchain technology on which they are built. We know, however, not to conflate virtual currencies with the blockchain technology. Blockchain has the potential to have a positive impact on many sectors of our economy beyond the financial marketplace, which is one reason why established financial institutions are investing heavily in blockchain technology.

Regulators from states across the country are focused on ensuring consumers having access to responsible financial services that meet their needs. Our goal is not to make it more difficult to conduct business, but to protect consumers using technology, and work to ensure a level playing field for all business competitors; in essence,



an approach of facilitated innovation. In Pennsylvania, we are not looking at building a new regulatory regime around technology. Rather, our regulatory frameworks for all companies are tailored around the risk, size, and complexity of a company, and the services and products it provides. We recognize that as the industries we supervise and regulate continues to pursue innovation, regulators must also responsibly embrace technology and innovation in how we operate.

This is an interesting time to be engaged in financial services, not because our industry is being disrupted by technology, but because we are adapting to technology to provide more efficient and effective service.

#### Coda: The States' Role in Consumer Financial Protection

We are watching closely the actions, statements, and policy realignments of federal financial regulators, especially in their roles in providing consumer protections. I can state that the Department of Banking and Securities will continue to do its job: ensuring the safety and soundness of institutions, enforcing Pennsylvania's consumer protection laws, and working to help ensure the integrity of our financial services marketplace – both for consumers and businesses. We will continue to work with federal regulators as they set their directions. As a state regulator, I find assurance that there are 55 of us (including U.S. territories) minding our respective jurisdictions. When it comes to consumer protection, embracing responsibility and speaking as the front line of defense for consumers is a good thing.

## PA Increases Consumer Protections and Skimmer Possession / Use Penalties



Governor Tom Wolf has signed Act 60 of 2018, legislation to reduce fraud and increase consumer protections by increasing penalties for the possession and use of a card skimmer device, as well as transferring stolen information, making it a felony for the first offense.

“Skimmer devices and fraudulent activity costs retailers billions and make consumers feel uneasy about transactions,” said Governor Wolf. “This important legislation will help to increase protections for Pennsylvanians.”

Card skimmers can be placed over or even inside authentic debit and credit card readers that allow criminals to steal credit or debit card data by reading the information contained on the card when it is swiped or inserted.

This legislation, introduced as House Bill 1918 by Rep. Kristin Hill, accompanies the administration's collaborative efforts through the Department of Banking and Securities, State Police, Department of Agriculture, and the Office of the Attorney General to educate consumers, business owners, law enforcement, and gas pump inspectors statewide on the dangers of card skimmers.

If you believe you've been scammed, call the Attorney General's Consumer Protection Hotline at **1.800.441.2555** or email at [scams@attorneygeneral.gov](mailto:scams@attorneygeneral.gov).

# Volunteers Financial REALITY Fair Needed

## Financial Reality Fair in September

As part of a unique financial education partnership with the Pennsylvania Department of Corrections, the Pennsylvania Credit Union Association, and the Pennsylvania Credit Union Foundation, the department is seeking volunteers for an upcoming program on September 18 in Clearfield County.



*Credit union volunteers at the 2017 Financial Reality Fair in Harrisburg.*

The Financial Reality Fair is a live budgeting exercise that has been adapted for inmates of the Quehanna Boot Camp. Volunteers are needed to help run the fair in Karthaus (approximately 2 hours from Harrisburg) from 9:00 AM to 2:45 PM.

If you are interested in this opportunity, please contact Becky MacDicken at **717.214.4755** or [bmacdicken@pa.gov](mailto:bmacdicken@pa.gov) no later than July 25! Volunteers will be required to undergo a special clearance process for this event.





# OUTREACH Spotlight



## FREE Financial Education Conferences for Military, Vets



Calling all military, veterans, and their families! The PA Military Finance Alliance is sponsoring FREE one-day conferences in **Johnstown** and **Annville** to help with the unique financial and investment challenges members of the military and veterans face.

The **“Making \$ense of Finance”** conference in Johnstown will take place on August 8, 2018, at the Hiram G. Andrews Center, Commonwealth Technical Institute, 727 Goucher Street from 10:00 AM to 2:00 PM. Register online [here](#).

The **“Making \$ense of Finance”** conference in Annville will take place on September 7 at Ft. Indiantown Gap, Building 8-80, 880 Bearty Avenue from 10:00 AM to 2:00 PM. Register online [here](#).

Learn more about:

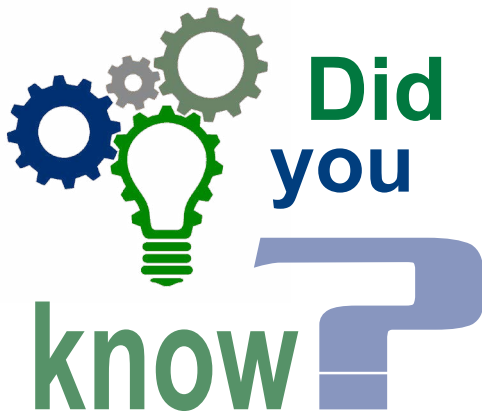
- Investing Basics
- Credit Reports and Credit Scores
- Dream Big Plan Now: Making Your Ideal Retirement a Reality
- Budgeting for All Ages: Build Wealth Not Debt
- Scambusters



Participants will have a chance to win raffle prizes for participating in the conference. Free breakfast, lunch, and parking are included. Space is limited; registration is required.



“Making \$ense of Finance” is made possible through the PA Military Finance Alliance, a cooperative effort of the PA Department of Military and Veterans Affairs, the PA Department of Banking and Securities, the PA Office of Attorney General, Pennsylvania Military OneSource, Better Business Bureau, Liberty USO, Army Community Service, PA National Guard, and Advantage Credit Counseling Services.



While many people know that Pennsylvania is first in liberty, having hosted the Continental Congress that produced the Declaration of Independence, the Keystone State has contributed a long list of firsts, including:

**The Ferris Wheel**, borne from the creative mind of Pittsburgh engineer, George Washington Gale Ferris Jr.

**The Polio Vaccine**, developed by Dr. Jonas Edward Salk while he was at the University of Pittsburgh School of Medicine.

**The U.S. Mint**, established in Philadelphia after the Revolutionary war to create a U.S. currency of standard coins made from metals.

**The Philadelphia Zoological Gardens** was the first zoo to open in the United States.



## AARP Volunteers Recognized for Service

The state Capitol was buzzing with excitement on June 15 when Secretary Wiessmann, AARP Pennsylvania, and the Investor Protection Trust (IPT) honored 12 AARP volunteers for their tireless work to educate and support senior citizens in protecting themselves from elder financial abuse.

The recognition ceremony was a result of the **Campaign for Wise and Safe Investing®**, a statewide community outreach program offered by the Pennsylvania AARP Consumer Issues

Task Force and the Department of Banking and Securities, and funded by IPT, which provides retirees and senior citizens information on how to recognize, avoid, and report financial fraud and abuse.

AARP volunteers work with community groups throughout Pennsylvania to provide their peers with information to protect and grow their money in retirement.

The AARP volunteers honored at the ceremony were:

- **Mary Bach**, Chair of the AARP Consumer Issues Task Force, from Murrysville (Westmoreland County)
- **David Aitken** from Beaver (Beaver County)
- **Eileen Mazza** from Eighty Four (Washington County)
- **Allan Michael and Paige Michael** from Orangeville (Columbia County)
- **Bruce Myers** from Seven Valleys (York County)
- **Frances G. Scalise** from State College (Centre County)
- **Deirdre Spelman** from Scranton (Lackawanna County)
- **Richard Sterner** from Mechanicsburg (Cumberland County)
- **Theresa Thomas-Trainer** from Philadelphia
- **Anthony M. Wolchasty** from Southampton (Bucks)
- **Mary Wozniak** from Bethlehem (Northampton County)

The event also offered an opportunity to mark the 10-year anniversary of the partnership in protecting senior citizens from fraud and scams, and announce the renewal of a \$120,000 grant from IPT to the Campaign.

## Elder Financial Abuse Prevention Training Offered to Financial Institutions

# Senior\$afe

Following passage of federal legislation, Secretary Robin L. Wiessmann has announced that **Senior\$afe** training to help prevent and report elder financial abuse will be offered to a wider group of financial institutions, including banks and credit unions.

The department's **Senior\$afe presentation** [PDF] helps financial professionals identify the several "red flags" of suspicious behavior of their clients and/or those close to their clients, as well as types of financial account activity that could indicate fraud, exploitation, or abuse. Additionally, Senior\$afe helps financial professionals understand how Adult Protective Services works to protect senior citizens and how they themselves can report suspicious behavior or account activity to help protect their clients.

The department had been offering Senior\$afe training free of charge to investment firms, but passage of the federal **Economic Growth, Regulatory Relief, and Consumer Protection Act** in May provides legal immunity for a broader group of properly trained

financial services employees to disclose concerns about financial exploitation of senior citizens.

"Many of us in the financial services and regulatory communities are pleased with the new protections federal law provides in combatting the 'Crime of the 21st century' – elder financial abuse," said Wiessmann. "Expanding our educational programs to more workers in the regulated financial services community will spread the network of protection of senior citizens more widely across Pennsylvania."

Wiessmann also noted that Senior\$afe and other elder financial abuse prevention programs already offered free of charge to professionals in the health care, legal, accounting, and investing fields can be taken for continuing education credit.

The Senior\$afe training program was developed by the Maine Council for Elder Abuse Prevention and the North American Securities Administrators Association (NASAA). The department's effort is part of Governor Tom Wolf's **Consumer Financial Protection Initiative**, which was designed to help professionals working with senior citizens identify signs of elder financial abuse and prevent this crime.





# Cybersection

SAFETY AND SECURITY



## DoBS Cybersecurity Efforts Expand

It has been nearly three years since the department formed its Cybersecurity Task Force, one of the first state regulatory work groups in the nation dedicated to providing resources and information to help businesses address the menace of crime conducted over the internet.

In the past three years, the cybersecurity challenge has both broadened and deepened. In May, Secretary Robin L. Wiessmann announced that the name of the group has been changed. “Task Force implies a temporary effort, and our effort will be ongoing into the foreseeable future,” said Wiessmann. “Therefore, we will rename this group our Cybersecurity Team, reflecting its permanence in our work.”

“The efforts and dedication of our colleagues will keep us safe and maintain the department’s reputation for being a leader in cybersecurity.”



Wiessmann also announced the expansion the mission and focus of the Cybersecurity Team. The team has helped produce cybersecurity resources for consumers ([here](#), [here](#), and [here](#)), created a cybersecurity incident response for agency preparedness, and been invited to join the PA Cyber Incident Annex under the PA Emergency Management Agency.

The department’s Cybersecurity Team will also be working more closely with the efforts of the Office of Administration in protecting the department and Pennsylvania state government information technology infrastructure.

“The efforts and dedication of our colleagues will keep us safe and maintain the department’s reputation for being a leader in cybersecurity,” said Wiessmann.



## Mortgage Servicing License Update

Secretary Wiessmann announced that, as of the June 30 deadline, 132 non-bank companies have applied for a mortgage servicing license.

“We are pleased so far by the response of mortgage servicing companies to this new licensure requirement, which will help ensure a level playing field among business competitors,” said Wiessmann. “We believe this new regulatory authority will also help protect homeowners from wrongful foreclosures and give us more tools to respond to and resolve consumer complaints.”

The department has been accepting license applications for non-bank mortgage servicers since April through the **Nationwide Multistate Licensing System (NMLS)**.

A list of frequently asked questions and answers on the licensing process can be found on the **department’s website**.

The department has effectively incorporated the Consumer Financial Protection Bureau’s mortgage servicer regulations as required by Act 81 of 2017. The regulations can be found online through the **Pennsylvania Bulletin**.

Wiessmann also noted that, henceforth, companies servicing a Pennsylvania mortgage without having applied for a license will be considered unlicensed and subject to enforcement action.

Questions about the license and the application process can be emailed to the department at [mortgageservicing@pa.gov](mailto:mortgageservicing@pa.gov).



## Secretary's Synopsis

## summary

Secretary Wiessmann has spent a busy few months engaging with other state financial regulators and groups throughout the commonwealth to offer updates on the department's work, address issues impacting the industry and Pennsylvanians, and explore partnership opportunities.

The highlights include Secretary Wiessmann being named chair of the Conference of State Bank Supervisors (CSBS) Non-Depository Supervisory Committee in May. The Committee provides a forum for state financial regulators across the country to discuss interstate policy involving a range of non-bank companies offering financial services, including



money transmitters, mortgage servicers, and fintech companies.

(Above) She participated in a panel discussion with regulators from the Federal Reserve Bank of Philadelphia, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation at the FDIC Director's Institute, co-sponsored by the PA Bankers Association.

(Right) She moderated the North American Securities Administrators Association (NASAA) Fintech Forum panel held in May in Washington, D.C. The panel covered the relationship between blockchain technology and the securities industry. The panel featured Isabelle Corbett (R3), Frederik Voss (Nasdaq), Haime Workie (FINRA), and Charles de Simone (SIFMA).



Interested in a career in banking?



## Program Launched for "Next Generation"

Succession planning is an area of intense focus for both banks and bank regulators. As senior executives and career employees approach retirement, banks and regulators are rising to meet the challenge of maintaining "bench strength" with the next generation of leaders, to ensure continuity of institutional knowledge and professional excellence.

The department is working with the Pennsylvania Bankers Association and the Pennsylvania Association of Community Bankers in launching the Next Generation Bankers Academy. The inaugural session will take place August 13-17 in the Harrisburg area.

"Early exposure to financial services and regulatory work through the Next Generation Bankers Academy is intended to get college students interested in a career path that intersects with finance and financial regulation," said Secretary Robin L. Wiessmann. "Students will have an exclusive opportunity to learn from and network with community bank presidents and senior managers."

The Next Generation Bankers Academy is an intense, one-week experiential learning experience for college students interested in understanding more about careers in the financial services industry or government oversight. Learning modules on site at Orrstown Bank, Centric Bank, and Mid Penn Bank will provide real world application for students. Working with executives and managers of these banks, the Department of Banking and Securities, the Federal Reserve Bank of Philadelphia, and others, participants will get hands-on training and learn what happens behind the scenes at a community bank.

The first session of the program has been filled, but Wiessmann encourages students who are interested in this program to make inquiries for next summer's session.

The Next Generation Bankers Academy is designed for rising college sophomores, juniors, and seniors with an interest in banking, finance, technology, community and economic development, or marketing. Students must either attend a Pennsylvania four-year college/university or be a resident of Pennsylvania. Admission to the Next Generation Bankers Academy is competitive. There is no cost to apply and admission to the program is free of charge.

For more information about the program, contact Policy Director Tim Arthun at [tarthun@pa.gov](mailto:tarthun@pa.gov).



# COMPLIANCE CORNER Compliance



## 2nd Quarter 2018 - Enforcement Orders

The Department of Banking and Securities issued **42 enforcement orders** during the second quarter of 2018. Fines and assessments for these orders totaled **\$316,145**, including:

- Six Consent Agreement and Orders and one Suspension and Cease and Desist Order issued for violations of the Consumer Credit Code;
- Two Consent Agreement and Orders and two Orders to Show Cause issued for violations of the Pennsylvania Securities Act of 1972;
- Twenty-four financial penalties issued for failure to file paperwork in accordance with the requirements of the Consumer Discount Company Act and Pawnbrokers Act;
- Two Orders issued for violations of the Mortgage Licensing Act;
- One Consent Agreement and Order issued for violations of the Consumer Discount Company Act and the Loan Interest Protection Law;
- One Consent Agreement and Order issued for violations of the Loan Interest and Protection Law;
- One Consent Agreement and Order issued for violations of the Check Cashier Licensing Act;
- One Amended Consent Order issued under the Department of Banking and Securities Code; and
- One Adjudication denying a request for exemption from a Pennsylvania regulation.

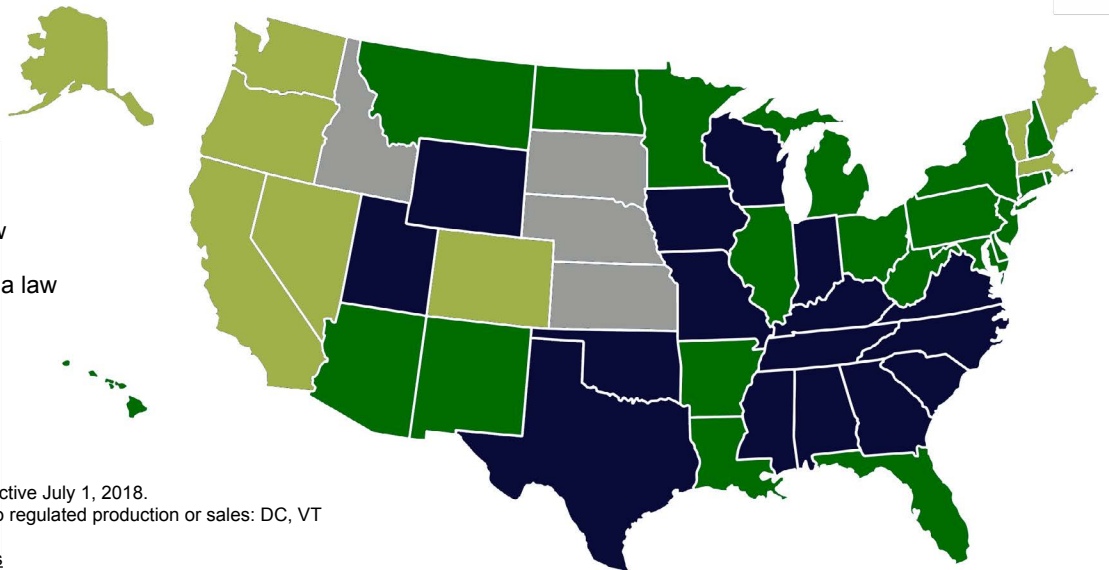
Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at [dobs.pa.gov](http://dobs.pa.gov). Anyone can ask questions or file complaints concerning financial products or services by calling **1.800.PA.BANKS** (or 800.600.0007) or clicking ([here](#)).



## INDUSTRY DATA | TRENDS | STATS Research

### State Marijuana Laws Map

- Adult & medical use regulated law
- Comprehensive medical marijuana law
- CBD/Low THC product law
- No marijuana access law



Vermont adult use law signed Jan. 22, 2018. Effective July 1, 2018.  
Limited adult possession and growing allowed, no regulated production or sales: DC, VT

Source: National Conference of State Legislators