

No. 2004-128

AN ACT

HB 561

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

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

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

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

* * *

(k) "Institutional investor" means any bank, insurance company, pension or profit sharing plan or trust (*except a municipal pension plan or system*), investment company, as defined in the Investment Company Act of 1940, or any person, other than an individual, which controls any of the foregoing, the Federal Government, State or any agency or political subdivision thereof, except public school districts of this State, or any other person so designated by regulation of the commission.

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(L1) "Municipal pension plan or system" means a pension plan or system provided by a municipality as those terms are defined in section 102 of the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act.

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

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

* * *

(5) To fail to disclose to the board of school directors of a public school district *or to a municipal pension plan or system* in this Commonwealth the compensation that such person will give, directly or indirectly, to another person in connection with either obtaining the board of school directors *or*

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

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

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

APPROVED—The 23rd day of November, A.D. 2004.

EDWARD G. RENDELL