

**AGENDA
FINANCIAL SERVICES COMMISSION
OFFICE OF FINANCIAL REGULATION**

February 1, 2004

MEMBERS

Governor Jeb Bush
Attorney General Charlie Crist
Treasurer Tom Gallagher
Commissioner Charlie Bronson

Contact: Andrew Price (OFR)
(850) 410-9896

9:00 A.M.
LL-03, The Capitol
Tallahassee, Florida

<u>ITEM</u>	<u>SUBJECT</u>	<u>RECOMMENDATION</u>
1.	Presentation of the Quarterly Report for the 2004 4th quarter by Commissioner Don Saxon. (ATTACHMENT 1)	FOR INFORMATION
2.	Recognition of Accreditation of the Office of Financial Regulation by the National Association of State Credit Union Supervisors (NASCUS). Presentation by Mary Martha Fortney, President/CEO of NASCUS. Presentation by Guy Hood, President/CEO, Florida Credit Union League. (ATTACHMENT 2)	FOR INFORMATION

ATTACHMENT

1

Office of Financial Regulation

Quarterly Report to

The Financial Services Commission



Don B. Saxon

Commissioner

December 31, 2004



Office of Financial Regulation

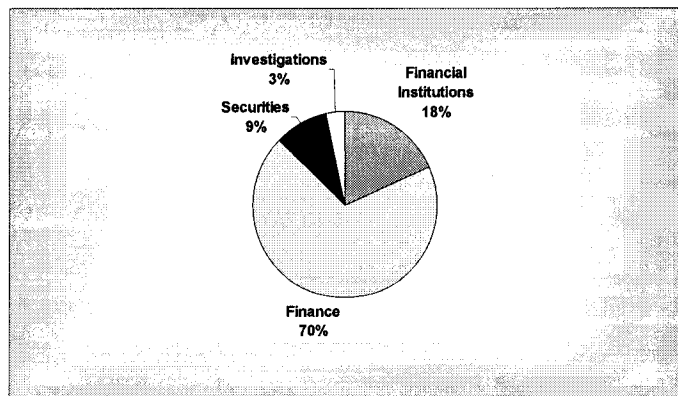
The Office of Financial Regulation (Office) is dedicated to safeguarding the private financial interests of the public by licensing, chartering, examining and regulating depository and non-depository financial institutions. The Office protects the investing public from investment and securities fraud while facilitating capital formation in the State.

Major Initiatives

- ❖ **National Association of State Credit Union Supervisors** issued its initial accreditation of OFR in December 2004
- ❖ **Money Transmitter Regulatory Unit** was formally established. The Unit will focus on compliance issues involving Funds Transmitters, Payment Instrument Issuers, Check Cashers, Foreign Currency Exchangers, and Deferred Presentment Providers.

212 Final Orders Issued

(7/1 – 12/31/2004)

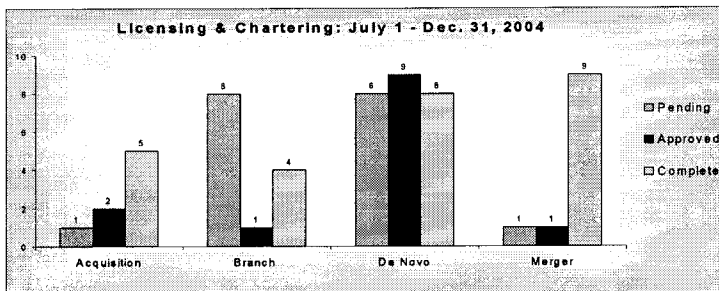
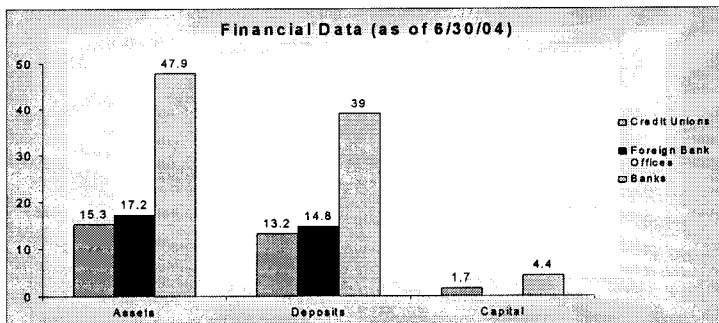
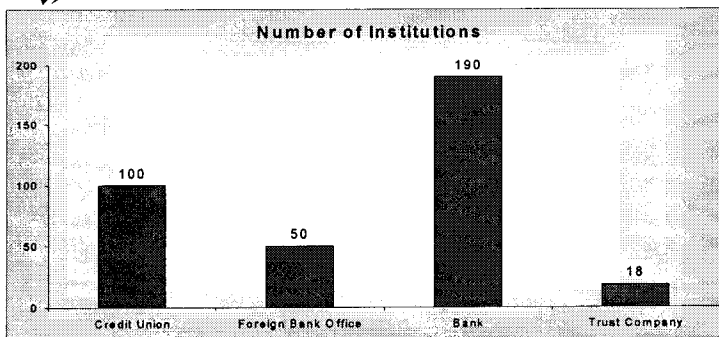


Significant Events

- ❖ Visited Hurricane Ivan Disaster Recovery Center in Pensacola
- ❖ Attended **American Bankers Association (ABA)** Annual Meeting
- ❖ Participated as a panelist in **Connecticut Securities Forum**
- ❖ Spoke at **Annual Finance Examiner Training**
- ❖ Spoke at **Raymond James & Associates Branch Manager's Meeting**
- ❖ Spoke at **North American Securities Administrators Association (NASAA) Investors Education Seminar**
- ❖ Participated in **Central Registration Depository (CRD) Steering Committee Meeting**
- ❖ Attended **NASAA Continuing Education Working Group Meeting**
- ❖ Attended **Florida Bankers Association (FBA) Meeting**
- ❖ Attended **NASAA Broker/Dealer Section Meeting**
- ❖ Participated in **Federal Reserve Bank of Atlanta (FRB) Debate and Confirm**
- ❖ Participated in **Conference of State Bank Supervisors (CSBS) International Dialogue Day** in Washington, DC
- ❖ Participated in **Federal Deposit Insurance Corporation (FDIC) Conference and Commissioners Panel**
- ❖ Participated in **CSBS Symposium**

Financial Institutions

Ensure the safety and soundness of the state financial institution system. Support efforts to promote Florida's domestic and international financial services industries.



Significant Events

- ❖ 100% of new banks in Florida during FY 03-04 were state chartered
- ❖ 76% of customer satisfaction surveys returned rated OFR 2 or better on a scale of 1-5 (1 being highest, 5 being lowest)
- ❖ Institutions Under Formal Administrative Action: 5
- ❖ Application for **Southshore Community Bank** (Apollo Beach) filed October 5, 2004
- ❖ Application for **South Bank of Florida** (Orlando) filed October 12, 2004
- ❖ Application for **Biscayne Bank of Florida** (Miami) filed November 4, 2004
- ❖ Application for **Paradise Bank** (Boca Raton) filed November 8, 2004
- ❖ Application for **R-G Premier Bank of Puerto Rico** (Casselberry) filed November 12, 2004
- ❖ Application by **State Trust Bank & Trust Co.** (Miami) was withdrawn on November 18, 2004
- ❖ **Citizens First Trust Company, LLC** (The Villages) opened October 15, 2004
- ❖ **Patriot Bank** (Trinity) opened October 22, 2004
- ❖ **American First Bank** (Clermont) opened November 30, 2004
- ❖ **Prime Bank** (Melbourne) opened December 13, 2004



Bureau of Financial Investigations

Conduct financial investigations into allegations of fraudulent and unlicensed activity.

Fiscal Year 04-05 July 1 – Dec. 31, 2004

Investigations Opened: 38

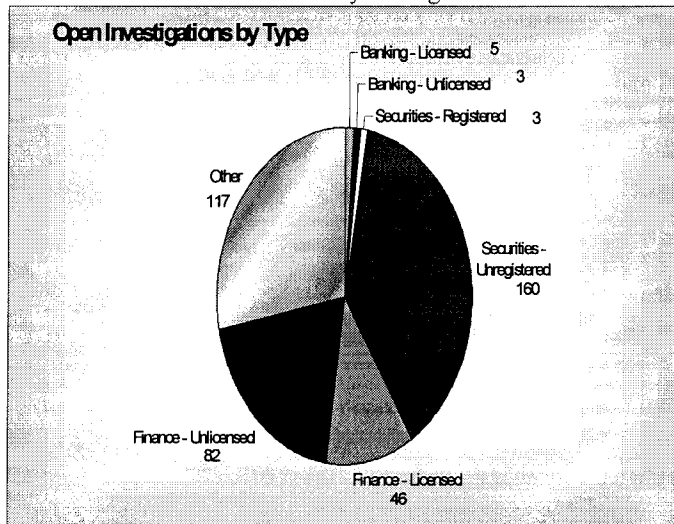
Investigations Closed: 131

Enforcement Actions: 42 Cases Closed with Actions

56.75 Years Prison and 34 Years Probation Imposed

On-going investigations: 416 *

* Note – Includes Preliminary Investigative Reviews



Other: Shannon Hutson, Senior Financial Investigator, West Palm Beach Regional Office completed all requirements and was awarded her Certified Fraud Examiner certification.

Significant Events Significant Events

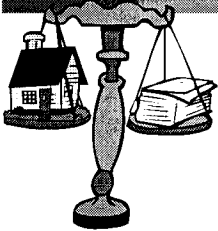
❖**Jacksonville: Leam Waterhouse, Inc.** - Alleged California-based Ponzi scheme involving purported "prime bank notes" targeted over 600 Florida residents who are believed to have invested over \$16 million through a Jacksonville based representative. OFR investigators have been working closely with the Securities and Exchange Commission (SEC). In October 2004, the SEC obtained an emergency temporary restraining order for Leam Waterhouse to cease and desist promotion of investments, freeze assets, appointed a temporary receiver, and ordered repatriation of assets held in foreign countries. OFR continues its investigation and is coordinating efforts with Alabama and Texas regulators.

❖**Miami - Maria Ros** - On November 23, 2004, Maria Ros pled guilty to 1 count of mortgage fraud. She signed a plea agreement: sentencing her to 5 years probation; surrender of her mortgage broker license, her company's correspondent lender license, and her real estate brokers license; agreeing to complete 100 hours of community service; and to pay \$22,703 in restitution and \$500 investigative costs. Her sentence prohibits her from any employment in the real estate, mortgage, lending, or credit industries, or participation in any such transactions, except as a consumer/borrower or seller of her own home.

❖**Orlando: Universal Luxury Coaches, LLC** - An OFR administrative complaint was filed alleging Universal Luxury Coaches, its President, and 10 sales agents fraudulently sold over \$7 million of unregistered securities in the form of interests in luxury motor coaches. In October 2004, a circuit judge appointed a receiver to safeguard interests of approximately 150 investors.

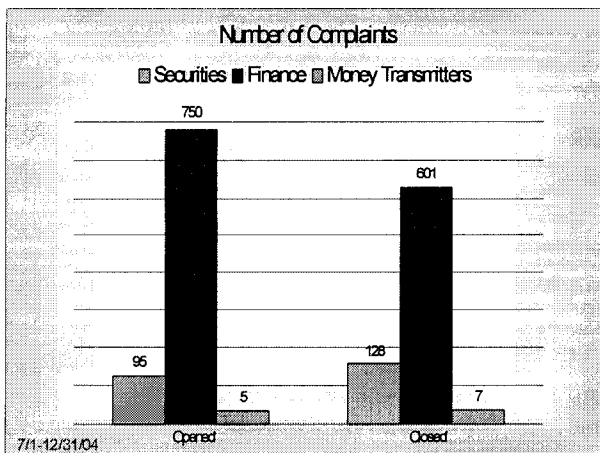
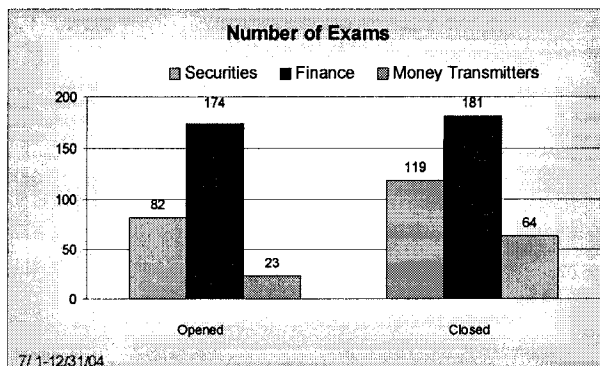
❖**West Palm Beach: TriCorp Group, Inc.** - On December 10, 2004, securities brokers Neil Wadhwa and Brett Dohner were sentenced in U.S. District Court, Southern District of Florida. Wadhwa pled guilty to conspiracy to commit securities fraud related to mutual fund market timing and late trading and received a sentence of 6 months, 2 years probation, and \$4000 fine. Dohner pled guilty to securities fraud, conspiracy to commit securities fraud, and wire fraud, and was sentenced to 1 year, 3 years probation, and restitution of \$4,127,586.

❖**West Palm Beach: Lewis H. Hodge** - On December 17, 2004, securities broker Lewis H. Hodge was sentenced to 1 year in prison, 3 years of supervised release, and restitution of \$1.6 million. Hodge pled guilty to 1 count of conspiracy to commit securities fraud and wire fraud. He was the director and manager of Geek Securities through July 2002. This case was worked with the U.S. Attorneys Office and the FBI.



Bureaus of Finance and Securities Regulation

Regulate non-depository financial service companies & related industries; protect consumers from illegal financial activities; protect the investing public from investment & securities fraud while facilitating capital formation in the State.



Significant Events

- ❖ For the quarter ending 12/31/04, the Bureau of Finance Regulation assessed 46 administrative penalties to various entities. The penalties included \$48,450 in fines, 23 years of probation, and 6 denials or revocations of licensure.
- ❖ The Bureau of Securities Regulation fined **American Express Financial Advisors, Inc.** \$32,000 for their "wrap purchase exit policy" whereby the firm imposed a \$1,000 penalty against registered representatives who transferred business held less than 3 years to money management accounts. The firm subsequently amended their wrap fee program to end the penalty and refunded all assessments to their registered representatives.
- ❖ In November, the Bureau of Finance Regulation held its Annual Examiner Training Program in Ft. Lauderdale. Over 100 OFR examiners and investigators from around the state attended the program, which included topics on appraisal and mortgage fraud and predatory lending.
- ❖ The Bureau of Securities Regulation conducted a Joint Industry Outreach with the **SEC** for investment advisers. The training, held in Tampa, was attended by over 100 registered investment advisers from the surrounding area.



Bureau of Regulatory Review

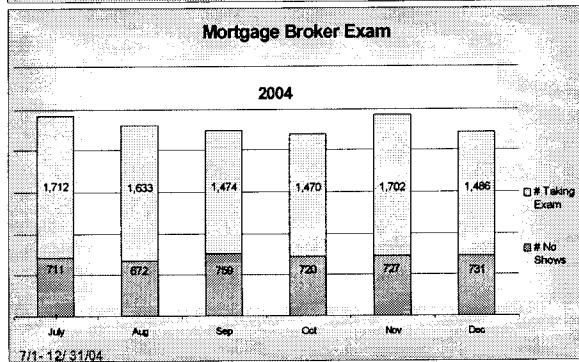
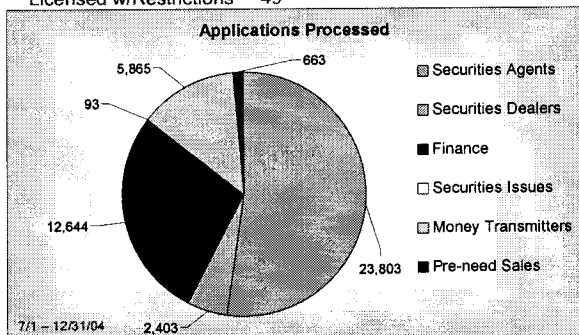
Review all applications to conduct business as a financial service company or securities firm; review license applications for individuals; and impose licensing restrictions or deny licensure based on findings.

July 1 – Dec. 31, 2004

Licenses Approved	38,898	Renewals, Filings & Public Record
Denied/Withdrawn	1,486	Requests Received:
Licensed w/Restrictions	49	42,117

Significant Events

- ❖ The Office took action against 16 Retail Installment (Chapter 520) entities for unlicensed activity resulting in administrative fines of \$21,000. The majority of these actions were against motor vehicle retail installment sellers and retail installment sellers who were previously licensed but failed to renew and continued to operate without a license.
- ❖ The Office issued 11,773 Finance business renewals in November 2004 that were due by January 2, 2005. As of the end of the quarter, 6,944 had timely filed with the Office. Of those, 81% renewed electronically via the Office's website.
- ❖ Securities firms and individual registrants were required to renew their licenses for the 2005 calendar year by a statutory deadline of December 31, 2004. As of the deadline, over 232,000 firms and individuals had renewed.
- ❖ The Office took action against five Money Transmitter (Chapter 560) entities for unregistered activity resulting in administrative fines of \$16,500.



ATTACHMENT

2



December 27, 2004

Contact: Barbara Pogue
barbara@nascus.org

**Florida Becomes 28TH State to Earn NASCUS Accreditation;
Accredited Assets Now Over 80%**

ARLINGTON, VA – The National Association of State Credit Union Supervisors (NASCUS) announced today that the Florida Office of Financial Regulation (OFR) has earned five-year accreditation by NASCUS.

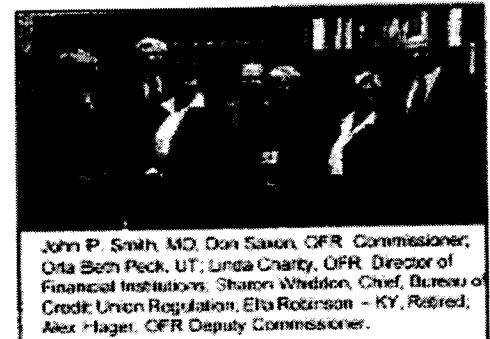
In making the announcement, NASCUS President and CEO Mary Martha Fortney stated, "NASCUS is proud to announce that the Florida Office of Financial Regulation meets all of the criteria for NASCUS accreditation. The OFR and its Division of Financial Institutions have demonstrated conclusively to the NASCUS Performance Standards Committee that the quality of the agency's resources and programs enables it to effectively carry out its statutory responsibility. That responsibility is to ensure the safety and soundness of Florida-chartered credit unions."

To earn NASCUS accreditation, an agency must demonstrate a high level of proficiency in each of six areas: Department Administration and Finance; Personnel; Training; Examination; Supervision and Legislative Powers. The agency's qualifications and review team findings were audited by an Accreditation Audit Working Group and the NASCUS Performance Standards Committee (PSC), which makes the final recommendation for approval to the NASCUS Board of Directors. Accreditation is valid for a five-year period, subject to annual review.

The accreditation of the State of Florida marks two important milestones in the NASCUS Accreditation program. As Florida becomes the 28th state to be accredited, the \$15 billion in Florida state-chartered credit union assets will be added to the combined assets supervised by accredited states, increasing the percentage of assets supervised by NASCUS-accredited states to over 80%.

"NASCUS accreditation is a noteworthy designation and a tribute to the effectiveness of the state credit union regulatory system," said Fortney. "The professionalism and commitment of the OFR staff, under the leadership of Commissioner Don Saxon and Credit Union Bureau Chief Sharon Whiddon, reflect highly on the quality of the state system, and NASCUS is proud to count the Florida OFR as a NASCUS-accredited regulatory agency."

Saxon was notified that the NASCUS Performance Standards Committee had recommended to the NASCUS Board of Directors that the agency's accreditation be approved. Saxon stated,



"Since creation of the Office of Financial Regulation in 2003, NASCUS accreditation of our credit union regulatory program has been a top priority. I am pleased the Office has been recognized by NASCUS as having high regulatory standards, which is reflective of the staff in the Office of Financial Regulation."

The Office of Financial Regulation and its Division of Financial Institutions are responsible for the chartering, examination and supervision of 101 Florida-chartered credit unions.

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The NASCUS mission is to enhance state credit union supervision and advocate a safe and sound state credit union system. Founded in 1965, NASCUS represents all 48 state and territorial credit union supervisors and the NASCUS Credit Union Council, which is made up of nearly 600 of the nation's more than 4,300 state-chartered credit unions.