

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## SENATE BILL

No. 1545 Session of  
2012

INTRODUCED BY D. WHITE, PILEGGI, SCHWANK, YUDICHAK, FOLMER,  
BOSCOLA, ALLOWAY, RAFFERTY, EARLL AND BAKER, JUNE 1, 2012

SENATOR CORMAN, APPROPRIATIONS, RE-REPORTED AS AMENDED, JUNE 11,  
2012

## AN ACT

Amending the act of May 15, 1933 (P.L.565, No.111), entitled "An act relating to the powers and duties of the Department of Banking and the Secretary of Banking in exercising supervision over, and taking possession of and conducting or liquidating the business and property of, corporations, associations, and persons receiving deposits or otherwise transacting a banking business, corporations acting as fiduciaries, and building and loan associations; providing for the payment of the expenses of the Department of Banking by supervised corporations, associations, or persons, and appropriating the Banking Department Fund; authorizing the Department of Banking, under certain circumstances, to examine corporations, associations, or persons affiliated, or having business transactions with supervised corporations, associations or persons; authorizing appeals to the Supreme Court, and prescribing and limiting the powers and duties of certain other courts and their prothonotaries, registers of wills, recorders of deeds, and certain State departments, commissions, and officers; authorizing certain local public officers and State departments to collect fees for services rendered under this act; providing penalties; and repealing certain acts and parts of acts," amending the title of the act; further providing for conflicts of interest and penalty; reorganizing the Department of Banking and the Pennsylvania Securities Commission; and making related repeals.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The title of the act of May 15, 1933 (P.L.565, No.111), known as the Department of Banking Code, is amended to

1 read:

2 AN ACT

3 Relating to the powers and duties of the Department of Banking

4 and Securities and the Secretary of Banking and Securities in

5 exercising supervision over, and taking possession of and

6 conducting or liquidating the business and property of,

7 corporations, associations, and persons receiving deposits or

8 otherwise transacting a banking business, corporations acting

9 as fiduciaries, and building and loan associations; providing

10 for the payment of the expenses of the Department of Banking

11 by supervised corporations, associations, or persons, and

12 appropriating the Banking Department Fund; authorizing the

13 Department of Banking, under certain circumstances, to

14 examine corporations, associations, or persons affiliated, or

15 having business transactions with supervised corporations,

16 associations or persons; authorizing appeals to the Supreme

17 Court, and prescribing and limiting the powers and duties of

18 certain other courts and their prothonotaries, registers of

19 wills, recorders of deeds, and certain State departments,

20 commissions, and officers; authorizing certain local public

21 officers and State departments to collect fees for services

22 rendered under this act; regulating securities; providing

23 penalties; and repealing certain acts and parts of acts.

24 Section 2. Section 1 of the act is amended to read:

25 Section 1. Short title.--This act shall be known, and may be

26 cited, as the "Department of Banking and Securities Code."

27 Section 3. The definitions of "department," "secretary,"

28 "licensee" and "institution" in subsection A of section 2 of the

29 act, amended December 9, 2002 (P.L.1604, No.209) and June 29,

30 2009 (P.L.46, No.7), are amended and the section is amended by

1 adding definitions to read:

2 Section 2. Definitions.--A. The following terms shall be  
3 construed in this act to have the following meanings, except in  
4 those instances where the context clearly indicates otherwise:

5 "Department." The Department of Banking and Securities of  
6 this Commonwealth.

7 "Secretary." The Secretary of Banking and Securities of this  
8 Commonwealth, or his duly authorized deputy or representative.

9 \* \* \*

10 "Licensee." A corporation, person or any other type of  
11 business entity required to be licensed by, registered with or  
12 partially exempt from being licensed by the Department of  
13 Banking and Securities under any law of this Commonwealth  
14 administered by the Department of Banking and Securities. The  
15 term does not include a licensee or registrant under the act of  
16 December 5, 1972 (P.L.1280, No.284), known as the "Pennsylvania  
17 Securities Act of 1972," unless otherwise provided in this act.

18 \* \* \*

19 "Institution." A corporation or a person, as defined in this  
20 section, or other type of business entity, including, but not  
21 limited to, a mutual holding company, which is or was subject to  
22 the supervision of the department. The term does not include  
23 credit unions or licensees unless specifically stated otherwise  
24 and does not include a licensee or registrant under the act of  
25 December 5, 1972 (P.L.1280, No.284), known as the "Pennsylvania  
26 Securities Act of 1972," unless otherwise provided in this act.

27 \* \* \*

28 "Association." Any mutual or permanent reserve fund stock  
29 savings association organized under ~~this act~~ THE ACT OF DECEMBER  
30 14, 1967 (P.L.746, NO.345), KNOWN AS THE "SAVINGS ASSOCIATION



1 CODE OF 1967," and includes also any building and loan  
2 association or savings and loan association heretofore organized  
3 under or by virtue of any other act or law of this Commonwealth,  
4 as defined in section 102(3) of the act of December 14, 1967  
5 (P.L.746, No.345), known as the "Savings Association Code of  
6 1967."



7 "Commission." The Banking and Securities Commission of the  
8 department established in section 1121-A(a) of this act.

9 "Fund." The Banking Fund redesignated in section 1113-A of  
10 this act as a continuation of the Banking Department Fund.

11 Section 4. The act is amended by adding a section to read:

12 Section 17. Act not Applicable to Securities Licensees and  
13 Registrants.--Unless otherwise expressly provided, this act  
14 shall not apply to, and shall not affect, the act of act of May  
15 5, 1921 (P.L.374, No.176), referred to as the Investment  
16 Business Licensing Law, the act of December 5, 1972 (P.L.1280,  
17 No.284), known as the "Pennsylvania Securities Act of 1972," or  
18 the act of March 3, 1976 (P.L.42, No.19), known as the "Takeover  
19 Disclosure Law."

20 Section 5. Section 303 of the act, amended December 9, 2002  
21 (P.L.1604, No.209), is repealed:

22 [Section 303. Conflicts of Interest; Penalty.--A. For  
23 purposes of this section, "institution" shall include a licensee  
24 or credit union. The term includes credit unions unless  
25 specifically stated otherwise.

26 B. Except as provided in subsection E, neither the  
27 secretary, nor any officer or employe of the department, nor any  
28 deputy receiver or employe of the secretary, as receiver, shall  
29 receive any sum of money or any property as a gift or loan or  
30 otherwise, directly or indirectly from any institution or from

1 any officer, director or employe thereof. This subsection shall  
2 not apply to loans to employes of the department who function in  
3 a clerical or nondecision making capacity with regard to  
4 institutions, including, but not limited to, clerks, typists and  
5 stenographers.

6 C. Neither the secretary, nor any officer or employe of the  
7 department, nor any deputy receiver or employe of the secretary,  
8 as receiver, shall hold any office or position in, have any  
9 direct or indirect pecuniary interest in, or direct or  
10 indirectly own shares or securities issued by an institution,  
11 except that the secretary or any department employe or officer  
12 may continue to own shares or securities issued by an  
13 institution other than a credit union which are owned by the  
14 secretary on the date of his appointment, or by other department  
15 employes on the date of commencement of employment with the  
16 department, and all shares or securities distributed by the  
17 institution and received by any of them on account of the shares  
18 or securities so owned subject to the penalty provisions of this  
19 section. All department employes subject to this subsection  
20 shall provide the department with written notice of his or her  
21 ownership of any such shares or securities prior to or upon his  
22 or her commencement of employment with the department.  
23 Notwithstanding the foregoing, the department may impose terms  
24 on the employe or officer, including, but not necessarily  
25 limited to, requiring the employe or officer to place into a  
26 blind trust, sell or divest of such shares or securities as a  
27 condition of obtaining or continuing employment with the  
28 department, provided such sale or divestment is deemed to be  
29 reasonably necessary under the circumstances, or to recuse  
30 himself or herself from being involved in any department

1 decision that pertains solely to the institution of which he or  
2 she owns shares or securities.

3 D. In the event of such ownership of shares or securities by  
4 the secretary, he shall disclose the ownership, amount and date  
5 of acquisition of such shares or securities in writing to the  
6 Secretary of the Commonwealth immediately after his appointment  
7 and shall not during his term of office participate in any  
8 decision or take any action concerning an institution in which  
9 he owns such shares or securities other than actions or  
10 decisions generally applicable to institutions or classes of  
11 institutions. In the event of disqualification of the secretary  
12 from participation in any decision or action for such reason,  
13 all authority vested in him or her by law shall, for the purpose  
14 of such decision or action, be exercised by the appropriate  
15 deputy secretary in accordance with their jurisdictional  
16 responsibilities.

17 E. The prohibitions of subsections B and C shall not apply  
18 to:

19 (1) A first lien mortgage loan upon the home of the  
20 secretary or other employe of the department, or an indirect  
21 motor vehicle loan originated under the act of June 28, 1947  
22 (P.L.1110, No.476), known as the "Motor Vehicle Sales Finance  
23 Act," in any and all such mortgage loans or indirect motor  
24 vehicle loans which may be originated by an institution other  
25 than a credit union, where such loan is granted upon the same  
26 terms and in the same manner as provided by law for mortgage  
27 loans or indirect motor vehicle loans granted by such  
28 institutions. All persons subject to this subsection shall  
29 provide the department with written notice of any loan  
30 referenced in this subsection and its terms within thirty days

1 of receiving the loan. Notwithstanding the foregoing, the  
2 department may impose terms on the employee or officer,  
3 including, but not necessarily limited to, requiring such person  
4 to recuse himself or herself from being involved in any  
5 department decision that pertains solely to the institution from  
6 which he or she received a loan.

7 (2) A deposit account with an institution other than a  
8 credit union, provided that such account shall not be  
9 intentionally overdrawn and the secretary, department employee or  
10 officer does not participate in any vote as a shareholder or  
11 member of such institution.

12 F. A violation of the prohibitions of this section by the  
13 secretary, an officer or employee of the department, a deputy  
14 receiver or an employee of the secretary as receiver shall  
15 constitute sufficient ground for removal from office. In  
16 addition, any such person who willfully or knowingly commits  
17 such violation shall be guilty of a misdemeanor and shall, upon  
18 conviction thereof, be subject to imprisonment for a period not  
19 exceeding one year, or a fine not exceeding one thousand dollars  
20 (\$1,000.00), or both; and shall be subject to a further fine  
21 equal to the amount of money or value of the property which such  
22 individual has directly or indirectly received in violation of  
23 this section.]

24 Section 6. The act is amended by adding an article to read:

25 ARTICLE XI-A

26 BANKING AND SECURITIES

27 SUBARTICLE A

28 PRELIMINARY PROVISIONS

29 Section 1101-A. Scope.

30 This article relates to the regulation of banking and

1 securities.

2 Section 1102-A. Purpose.

3 The purpose of this article is to consolidate regulation of  
4 banking and securities under the department.

5 SUBARTICLE B

6 ADMINISTRATION

7 Section 1111-A. Agency.

8 The department shall regulate banking and securities.

9 Section 1112-A. Continuation.

10 (a) Functions.--The department shall assume functions under  
11 subsection (b). A securities division is established as a  
12 division of the department to perform the functions transferred  
13 to the department under subsection (b). The secretary shall  
14 appoint a deputy secretary to oversee the administration of  
15 these functions.

16 (b) Transfers.--The following functions of the Pennsylvania  
17 Securities Commission are transferred to the department:

18 (1) Administration of the act of May 5, 1921 (P.L.374,  
19 No.176), referred to as the Investment Business Licensing  
20 Law.

21 (2) Imposition of fees under section 615-A of the act of  
22 April 9, 1929 (P.L.177, No.175), known as The Administrative  
23 Code of 1929.

24 (3) Administration of the act of December 5, 1972  
25 (P.L.1280, No.284), known as the Pennsylvania Securities Act  
26 of 1972.

27 (4) Administration of the act of March 3, 1976 (P.L.42,  
28 No.19), known as the Takeover Disclosure Law.

29 Section 1113-A. Fund.

30 (a) Continuation.--The Banking Department Fund is



1 redesignated as the Banking Fund.

2 (b) Sources.--The sources of the fund are as follows:

3 (1) Money collected or received by the department  
4 arising from:

5 (i) fees, assessments, charges and penalties  
6 relating to the regulation of associations, credit  
7 unions, institutions and licensees;

8 (ii) the sale by the Department of General Services  
9 of unserviceable property originally paid for out of the  
10 fund; and

11 (iii) similar sources.

12 (2) The sources of the fund shall not include fees,  
13 assessments, charges and penalties generated from:

14 (i) the act of December 5, 1972 (P.L.1280, No.284),  
15 known as the Pennsylvania Securities Act of 1972; or

16 (ii) the act of March 3, 1976 (P.L.42, No.19), known  
17 as the Takeover Disclosure Law.

18 (c) Use.--The fund shall be used by the department to pay  
19 its expenses, including the following:

20 (1) Salaries of the secretary, the deputies, the  
21 examiners, the other employees of the department and  
22 attorneys.

23 (2) Rental and other expenses for offices, rooms, garage  
24 space and other accommodations, regardless of the  
25 municipality in which they are located, occupied by the  
26 department. This paragraph excludes offices, rooms, garage  
27 space and accommodations in the Capitol Complex.

28 (3) Premiums for workers' compensation insurance  
29 covering the officers and employees of the department.

30 (4) Premiums for surety bonds for officers and employees

1 of the department required by law to furnish the bonds.

2 (5) Furniture, stationery, materials, supplies and  
3 overhead expenses of the department.

4 (d) Department of General Services.--Purchases and leases  
5 under subsection (c) shall be made through the Department of  
6 General Services, as agent. Contracts of insurance and surety  
7 bonds under subsection (c) shall be placed through the  
8 Department of General Services, as agent.

9 (e) Restrictions on appropriations.--

10 (1) For fiscal years beginning after June 30, 1995, and  
11 ending before July 1, 2012, the General Assembly shall  
12 appropriate funds as it determines to be necessary from the  
13 fund for use by the department or other Commonwealth  
14 agencies.

15 (2) For fiscal years beginning after June 30, 2012, the  
16 General Assembly shall appropriate the funds as it determines  
17 to be necessary from the fund for use only by the department  
18 and not for any other Commonwealth agency.

19 (f) Warrant.--Money in the fund appropriated to the  
20 department shall be paid out upon warrant of the State Treasurer  
21 drawn after requested by the secretary.

22 (g) Institution Resolution Account.--

23 (1) The Institution Resolution Account is established as  
24 a restricted account within the fund.

25 (2) The sources of the account are as follows:

26 (i) An amount determined by the secretary each  
27 fiscal year based upon economic and regulatory conditions  
28 from assessments, fees and administrative penalties  
29 generated from statutes administered by the department  
30 other than:

1           (A) the act of December 5, 1972 (P.L.1280,  
2           No.284), known as the Pennsylvania Securities Act of  
3           1972; or

4           (B) the act of March 3, 1976 (P.L.42, No.19),  
5           known as the Takeover Disclosure Law.

6           (ii) Amounts received from court litigation  
7           involving the department.

8           (3) The secretary may use the money in the account to  
9           pay for costs associated with any of the following:

10           (i) Resolution of an institution or an association,  
11           under Article X. Money under this subparagraph may be  
12           used in lieu of paying expenses from the assets of an  
13           institution or association under section 1006.

14           (ii) Seizure and liquidation of a credit union under  
15           17 Pa.C.S. § 503 (relating to regulation by department).

16 Section 1114-A. Conflicts of interest.

17 Appointed officials and employees of the department shall  
18 only be subject to:

19           (1) section 605 of the act of December 5, 1972  
20           (P.L.1280, No.284), known as the Pennsylvania Securities Act  
21           of 1972; and

22           (2) statutes, regulations and statements of policy,  
23           generally governing the ethical conduct of appointed  
24           officials and State employees in regard to conflicts of  
25           interest and other ethics issues.

26                           SUBARTICLE C

27                           COMMISSION

28 Section 1121-A. Organization.

29           (a) Establishment.--The Banking and Securities Commission is  
30 established within the department.

1     (b) Composition.--The commission shall consist of the  
2 following commissioners:

3         (1) The secretary, who may be represented by a designee.

4         (2) A designee of the Governor.

5         (3) Three individuals appointed by the Governor with the  
6 advice and consent of a majority of the members of the  
7 Senate.

8     (c) Terms.--

9         (1) The secretary shall serve ex officio.

10        (2) A commissioner under subsection (b) (2) or (3) shall  
11 serve at the pleasure of the Governor and until a successor  
12 is appointed and qualified.

13     (d) Officers.--The Governor shall designate a commissioner  
14 under subsection (b) (3) as chair. The secretary or the  
15 secretary's designee shall serve as the vice chair.

16     (e) Meetings.--The commission shall convene:

17         (1) on a schedule determined by the secretary; but

18         (2) at least every three months.

19     (f) Quorum.--A majority of serving commissioners constitutes  
20 a quorum. Action taken at a meeting at which a quorum is present  
21 shall be the lawful act of the commission for all purposes.

22     (g) Compensation and expenses.--

23         (1) A commissioner under subsection (b) (1) or (2) shall  
24 not receive an additional salary in compensation for  
25 membership on the commission.

26         (2) A commissioner under subsection (b) (3) shall receive  
27 an annual salary of \$36,000, subject to annual cost-of-living  
28 increases under section 3(e) of the act of September 30, 1983  
29 (P.L.160, No.39), known as the Public Official Compensation  
30 Law.

1       (3) All commissioners shall be reimbursed for reasonable  
2       and necessary expenses incurred in the performance of their  
3       duties in accordance with 4 Pa. Code Ch. 40 (relating to  
4       travel and subsistence).

5 Section 1122-A. Powers and duties.

6       The commission has the following powers and duties:

7       (1) Be the final adjudicator of every administrative  
8       proceeding which requires the appointment of a hearing  
9       officer and which is instituted by the department under any  
10       law administered by the department. An action under this  
11       paragraph is subject to 2 Pa.C.S. Chs. 5 Subch. A (relating  
12       to practice and procedure of Commonwealth agencies) and 7  
13       Subch. A (relating to judicial review of Commonwealth agency  
14       action).

15       (2) Perform functions authorized by the secretary.

16                       SUBARTICLE D

17                       TRANSITIONAL PROVISIONS

18 Section 1131-A. Transition and implementation.

19       In order to facilitate the reorganization under this article,  
20 all of the following shall occur:

21       (1) Reorganization. The following shall apply:

22               (i) The secretary shall review and assess the  
23       Pennsylvania Securities Commission's organizational  
24       structure for an October 1, 2012 reorganization under  
25       this article. This subparagraph includes personnel and  
26       staffing, budgetary needs and considerations, operations,  
27       and statutory and regulatory enforcement requirements,  
28       for the purpose of determining the organizational  
29       structure and staffing.

30               (ii) In accordance with the review and assessment

1       under subparagraph (i), by August 31, 2012, the secretary  
2       shall submit a reorganization plan to carry out the  
3       reorganization under this article to the Executive Board  
4       for approval under section 709(b) and (h) of the act of  
5       April 9, 1929 (P.L.177, No.175), known as The  
6       Administrative Code of 1929.

7               (iii) If the Executive Board approves the  
8       reorganization plan under subparagraph (ii), the plan  
9       shall take effect September 28, 2012.

10       (2) Personnel actions. Notwithstanding the  
11       reorganization plan required under paragraph (1)(iii), after  
12       June 30, 2012, no member of the Pennsylvania Securities  
13       Commission or Pennsylvania Securities Commission personnel  
14       shall hire new staff or promote or terminate existing staff  
15       without the approval of the secretary.

16       (3) Budgeting and procurement. After June 30, 2012, and  
17       before October 1, 2012, without the approval of the  
18       secretary, the Pennsylvania Securities Commission may not:

19               (i) expend funds, other than for payroll; or

20               (ii) procure goods and services.

#### 21                       SUBARTICLE E

#### 22                       MISCELLANEOUS PROVISIONS

#### 23       Section 1141-A. References.

24       In statutes, regulations and orders, a reference to the  
25       Pennsylvania Securities Commission shall be deemed a reference  
26       to the department.

27       Section 7. Repeals are as follows:

28               (1) The General Assembly declares as follows:

29                       (i) The repeal under paragraph (2)(i) is necessary  
30       to effectuate the addition of section 1113-A of the act.

1           (ii) The repeal under paragraph (2)(ii) is necessary  
2 to effectuate section 1121-A(g)(2) of the act.

3           (iii) The repeal under paragraph (2)(iii) is  
4 necessary to effectuate the addition of section 1121-A of  
5 the act.

6       (2) The following acts and parts of acts are repealed:

7           (i) Section 1605 of the act of April 9, 1929  
8 (P.L.177, No.175), known as The Administrative Code of  
9 1929.

10          (ii) Section 601.1 of the act of December 5, 1972  
11 (P.L.1280, No.284), known as the Pennsylvania Securities  
12 Act of 1972.

13          (iii) As much of the definition of "independent  
14 agency" in section 102 of the act of October 15, 1980  
15 (P.L.950, No.164), known as the Commonwealth Attorneys  
16 Act, as refers to the Pennsylvania Securities Commission.

17       (3) The following parts of acts are repealed insofar as  
18 they are inconsistent with this act:

19           (i) Section 209 of the act of June 7, 1923 (P.L.498,  
20 No.274), known as The Administrative Code.

21           (ii) Sections 206 and Article XXVIII-B of The  
22 Administrative Code of 1929.

23           (iii) Section 601 of the Pennsylvania Securities Act  
24 of 1972.

25           (iv) Section 201 of the Commonwealth Attorneys Act.  
26 Section 8. Continuation is as follows:

27       (1) The addition of section 1112-A(b)(3) of the act  
28 effectively continues the act of December 5, 1972 (P.L.1280,  
29 No.284), known as the Pennsylvania Securities Act of 1972,  
30 AND THE ACT OF MARCH 3, 1976 (P.L.42, NO.19), KNOWN AS THE

←

1 TAKEOVER DISCLOSURE LAW. The following apply:

2 (i) Except as otherwise provided in the act, all  
3 activities initiated under the Pennsylvania Securities  
4 Act of 1972 OR THE TAKEOVER DISCLOSURE LAW shall continue ←  
5 and remain in full force and effect and may be completed  
6 under section 1112-A(b)(3) of the act.

7 (ii) Resolutions, orders, regulations, rules and  
8 decisions which were made under the Pennsylvania  
9 Securities Act of 1972 OR THE TAKEOVER DISCLOSURE LAW and ←  
10 which are in effect on October 1, 2012, shall remain in  
11 full force and effect until revoked, vacated or modified  
12 under section 1112-A(b)(3) of the act.

13 (iii) Contracts, obligations and agreements entered  
14 into under the Pennsylvania Securities Act of 1972 OR THE ←  
15 TAKEOVER DISCLOSURE LAW are not affected nor impaired by  
16 the transfer under section 1112-A(b)(3) of the act.

17 (2) (Reserved).

18 Section 9. This act shall take effect as follows:

19 (1) The following provisions shall take effect  
20 immediately:

21 (i) Section 7(1) of this act.

22 (ii) Section 8 of this act.

23 (iii) This section.

24 (2) The addition of Subarticles A and D of Article XI-A  
25 of the act shall take effect July 1, 2012, or immediately,  
26 whichever is later.

27 (3) The remainder of this act shall take effect October  
28 1, 2012.