

ANNUAL REPORT

OF THE

Banking Commissioner

OF THE

STATE OF CONNECTICUT

FOR THE YEAR ENDED DECEMBER 31, 1989

HOWARD B. BROWN
BANKING COMMISSIONER

PAUL J. McDONOUGH
DEPUTY COMMISSIONER

44 Capitol Avenue, Hartford, Connecticut 06106

Deposit Insurance

Share deposits in all state chartered credit unions are insured by the National Credit Union Administration (NCUA) to a maximum of \$100,000 per account holder. Connecticut is one of 12 states in the country that mandates federal insurance for credit unions.

Credit unions are required to establish a share insurance deposit with the National Credit Union Share Insurance Fund equal to one percent of insured shares. This deposit is recorded as an investment on the books of the credit union. As in previous years, the NCUSIF deposit is adjusted annually and is based on the insured level of deposit as of June 30. Credit unions paid no premium for share insurance coverage to the NCUSIF in 1989. This is the fifth straight year the NCUA board waived the annual insurance premium of 1/12th of 1.0% of credit union deposits.

Supervision

In 1989, the division provided all field staff with laptop computers, training, and software comparable to the equipment and training provided for federal examiners. Along with the computers, the division took delivery of a core examination program which automated much of the paperwork involved in an examination. Most examinations conducted in 1989 were routine. Directors each received a confidential report of the examination and had an opportunity to discuss the findings with members of the division. Follow-up examinations were conducted to monitor a credit union's progress toward correcting deficiencies. In addition, the division conducted examinations pursuant to credit union mergers.

Credit union examiners attended several training sessions which were made available by the NCUA and the National Association of State Credit Union Supervisors. New examiners and senior examiners were given the opportunity to attend a variety of technical training sessions.

SECURITIES AND BUSINESS INVESTMENTS DIVISION

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

As of year-end 1989, the division was comprised of a division director, two assistant division directors, 15 examiners, two Connecticut career trainees and 10 support personnel.

Activities

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

In connection with the securities laws, as of year-end 1989, 51,465 individuals were registered to represent brokerage firms in selling securities and offering management services regarding investments in securities. This represents a 4.37% increase over 1988. Fifty-nine percent of those individuals were engaged in the general brokerage business.

In 1989, the Division received 4,189 registration filings for securities to be sold in Connecticut. Sixty-eight registrations of business opportunity programs were received. Nineteen business opportunity registrations were renewed. (See Table 39)

During 1989, 148 securities investigations and 50 business opportunity investigations were completed. Also, during 1989, 42 broker-dealer and 27 investment adviser examinations were undertaken. One hundred and seventy-six securities and 47 business opportunity investigations were initiated. Ten cease and desist orders were issued in the securities area compared to a total of two the previous year. Similarly, the number of securities denial, suspension and revocation notices increased from five to 17. Two 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 stipulation agreements and consent orders wherein the Division sought monetary fines as well as reimbursement of its investigatory costs. The Division found the use of stipulation agreements and consent orders to be an effective method of supplementing a large array of enforcement tools.

LEGISLATION

During the 1989 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. 89-77, *An Act Concerning Savings Bank Life Insurance Annuities* (effective October 1, 1989) amends Section 36-142(5) of the General Statutes to increase the maximum annual annuity a savings bank may contract to pay an applicant from \$5,000 to \$20,000, provided that such contract, when combined with annuity contracts written by other state savings banks and The Savings Bank Life Insurance Company for such applicant, not exceed \$20,000.

Securities and Business Investments

P.A. 89-220, *An Act Concerning the Connecticut Uniform Securities Act* (effective October 1, 1989) defines the term "branch office" and requires that broker-dealers and investment advisers not transact business from any Connecticut location unless that location is registered with the Commissioner as a branch office. The Act provides for branch office application fees and requires filing a notice with the Commissioner regarding changes of management, acquisition and location of branch offices. The Act also clarifies that an individual should be registered as an agent of the broker-dealer or issuer whom he represents and, similarly, that an investment adviser agent be registered as an investment adviser agent of the investment adviser whom he represents. The Act requires an investment adviser to provide notice to its clients and the Commissioner when it ceases to transact business at any Connecticut office; lengthens such notice requirements for broker-dealers and investment advisers; lengthens the period for the Commissioner to provide exemptions from such notice requirements; adds the requirement that such notice state the reasons why the broker-dealer or investment adviser is terminating business at a Connecticut office; and subjects investment advisers to the same notice requirements affecting broker-dealers concerning the cessation of business due to commencement of bankruptcy proceedings. The Act also provides a new basis to deny, suspend or revoke a registration based on an applicant's or registrant's material misrepresentation or concealment of information in connection with an investigation or examination conducted under the Act; makes withdrawal from registration as a broker-dealer, agent, investment adviser or investment adviser agent effective 90 days after receipt of an application to withdraw; and finally, includes failure to register as a ground for a civil action under Section 36-498(b) of the General Statutes.

Miscellaneous

P.A. 89-67, *An Act Concerning the Creation of Durable Power of Attorney Bank Accounts* (effective October 1, 1989) authorizes the use of a prescribed form in the creation of a power of attorney bank account which would not be affected by the subsequent disability or incompetence of the account holder. In addition, the Act relieves the bank of liability for payment of funds held in such accounts until at least two business days after written notice of termination of such power of attorney is received by the bank, if payment was made in accordance with powers authorized pursuant to a power of attorney set forth in the prescribed form.

P.A. 89-73, *An Act Concerning the Deposit of Public Money and Trust Funds* (effective July 1, 1989) amends Section 4-33 of the General Statutes to require each public official of the state who deposits funds or money in a qualified public depository to submit to the Treasurer and the Comptroller, on or before September 1 of each year, a list of all such accounts, as of the preceding June 30.

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

	In Effect Dec. 31		Increase	
	1989	1988	1989	1988
Broker-Dealers	1,563	1,549	.009%	9.24%
Agents	51,465	49,337	4.31%	4.24%
Investment Advisers	581	538	7.99%	14.96%
Investment Adviser Agents	2,863	5,429	47.26%	48.94%
Agents of Issuer	125	222	48.5%	

	<u>Broker-Dealers</u>	<u>Agents</u>	<u>Investment Advisers</u>	<u>Investment Adviser Agents</u>
Applications:				
Received	315	14,393	92	628
Withdrawn by Request	0	85	0	0
Withdrawn Voluntary	166	12,887	22	332
Special Review (Agents)		204		
Registrations Approved	231	17,911	77	574
Branch Offices	322		55	

Table No. 36
CLASSIFICATIONS OF BROKER-DEALER REGISTRANTS

Type of Business	1989	1988
General Brokerage	924	915
Investment Trust	17	17
Other Specialists	622	617
TOTALS	1,563	1,549

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)
1989	1,563	.9	51,465	4.3	581	8.0	2,863	(47.3)	125	(48.5)

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

	1989	1988
Broker-Dealers	26	42
Investment Advisers	17	27

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

	Received		Effectuated	
	1989	1988	1989	1988
Securities				
Open End Management Investment Companies	334	315	279	356
Renewals	2,161	1,927	2,072	2,375
Unit Investment Trusts	570	750	453	678
Renewals	20	13	19	13
Post-Sale Registrations	7	8	7	8
All Others	1,107	1,228	884	1,145
Total Securities Registrations	4,189	4,241	3,714	4,575
Tender Offer Registrations	0	2	0	2
Business Opportunity Registrations	68	55	35	34
Business Opportunity Renewals	25	12	19	13
Exempted Filings	1,823	1,974	1,823	1,974

Table No. 40
ENFORCEMENT ACTIVITIES
SECURITIES AND BUSINESS OPPORTUNITIES

	Securities		Business Opportunities	
	1989	1988	1989	1988
Investigations Opened	176	245	47	21
Investigations Closed	148	197	50	16
Cease and Desist Orders Issued	10	2	7	8
Denial, Suspension and Revocation Notices ..	17	5	0	0
Denial, Suspension and Revocations Issued ..	5	1	0	0
Subpoenas Issued	123	94	3	2
Referrals for Criminal Action	2	3	0	0
Referrals for Civil Action	2	2	0	0
Consent Orders	3	17	N/A	N/A
Stipulations	20	18		

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

Howard B. Brown, Banking Commissioner

Paul J. McDonough, Deputy Banking Commissioner

Jeanne M. Charbonneau
Secretary to the CommissionerMarjorie D. Kagan
Secretary to the Deputy CommissionerRobert J. Carragher
Executive AssistantRobin I. Kroogman
Executive AssistantKathleen A. Enders
Secretary 1Saroja N. Setty
Secretary 1

David Tedeschi, Jr., Communications Officer

Kristine M. Fonte, Clerk Typist

Banking Legal Staff

Gayle S. Fierer, Banking Supervising Administrative Attorney

Banking Administrative Attorney 2William Nahas, Jr.
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Robert S. Rosenthal**Banking Administrative Attorney 1**Debra J. Gershman
Doniel Kitt**Staff Assistants**Tina M. Daigle
Administrative AssistantMary Beth Anderson
Secretary 2Maria C. Mendes
Secretary 2**Personnel and Business Office**

Charles Fischer, Fiscal/Administrative Manager 1

Debra L. Patterson, Fiscal/Administrative Supervisor

Anne Sblendorio, Personnel Officer 2

Staff AssistantsDorothy N. Stephenson
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AccountantYvette D. Levesque
Fiscal/Administrative OfficerVentura Ramos
Fiscal Administrative AssistantCarmen G. Calderon
Senior ClerkInge E. Simmons
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Mail Handler 2Eustacia G. Williams
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Clerk**MANAGEMENT INFORMATION SYSTEMS**

George T. Roman, Agency Data Processing Manager 1

Clayton L. Parker
Banking Principal Examiner (Gen)Joseph E. Kapinos
Computer Programmer AnalystRhonda L. Foster
Office Automation Systems Specialist

BANKING COMMISSIONER'S REPORT**DEPOSITORY INSTITUTIONS**

Joseph A. Pandiscia, Administrator

BANK EXAMINATION DIVISION

Howard F. Pitkin, Jr., Director

Glenn W. Hayes
Assistant DirectorWilliam J. MacDonald
Assistant Director**Banking Supervising Examiner**

Robert S. Greenwood

Frank R. Kern, Jr.

Consumer Information

Barry A. Elliott, Banking Principal Examiner (General)

Leonard A. Rich, Banking Principal Examiner (General)

Mary C. Divigard, Banking Examiner

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Jacquelyn C. SomersideClifford J. Jones
Andrew J. Paczkowski
Thomas J. Catania
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Sebastian F. Scarfe
Vernelle J. Davis
Malcolm G. Campbell, Jr.**Banking Senior Examiner (General)**David L. O'Brien
Joyce A. O'SullivanThomas E. DiMaio
Phyllis E. LewisTerralyn D. Cooper
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Deborah L. PapineauCora Keating
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Senior ClerkAna M. Ruiz
Clerk TypistRoger C. Rheume
Clerk Typist**CREDIT UNION DIVISION**

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Rita R. Redler

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Clerk**SECURITIES AND BUSINESS INVESTMENTS DIVISION**

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Cynthia A. Antanaitis, Assistant Director

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Margot T. O'Grady

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William E. Bartol
Lisa BaroneKevin R. Maher
Salvatore Cannata
Jean M. Foto**Connecticut Career Trainee**

John A. Horne

Paola Z. Barry

Staff AssistantsLouise E. Hanson
Secretary 2
Olympia M. Thompson
Senior ClerkDorothy E. Jackson
Secretary 2
June R. Christensen
Senior ClerkVirginia A. Wagner
Secretary 1
Ellen C. Morrison
Clerk TypistJudith A. Mercier
Clerk TypistSharada Kanive
Clerk TypistDelia Fontan de Acevedo
Clerk TypistShouhua Chen de Yearwood
Clerk Typist**CONSUMER CREDIT DIVISION**

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Roger N. LaBonte, Assistant Director

Banking Principal Examiner (Consumer Credit)

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Dena L. Wood

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Banking Examiner

Marlene M. Mannix

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