

Department of Banking



At a Glance

JORGE L. PEREZ, Commissioner

Established - 1837

*Statutory authority - Titles 36a, 36b and subsections (b), (d), (h) and (i) of Section 47a-21
Connecticut General Statutes and Related Laws*

Central office - 260 Constitution Plaza, Hartford, CT 06103-1800

Average number of full-time employees - 116

Recurring operating expenses 2015-16 - \$20,418,192.69

Organization structure -

Administration

Consumer Credit Division

Financial Institutions Division

Securities and Business Investments Division

Government Relations and Consumer Affairs Division

Business Office

Human Resources

Agency Mission

The Department of Banking (DOB) is the primary state regulator for securities, consumer credit, state chartered banks and credit unions. Its mission is to protect users of financial services from unlawful or improper practices by requiring that regulated entities and individuals adhere to state and federal financial laws. This is accomplished by communicating with the public and other stakeholders, and assuring the safety and soundness of state-chartered banks and credit unions through cost-efficient and effective regulation.

Statutory Responsibility

The Department of Banking is responsible for the regulation and examination of financial institutions and various related entities chartered, licensed or registered by the state. The Banking Commissioner is charged with administering the banking and credit union laws of the state as well as the laws regarding securities and business opportunities. The Banking Commissioner also administers the Truth-in-Lending Act and other consumer credit laws (mortgage, consumer collection, money transmission, etc.) and a major portion of the law concerning rental security deposits.

The Department's customers include the general public, representatives of the public, regulated entities and consultants. The public at large, including depositors, borrowers, investors, landlords and tenants, and others who use the services of regulated financial entities, benefits broadly from agency activities. Agency services protect public funds in depository institutions, offer important investor and consumer protections, assist in dispute resolution and provide helpful public information.

Representatives of the public including the Governor and the General Assembly, other elected and appointed officials and federal, state and municipal agencies, receive information, advice, proposed legislation, case referrals and other important services from the Department.

The department is divided into four operational divisions and three support divisions to better accomplish its mission. Specific regulatory functions are assigned to divisions within the Department.

Public Service

The Department of Banking is strongly committed to maintaining a standard of excellence in meeting its regulatory responsibility, while being responsive to Governor Malloy's desire to promote a business friendly climate in Connecticut.

In order to provide the public with convenient 24-hour, 7-day access to information on agency programs, licensing activity and educational resources, the Department maintains a website on the Internet at www.ct.gov/dob. During the 2015-2016 fiscal year, approximately 155,000 visitors viewed over 721,700 pages on the agency website.

A weekly News Bulletin is posted to our website, which provides information on applications before the agency, agency decisions, and intended changes in regulations. This Bulletin is also distributed to the agency list-serv.

The Securities Division also produces a quarterly Securities Bulletin that is distributed to our listserv and posted to the website to advise the industry of new regulatory developments.

The Department of Banking posts on its website copies of administrative actions taken by the agency against various entities, as well as indices to advisory opinions issued by the Commissioner concerning bank, credit union, consumer credit, landlord/tenant and business opportunity matters.

Consumer Credit Division (CCD)

The Consumer Credit Division is responsible for examination, enforcement, and licensing of mortgage lenders and brokers; mortgage loan originators, processors and underwriters; mortgage servicers; small loan companies; sales finance companies; debt adjusters; debt negotiators; consumer collection agencies, including debt buyers; money transmitters; issuers of money orders and travelers checks; and check cashing services. It also administers Truth-in-Lending laws and retail installment sales financing laws. Effective July 1, 2016, the Division is also responsible for the licensure of Student Loan Servicers.

The number of licensees that CCD is responsible for issuing has continued to grow over the last several years. As of June 30, 2016, the division licensed 2,730 companies and branch offices, and 7,593 individuals. It is also responsible for conducting investigations of companies engaged in unlicensed activity.

The CCD continued its focus on enforcement activities as evidenced by the taking of approximately 85 actions resulting in penalties in excess of \$1 million dollars and restitution to the public of \$248,981.

Financial Institution Division (FID)

The Financial Institutions Division is responsible for the supervision of state-chartered bank and trust companies, savings banks, savings and loan associations and credit unions. The division also licenses foreign banking organizations that establish and maintain representative offices, agency offices and branch offices in Connecticut, and supervises bank holding companies. It has responsibility for analyzing applications for new bank or credit union charters, acquisitions, mergers, conversions, branches, changes in corporate structure, and credit union field of membership expansions. In addition, the division licenses business and industrial development corporations and certain non-banking corporations that exercise fiduciary powers, including limited purpose trust companies.

As of June 30, 2016, FID had regulatory oversight over 35 state-chartered domestic banks, four international banks (operating branches with over \$90 billion in total assets), 32 credit unions, one business & industrial development corporation and various licensees that are issued to administer trust and/or special need services. Its regulatory obligations include multiple specialty examinations such as Information Technology, Cybersecurity, Community Reinvestment Act, Truth-In-Lending, and Bank Secrecy Act. These are in addition to the traditional safety and soundness examinations conducted by this division.

During this fiscal year, there was no denovo bank activity. There were no bank charter conversions from federally-chartered banks to state-chartered banks. There was one credit union conversion from a federally-chartered credit union to a state-chartered credit union during this fiscal year: Fairfield County Federal Credit Union, converted on December 30, 2015 under the name Cornerstone Community Credit Union.

Connecticut hosts four foreign banking organizations in this state, each operating a branch office.

During this fiscal year, the Banking Commissioner participated in a number of industry related meetings with Chief Executive Officers (CEOs) of banks and credit unions. The Annual CEO Roundtables hosted jointly with the Connecticut Bankers Association (CBA) were held in October and December 2015. The Commissioner spoke at the Credit Union League's annual State and Federal Issues Government Affairs Conference in June 2016. The Commissioner and FID staff participated in a number of industry events sponsored by the Connecticut Bankers Association and the Credit Union League of Connecticut.

The Department of Banking co-hosted cybersecurity events for the Connecticut based banks and credit unions. On September 14, 2015 we hosted a *Cybersecurity Basics* for Credit Unions with the National Association of State Credit Union Supervisors (NASCUS) and the CT Credit Union League (CTCUL). The programs were the continuation of a June 2015 program that was offered for Bank Officers and Directors with the Conference of State Bank Supervisors and the CT Bankers Association, and provided an overview of cybersecurity threats to the industry, actions taken to manage these threats and the importance of moving the financial institution's cybersecurity planning and strategy from the backroom to the Board room.

In March 2016, the Department of Banking hosted two ADA Compliance programs; both programs were coordinated with the CBA and the CTCUL for both bankers and credit unions respectively. This program included speakers from the United States Department of Justice and the Federal Communication Commission (FCC). The program provided information on recent settlement agreements, web accessibility standards and relay providers.

In preparation for the fourth annual Federal Reserve/ Conference of State Bank Supervisors (CSBS) Annual Community Banking Research and Policy Conference, the Department of Banking initiated its *5 Questions for 5 Bankers Project*. These direct discussions with community bankers with Commissioner Perez and other agency staff informed the DOB's response to community banking issues. In addition, Commissioner Perez and one of the participating community bankers will attend this year's conference, by invitation only, themed *Community Banking in the 21st Century* to be held on September 27-29, 2016 in St. Louis. The conference gathers community bankers, academics, policymakers, and bank supervisors from across the country to discuss academic research and important issues impacting community banking.

Securities and Business Investments Division (SBID)

The Securities and Business Investments Division is responsible for registering securities and business opportunity offerings sold in or from Connecticut; registering (licensing) broker-dealers, agents, investment advisers and investment adviser agents who transact business in Connecticut; registering branch offices of broker-dealer and investment advisory firms; conducting on-site examinations of broker-dealers, investment advisers and branch office registrants; and enforcing the Connecticut Uniform Securities Act, the Connecticut Business Opportunity Investment Act and the Connecticut Tender Offer Act.

As of June 30, 2016, 164,563 broker-dealer agents and 13,061 investment adviser agents were registered with the division, an increase of over 3,700 broker-dealer agents and nearly 700 investment adviser agents. As of fiscal year-end, 2,214 broker-dealer firms and 535 investment advisory firms were registered in Connecticut. An additional 2,130 Securities and Exchange Commission-registered investment advisers had made a notice filing with the agency as of June

30, 2016. Following passage of the Dodd-Frank Wall Street Reform Act and Consumer Protection Act of 2012, which split the regulation of investment advisers between the SEC and the states, the division has strived to examine in-state investment advisers falling within its jurisdiction at least once every three years. SBID also examines the books and records of broker-dealer and investment advisory main offices and branch offices. As of June 30, 2016, 2,657 broker-dealer branch offices were registered.

The division also investigates violations of the state's securities and business opportunity laws, pursuing administrative, civil and criminal remedies where appropriate. Many times, this involves interfacing with the SEC, the U.S. Attorney's Office, the Connecticut Attorney General's Office and other enforcement bodies to ensure that violators are brought to justice. The division's longtime director retired, and the agency has been in the process of recruiting for a new director.

Intervention by the SBID during the fiscal year resulted in restitution and rescission offers to the investing public totaling \$1,552,500. The division also imposed \$1,067,170 in fines for violations of the state's securities and business opportunity laws.

The SBID continued its enforcement efforts in responding to securities complaints from the Connecticut investing public. Investigations focused on schemes involving the misappropriation or conversion of investor funds; fraudulent sales of securities to Connecticut residents at unrealistic rates of return; dishonest or unethical practices by investment advisers; sales of securities by unlicensed firms and individuals; elder fraud; and brokerage firm supervisory lapses.

During the fiscal year, the SBID modified its draft amendments to the Regulations promulgated under the Connecticut Uniform Securities Act, and continued to receive informal feedback from the Commissioner's Securities Advisory Council (which consists of members of the bar, academia and the securities industry) before the formal Uniform Administrative Procedure Act amendment process began. The division is monitoring how more recent federal law changes, such as those governing Regulation A offerings and crowdfunding, may impact the revisions.

The SBID was also actively involved in the agency's educational outreach program (described more fully below) providing presentations regarding investor fraud and abusive sales practices.

Government Relations and Consumer Affairs (GRCA)

In an attempt to protect Connecticut citizens in their transactions with financial institutions and assisting them with consumer complaints and dispute resolution, consumers are encouraged to contact the DOB whenever they need assistance in dealing with financial entities. Agency employees promptly assist consumers with issues involving banks, credit unions, mortgage lending and other consumer credit matters, rental security deposits, and matters relating to securities and business opportunity investments.

During the fiscal year 2015-2016, examiners in the Government Relations and Consumer Affairs Division handled approximately 5,119 telephone inquiries and 1,652 written complaints

from the public. As a result of their efforts, the Department obtained approximately \$572,258 in adjustments and reimbursements on behalf of consumers during the period.

The Foreclosure Assistance Hotline, established in 2007, has continued to be a valuable resource for Connecticut residents. Callers to the 800-number receive pertinent advice and guidance regarding their mortgage problems. During the 2015-2016 fiscal year, the Hotline assisted 1,098 individual consumers.

The agency received 2,600 telephone calls and 365 e-mails for landlord/tenant issues in the fiscal year. The agency's security deposit investigator resolved 247 landlord/tenant disputes and recovered approximately \$51,183 for Connecticut residents who had complained to the Department that landlords had unjustly withheld their refundable rental security deposits.

Each year the Department conducts an active legislative program coordinated by the GRCA Division. During the 2016 legislative session, the DOB sponsored several agency initiatives that became part of one omnibus bill.

Public Act 16-65, An Act Concerning Banking and Consumer Protections, makes numerous changes to provisions governing foreclosures, small loans, and consumer collection agencies. It also makes changes to other banking-related laws, in addition to technical and conforming changes.

The primary focus of the Department's educational outreach program is to help Connecticut's consumers and investors make informed financial decisions and also to learn how to avoid fraud and scams. Through the GRCA Division, the agency publishes consumer alerts and information on known fraud and scams. Agency staff provides vital information to consumers through talks, presentations, seminars and expos. During the 2015-2016 fiscal year department employees spoke on topics that include financial fraud, reverse mortgages, identity theft prevention, credit and debt management, foreclosure assistance and investor education.

The Department of Banking continues its efforts in helping Connecticut homeowners prevent and navigate the foreclosure process. GRCA Division personnel continue to actively participate in monthly foreclosure prevention clinics during the year, giving presentations and providing one-on-one counseling to homeowners having mortgage problems.

In the summer and fall of 2015, the department took part in a series of senior fairs that were held throughout the state. Agency staff was highly visible at each event, and actively assisted seniors and others by speaking one-on-one to attendees and distributing educational information on a variety of issues.

Governor Malloy proclaimed February 22-27, 2016 as Connecticut Saves Week, encouraging Connecticut residents to assess and improve their personal finances. Department of Banking staff took part in numerous outreach events in both February and March to support this initiative, including workshops at Department of Labor Job Centers in Hamden and Waterbury for job seekers, and workshops for high school students in Hartford and New London. The agency held its fourth annual Connecticut Saves expo at the State Capitol in Hartford to promote smart money management.

The department also supported the Military Saves initiative, to encourage service members and their families to save money, reduce debt and build wealth. Agency staff presented sessions on identity theft and financial fraud at workshops at the State Armory in Hartford and at the Air Base in East Granby. A DOB employee (and veteran) presented a program on money management and financial scams aimed at the military to nearly 1,200 young servicemen and women at the Navy Submarine Base in Groton, an event attended by Commissioner Perez.

The department offered libraries throughout the state a fun way to provide investor education through the DASH for the STASH financial literacy program, which encouraged library patrons to learn about investment topics by answering quiz questions via their smart phone or tablet. Topics included financial advisers, investment fees, investor fraud, and building a nest egg. A winner was chosen in a random drawing and received \$1,000 to open or add to an Individual Retirement Account. The program was offered through a grant from the Investor Protection Institute.

Improvements/Achievements 2015-2016

The department's outreach efforts continue to expand to ensure we are inclusive of all audiences. During the 2015-16 fiscal year, agency staff had the opportunity to speak to listeners of CRIS Radio for the Blind about what our agency does for consumers. The department's outreach efforts included a "Google Hangout" on investment fraud, sponsored by AARP-CT, to reach consumers via social media, and we established a Facebook page to post relevant and informative resources for consumers and industry professionals.

Agency staff co-presented a workshop on *How to Be an Informed Investor* at the UConn Women's Advance Conference in May 2016. The program was specifically geared toward women, and focused on financial management, risk tolerance and investment products. Students also benefitted from the department's outreach efforts

Through the department's involvement with the Elder Justice Coalition, in the spring of 2016, the agency's outreach coordinator took part in elder financial fraud training seminars sponsored by the Connecticut Bankers Association and the Credit Union League of Connecticut. The training was designed to help bank and credit union employees recognize the signs of elder financial exploitation and where to report suspected abuse.

The department held its first LEAN event in June 2016. The GRCA Division spent a week reviewing its complaint process to find efficiencies and opportunities for improvement in the consumer affairs, foreclosure hotline, and rental security deposit complaint areas. Several new initiatives were modified within weeks, while other long-term goals are in the process of being implemented.

Human Resources assists staff in various ways to support them in their role as civil servants and makes it a priority to administer policies, procedures and programs consistently and in a manner which is responsive to the needs of the agency.

The Directors of Human Resources and the Business Office teamed up to be facilitators in the Department of Banking's LEAN initiative which began in 2016. They have attended

several training sessions regarding the LEAN process as well as Project Management, and lead the GRCA Division's training in June 2016. An additional LEAN event has been scheduled and the follow-up meetings and implementation stages will continue to happen throughout the upcoming year.

The Business Office worked closely with the Commissioner and division directors to implement several efficiency and cost-saving measures. The agency reduced mileage reimbursement costs by assigning state vehicles to some field examiners. For fiscal year 2015-2016, the agency had 30 state vehicles allowing savings to be used for open training opportunities for staff and to meet our federal obligations for accreditation. The Business Office continued to fulfill its mission to protect the public through its day to day operations by expeditiously handling total receipts of over \$36,579,728 (\$30,010,986 to the Banking Fund and \$6,568,742 to the General Fund).

The Business Office Director spearheaded efforts to bring in the Accenture team, a consulting firm that analyzed our operations, workflow, and technology within each division at the Department, and issued a report with recommendations and cost estimates for various options of system modernization.

Beginning in January 2015, the Consumer Credit Division took over the hosting duties of the American Association of Residential Mortgage Regulators (AARMR) monthly regulator call and management of the listserv for regulator questions. This forum promotes the exchange of information to ensure the ability of state mortgage regulators to provide effective mortgage supervision for a safe and sound industry. Also beginning in 2015, the New England states formed the New England Regional Mortgage Committee for the purpose of initiating coordinated examinations of mortgage lenders, mortgage correspondent lenders, mortgage brokers and mortgage loan servicers.

The Nationwide Multistate Licensing System (NMLS), which acts as a repository for licensure of mortgage lenders, mortgage correspondent lenders, mortgage brokers, mortgage loan originators, loan processors and underwriters and mortgage servicers developed functionality to license and manage non-mortgage license types within our jurisdiction. On July 1, 2015, the Division began transitioning all of its license types onto the NMLS, based on an order issued earlier in the year. This transition has resulted in reduced processing time for licensure from 4.5 hours to only 30 minutes.

The CCD staff continued to represent Connecticut in working groups associated with the Conference of State Bank Supervisors (CSBS) to help improve the examination process not only in the mortgage area, but in the money services businesses and the consumer collection agency businesses as well. These working groups, involving members from other states, provide a forum for discussion and feedback toward national reform within the consumer finance area. Examination of out of state consumer collection agencies continued to be a priority with division staff conducting several coordinated examinations with the Consumer Financial Protection Bureau (CFPB) and other states.

The Financial Institutions Division remains committed to continuing its communication with industry representatives. At the conclusion of every examination, FID staff meet with the bank's or credit union's board of directors. They also have the opportunity to provide feedback

directly to the Banking Commissioner by completing a two-page post-examination survey. Institutions are given the opportunity via the survey to comment on staff performance, examination efficiency and examination time demands in an effort to improve future examinations.

The FID continues to update and maintain information on the Department of Banking's website which includes financial and industry information related to the financial institutions operating in Connecticut. Relevant financial information is updated quarterly for banks and credit unions, in addition to providing the public with easy access to such public filings as the quarterly Call Report. Additionally, any public enforcement actions undertaken by the Banking Commissioner are posted on the website.

The FID staff remains active members of both the CSBS and NASCUS. Division Director Mary Ellen O'Neill serves on the Board of NASCUS and served as Chair-elect of the organization during the past two fiscal years. Financial Institutions Division staff also serve on a variety of committees, actively participate in webinars and conference calls, and assist in the development of regulatory and best practice standards. The Department of Banking received its re-accreditation from CSBS in November 2012 and most recently was re-accredited by NASCUS in October 2015.

The Securities and Business Investments Division is assisted by a Securities Advisory Council, comprised of industry representatives, academics and members of the bar, all of whom serve without compensation. The Securities Advisory Council offers the Commissioner and staff insight on proposed regulatory initiatives. The division obtained critical input from Advisory Council members in formulating the division's response to federal regulatory changes.

Connecticut continued its active participation in the North American Securities Administrators Association, Inc. (NASAA). Organized in 1919 and dedicated to investor protection, NASAA is a voluntary association whose membership consists of 67 state, provincial and territorial securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. During the fiscal year, SBID staff served on NASAA committees and project groups dedicated to harmonizing broker-dealer registration requirements nationwide and sharing information on brokerage practices requiring further state enforcement scrutiny.

Agency staff served in the following leadership roles during the fiscal year, including:

- Chair of the NMLS Mortgage Call Report Workgroup
- Chair of the AARMR Training Committee
- Secretary of the AARMR Board
- Chair of the CSBS State Regulatory Registry Lawyers Committee
- Chair of the 2015 Annual Conference Committee
- Member of the Continuing Education Committee for the National Association of Consumer Credit Administrators (NACCA)
- Secretary of the North American Collection Agency Regulatory Association (NACARA) Board
- Member of the Federal Financial Institutions Examination Council (FFIEC) Task Force on Consumer Compliance representing the state liaison committee

- State Liaison Committee Member of FFIEC Sub-Committee on Information Technology
- Member of the CSBS State Coordinating Committee, representing the interests of the states in the coordination of joint examinations with the CFPB
- Member of CSBS Exam Management Tool Working Group
- Member of the CSBS State Supervisory Process Committee
- Member of the CSBS Technology Committee
- Member of the CSBS International Banking Committee
- Vice Chairman of the National Association of State Credit Union Supervisors (NASCUS)
- Member of the NASCUS Legislative & Regulatory Committee
- Member of the NASCUS Accreditation Team
- Member of the NASCUS Education Committee
- Member of NASCUS-NCUA Interest Rate Risk Working Group
- Member of the NASAA CRD/IARD Forms and Process Committee
- Member of the NASAA Broker-dealer Section Operations Project Group
- Member of the NASAA Investor Education Section Elder Outreach Project Group
- Secretary of the Connecticut Jump\$tart Coalition for Personal Financial Literacy
- Member of the Coordinating Council of the Elder Justice Coalition of Connecticut

Overall, the agency continues to fulfill its mission to protect Connecticut consumers and investors in their dealings with financial entities, and to provide tools and resources to help them make informed financial decisions. We look forward to continued success in the coming year as we begin new projects and initiatives.