

ANNUAL REPORT
OF THE
Banking Commissioner

OF THE
STATE OF CONNECTICUT



FOR THE YEAR ENDED DECEMBER 31, 1982

BRIAN J. WOOLF
BANKING COMMISSIONER

HOWARD B. BROWN
DEPUTY BANKING COMMISSIONER

DEPARTMENT OF BANKING
State Office Building, Hartford, Connecticut 06106

the favorable tax treatment afforded by such certificate.

- (b) Removes the mandatory lien on shares of members, the purpose of which was to secure payment of all absolute and contingent liabilities of those members to the credit union.
- (c) Deletes the requirement that the credit committee approve any share withdrawal, other than a withdrawal from a share draft account, which would reduce a member's total share balance below a floor based on (i) the members absolute or contingent liability to the credit union or (ii) the members total shares on the last day on which a loan was granted to him or to any other member for whom he was acting as co-maker or guarantor.
- (d) Permits credit unions to base their dividend rates on the level of share balances.

Public Acts 82-92, 82-109 and 82-171 authorize new lending and investment powers to credit unions as follows:

- (a) Authorize credit unions to issue credit cards to their members.
- (b) Authorize credit unions to make variable-rate secured and unsecured loans to their members.
- (c) Permit credit unions to invest up to 5% of their paid-in and unimpaired capital and surplus in shares or loans to other cooperatives with prior approval of the Banking Commissioner.

Public Act 82-139 removes the requirement for annual examination of credit unions and permits the Banking Commissioner to make examinations as frequently as the Commissioner deems appropriate or necessary.

The Act also permits the Commissioner to certify that the merger of credit unions must proceed, without delay, and without the required two-thirds vote of members, if one of the credit unions is in danger of becoming in a doubtful or failing financial condition.

Public Act 82-182 extends to employees of the Credit Union Division of the Department of Banking, who are not authorized to examine credit unions, the ability to borrow from a State of Connecticut employee credit union.

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 Tender Offer, Securities and Business Opportunity laws.

As of year-end 1982, the division was comprised of a division director, a director of enforcement, 10 examiners, a Connecticut Careers Trainee and 10 staff assistants.

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 connection with the securities and business opportunity laws, as of the year-end 1982, 19,723 persons were registered to engage in selling securities and to offer advice and management services regarding investments in securities. This represents a 27% increase over the number of registrants in 1981. Fifty-five percent of those registered were engaged in the general brokerage business. (See Tables numbered 51, 52, 52a and 54.)

During 1982, 67 routine broker-dealer and 49 investment adviser examinations were undertaken. This represents an increase of 2 in the former category. (See Table No. 54.)

In 1982, 2,352 registrations statements of issuers of securities prior to their sale in Connecticut were received. Forty-two registrations by sellers of business opportunity programs were received, an increase of 8 over the previous year. Ten business opportunity registrations were renewed. There was 1 tender offer registration during 1982. (See Table No. 55.)

During 1982, 113 securities complaints and 24 business opportunity complaints were processed. Sixty-four securities and 7 business opportunity investigations were initiated. Nine cease and desist orders were issued in the securities areas representing an increase of 7 over the previous year. One securities matter was referred for criminal action. (See Table No. 56.) Of all the complaints processed and 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 opportunity laws, to enter into consent agreements, or a combination of the foregoing.

In 1982, Counsel to the Banking Commissioner issued 1,956 interpretive opinions and exemption acknowledgements in the area of securities and 28 in the area of business opportunities. (See Table No. 57.)

Legislation

In 1982, Chapter 662 of the Connecticut General Statutes, the Connecticut Uniform Securities Act, was amended by *Public Act 82-149*. This Act, the substance of which took effect on May 11, 1982, makes certain changes to the definitional, registration and exemption provisions of the Uniform Securities Act, including:

- (1) the removal of an exclusion from the definition of "agent" for persons representing an issuer in effecting transactions exempt under the private placement exemption contained in Section 36-490(b)(9)(a) of the Act,
- (2) the provision of a definition for the term "issuer" in the context of oil, gas or mining offerings,
- (3) the provision of an exclusion for noncash exchanges or securities where a class vote by security holders accompanies the exchange,
- (4) the imposition of a requirement that all investment advisory contracts disclose the fee arrangement involved and the services to be rendered,
- (5) the imposition of specific time limitations on the filing of registration documents,
- (6) the imposition of a one-year effectiveness period for all registration statements,
- (7) the provision of a post-sale registration procedure for securities which have been sold in violation of the Act,

- (8) the provision of an exemption for securities issued by any savings and loan association chartered in a state other than Connecticut,
- (9) the provision of an exemption for small offerings, and
- (10) the provision of an exemption for offerings exempted under Rules 505 and 506 of Regulation D promulgated by the Federal Securities and Exchange Commission.

Chapter 662a of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act, was amended by *Public Act 82-52*, which became effective October 1, 1982. The principle changes made by *Public Act 82-52* include:

- (1) the provision of a post-sale registration procedure for business opportunities which have been sold in violation of the Act,
- (2) the provision of a waiver of audited financial statements for business opportunity sellers who have been in business for less than one year if their financial statements are reviewed by an independent certified public accountant,
- (3) the addition of a jurisdictional section in the Act, and
- (4) the addition of a provision permitting business opportunity registrants to use the Uniform Franchise Offering Circular in lieu of the disclosure document required by Section 36-506 of the Act.

The only amendment to Chapter 661a of the Connecticut General Statutes, the Connecticut Tender Offer Act, was technical in nature and corrected an improper statutory reference in Section 36-460 of the Act. The amendment was contained in *Public Act 82-126*, which became effective on May 12, 1982.

Respectively submitted,



Brian J. Woolf
Banking Commissioner

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

| | In Effect Dec. 31 | | Increase | |
|-------------------------------------|-------------------|--------|----------|-------|
| | 1982 | 1981 | 1982 | 1981 |
| Broker-Dealers | 745 | 647 | 13.2% | 11.1% |
| Agents | 18,707 | 14,700 | 21.4 | 11.8 |
| Investment Advisers | 214 | 200 | 6.5 | 3.5 |
| Investment Adviser Agents | 775 | 618 | 20.3 | 19.9 |
| Agent of Issuer | 241 | 193 | 19.9 | 29.5 |

Table No. 52
CLASSIFICATIONS OF BROKER-DEALER REGISTRANTS

| Type of Business | Number | | Percent | |
|-----------------------------|------------|------------|---------------|---------------|
| | 1982 | 1981 | 1982 | 1981 |
| General Brokerage | 410 | 402 | 55.0% | 62.1% |
| Investment Trust | 30 | 25 | 4.0 | 3.9 |
| Other Specialists | 305 | 220 | 41.0 | 34.0 |
| Totals | 745 | 647 | 100.0% | 100.0% |

Table No. 52a
MAIN OFFICE: BROKER-DEALER
AND INVESTMENT ADVISER REGISTRANTS

| 1982 | Broker-Dealers | Investment Advisers |
|--------------------------------|----------------|---------------------|
| Alabama | 2 | 0 |
| Arizona | 2 | 0 |
| Arkansas | 3 | 0 |
| California | 32 | 10 |
| Colorado | 22 | 1 |
| Connecticut | 92 | 73 |
| Delaware | 2 | 1 |
| District of Columbia | 6 | 0 |
| Florida | 19 | 1 |
| Georgia | 15 | 3 |
| Illinois | 27 | 3 |
| Indiana | 2 | 1 |
| Iowa | 1 | 0 |
| Kansas | 1 | 1 |
| Louisiana | 4 | 0 |
| Maine | 1 | 0 |
| Maryland | 6 | 2 |
| Massachusetts | 51 | 29 |
| Michigan | 7 | 0 |
| Minnesota | 14 | 0 |
| Missouri | 10 | 1 |
| Nebraska | 3 | 0 |
| New Hampshire | 1 | 0 |
| New Jersey | 39 | 6 |
| New York | 294 | 69 |
| North Carolina | 1 | 0 |
| Ohio | 9 | 1 |
| Oklahoma | 11 | 0 |
| Oregon | 1 | 0 |
| Pennsylvania | 22 | 7 |
| Rhode Island | 6 | 0 |
| Tennessee | 3 | 0 |
| Texas | 19 | 1 |
| Vermont | 1 | 0 |
| Virginia | 5 | 3 |
| Washington | 3 | 0 |
| Wisconsin | 7 | 1 |
| Puerto Rico | 1 | 0 |
| Totals | 745 | 214 |

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 |
| 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 |

Table No. 54
ROUTINE EXAMINATIONS
BROKER-DEALERS AND INVESTMENT ADVISERS

| | 1982 | 1981 |
|-------------------------------|------|------|
| Broker-Dealers | 67 | 65 |
| Investment Advisers | 49 | 49 |

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

| | Received | | Effectuated | |
|---|--------------|--------------|--------------|--------------|
| | 1982 | 1981 | 1982 | 1981 |
| Securities | | | | |
| Open End Management Investment Companies . . | 212 | ..... | 201 | ..... |
| Renewals | 638 | ..... | 618 | ..... |
| Unit Investment Trusts | 619 | ..... | 587 | ..... |
| Renewals | 4 | ..... | 4 | ..... |
| Post-Sale Registrations | 1 | ..... | 0 | ..... |
| All Others | 878 | ..... | 826 | ..... |
| Total Securities Registrations | 2,352 | 2,507 | 2,236 | 1,968 |
| Tender Offer Registrations | 1 | 4 | 1 | 4 |
| Business Opportunity Registrations | 42 | 34 | 43 | 30 |
| Business Opportunity Renewals | 10 | 8 | 3 | 8 |

Table No. 56
ENFORCEMENT ACTIVITIES
SECURITIES AND BUSINESS OPPORTUNITIES

| | Securities | | Business Opportunities | |
|---|------------|-------|------------------------|-------|
| | 1982 | 1981 | 1982 | 1981 |
| Investigations Opened | 64 | 137 | 7 | 32 |
| Investigations Closed | 52 | 141 | 6 | 38 |
| Complaints Processed | 113 | ..... | 24 | ..... |
| Cease and Desist Orders Issued | 9 | 2 | 1 | 0 |
| Show Cause Orders Issued | 21 | ..... | 0 | ..... |
| Revocations Orders Issued—Broker-Dealer | 3 | 2 | ..... | ..... |
| Denial Orders Issued—Broker-Dealer | 1 | 1 | ..... | ..... |
| Subpoenas Issued | 17 | 16 | 1 | 3 |
| Referrals for Criminal Action | 1 | 2 | 0 | 0 |

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

| | 1982 | 1981 |
|----------------------------------|-------|-------|
| Securities | 1,956 | 1,116 |
| Business Opportunities | 28 | 48 |

ROSTER
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