
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 561 Session of
2003

INTRODUCED BY NICKOL, HASAY, HANNA, BLAUM, BOYES, GANNON,
BROWNE, HUTCHINSON, JAMES, LEWIS, MANDERINO, PALLONE,
STETLER, TURZAI AND WALKO, MARCH 3, 2003

REFERRED TO COMMITTEE ON COMMERCE, MARCH 3, 2003

AN ACT

1 Amending the act of December 5, 1972 (P.L.1280, No.284),
2 entitled "An act relating to securities; prohibiting
3 fraudulent practices in relation thereto; requiring the
4 registration of broker-dealers, agents, investment advisers,
5 and securities; and making uniform the law with reference
6 thereto," further defining "institutional investor"; adding a
7 definition; and further providing for prohibited advisory
8 activities and for prohibited transactions involving public
9 school districts in this Commonwealth.

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

12 Section 1. Section 102(k) of the act of December 5, 1972
13 (P.L.1280, No.284), known as the Pennsylvania Securities Act of
14 1972, is amended and the section is amended by adding a
15 definition to read:

16 Section 102. Definitions.--When used in this act, the
17 following definitions shall be applicable, unless the context
18 otherwise requires:

19 * * *

20 (k) "Institutional investor" means any bank, insurance
21 company, pension or profit sharing plan or trust (except a

1 municipal pension plan or system), investment company, as
2 defined in the Investment Company Act of 1940, or any person,
3 other than an individual, which controls any of the foregoing,
4 the Federal Government, State or any agency or political
5 subdivision thereof, except public school districts of this
6 State, or any other person so designated by regulation of the
7 commission.

8 * * *

9 (1.1) "Municipal pension plan or system" means a pension
10 plan or system provided by a municipality as those terms are
11 defined in section 102 of the act of December 18, 1984
12 (P.L.1005, No.205), known as the Municipal Pension Plan Funding
13 Standard and Recovery Act.

14 * * *

15 Section 2. Sections 404(a)(5) and 409 of the act, amended or
16 added November 24, 1998 (P.L.829, No.109), are amended to read:

17 Section 404. Prohibited Advisory Activities.--(a) It is
18 unlawful for any person who receives, directly or indirectly,
19 any consideration from another person for advising the other
20 person as to the value of securities or their purchase or sale,
21 whether through the issuance of analyses or reports or
22 otherwise, in this State:

23 * * *

24 (5) To fail to disclose to the board of school directors of
25 a public school district or to a municipal pension plan or
26 system in this Commonwealth the compensation that such person
27 will give, directly or indirectly, to another person in
28 connection with either obtaining the board of school directors
29 or municipal pension plan or system as an advisory client or
30 advising the board of school directors or municipal pension plan

1 or system as to any transaction involving the purchase or sale
2 of a security with respect to an investment of public school
3 district funds pursuant to section 440.1 of the act of March 10,
4 1949 (P.L.30, No.14), known as the "Public School Code of 1949,"
5 and 53 Pa.C.S. Pt. VII Subpt. B (relating to indebtedness and
6 borrowing) or investment of funds of the municipal pension plan
7 or system.

8 * * *

9 Section 409. Prohibited Transactions Involving Public School
10 Districts or Municipal Pension Plans or Systems of this State.--
11 It shall be unlawful for any person to purchase or sell or
12 induce or attempt to induce the purchase or sale of any security
13 in this State by means of any manipulative, deceptive or other
14 fraudulent scheme, device or contrivance or in violation of this
15 act or regulation or order issued under this act in a
16 transaction involving a public school district or municipal
17 pension plan or system in this State.

18 Section 3. This act shall take effect in 60 days.