

**INVESTMENT BUSINESS LICENSING LAW**  
**Act of May 5, 1921, P.L. 374, No. 176**  
AN ACT

Cl. 07

Providing for the licensing and regulation of corporations, copartnerships, associations, and individuals, engaged in the business of receiving payments or contributions to be held or used in any plan of accumulation or investment, or of issuing, negotiating, offering for sale, or selling any certificates, securities, contracts, or other choses in actions evidenced by writing on the partial payment or instalment plan, or of assuming fixed obligations, or issuing, in connection therewith, a contract based upon payments being made upon instalments or single payments, under which all or part of the total amount received is to be repaid at some future time, with or without profit; and imposing penalties.

Section 1. Be it enacted, &c., That wherever used in this act, the following words shall be construed as follows:

"Corporation" shall mean a corporation formed, incorporated, or organized under the laws of this Commonwealth, or of any other state or territory, the District of Columbia, or any foreign country.

"Person" shall mean an individual, firm, partnership, or association.

"Contract" shall mean a bond, note, certificate, contract, obligation, agreement, pass book, or any other chose in action evidenced by writing.

"Commission" shall mean the Pennsylvania Securities Commission.

(1 amended May 15, 1933, P.L.788, No.113)

Section 2. After the first day of October, one thousand nine hundred and twenty-one, no corporation or person shall, whether or not operating under a declaration of trust or other agreement, engage or continue, either directly or indirectly, in the business, within this Commonwealth, of receiving single payments, regular instalment payments, or contributions to be held or used in any plan of accumulation or investment, or of issuing, negotiating, offering for sale, or selling any contract on the partial payment or instalment plan, or of assuming fixed obligations, or issuing, in connection therewith, a contract based upon payments being made upon instalments or single payment, under which all or part of the total amount received is to be repaid at some future time, either with or without profit, unless such corporation or person is licensed to transact such business within this Commonwealth by the commission in the manner hereinafter provided.

(2 amended May 15, 1933, P.L.788, No.113)

Section 3. Every corporation or person, desiring to obtain a license under the provisions of this act, shall file with the commission, an application in writing in such form as may be prescribed by the commission. Before a license shall be issued

by the commission, it shall make, or cause to be made, an investigation of the condition and affairs of the applicant and its general plan of operation. It shall investigate the moral character and general fitness of the applicant, if an individual, and of the members of a partnership or association, and of the directors, managers, trustees, and other officers of every applicant, to discharge the duties reposed in them, and may examine any or all of them under oath. It shall require the applicant to submit a mathematical chart or calculation, showing in detail the operation of the plan of investment carried on or proposed to be carried on, for the purpose of determining whether the same is financially and mathematically sound and the contracts or obligations issued or proposed to be issued possible of fulfillment. Unless the commission is satisfied as to the character and general fitness of the managing officers of the applicant to honestly and efficiently carry on its business, and that the plan of operation is financially sound, and the contracts issued or proposed to be issued possible of fulfillment, it shall refuse the license, and forthwith notify the applicant of such refusal, and specify in the notice the cause or causes thereof. The commission may revoke such license at any time when conditions arise which in its judgment, if existing at the time when the license was granted, would have been sufficient cause for refusing to issue such license.

(3 amended May 15, 1933, P.L.788, No.113)

Section 4. No corporation or person shall be licensed under the provisions of this act unless and until it has deposited with the commission in cash or bonds of the United States or of the State of Pennsylvania or of cities, counties, boroughs, or school districts of this Commonwealth, or of any authority created by the State or any political subdivision or any other state of the United States, approved by the commission of the clear market value of one hundred thousand dollars (\$100,000), as security for the fulfillment of its contracts made heretofore or hereafter with residents of Pennsylvania. Exchanges of such bonds may be made from time to time with the approval of the commission. If any of said bonds are called for payment, the proceeds thereof shall remain in the hands of the commission until other bonds of the character described in this section shall be substituted in like amount for the bonds so paid. The corporation or person making such deposit shall be entitled to the income thereon.

(4 amended May 3, 1956, 1955 P.L.1527, No.502)

Section 5. Every corporation or person licensed under the provisions of this act shall, before such license is issued, pay to the commission a fee of one hundred dollars (\$100) at the time such license is issued, and twenty-five dollars (\$25) on or before the first day of October annually thereafter. All fees paid to the commission under the provisions of this act shall be paid by it, through the Department of Revenue, into the State Treasury.

(5 amended May 15, 1933, P.L.788, No.113)

Section 6. Every corporation or person licensed under the provisions of this act shall annually, on or before the fifteenth day of January, file in the office of the commission a

report, which shall exhibit its financial condition on the thirty-first day of December of the previous year and its business of that year, and shall, at any other time upon written request of the commission, file a supplemental report of its financial condition and business done. For cause the commission may extend the time for filing the annual report, but not to a date later than the fifteenth day of February. Such report shall be in such form as may be established from time to time by the commission, and shall be sworn to by the president and secretary of the corporation or person, or, in their absence, by two of its principal officers empowered to act in their stead. A corporation or person which neglects to file its annual report with the commission within the time required shall be liable to a penalty of one hundred dollars (\$100) for each day during which such neglect continues. Such penalty shall be collected by the Attorney General as debts due the Commonwealth are collected.

(6 amended May 15, 1933, P.L.788, No.113)

Section 7. The commission may require every corporation or person licensed under the provisions of this act to set apart a fund, no portion of which shall be applied to the expense of such corporation or person, which shall consist of not less than ten per centum of the amount designated in each contract issued as applicable to the payment of the expenses of conducting the business of such corporation or person. Such fund shall be invested at the close of each calendar year, or oftener if the commission may require, in bonds of the character described in section four of this act, and forthwith deposited with the commission, in the same manner and under the same terms as prescribed by said section, as additional security for the fulfillment of its contracts, provided such corporations or person may deposit cash with the commission in lieu of securities.

(7 amended May 15, 1933, P.L.788, No.113)

Section 8. The commission, or its duly authorized representative, shall have free access to all the books and papers of the corporation or person which relate to its business and to the books and papers kept by any of its agents, and may administer oaths to and examine as witnesses the directors, officers, and agents of said corporation or person, and any individual or the members of any copartnership or association licensed hereunder, and any other person, relative to its affairs, transactions and condition.

(8 amended May 15, 1933, P.L.788, No.113)

Section 9. Whenever any corporation or person licensed under the provisions of this act shall desire to discontinue with this Commonwealth the business of the nature hereinbefore set forth and described, it may make application by petition to the court setting forth its resources and liabilities within and without this Commonwealth, and particularly an itemized and complete list of the holders or owners of the outstanding contracts issued by such corporation or person, together with the last known address of such holders or owners, and, in each case, the total amount of the liability of such corporation or person thereon, if any, and thereupon the said court, after due

hearing, of which the commission shall have such notice as the court may determine, may make such order as will permit the withdrawal of said cash or bonds deposited with the commission, or a part thereof, and will, at the same time, fully protect the rights of all persons owning or holding the contracts issued by such corporation or person.

(9 amended May 15, 1933, P.L.788, No.113 and repealed in part Apr. 28, 1978, P.L.202, No.53)

**Compiler's Note:** Section of Act 53 of 1978 provided that the reference to the "court" in section 9 shall be deemed a reference to a court of competent jurisdiction.

Section 10. Any corporation or person violating any of the provisions of this act, or failing to comply with any requirement imposed upon it by the commission pursuant to any of the provisions of this act, is guilty of a misdemeanor, and, upon conviction, shall be sentenced to pay a fine of not less than five hundred dollars (\$500) nor more than five thousand dollars (\$5,000). Each transaction carried on in violation of this act shall constitute a separate offense.

(10 amended May 15, 1933, P.L.788, No.113)

Section 11. Any individual who sells or attempts to sell within this Commonwealth any contracts of or issued by any corporation or person subject to the requirements of this act, unless such corporation or person is licensed as herein provided, is guilty of a misdemeanor, and, upon conviction, shall be sentenced to pay a fine of not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000), or to undergo imprisonment for not more than one year, or both.

Section 12. The provisions of this act shall not apply to any person or corporation engaged entirely in the business of issuing, negotiating, offering for sale, or selling contracts which at the time of issuance, negotiation, offering for sale, or sale are secured by adequate property, real or personal, nor to any domestic or foreign banks, banking companies, cooperative banking associations, trust, safe deposit, real estate, mortgage, title insurance, guaranty, surety and indemnity companies, savings institutions, savings banks, and provident institutions, or to mutual savings funds, employees' savings funds, building and loan associations, or corporations doing a safe deposit business only, nor to national banking associations, nor to any corporation, copartnership, association, exchange, society, or order, subject to the supervision of the Insurance Commissioner of the Commonwealth, nor to contracts issued by a corporation or person for the purpose of raising money for its principal business, if its principal business is other than the issuing or selling of contracts or obligations described in section two of this act.

The provisions of this act shall not be construed to affect in any way the act, approved the thirteenth day of April, one thousand nine hundred twenty-seven (Pamphlet Laws, two hundred seventy-three), entitled "An act for the registration and regulation of certain individuals and entities selling, offering for sale or delivery, soliciting subscriptions to, or orders for, or undertaking to dispose of, inviting offers for, or inquiries about, or dealing in any manner in, securities defined

herein, including securities issued by them; conferring powers and imposing duties on the Pennsylvania Securities Commission and otherwise providing for the administration of this act; providing for appeals to the court of common pleas of Dauphin County and to the Supreme Court of Pennsylvania; prescribing penalties; and making appropriations," its amendments and supplements.

All books, papers, records, securities, and moneys of or relating to corporations and persons subject to the provisions of this act, which are in the office of the Department of Banking, shall be transferred by the Department of Banking to the commission.

(12 amended May 15, 1933, P.L.788, No.113)

Section 13. The act, approved the sixteenth day of July, one thousand nine hundred and nineteen (Pamphlet Laws, nine hundred and eighty-nine), entitled "An act providing that unincorporated organizations, associations, societies, partnerships, or individuals, creating funds derived from periodical payments by members or other persons, as well as from fees, forfeiture, incidental fees, and payment of premiums and interest, which fund is to be loaned or advanced to members or to other persons for the purpose of enabling them to acquire real estate, personal property, or to construct buildings, or for any other purpose, shall be deemed to be building and loan associations for the purpose of making them subject to the supervision and control of the Banking Department," is hereby repealed.

All other acts or parts of acts inconsistent herewith are hereby repealed.