

ANNUAL REPORT
OF THE
Banking Commissioner

OF THE
STATE OF CONNECTICUT



FOR THE YEAR ENDED DECEMBER 31, 1980

BANKING COMMISSIONER
DAVID H. NEIDITZ

DEPUTY BANKING COMMISSIONER
LINDA J. KELLY

State Office Building, Hartford, Connecticut 06115

(3) Sets a maximum annual percentage rate of 21½% for the financing of all used cars in excess of two years old and eliminates the previous maximums for used cars in excess of four years old.

SECURITIES AND BUSINESS INVESTMENT DIVISION

The Securities and Business Investment Division, (formerly the Securities Section) is responsible for the following areas subject to the general supervision of the Banking Commissioner: (1) The registration of Tender Offers and the registration of Securities and Business Opportunity programs for sale in Connecticut; (2) Broker-Dealer and Investment Adviser registrations; (3) Routine examinations of Broker-Dealer and Investment Adviser registrants; and (4) Enforcement of the Tender Offer, Securities and Business Opportunity laws.

As of year-end 1980, the division was comprised of an acting director (who also serves as the Commissioner's executive assistant and counsel), a director of enforcement, nine examiners, and nine staff assistants.

During 1980, the Commissioner undertook a reorganization of the division resulting partially from the passing away of a former director of the division, John F. Healey, in late 1979, and partially to streamline and improve the division's procedures and effectiveness. As a result a new position was created for an assistant director. As of the year-end 1980, recruitment to fill the vacant director position and the newly created assistant director position was underway by the Banking Department in conjunction with the Personnel Division of the Department of Administrative Services.

Activities

Jurisdiction of the Banking Commissioner over the Tender Offer, Securities and Business Opportunity laws emanates from Chapters 661a, 662 and 662a of the General Statutes, respectively.

In 1980 the Connecticut Tender Offer Act underwent serious constitutional challenge in the United States District Court for the District of Connecticut. In December the Hon. Judge Emmet T. Clarie found certain sections of the Connecticut Tender Offer Act to be in conflict with federal law and hence, in certain respects unconstitutional. Remedial legislation is proposed for the 1981 session of the General Assembly. Only one tender offer was registered in 1980. (See Table No. 55).

In connection with the securities and business opportunity laws, as of the year-end 1980, 14,361 persons were registered to engage in selling securities and to offer advice and management services regarding investments in securities. This represents a 14.4% increase over the number of registrants in 1979. More than 63.5% of those registered were engaged in the general brokerage business. (See Tables Numbered 51, 52, 52a and 53).

During 1980, 68 routine broker-dealer and 52 investment adviser examinations were undertaken, a decrease of 31 in the former and an increase of 7 in the latter categories.

In 1980, 1,632 registration statements required of issuers of securities prior to their sale in Connecticut were received, 464 more than in 1979. Nineteen

registrations by sellers of business opportunity programs were received, an increase of 9 over the previous year. (See Table No. 55).

During 1980, 157 securities investigations and 41 business opportunity investigations were initiated, representing an increase of 47 in the former and a decrease of 14 in the latter. Four orders to cease and desist were issued in the securities area and 8 were issued in the area of business opportunities. Five securities matters were referred for criminal action. (See Table No. 56). Of all the investigations opened, most were resolved on the administrative level prior to their closure. Many of such administrative resolutions took the form of requiring those believed to be violating the law to offer rescissions to investors, to submit affidavits that no business would be conducted in Connecticut until properly registered or exempt from registration under the securities or business opportunities laws, to enter into consent agreements, or a combination of the foregoing.

In 1980 Counsel to the Banking Commissioner issued 774 interpretative opinions and exemption acknowledgements in the area of securities and 80 in the area of business opportunities. (See Table No. 57).

Legislation

In 1980 Chapter 662 and 662a of the General Statutes, the Connecticut Uniform Securities Act and the Connecticut Business Opportunity Investment Act, were amended by Public Acts 80-88 and 80-262 respectively. Public Act 80-88, which became effective May 1, 1980, made certain technical changes to the Connecticut Uniform Securities Act and clarified the applicability of certain provisions of the law to the sale of securities and to the definition of an "investment adviser". Public Act 80-262 took effect on May 16, 1980. It made certain technical changes to the existing law, and while broadening the scope of the disclosure requirements, brought the disclosure requirements of the Business Opportunity Investment Act into closer conformity with federal law, in particular with the Federal Trade Commission's Rule on Franchise and Business Opportunity Ventures.

Administrative Division

Administration of the Banking Department is the responsibility of the Commissioner, assisted by the Deputy Commissioner and a staff which was comprised of fifteen persons as of December 31, 1980.

The Administrative Division establishes policy for all departmental functions, provides supervision and control over examination procedures and techniques, analyzes and interprets economic trends, and evaluates legislation as it affects the industry and the public. By statute, the Commissioner serves on the Connecticut Housing Finance Authority and the Teachers' Retirement Board.

Research

Mortgage loan data submitted by lenders is compiled annually and a report is prepared which analyzes and summarizes this data by geographical location. The raw data is stored on machine-readable magnetic tape and is

Table No. 51
REGISTRATIONS:
BROKER-DEALERS, INVESTMENT ADVISERS AND AGENTS

	In Effect Dec. 31		Increase	
	1979	1980	1979	1980
Brokers and Dealers.....	511	575	(3.6%)	12.5%
Agents.....	11,318	12,962	4.7	14.5
Investment Advisers.....	189	193	(5.0)	2.1
Investment Advisers Agents.....	453	495	3.4	9.3
Agent of Issuer.....	78	136	254.5	74.4

Table No. 52
CLASSIFICATION OF BROKER-DEALER REGISTRANTS

Type of Business	Number		Percent	
	1979	1980	1979	1980
General Brokerage.....	324	365	63.4	63.5
Investment Trust.....	31	31	6.1	5.5
Other Specialists.....	155	178	30.3	31.0
Own Securities.....	1	1	.2	—
Totals.....	511	575	100.0	100.0

Table 52a
MAIN OFFICE: BROKER-DEALER
AND INVESTMENT ADVISER REGISTRANTS

1980	Broker-Dealer	Investment Adviser
Alabama.....	2	
Arizona.....	4	
Arkansas.....	1	
California.....	22	8
Colorado.....	8	
Connecticut.....	76	64
Delaware.....	2	
District of Columbia.....	6	
Florida.....	10	1
Georgia.....	10	3
Illinois.....	22	3
Indiana.....	2	1
Iowa.....	1	
Louisiana.....	1	
Maryland.....	5	3
Massachusetts.....	44	29
Michigan.....	7	
Minnesota.....	10	
Missouri.....	6	1
Nebraska.....	3	
New Jersey.....	26	5
New Hampshire.....	1	
New York.....	248	63
North Carolina.....	1	
Ohio.....	5	1
Oklahoma.....	2	
Pennsylvania.....	16	6
Rhode Island.....	3	
Texas.....	15	1
Tennessee.....	2	
Utah.....	1	
Virginia.....	2	3
Vermont.....	1	
Washington.....	3	
Wisconsin.....	6	1
Puerto Rico.....	1	
Totals.....	575	193

Table No. 53
TREND IN BROKER-DEALER, INVESTMENT ADVISER AND AGENTS REGISTRATIONS

Year	Broker - Dealers	Percent Increase/ Decrease	Agents	Percent Increase/ Decrease	Investment Advisers	Percent Increase/ Decrease	Investment Adviser Agents	Percent Increase/ Decrease	Agents of Issuer	Percent Increase/ 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	288	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

Table No. 54
ROUTINE EXAMINATIONS:
BROKERS-DEALERS AND INVESTMENT ADVISERS

Broker-Dealers		1980
Investment Advisers		68
		52

Table No. 55
REGISTRATIONS FILED AND EFFECTED OF
SECURITIES, TENDER OFFERS AND BUSINESS OPPORTUNITIES

		1980	
Securities	Received		Effectuated
Tender Offers	1,632		1,363
Business Opportunities	1		1
Business Opportunity Renewals	19		11
	1		1

Table No. 56
ENFORCEMENT ACTIVITIES
SECURITIES AND BUSINESS OPPORTUNITIES

		1980	
Investigations Opened	Securities		Business Opportunities
Investigations Closed	157		41
Cease & Desists Issued	155		57
Referrals for Criminal Action	4		8
Referrals for Civil Action	5		1
	0		0

Table No. 57
INTERPRETIVE OPINIONS AND EXEMPTION ACKNOWLEDGMENTS
ISSUED BY COUNSEL:
SECURITIES AND BUSINESS OPPORTUNITIES

Securities		1980
Business Opportunities		774
		80

ROSTER**BANKING DIVISION****Administrative Section**

David H. Neiditz, **Commissioner**
Linda J. Kelly, **Deputy Commissioner**

Shirley B. Ale, **Secretary to Commissioner**
Ann M. Negrini, **Secretary to Deputy Commissioner**

Marcia B. Goodman, **Exec. Asst.**
Brian J. Woolf, **Exec. Asst.**

Hugh C. McLean, **Senior Economist**
James J. Keleher, **Business Manager**

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Bank Examination Section

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