

**CHAPTER 605. DEPARTMENT EMPLOYEES;
RELATIONSHIP WITH LICENSED PERSONS OR
QUALIFIED ORGANIZATIONS**

Sec.
605.020. Conflict of interest.

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(a) To protect the public interest and avoid conflicts of interest, the Department has determined, under section 605(b) of the act (70 P.S. § 1-605(b)), that the provisions of section 605(a) of the act do not prohibit the holding or purchasing of any securities by any employee of the Department if one of the following applies:

(1) The employee did not perform a principal review of the application for the registration of the securities or any other securities of the same issuer registered with the Department under section 205 or 206 of the act (70 P.S. §§ 1-205 and 1-206) or was not involved in an investigation, audit or examination of the registration.

(2) The securities to be held or purchased are those of an open-end or closed-end investment company, face amount certificate company or unit investment trust, as those terms are defined in section 2 of the Investment Company Act of 1940 (15 U.S.C.A. § 80a-2) for which the issuer is registered or has filed a registration statement under the Investment Company Act of 1940 (15 U.S.C.A. §§ 80a-1—80a-64).

(3) The employee did not perform a principal review of the application for licensure or registration of a broker-dealer, agent, investment adviser or investment adviser representative filed with the Department under section 303 of the act (70 P.S. § 1-303) or was not involved in an investigation, audit or examination of the licensee or registrant.

(b) If, under section 605(a) and (b) of the act, there may be a conflict of interest with an employee of the Department which is not permitted by subsection (a), the employee may present a formal request to the Department for permission to hold or purchase the securities.

(1) The request must set forth the type and amount of securities to be held or purchased, the issuer of the securities, any other relationship between the employee and the issuer, the functions which the employee performed relative to the registration of the issuer and all other pertinent reasons as to why the employee feels the Department should grant the employee's request.

(2) The Department may grant the employee's request if it finds that in doing so it would be protecting the public interest and avoiding conflicts of interest.

(c) An employee of the Department may not hold or purchase a security which would otherwise be permitted by subsections (a) and (b) if the holding and purchasing of the security would violate any other applicable conflict of interest statute or regulation.

Authority

The provisions of this § 605.020 issued under the Pennsylvania Securities Act of 1972 (70 P.S. §§ 1-101—1-704); amended under section 202.C of the Department of Banking and Securities Code (71 P.S. § 733-202.C); section 609(a) of the Pennsylvania Securities Act of 1972 (70 P.S. § 1-609(a)); and section 9(b) of the Takeover Disclosure Law (70 P.S. § 79(b)).

Source

The provisions of this § 605.020 adopted October 23, 1981, effective October 24, 1981, 11 Pa.B. 3628; transferred and renumbered from 64 Pa. Code § 605.020, December 14, 2012, effective December 15, 2012, 42 Pa.B. 7533; amended January 12, 2018, effective January 13, 2018, 48 Pa.B. 389. Immediately preceding text appears at serial pages (364825) to (364826).

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