

**ANNUAL REPORT**

**OF THE**

**Banking Commissioner**

**OF THE**

**STATE OF CONNECTICUT**

**FOR THE YEAR ENDED DECEMBER 31, 1986**

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**HOWARD B. BROWN**  
**BANKING COMMISSIONER**

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**44 Capitol Avenue, Hartford, Connecticut 06106**

A revised report of examination was introduced in 1986. The main revision of this report was the use of the CAMEL rating system. The examination report is designed to give officials meaningful information on significant items noted during the examination, in which five critical areas of a credit union's operation and condition (capital, assets, management, earnings and liquidity) are individually and then compositely rated.

## SECURITIES AND BUSINESS INVESTMENTS DIVISION

The Securities and Business Investments Division is responsible for the following areas subject to the general supervision of the Banking Commissioner: 1) the registration of tender offers, securities and business opportunity programs for sale in Connecticut; 2) broker-dealer and investment adviser and agent registration; 3) routine examinations of broker-dealer and investment adviser registrants; and 4) enforcement of the Connecticut tender offer, securities and business opportunity laws.

As of year-end 1986, the division was comprised of a division director, an assistant division director, a director of enforcement, sixteen examiners, two Connecticut Careers Trainees, one Pre-Professional Trainee and ten support personnel.

### *Major Changes*

Jurisdiction of the Banking Commissioner over the tender offer, securities and business opportunity laws emanates from Chapters 661a, 662 and 662a of the Connecticut General Statutes, respectively.

In connection with the securities and business opportunity laws, as of the year-end 1986, 40,929 persons were registered to engage in selling securities and to offer advice and management services regarding investments in securities. This represents 21.75% increase over the number of registrants in 1985. Fifty-six percent of those registered were engaged in the general brokerage business.

In 1986, 4,447 registration statements of issuers of securities prior to their sale in Connecticut were received. Eighty registrations by sellers of business opportunity programs were received. Thirteen business opportunity registrations were renewed.

During 1986, 135 securities complaints/investigations and 9 business opportunity complaints/investigations were completed. Also during 1986, 30 routine broker-dealer and 18 investment adviser examinations were undertaken. One hundred and sixty-six securities and 19 business opportunity investigations were initiated. Four cease and desist orders were issued in the securities area compared to a total of 10 the previous year. Four securities matters were referred for criminal action. Of all the complaints handled and investigations opened, most were resolved on the administrative level prior to their closure.

Many of the administrative resolutions took the form of consent orders wherein the division sought monetary fines as well as reimbursement of its investigatory costs. The division found the use of a consent order as an effective method supplementing a large array of enforcement tools. In one such instance, the division, in conjunction with the State Board of Accountancy, obtained a bar from a certified public accountant wherein the respondent is barred from practicing accounting before the Department of Banking for three years.

### *Orders*

On July 8, 1986, the Banking Commissioner issued an Order permitting accelerated effectiveness for securities issued by investment trusts. The Order coordinates state and federal registration effectiveness for this type of securities offering. The Order also permits the omission of certain information and documents from the registration statement if they are substantially similar to those previously filed for a prior series and informs the registrant precisely what has to be filed. Finally, the Order permits effectiveness in accordance with the designation of effectiveness made pursuant to federal Rule 487 and speeds up effectiveness at the state level by waiving the fifteen day waiting period contained in Section 36-486(c) of the Connecticut General Statutes.

## LEGISLATION

During the 1986 session of the General Assembly, the following public acts affecting areas regulated by the Department of Banking were approved and signed into law:

### *Banks and Savings Institutions*

P.A. 86-104, *An Act Concerning Payment of Benefits for Officers and Employees of Savings Banks* (effective May 6, 1986) amends Section 36-126(b) of the General Statutes by eliminating the restriction which limits the type of entities through which a savings bank can provide officer and employee benefits and authorizes savings banks individually or jointly to provide such benefits in any manner in which the bank's governing board may decide.

P.A. 86-122, *An Act Concerning the Establishment and Operation of Branch Offices* (effective May 8, 1986) amends Section 36-129(2) of the General Statutes to eliminate a state bank and trust company's ability to branch into a town in Connecticut in which there is no main office of a savings bank.

P.A. 86-138, *An Act Concerning investments by Savings and Loan Associations in Investment Company Stock or Shares* (effective May 23, 1986) amends Section 36-96(12) of the General Statutes to correct an inconsistency created by P.A. 85-379, which specifically authorized state or federally chartered savings and loan associations and state bank and trust companies to invest in the stock of an investment company, along with savings banks, but did not state that the stock of the investment company could be owned

**Table No. 35**  
**REGISTRATIONS:**  
**BROKER-DEALERS, INVESTMENT ADVISERS AND AGENTS**

|                                | In Effect Dec. 31 |        | Increase |       |
|--------------------------------|-------------------|--------|----------|-------|
|                                | 1986              | 1985   | 1986     | 1985  |
| Broker-Dealers .....           | 1,321             | 1,237  | 6.8%     | 7.2%  |
| Agents .....                   | 40,929            | 33,790 | 21.75%   | 16.7% |
| Investment Advisers .....      | 399               | 341    | 17.0%    | 10.0% |
| Investment Adviser Agents..... | 2,286             | 1,798  | 37.1%    | 16.2% |
| Agents of Issuer .....         | 254               | 194    | 14.9%    | 14.8% |

|                              | Broker-Dealers | Agents | Investment<br>Advisers | Investment<br>Adviser Agents |
|------------------------------|----------------|--------|------------------------|------------------------------|
| Applications:                |                |        |                        |                              |
| Received .....               | 338            | 28,746 | 93                     | 520                          |
| Withdrawn by Request.....    | 31             | 11     | 3                      | 0                            |
| Withdrawn Voluntary.....     | 64             | 192    | 54                     | 3                            |
| Special Review (Agents)....  |                | 308    |                        |                              |
| Registrations Approved ..... | 184            | 16,034 | 58                     | 517                          |

**Table No. 36**  
**CLASSIFICATIONS OF BROKER-DEALER REGISTRANTS**

| Type of Business        | Number       |              | Percent     |              |
|-------------------------|--------------|--------------|-------------|--------------|
|                         | 1986         | 1985         | 1986        | 1985         |
| General Brokerage ..... | 742          | 690          | 7.5%        | 4.7%         |
| Investment Trust .....  | 15           | 15           | .0%         | 7.1%         |
| Other Specialists ..... | 564          | 532          | 6.0%        | 10.4%        |
| <b>TOTALS .....</b>     | <b>1,321</b> | <b>1,237</b> | <b>6.8%</b> | <b>14.8%</b> |

**Table No. 37**  
**MAIN OFFICE**  
**BROKER-DEALER AND INVESTMENT ADVISER REGISTRANTS**

|                            | Broker-Dealers | Investment Advisers |
|----------------------------|----------------|---------------------|
| Alabama .....              | 2              | 0                   |
| Alaska .....               | 0              | 0                   |
| Arizona .....              | 28             | 0                   |
| Arkansas .....             | 3              | 0                   |
| California .....           | 65             | 14                  |
| Colorado .....             | 41             | 3                   |
| Connecticut .....          | 135            | 156                 |
| Delaware .....             | 3              | 1                   |
| District of Columbia ..... | 16             | 1                   |
| Florida .....              | 50             | 5                   |
| Georgia .....              | 22             | 3                   |
| Hawaii .....               | 2              | 0                   |
| Idaho .....                | 0              | 0                   |
| Illinois .....             | 47             | 7                   |
| Indiana .....              | 4              | 1                   |
| Iowa .....                 | 2              | 0                   |
| Kansas .....               | 2              | 0                   |
| Kentucky .....             | 2              | 0                   |
| Louisiana .....            | 6              | 0                   |
| Maine .....                | 2              | 0                   |
| Maryland .....             | 17             | 2                   |
| Massachusetts .....        | 97             | 32                  |
| Michigan .....             | 10             | 1                   |
| Minnesota .....            | 27             | 3                   |
| Missouri .....             | 20             | 3                   |
| Mississippi .....          | 1              | 0                   |
| Montana .....              | 1              | 0                   |
| Nebraska .....             | 6              | 0                   |
| Nevada .....               | 1              | 0                   |
| New Hampshire .....        | 3              | 1                   |
| New Jersey .....           | 82             | 9                   |
| New Mexico .....           | 0              | 0                   |
| New York .....             | 435            | 138                 |
| North Carolina .....       | 4              | 0                   |
| North Dakota .....         | 0              | 0                   |
| Ohio .....                 | 17             | 0                   |
| Oklahoma .....             | 6              | 0                   |
| Oregon .....               | 1              | 0                   |
| Pennsylvania .....         | 45             | 9                   |
| Rhode Island .....         | 10             | 0                   |
| South Carolina .....       | 3              | 0                   |
| South Dakota .....         | 0              | 0                   |
| Tennessee .....            | 14             | 1                   |
| Texas .....                | 39             | 2                   |
| Utah .....                 | 6              | 1                   |
| Vermont .....              | 3              | 0                   |
| Virginia .....             | 16             | 2                   |
| Washington .....           | 9              | 3                   |
| West Virginia .....        | 2              | 0                   |
| Wisconsin .....            | 12             | 1                   |
| Wyoming .....              | 0              | 0                   |
| Bermuda .....              | 0              | 0                   |
| British West Indies .....  | 1              | 0                   |
| Puerto Rico .....          | 0              | 0                   |
| <b>Totals .....</b>        | <b>1,321</b>   | <b>399</b>          |

**Table No. 38**  
**TREND IN BROKER-DEALER, INVESTMENT ADVISER AND AGENT REGISTRATIONS**

| Year | Broker<br>—<br>Dealers | Percent<br>Increase/<br>Decrease | Agents | Percent<br>Increase/<br>Decrease | Investment<br>Advisers | Percent<br>Increase/<br>Decrease | Investment<br>Adviser<br>Agents | Percent<br>Increase/<br>Decrease | Agents<br>of<br>Issuer | Percent<br>Increase/<br>Decrease |
|------|------------------------|----------------------------------|--------|----------------------------------|------------------------|----------------------------------|---------------------------------|----------------------------------|------------------------|----------------------------------|
| 1955 | 251                    | 13.1                             | 1,177  | 47.3                             | 22                     | 29.4                             | 13                              | 8.3                              | ....                   | ....                             |
| 1960 | 312                    | 24.3                             | 2,223  | 88.8                             | 24                     | 8.3                              | 23                              | 77.0                             | ....                   | ....                             |
| 1965 | 345                    | 10.5                             | 3,268  | 47.0                             | 42                     | 75.0                             | 62                              | 169.5                            | ....                   | ....                             |
| 1966 | 346                    | .0                               | 3,703  | 13.3                             | 47                     | 11.9                             | 85                              | 37.0                             | ....                   | ....                             |
| 1967 | 353                    | 2.0                              | 4,112  | 11.0                             | 56                     | 19.6                             | 110                             | 29.4                             | ....                   | ....                             |
| 1968 | 390                    | 10.5                             | 5,159  | 25.7                             | 60                     | 7.1                              | 125                             | 13.6                             | ....                   | ....                             |
| 1969 | 434                    | 11.3                             | 5,955  | 15.4                             | 72                     | 20.0                             | 145                             | 16.0                             | ....                   | ....                             |
| 1970 | 451                    | 3.9                              | 6,429  | 9.6                              | 81                     | 12.5                             | 171                             | 17.9                             | ....                   | ....                             |
| 1971 | 464                    | 2.9                              | 6,522  | 1.4                              | 86                     | 6.2                              | 191                             | 11.7                             | ....                   | ....                             |
| 1972 | 499                    | 7.5                              | 7,305  | 12.0                             | 103                    | 19.7                             | 226                             | 18.3                             | ....                   | ....                             |
| 1973 | 464                    | (7.0)                            | 7,519  | 2.9                              | 109                    | 5.8                              | 235                             | 4.0                              | ....                   | ....                             |
| 1974 | 463                    | (.2)                             | 7,543  | .3                               | 121                    | 11.0                             | 188                             | 22.6                             | ....                   | ....                             |
| 1975 | 453                    | (2.2)                            | 7,899  | 4.7                              | 135                    | 11.6                             | 322                             | 11.8                             | ....                   | ....                             |
| 1976 | 476                    | 5.1                              | 8,926  | 13.0                             | 156                    | 15.6                             | 355                             | 10.2                             | ....                   | ....                             |
| 1977 | 494                    | 3.8                              | 9,611  | 7.7                              | 186                    | 19.2                             | 383                             | 7.9                              | 3                      | ....                             |
| 1978 | 530                    | 7.3                              | 10,809 | 12.5                             | 199                    | 7.0                              | 438                             | 14.4                             | 22                     | 63.3                             |
| 1979 | 511                    | (3.6)                            | 11,318 | 4.7                              | 189                    | (5.0)                            | 453                             | 3.4                              | 178                    | 254.5                            |
| 1980 | 575                    | 12.5                             | 12,962 | 14.5                             | 193                    | 2.1                              | 495                             | 9.3                              | 136                    | 74.4                             |
| 1981 | 647                    | 11.1                             | 14,700 | 11.8                             | 200                    | 3.5                              | 618                             | 19.9                             | 193                    | 29.5                             |
| 1982 | 745                    | 13.2                             | 18,707 | 21.4                             | 214                    | 6.5                              | 775                             | 20.3                             | 241                    | 19.9                             |
| 1983 | 916                    | 22.9                             | 22,587 | 20.7                             | 263                    | 22.9                             | 1,095                           | 41.2                             | 151                    | (37.3)                           |
| 1984 | 1,154                  | 24.9                             | 28,964 | 28.0                             | 310                    | 17.9                             | 1,547                           | 41.5                             | 169                    | 11.9                             |
| 1985 | 1,237                  | 7.2                              | 33,790 | 16.7                             | 341                    | 10.0                             | 1,798                           | 16.2                             | 194                    | 14.8                             |
| 1986 | 1,321                  | 6.8                              | 40,929 | 21.75                            | 399                    | 17.0                             | 2,286                           | 37.1                             | 254                    | 14.9                             |

**Table No. 39**  
**ROUTINE EXAMINATIONS**  
**BROKER-DEALERS AND INVESTMENT ADVISERS**

|                           | 1986 | 1985 |
|---------------------------|------|------|
| Broker-Dealers .....      | 30   | 20   |
| Investment Advisers ..... | 18   | 12   |

**Table No. 40**  
**REGISTRATIONS FILED AND EFFECTED OF**  
**SECURITIES, TENDER OFFERS AND BUSINESS OPPORTUNITIES**

|  | Received |       | Effectuated |       |
|--|----------|-------|-------------|-------|
|  | 1986     | 1985  | 1986        | 1985  |
| Securities                               |          |       |             |       |
| Open End Management Investment Companies | 412      | 292   | 353         | 231   |
| Renewals .....                           | 1,289    | 1,083 | 1,047       | 903   |
| Unit Investment Trusts .....             | 821      | 1,052 | 856         | 991   |
| Renewals .....                           | 30       | 14    | 29          | 15    |
| Post-Sale Registrations .....            | 14       | 4     | 11          | 4     |
| All Others .....                         | 1,881    | 1,315 | 1,558       | 1,231 |
| Total Securities Registrations .....     | 4,447    | 3,760 | 3,854       | 3,372 |
| Tender Offer Registrations .....         | 1        | 0     | 1           | 0     |
| Business Opportunity Registrations ..... | 80       | 53    | 26          | 40    |
| Business Opportunity Renewals .....      | 13       | 28    | 9           | 26    |
| Exempted Filings .....                   | 2,341    | 3,042 | 2,341       | 3,166 |
| Inquiries Received .....                 | 702      | 492   |             |       |

**Table No. 41**  
**ENFORCEMENT ACTIVITIES**  
**SECURITIES AND BUSINESS OPPORTUNITIES**

|  | Securities |      | Business Opportunities |      |
|--|------------|------|------------------------|------|
|  | 1986       | 1985 | 1986                   | 1985 |
| Investigations Opened .....                | 164        | 144  | 19                     | 18   |
| Investigations Closed .....                | 135        | 165  | 9                      | 18   |
| Complaints Processed .....                 | 438        | 314  | 48                     | 5    |
| Cease and Desist Orders Issued .....       | 4          | 10   | 6                      | 5    |
| Show Cause Orders Issued .....             | 6          | 5    | 1                      | 1    |
| Revocations Orders Issued — Broker-Dealer  | 0          | 9    | 0                      | 0    |
| Denial Orders Issued — Broker-Dealer ..... | 1          | 1    | N/A                    | N/A  |
| Subpoenas Issued .....                     | 35         | 44   | 0                      | 10   |
| Referrals for Criminal Action .....        | 4          | 5    | 0                      | 0    |
| Referrals for Civil Action .....           | 2          | 1    | 0                      | 0    |
| Other Referrals, (NASD, SEC, etc.) .....   | 0          | 1    | N/A                    | N/A  |
| Consent Orders .....                       | 8          | 2    | N/A                    | N/A  |
| Cancellation of Orders .....               | 2          | 3    | N/A                    | N/A  |

**ROSTER****DEPARTMENT OF BANKING****ADMINISTRATION**

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Executive AssistantAlbert R. Maule  
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Secretary 2

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Administrative AttorneyRobert S. Rosenthal  
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Administrative AttorneyDebra J. Shulansky  
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Legal SecretaryJanice L. Hitchcock  
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**BANKING COMMISSIONER'S REPORT****Examiner 3**

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Elizabeth A. Lauretti, Statistical Typist  
Kathleen D. Gordon, Clerk Typist

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Senior Clerk

Virginia A. Wagner  
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