

**ANNUAL REPORT**

**OF THE**

**Banking Commissioner**

**OF THE**

**STATE OF CONNECTICUT**

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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

**PAUL J. McDONOUGH**  
**DEPUTY COMMISSIONER**

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

examination and had an opportunity to discuss the findings with members of the division staff. In addition, several follow-up examinations to monitor progress toward correcting deficiencies and examinations pursuant to mergers were conducted by the division in 1988.

Credit union examiners also attended several training sessions which were made available by the National Credit Union Administration, the National Association of State Credit Union Supervisors, FDIC, and other industry related schooling.

There was one credit union placed into receivership in 1988 with the transfer of property and business assigned to the Commissioner. The Commissioner later issued an order transferring possession of that property and business to a group of Connecticut professionals who expressed interest in reactivating the charter in order to provide credit union services to individuals in the Greater Hartford area. A new credit union, Western's Credit Union, Inc., was issued its license on April 24, 1989. Located on the campus of Western Connecticut State University in Danbury, the credit union will serve students, staff and alumni.

## 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 1988, the division was comprised of a division director, two assistant division directors, eighteen examiners, one Pre-Professional Trainee and ten support personnel.

### *Activities*

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 laws, as of year-end 1988, 49,337 individuals were registered to represent brokerage firms in selling securities and offering management services regarding investments in securities. This represents a 4.24% increase over 1987. Sixty-five percent of those individuals were engaged in the general brokerage business.

In 1988, 4,241 registration statements of issuers of securities prior to their sale in Connecticut were received. Fifty-five registrations by sellers of business opportunity programs were received. Twelve business opportunity registrations were renewed. (See Table 39)

During 1988, 197 securities investigations and 16 business opportunity investigations were completed. Also, during 1988, 42 routine broker-dealer and 27 investment adviser examinations were undertaken. Two hundred and forty-five securities and 21 business opportunity investigations were initiated. Eight cease and desist orders were issued in the business opportunity area compared to a total of four the previous year. Three securities matters were referred for criminal action (See Table 40). 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 an effective method supplementing a large array of enforcement tools.

### LEGISLATION

During the 1988 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. 88-15, *An Act Concerning Savings Bank Time Deposits* (effective October 1, 1988) amends Section 36-104a of the General Statutes to clarify that savings banks have the authority to receive time deposits from individuals. In addition, the Act eliminates inaccurate statutory references which apply the term "depositor" to sections that do not contain the term.

P.A. 88-26, *An Act Authorizing Bank Pension Funds to Hold Shares in a Bank Investment Company* (effective October 1, 1988) amends Section 36-96 (12) of the General Statutes to permit savings banks to invest their assets in registered investment companies whose shares are owned by trusts, custodial accounts or similar funding arrangements relating to employee benefit plans maintained by banking institutions.

P.A. 88-42, *An Act Concerning Investments of Savings Banks in Corporations* (effective October 1, 1988) amends Section 36-96 (13) of the General Statutes to require a savings bank to notify the Commissioner in writing 24 hours prior to making any investment in the equity securities of a corporation which would result in the savings bank having invested in the aggregate in 25 percent or more of the equity securities of such corporation.

P.A. 88-59, *An Act Concerning Interlocking Directors, Officers, Employees or Trustees of Certain Holding Companies* (effective October 1, 1988) expands the provisions in Section 36-9c of the General Statutes on the interlocking of directors, officers, employees or trustees of state chartered depository institutions to prohibit an officer, employee, director or trustee of a holding company that owns, controls or holds a state chartered banking institution from being an officer, employee, director or trustee of any

### *Securities and Business Investments*

P.A. 88-208, *An Act Concerning the Connecticut Uniform Securities Act* (effective October 1, 1988) clarifies that the definition of "investment adviser agent" in Section 36-471(g) of the General Statutes denotes an individual and that an element of the definition includes the direct or indirect receipt of compensation or other remuneration for soliciting business for the investment adviser and that the definition of "security" in Section 36-471(m) includes interests of limited partners in a limited partnership. The Act also expands the grounds for the denial, suspension or revocation of any registration under Section 36-484(a) to include a bar from association issued by the Securities and Exchange Commission or the Commodity Futures Trading Commission and certain sanctions issued by self-regulatory organizations and extends from 30 to 180 days the time within which certain revocation proceedings must be initiated. The Act clarifies that the exemption in Section 36-490(a)(8) does not extend to initial public offerings and amends Section 36-495(b) to permit the Banking Commissioner to issue subpoenas in Connecticut at the request of another state if the activities concerning which the information is sought would constitute a basis for an investigation or proceeding under the Connecticut Uniform Securities Act had the activities occurred in Connecticut. Finally, the Act also corrects an inaccurate statutory reference in Section 36-502(f) and extends the provision to cover investment adviser agents.

P.A. 88-339, *An Act Concerning the Connecticut Business Opportunity Investment Act* (effective October 1, 1988) amends Section 36-506(b) of the General Statutes to require additional information to be included in the disclosure document which a seller must provide to a prospective purchaser-investor. The Act amends Section 36-508 of the General Statutes to require that the registration filed with the Commissioner include a copy of the table of contents of any operations manual to be provided to the purchaser-investor and contain a sworn statement by the seller that the information in the application is true to the seller's knowledge. Finally, the Act amends Section 36-521 of the General Statutes to clarify that a renewal registration consists of a full updated application.

### *Miscellaneous*

P.A. 88-65, *An Act Concerning Technical Revisions to the Banking Statutes* (effective October 1, 1988) and P.A. 88-364, *An Act Concerning the Revisor's Technical Corrections to the General Statutes and to Certain Public and Special Acts* (effective June 8, 1988) make technical amendments to various sections of the General Statutes.

P.A. 88-150, *An Act Concerning Fees for Investigating and Processing Applications Filed with the Commissioner of Banking* (effective October 1, 1988) amends Sections 36-12a, 36-224e, 36-228, 36-257, 36-440f, 36-490, 36-521 and 36-534 of the General Statutes. The Act increases certain existing

licensing and application processing fees and establishes fees for certain applications such as those for reorganizations, satellite devices and relocations. It also eliminates half-year license fees and makes license fees nonrefundable for first mortgage lenders, second mortgage lenders and brokers, small loan companies, sales finance companies and consumer collection agencies. The Act also makes several technical changes.

P.A. 88-200, *An Act Concerning Check Cashing Services* (effective October 1, 1988) regulates check cashing services and generally prohibits any person or entity from engaging in the business of cashing checks, drafts or money orders for consideration without obtaining a license from the Commissioner of Consumer Protection.

P.A. 88-317, *An Act Concerning Amendments to the Uniform Administrative Procedure Act* (effective July 1, 1989) makes amendments to provisions of the Uniform Administrative Procedure Act which include changes in definitions of terms, procedures for adoption of proposed regulations, contested cases, declaratory judgment actions and appeals of agency decisions.

P.A. 88-350, *An Act Concerning Approval of Certain Business Combinations* (effective June 7, 1988) prohibits a Connecticut stock corporation which has its principal executive offices or significant business operations located in Connecticut or has a significant financial relationship with one or more businesses located in Connecticut from engaging in any merger, consolidation, liquidation, sale, lease, exchange, mortgage, pledge, transfer or other "business combination" as defined in the Act, for a period of five years after such person becomes an "interested stockholder." The Act amends Section 33-313 of the General Statutes to require members of boards of directors of corporations to consider several factors, such as the interests of a corporation's employees and communities, when considering certain transactions involving the sale of all or substantially all of a corporation's assets. Directors who consider such factors are granted immunity from liability by reason of being or having been a corporate director. In addition, the Act creates an exception to the provision in Section 33-326 of the General Statutes requiring a corporation to call a special shareholders meeting if requested by at least 10 percent of the shareholders. Finally, the Act establishes a Connecticut Partnership Compact and provides for the composition of its members.

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

	In Effect Dec. 31		Increase	
	1988	1987	1988	1987
Broker-Dealers .....	1,549	1,418	9.24%	6.73%
Agents .....	49,337	47,332	4.24%	15.64%
Investment Advisers .....	538	468	14.96%	17.29%
Investment Adviser Agents .....	5,429	3,645	48.94%	59.45%
Agents of Issuer .....	222	258		1.57%

	<u>Broker-Dealers</u>	<u>Agents</u>	<u>Investment Advisers</u>	<u>Investment Adviser Agents</u>
Applications:				
Received .....	289	30,320	113	814
Withdrawn by Request .....	0	197	0	0
Withdrawn Voluntary .....	38	12,265	12	0
Special Review (Agents) .....		371		
Registrations Approved .....	313	17,911	105	786

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

Type of Business	Number		Percent	
	1988	1987	1988	1987
General Brokerage .....	915	848	7.9%	14.3%
Investment Trust .....	17	17	0%	13.3%
Other Specialists .....	617	553	11.6%	1.9%
<b>TOTALS</b> .....	<b>1,549</b>	<b>1,418</b>	<b>9.2%</b>	<b>7.3%</b>

**Table No. 37**  
**TREND IN BROKER-DEALER, INVESTMENT ADVISER AND AGENT 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	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
1987	1,418	6.7	47,332	15.64	468	17.3	3,645	59.5	258	1.6
1988	1,549	9.2	49,337	4.2	538	15.0	5,429	48.9	222	(14.0)

**Table No. 38**  
**ROUTINE EXAMINATIONS**  
**BROKER-DEALERS AND INVESTMENT ADVISERS**

	1988	1987
Broker-Dealers .....	42	26
Investment Advisers .....	27	16

**Table No. 39**  
**REGISTRATIONS FILED AND EFFECTED OF**  
**SECURITIES, TENDER OFFERS AND BUSINESS OPPORTUNITIES**

	Received		Effectuated	
	1988	1987	1988	1987
Securities				
Open End Management Investment Companies	315	333	356	629
Renewals .....	1,927	1,813	2,375	1,776
Unit Investment Trusts .....	750	693	678	671
Renewals .....	13	12	13	3
Post-Sale Registrations .....	8	8	8	7
All Others .....	1,228	1,664	1,145	1,595
Total Securities Registrations .....	4,241	4,523	4,575	4,681
Tender Offer Registrations .....	2	0	2	0
Business Opportunity Registrations .....	55	53	34	28
Business Opportunity Renewals .....	12	17	13	10
Exempted Filings .....	1,974	2,182	1,974	2,182
Inquiries Received .....	1,254	1,114		

**Table No. 40**  
**ENFORCEMENT ACTIVITIES**  
**SECURITIES AND BUSINESS OPPORTUNITIES**

	Securities		Business Opportunities	
	1988	1987	1988	1987
Investigations Opened .....	245	210	21	39
Investigations Closed .....	197	140	16	35
Complaints Handled .....	351	275	75	76
Cease and Desist Orders Issued .....	2	8	8	4
Show Cause Orders Issued .....	1	0	0	0
Denial, Suspension and Revocation Notices ..	5	6	0	0
Denial Orders Issued — Broker-Dealer .....	1	1	0	0
Subpoenas Issued .....	94	35	2	7
Referrals for Criminal Action .....	3	0	0	0
Referrals for Civil Action .....	2	1	0	0
Consent Orders .....	17	4	N/A	N/A
Stipulations .....	18			



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

Howard B. Brown, Banking Commissioner

Paul J. McDonough, Deputy Banking Commissioner

Jeanne M. Charbonneau  
Secretary to the CommissionerAnne H. Auger  
Secretary to the Deputy CommissionerAlbert R. Maule  
Executive AssistantRobin I. Kroogman  
Executive AssistantRobert J. Carragher  
Executive AssistantSaroja N. Setty  
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Secretary 1

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