

ANNUAL REPORT

OF THE

Banking Commissioner

OF THE

STATE OF CONNECTICUT

FOR THE YEAR ENDED DECEMBER 31, 1993

RALPH M. SHULANSKY
BANKING COMMISSIONER

ROBERT B. TITUS
DEPUTY COMMISSIONER

44 Capitol Avenue, Hartford, Connecticut 06106

the NCUSIF deposit is adjusted annually and is based on the insured level of deposits as of June 30.

Federal Credit Unions

In addition to state-chartered credit unions, as of December 31, 1993 there were 169 federal credit unions with total assets of \$2.8 billion, share deposits of \$2.5 billion and 685,620 members. Net capital to assets was 8.2% and delinquency loans to total loans was 1.5%. Connecticut's federal credit unions are supervised by 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 advisers and investment adviser 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 1993, and excluding vacancies, the division was comprised of a division director, two assistant division directors, one chief examiner, 16 examiners, one Accounting Careers Trainee, two Connecticut Careers Trainees and nine support personnel.

Activities

As of year-end 1993, 64,181 individuals were registered to represent broker-dealers in offering and selling securities. This was a 20% increase over 1992. The number of registered broker-dealers increased 9%, from 1,567 in 1992 to 1,702 in 1993. In addition, the number of registered investment advisers rose 10%, from 821 in 1992 to 901 in 1993, and the number of registered investment adviser agents increased by 14%, from 6,110 in 1992 to 6,981 in 1993. Also during 1993, 60 broker-dealer and 61 investment adviser examinations were conducted.

In 1993, the division received a total of 6,582 registration filings for securities to be sold in Connecticut. The number of initial investment company registrations increased by 26.8%, from 846 in 1992 to 1,073 in 1993. Mutual fund renewal registrations were up approximately 14.7% from 1991. Forty-seven business opportunity initial registrations were filed in 1993 and 29 business opportunity renewal registrations were processed during the year. No filings were received under the Connecticut Tender Offer Act. (See Table 38)

In conjunction with the division's securities enforcement program, 164 investigations were opened in 1993, 167 investigations were closed and 69 investigations were in progress as of Dec. 31, 1993. Seven cease and desist orders, naming 10 parties, were issued under The Connecticut Uniform Securities Act. In addition, four criminal referrals were made during the year. With respect to the division's business opportunity enforcement program, 99 investigations were opened, 102 investigations were closed and 19 investigations were in progress as of Dec. 31, 1993. 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, 29 stipulation and agreements 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 \$96,260 (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.

In addition, informal division intervention resulted in \$1,265,357 being offered and/or returned to Connecticut investors during 1993. (see Table 39).

LEGISLATION

During the 1993 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 Credit Unions

P.A. 93-8, An Act Concerning the Acceptance by State Chartered Financial Institutions of Identity Cards Issued by the Department of Motor Vehicles (effective October 1, 1993) requires state chartered financial institutions to accept identity cards issued by the Department of Motor Vehicles as identification for establishing an account or any other purpose for which the institution accepts a driver's license as identification.

P.A. 93-24, An Act Concerning Bank Acquisitions (effective May 4, 1993) amends Section 36-420 of the General Statutes to include a finding by the Commissioner that the parent corporation, if it is a banking institution, has a record of compliance with the federal and state Community Reinvestment Acts and applicable consumer protection laws. Section 36-423 of the General Statutes is amended to provide that the term "security convertible into a voting security" shall not include a stock purchase warrant. Section 36-425 of the General Statutes is amended to: (1) Delete the requirement that the entity whose voting securities are being acquired has a record of compliance with community reinvestment and applicable consumer protection laws and substitutes in lieu thereof such record of compliance with respect to the acquiring person, if it is a banking institution, or its sub-

Securities and Business Investments

P.A. 93-157, An Act Concerning the Connecticut Uniform Securities Act (effective July 1, 1993) defines a "blank check company" as a company in the development stage with no specific business plan or purpose or whose only purpose is to engage in a merger or acquisition with an unidentified entity. The Act provides the Commissioner authority to issue a stop order denying, revoking or suspending the effectiveness of any registration statement when the issuer is a blank check company and such action is in the public interest. The Act also extends the period after which the Commissioner is estopped from instituting a stop order proceeding based upon information known to him when the registration became effective. The Act also defines the terms "shell company" and "dormant company" and prohibits the distribution of the securities of such companies as well as blank check companies by means of the manual exemption from registration. The Act also prohibits such companies from acting as issuers in most private placements. The Act also creates a new exemption by incorporating Section 4(6) of the federal Securities Act of 1933 for offerings only to accredited investors.

P.A. 93-169, An Act Concerning the Statute of Limitations in Actions for Misrepresentation or Fraud in the Sale of Securities (effective July 1, 1993) amends the civil liability provisions of Chapter 662 of the General Statutes, The Connecticut Uniform Securities Act, by extending liability to persons who materially assist other persons who conduct fraudulent offers or sales of securities. The Act specifies a modified scienter requirement for all civil fraud actions involving securities. The Act also extends the statute of limitations in civil fraud actions brought under Chapter 662.

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

	In Effect Dec. 31		Increase (Decrease)	
	1993	1992	1993	1992
Broker-Dealers	1,702	1,567	8.6%	5.1%
Agents	64,181	53,396	20.2%	5.4%
Investment Advisers	901	821	9.7%	24.4%
Investment Adviser Agents	6,981	6,110	14.25%	43.2%
Agent of Issuer	187	140	33.5%	13.8%
Broker-Dealer Branch Offices	679	608		
Investment Adviser Branch Offices	184	138		

	<u>Broker-Dealers</u>	<u>Agents</u>	<u>Investment Advisers</u>	<u>Investment Adviser Agents</u>
Applications:				
Received	306	25,633	158	2,199
Withdrawn by Request	0	0	0	0
Withdrawn Voluntary	95	19,773	70	826
Special Review (Agents)		173		
Registrations Approved	240	24,277	151	2,032
Branch Offices Registered	163		66	

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
1992	1,567	5.1	53,396	5.4	821	24.4	6,110	43.2	140	13.8
1993	1,702	8.6	64,181	20.2	901	9.7	6,981	14.25	187	33.5

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

	1993	1992
Broker-Dealers	61	57
Investment Advisers	61	58

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

	Received		Effected	
	1993	1992	1993	1992
Securities				
Open End Management Investment Company				
Initial Registrations	1,073	846	1,029	709
Open End Management Investment Company				
Renewals	3,602	2,913	3,705	2,723
Unit Investment Trust Initial Registrations	439	440	403	423
Unit Investment Trust Renewals	13	10	13	9
Post-sale Registrations	10	1	10	1
All others	1,445	1,207	1,194	1,057
Total Securities Registrations	6,582	5,417	6,354	4,922
Securities Exemption Filings				
Regulation D Filings	1,522	1,274	1,522	1,274
Business Opportunities				
Business Opportunity Initial Registrations	47	60	33	41
Business Opportunity Renewals	29	43	19	37

Table No. 39
ENFORCEMENT ACTIVITIES
SECURITIES AND BUSINESS OPPORTUNITIES

	Securities		Business Opportunities	
	1993	1992	1993	1992
Investigations Opened	164	181	99	71
Investigations Closed	167	168	102	86
Investigations in Progress, (Dec. 31)	69	74	19	21
Subpoenas Issued	41	49	2	3
*Cease and Desist Orders	7 (10)	6 (15)	1 (2)	3 (10)
*Denial, Suspension & Revocation Orders	4 (4)	4 (4)	0	0
Cancellation Orders	0	0	N/A	N/A
*Notices of Intent to Fine	0	1 (1)	0	0
Orders Imposing Fine	0	0	0	0
*Consent Orders	1 (1)	4 (4)	0	0
*Stipulation and Agreements	29 (29)	41 (47)	0	3 (4)
Criminal Referrals	4	2	0	0
Civil Referrals to the Attorney General's Office	0	1	0	1
Fines, Penalties & Costs Imposed	\$96,260	\$186,390	\$0	\$11,000
Offered and/or Returned to Investors				
Following Informal Division Intervention	\$1,126,257	\$1,075,935	\$139,100	0

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

ROSTER

DEPARTMENT OF BANKING

ADMINISTRATION

Ralph M. Shulansky, *Banking Commissioner*

Robert B. Titus, *Deputy Banking Commissioner*

Jeanne M. Charbonneau

Marjorie D. Kagan

Secretary to the Commissioner Secretary to the Deputy Commissioner

Government Relations

Robert J. Carragher

Executive Assistant

Kathleen A. Hogan

Secretary 2

Public Information

Gregory E. Futoma, *Communications Specialist*

David Tedeschi, Jr., *Communications Officer*

Kristine M. Fonte, *Secretary 1*

Affirmative Action

Lauren L. Shuck, *Affirmative Action Program Manager*

Legal Division

Gayle S. Fierer, *Banking Supervising Administrative Attorney*

Banking Administrative Attorney 2

Nirja N. Savill

Robert S. Rosenthal

Doniel Kitt

Arthur S. Donovan

Banking Administrative Attorney 1

William E. Bartol

Jeffrey P. Halperin

Staff Assistants

Tina M. Daigle

Administrative Assistant

Mary Beth Anderson

Beverly P. Blackstone

Secretary 2

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*

SECURITIES AND BUSINESS INVESTMENTS DIVISIONRalph A. Lambiase, *Director*Eric J. Wilder, *Assistant Director*Cynthia E. Antanaitis, *Assistant Director**Banking Supervising Examiner*

Sidney A. Igdalsky

Banking Principal Examiner Securities

Margot T. O'Grady John P. Walsh William E. Olesky

*Banking Associate Examiner Securities*Maryellen R. Meara Thomas C. Dolan Kevin R. Maher
Sylvia A. Morgan Jeffrey S. Goodson Salvatore Cannata
Paola Z. Barry*Banking Examiner*Naomi C. Church Lisa Barone Jean M. Foto
John A. Horne Cesar H. Garcia David M. Jankoski*Accounting Careers Trainee*

Anne O. Purcell Klemes M. Klementon

Connecticut Careers Trainee

Susan Nadimi

*Staff Assistants*Louise E. Hanson Virginia A. Wagner Helen C. Crane
Administrative Assistant *Secretary I* *Secretary I*
Olympia M. Thompson June R. Christensen Judith A. Mercier
Office Assistant *Office Assistant* *Office Assistant*
Mark D. Loveland Sharada Kanive Alice F. Miller
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Banking Examiner

Anne E. Sponzo

*Accounting Careers Trainee**Connecticut Careers Trainee*

Carmine T. Costa Aslam S. Lodi

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