

ANNUAL REPORT

OF THE

Banking Commissioner

OF THE

STATE OF CONNECTICUT

FOR THE YEAR ENDED DECEMBER 31, 1991

RALPH M. SHULANSKY
BANKING COMMISSIONER

BARBARA S. McGRATH
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 Share Insurance Fund (NCUSIF) to a maximum of \$100,000.

Credit unions are required to establish a share insurance deposit with NCUSIF 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 deposits as of June 30. For the first time in seven years, NCUA also assessed an insurance premium which amounted to 1/12 of 1 percent of insured shares as of June 30, 1991.

Federal Credit Unions

In addition to state chartered credit unions, as of Dec. 31, 1991 there were 187 federal credit unions with total assets of \$2.6 billion, share deposits of \$2.4 billion and 714,561 members. Net capital to assets was 6.7% and delinquency loans to total loans was 2.3%. Connecticut federal credit unions are supervised by the the NCUA's Region 1 office located in Albany, New York.

SECURITIES AND BUSINESS INVESTMENTS DIVISION

Subject to the general supervision of the Banking Commissioner, the Securities and Business Investments Division is charged with administering Chapter 662 of the Connecticut General Statutes, The Connecticut Uniform Securities Act; Chapter 662a of the Connecticut General Statutes, The Connecticut Business Opportunity Investment Act; and Chapter 661 of the Connecticut General Statutes, The Connecticut Tender Offer Act.

The division is responsible for 1) the registration of securities and business opportunity offerings for sale in Connecticut; 2) the registration of broker-dealers, agents, investment advisors and investment advisor agents as well as the registration of broker-dealer and investment adviser branch offices; 3) the examination of broker-dealer, investment adviser and branch office registrants; and 4) enforcement of the state's securities, business opportunity and tender offer laws.

As of year-end 1991, and excluding vacancies, the division was comprised of a division director, two assistant division directors, one chief examiner, fifteen examiners, two Connecticut Career Trainees and eight support personnel.

Activities

As of year-end 1991, 50,659 individuals were registered to represent broker-dealers in offering and selling securities. This was a 4% increase over 1990. The number of registered broker-dealers dropped 2%, from 1,517 in 1990 to 1491 in 1991.

However, the number of registered investment advisers rose 9%, from 605 in 1990 to 660 in 1991, and the number of registered investment adviser agents increased by 41%, from 3,023 in 1990 to 4261 in 1991. Also during 1991, 43 broker-dealer and 17 investment adviser examinations were conducted.

In 1991, the division received a total of 4,486 registration filings for securities to be sold in Connecticut. The number of initial investment company registrations increased by 33.7%, from 400 in 1990 to 535 in 1991. Mutual fund renewal registrations were up approximately 8% from 1990. The number of business opportunity initial registrations remained steady at 57 for calendar year 1991. Similarly, 35 business opportunity renewal registrations were processed during the year, down only slightly from 36 in 1990. No filings were received under the Connecticut Tender Offer Act. (See Table 38)

In conjunction with the division's securities enforcement program, 120 investigations were opened in 1991, 130 investigations were closed and 87 investigations were in progress as of Dec. 31, 1991. Four cease and desist orders, naming eleven parties, were issued under The Connecticut Uniform Securities Act. In addition, six criminal referrals and one civil referral were made during the year. With respect to the division's business opportunity enforcement program, 135 investigations were opened, up from 42 in 1990, 142 investigations were closed, up from 34 in 1990, and 24 investigations were in progress as of Dec. 31, 1991. Eleven business opportunity-related cease and desist orders, naming 31 parties, were issued during the year. Of all the securities and business opportunity-related complaints and investigations handled, most were resolved at the administrative level prior to being closed.

Many administrative resolutions of enforcement matters took the form of remedial "stipulation and agreements" and consent orders wherein the division sought corrective measures as well as monetary fines and the reimbursement of investigative costs. For example, 36 stipulation and agreements, naming 39 parties, were executed in conjunction with securities related matters (*see Table 39*). The total amount of fines, penalties and costs imposed through administrative fines and informal resolutions of securities and business opportunity-related matters totaled \$468,190 (*see Table 39*). The division found the use of stipulation and agreements and consent orders to be an effective supplement to its array of enforcement tools.

LEGISLATION

During the 1991 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. 91-9, An Act Concerning Dividends Declared by State Capital Stock Banks (effective March 22, 1991) amends the definition of "net profits" in Section 36-80 of the General Statutes to clarify that for the purpose of declaring a dividend, a capital stock bank may not add back provisions made to its allowance for loan and lease losses when computing its net profits.

P.A. 91-11, An Act Concerning Check Cashing Services (effective October 1, 1991) amends Section 36-565(c) of the General Statutes to require two additional findings that the Commissioner must make prior to issuing a check cashing service license.

Securities and Business Investments

P.A. 91-145, An Act Concerning the Connecticut Uniform Securities Act (effective October 1, 1991) amends Chapter 662 of the General Statutes to eliminate from the definition of "investment adviser" the exception to the publisher's exclusion. The Act permits indirect compensation, prohibits false or misleading statements by any person who provides investment advice, and extends the antifraud provisions to persons who solicit advisory business. The Act authorizes the Commissioner to conduct preregistration investigations of branch offices, and specifies that suspensions are to be noted on the register licensees. The Commissioner is authorized to take action on a registration if within the last 12 months the applicant/registrant is the subject of a denial, suspension or revocation order issued by a Canadian securities administrator, or subject to a cease and desist order entered by the SEC, or administrator of another state. The Act provides that an application for a branch office is deemed abandoned, and therefore, denied, if the applicant fails to respond to any request for information. The Act creates an exemption for the secondary trading of securities listed or approved for listing on the Chicago Board Options Exchange, and clarifies the NASDAQ National Market System securities are within the scope of this exemption. Finally, the Act clarifies that the Commissioner may apply to court for an order of restitution without having to seek other equitable remedies.

Miscellaneous

P.A. 91-36, An Act Concerning Money Laundering (effective October 1, 1991) amends Section 53-394(a) of the General Statutes to expand the definition of "racketeering activity" in the CORA to include money laundering.

P.A. 91-211, An Act Concerning Grants Provided by the Department of Human Resources for Security Deposits (effective October 1, 1991) amends Section 17-599 of the General Statutes to provide for more effective and equitable administration of grants provided by the Department of Human Resources for security deposits.

P.A. 91-261, An Act Requiring State Agencies to Make Their Records and Accounts Available to the Legislative Office of Fiscal Analysis (effective July 1, 1991) amends Section 2-71c(b) of the General Statutes to require each department of the state government to assist the Office of Fiscal Analysis in carrying out its duties by making available upon request all records and accounts, except those which are confidential pursuant to a statute.

P.A. 91-304, An Act Revising Articles 3 and 4 of the Uniform Commercial Code Concerning Negotiable Instruments and Bank Deposits and Collections (effective October 1, 1991) amends the provisions of the Uniform Commercial Code dealing with negotiable instruments, and bank deposits and collections to provide essential rules for the new technologies and practices in payment systems.

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

	In Effect Dec. 31		Increase (Decrease)	
	1991	1990	1991	1990
Broker-Dealers	1,491	1,517	(2.0%)	(3.0%)
Agents	50,659	48,685	(4.0%)	(5.4%)
Investment Advisers	660	605	9.0%	4.1%
Investment Adviser Agents	4,266	3,023	41.0%	5.5%
Agent of Issuer	123	108	(13.9%)	(13.6%)
Broker-Dealer Branch Offices	490			
Investment Adviser Branch Offices	110			

	<u>Broker-Dealers</u>	<u>Agents</u>	<u>Investment Advisers</u>	<u>Investment Advisers Agent</u>
Applications:				
Received	231	16,873	144	1,505
Withdrawn by Request	0	68	0	0
Withdrawn Voluntary	121	16,249	6	258
Special Review (Agents)		201		
Registrations Approved	188	17,652	138	1,649
Branch Offices	149		29	

Table No. 36
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	3,325	(8.8)	222	(14.0)
1989	1,563	.9	51,465	4.3	581	8.0	2,863	(13.9)	125	(48.5)
1990	1,517	(3.0)	48,685	(5.4)	605	4.1	3,023	5.5	108	(13.6)
1991	1,491	(2.0)	50,659	4.0	660	9.0	4,266	41.0	123	13.9

Table No. 37
ROUTINE EXAMINATIONS
BROKER-DEALERS AND INVESTMENT ADVISERS

	1991	1990
Broker-Dealers	43	51
Investment Advisers	17	18

Table No. 38
REGISTRATIONS FILED AND EFFECTED FOR
SECURITIES, BUSINESS OPPORTUNITIES AND TENDER OFFERS

	Received		Effectuated	
	1991	1990	1991	1990
Securities				
Open End Management investment Company				
Initial Registrations	535	400	476	365
Open End Management Investment Company				
Renewals	2,538	2,351	2,317	2,191
Unit Investment Trust Initial Registrations	469	465	399	430
Unit Investment Trust Renewals	18	21	18	15
Post-sale Registrations	7	6	7	6
All others	919	855	769	709
Total Securities Registrations	4,486	4,098	3,986	3,716
Securities Exemption Filings				
Regulation D Filings	1,056	1,601	1,056	1,601
Business Opportunities				
Business Opportunity Initial Registrations	57	57	51	32
Business Opportunity Renewals	35	36	27	21

SECURITIES

Table No. 39
ENFORCEMENT ACTIVITIES
SECURITIES AND BUSINESS OPPORTUNITIES

	Securities		Business Opportunities	
	1991	1990	1991	1990
Investigations Opened	120	189	135	42
Investigations Closed	130	169	142	34
Investigations in Progress, (Dec. 31)	87	103	24	30
Subpoenas Issued	49	95	9	8
*Cease and Desist Orders	4 (11)	10 (24)	11 (31)	6 (16)
*Denial, Suspension & Revocation Orders	1 (5)	8 (8)	0	0
Cancellation Order	0	8	N/A	N/A
*Notices of Intent to Fine	2 (5)	3 (4)	0	2 (5)
*Orders Imposing Fine	0	6 (6)	0	1 (3)
*Consent Orders	6 (11)	5 (5)	0	1 (2)
*Stipulation AND Agreements	36 (39)	53 (57)	2 (2)	0
Criminal Referrals	6	4	0	0
Civil Referrals (Attorney General)	1	7	1	
Fines, Penalties & Costs Imposed	\$484,690	\$240,100	\$3,500	\$47,00

*Parenthetical number indicates number of parties named in Notice, Order or Stipulation and Agreement.

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

Ralph M. Shulansky, Banking Commissioner

Barbara S. McGrath, Deputy Banking Commissioner

Jeanne M. Charbonneau
Secretary to the CommissionerMarjorie D. Kagan
Secretary to the Deputy CommissionerRobert J. Carragher
Executive AssistantKathleen A. Cole
Secretary 2

Gregory E. Futoma, Senior Communications Officer

David Tedeschi, Jr., Communications Officer

Kristine M. Fonte, Clerk Typist

Lauren L. Shuck, Affirmative Action Program Manager

Banking Legal Staff

Gayle S. Fierer, Banking Supervising Administrative Attorney

Banking Administrative Attorney 2

Nirja N. Savill

Robert S. Rosenthal

Banking Administrative Attorney 1

Doniel Kitt

John A. Brunjes

Lisa K. MacDonald

Staff AssistantsTina M. Daigle
Administrative AssistantMary Beth Anderson
Secretary 2Beverly P. Blackstone
Secretary 1**Personnel and Business Office**

Charles Fischer, Fiscal/Administrative Manager 1

Debra L. Patterson, Fiscal/Administrative Supervisor

Anne Sblendorio, Personnel Officer 2

Inge E. Simmons, Personnel Officer 1

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Fiscal Administrative OfficerMichelle R. Provost
Fiscal Administrative OfficerVentura Ramos
Fiscal Administrative AssistantLisa T. Touchette
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Senior ClerkPaul P. Boccaccio, Jr.
Mail HandlerEustacia G. Williams
Telephone OperatorSallie M. Miller
ClerkIsmael Marrero
Messenger & Supply Clerk**MANAGEMENT INFORMATION SYSTEMS**

George T. Roman, Agency Data Processing Manager 1

Banking Principal Examiner (General)

Clayton L. Parker

Data Processing Applications Systems Analyst 2

James Black, Jr.

Joseph E. Kapinos

Office Automation Systems Specialist

Rhonda L. Foster

BANKING COMMISSIONER'S REPORT

DEPOSITORY INSTITUTIONS

Joseph A. Pandiscia, Administrator

BANK EXAMINATION DIVISION

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

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Frank R. Kern, Jr.

Thomas J. Catania

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Banking Principal
Examiner (General)Leonard A. Rich
Banking Principal
Examiner (General)Mary C. Divigard
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Sebastian F. Scarfe
Malcolm G. Campbell, Jr.Clifford J. Jones
Andrew J. Paczkowski
Vernelle J. Davis
Thomas E. DiMaio
Joyce A. O'SullivanAlfred G. Reutter
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Richard CortesDoreen A. DiMaio
Cheryl M. Schweighoffer
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Secretary 1Roger C. Rheaume
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Clerk TypistCarmen M. Calderon
ClerkJudith S. Tillman
Clerk

SECURITIES AND BUSINESS INVESTMENTS DIVISION

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 Eric J. Wilder, Assistant Director
 Cynthia E. Antanaitis, Assistant Director

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Thomas C. Dolan
 Sylvia A. Morgan
 Salvatore Cannata

William E. Bartol
 Jeffrey S. Goodson

Banking Examiner

Naomi C. Church
 John A. Horne

Lisa Barone
 Paola Z. Barry

Jean M. Foto

Accounting Career Trainee

Cesar H. Garcia

Connecticut Career Trainee

David M. Jankoski

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 Unit Supervisor
 June R. Christensen
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 Secretary I
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