

ANNUAL REPORT

OF THE

**Banking Commissioner**

OF THE

STATE OF CONNECTICUT

FOR THE YEAR ENDED DECEMBER 31, 1995

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**JOHN P. BURKE**  
**BANKING COMMISSIONER**

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## 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 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act; Chapter 672c of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act; and Chapter 672b 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 1995, and excluding vacancies, the division was comprised of a division director, two assistant division directors, one chief examiner, 18 examiners, two Accounting Careers Trainees, one Connecticut Careers Trainee and ten support personnel.

### *Activities*

As of year-end 1995, 67,445 individuals were registered to represent broker-dealers in offering and selling securities. This figure was relatively constant with that reported for 1994. Likewise, the number of registered broker-dealers remained substantially unchanged at 1,795 for the 1995 calendar year. The Division saw the greatest growth, however, in the number of registered investment advisers which increased over 9% from the previous year to 1,071 in 1995. After experiencing a 22.8% increase in 1994, the number of registered investment adviser agents continued an upward climb, rising by an additional 8.45% in 1995, from 8,570 to 9,294. Significant increases were also seen in the number of registered broker-dealer and investment adviser branch offices (up by 10.07% and 17.22%, respectively, in 1995). Also during 1995, the Division conducted 106 broker-dealer and 54 investment adviser examinations.

In 1995, the division received a total of 7,420 registration filings for securities to be sold in Connecticut. The number of initial investment company registrations decreased by 24.4%, from 739 in 1994 to 594 in 1995. Mutual fund renewal registrations, however, were up approximately 29% from 1994. The division received 1,875 notices of claims of exemption. Fifty business opportunity initial registrations were filed in 1995 and 35 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, 180 investigations were opened in 1995, 176 investigations were closed and 79 investigations were in progress as of Dec. 31, 1995. Five cease and desist orders, naming seven parties, were issued under the Connecticut Uniform Securities Act, and six denial, suspension and revocation orders were issued.

With respect to the division's business opportunity enforcement program, 10 investigations were opened, seven investigations were closed and nine investigations were in progress as of Dec. 31, 1995. 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, 23 consent orders 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-related matters totaled \$300,027 (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 \$2,877,922 being offered and/or returned to Connecticut securities investors and business opportunity purchasers during 1995 (see Table 39).

## LEGISLATION

During the 1995 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. 95-21, An Act Concerning Dual Service Of Bank Directors, Officers And Employees* (effective October 1, 1995) amends Section 36a-95 of the General Statutes to permit a Connecticut bank or a holding company that controls a Connecticut bank, with the approval of the Commissioner, to have as an officer, employee or director a person who serves as an officer, employee or director of any holding company, bank or out-of-state bank which is not an affiliate of the Connecticut bank or the holding company that controls a Connecticut bank, unless such dual service is prohibited by applicable federal law or by regulation adopted by the Commissioner.

*P.A. 95-49, An Act Concerning The Regulation Of Electronic Fund Transfer Facilities And Service Providers* (effective October 1, 1995) amends Section 36a-155(b) of the General Statutes to authorize the Commissioner to adopt such regulations as may be necessary to carry out the purpose of the home banking statute, and to provide that the regulations governing automated teller machines, satellite devices, point of sale terminals and home banking services may include: (1) Requirements for the filing of information with the Commissioner by any financial institution, network or processor in connection with (A) the establishment or use of retail electronic banking facilities in Connecticut, (B) the provision of home banking services in Connecticut, and (C) the provision of network or processing services in Connecticut; (2) services that may be provided at such retail electronic banking facilities located in Connecticut, or by means of home banking terminals located in Connecticut, including services that may be offered on a proprietary basis; and (3) provisions concerning the safety of persons using retail electronic banking facilities. The Act also provides definitions for the terms "financial institution", "account", "consumer", "network" and "processor".

*P.A. 95-70, An Act Concerning Bank Investments and Mortgage Loans and N.O.W. Accounts* (effective May 31, 1995) amends Section 36a-251 of the General

rating agency, including requiring credit rating agencies to set up a toll-free telephone number for consumer dispute resolution. The Act also establishes requirements governing credit reports and credit information in credit transactions which are not initiated by the consumer, and specifies that the Act does not prohibit a credit rating agency from complying with any existing consent judgment or settlement with the attorney general.

*P.A. 95-106, An Act Concerning Finance Charges On Open-End Credit Plans* (effective October 1, 1995) amends Section 42-133c of the General Statutes to eliminate the 18% maximum finance charge that retail sellers can impose on and after October 1, 1995, under open-end credit plans.

*P.A. 95-200, An Act Prohibiting Lenders From Requiring Multiple Original Notes To Evidence A Single Debt* (October 1, 1995) adds a new provision which prohibits any lender from requiring a borrower, as a condition of obtaining a loan, to sign multiple original notes to evidence such loan.

### **Securities**

*P.A. 95-66, An Act Concerning The Connecticut Uniform Securities Act* (effective October 1, 1995) amends Section 36b-3(10) of the General Statutes which defines person for purposes of the Connecticut Uniform Securities Act to include a limited liability company.

Amends Section 36b-27 of the Connecticut General Statutes to clarify that the Commissioner may, order restitution plus interest at a rate of 10% per year and disgorgement, subject to a right to hearing, against any person or persons for past violations of the Connecticut Uniform Securities Act, or any regulation rule or order promulgated thereunder.

### **Miscellaneous**

*P.A. 95-79, An Act Including A Limited Liability Company Within The Definition of "Person"* (effective May 31, 1995, with exceptions) amends the definition of "person" in the Connecticut Uniform Securities Act and the Connecticut Business Opportunity Investment Act to include the business form of limited liability company.

Amends the definition of "bona fide non-profit organization" in the Debt Adjuster Laws to include a limited liability company. Amends numerous other definitional provisions within the General Statutes, primarily those defining "person", to include limited liability companies.

*P.A. 95-82, An Act Concerning Division Of Trust For Benefit Of Beneficiaries* (effective October 1, 1995) adds a new section which allows the trustee of an inter vivos or testamentary trust to divide a single trust into two or more separate trusts if the division is in the best interest of the beneficiaries of the trust provided, the trustee (a) gives 30 days prior notice of the proposed division to each beneficiary or to a guardian or guardian ad litem of each beneficiary, and (b) executes a written instrument to be retained with the trust records that the trust has been divided.

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

	In Effect Dec. 31		Increase (Decrease)	
	1995	1994	1995	1994
Broker-Dealers .....	1,795	1,805	(.55%)	6.1%
Agents .....	67,445	68,654	(1.76%)	7.0%
Investment Advisers .....	1,071	982	9.06%	9.0%
Investment Adviser Agents .....	9,294	8,570	8.45%	22.8%
Agents of Issuer .....	182	177	2.82%	(5.3%)
Broker-Dealer Branch Offices .....	1,006	914	10.07%	34.6%
Investment Adviser Branch Offices .....	320	273	17.22%	48.4%
	<u>Broker-Dealers</u>	<u>Agents</u>	<u>Investment Advisers</u>	<u>Investment Adviser Agents</u>
Initial Registrations				
Processed .....	312	28,940	171	2,279
Branch Office Registrations				
Processed .....	318	N/A	91	N/A

**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
1994	1,805	6.1	68,654	7.0	982	9.0	8,570	22.8	177	(5.3)
1995	1,795	(0.6)	67,445	(1.8)	1,071	9.1	9,294	8.4	182	2.8

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

	1995	1994
Broker-Dealers .....	106	34
Investment Advisers .....	54	33

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

	Received		Effectuated	
	1995	1994	1995	1994
<b>Securities</b>				
Open End Management Investment Company Initial Registrations .....	594	739	564	696
Open End Management Investment Company Renewals .....	5,332	4,140	5,479	3,838
Unit Investment Trust Initial Registrations ..	428	473	426	503
Unit Investment Trust Renewals .....	14	18	14	25
Post-sale Registrations .....	13	10	13	10
All others .....	<u>1,073</u>	<u>1,275</u>	<u>979</u>	<u>1,005</u>
<b>Total Securities Registrations .....</b>	<b>7,454</b>	<b>6,655</b>	<b>7,475</b>	<b>6,007</b>
<b>Securities Exemption Filings</b>				
Regulation D Filings .....	1,662	1,705	1,662	1,705
<b>Business Opportunities</b>				
Business Opportunity Initial Registrations . . .	50	51	32	28
Business Opportunity Renewals .....	35	31	34	31

**Table No. 39**  
**ENFORCEMENT ACTIVITIES**  
**SECURITIES AND BUSINESS OPPORTUNITIES**

	Securities		Business Opportunities	
	1995	1994	1995	1994
Investigations Opened .....	180	178	10	50
Investigations Closed .....	176	172	7	63
Investigations in Progress (Dec. 31) .....	79	76	9	6
Subpoenas Issued .....	32	20	4	0
Cease and Desist Orders .....	5 (7)	7 (10)	2 (3)	0
Denial, Suspension & Revocation Orders .....	6 (8)	3 (3)	0	0
Cancellation Orders .....	0	0	N/A	N/A
Notices of Intent to Fine .....	1	1	1	0
Orders Imposing Fine .....	1	0	0	0
Consent Orders .....	23 (25)	27 (29)	1 (1)	0
Stipulation and Agreements .....	10 (11)	5 (6)	0	0
Criminal Referrals .....	0	4	0	0
Civil Referrals to the Attorney General's Office	1	1	1	0
Fines, Penalties & Costs Imposed .....	\$300,027	\$765,935	\$10,000	\$0
Offered and/or Returned to Investors				
Following Informal Division Intervention ..	\$2,877,720	\$792,386	\$202	\$18,510

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



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

John P. Burke, *Banking Commissioner*

Jeanne M. Charbonneau, *Secretary to the Commissioner*

**Government Relations & Communications**

Robert J. Carragher, Director

Kathleen A. Hogan

*Secretary 2*

**Public Information**

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David Tedeschi, Jr., *Communications Officer*

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**Affirmative Action**

Lauren L. Shuck, *Affirmative Action Program Manager*

**Banking Legal Staff**

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*Banking Administrative Attorney 2*

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Beverly P. Blackstone

*Secretary 2*

**Business Office**

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Andrew H. Heyl

*Fiscal/Administrative Officer*

Sallie M. Miller

*Clerk*

Patrice A. Callender

*Telephone Operator*

Michelle R. Provost

*Fiscal/Administrative Officer*

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*Mail Handler*

Ismael Marrero

*Messenger & Supply Clerk*

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Vernelle J. Davis

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David L. O'Brien

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Doreen A. DiMaio

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Cora Keating

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*Banking Examiner*

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 Gregory C. Woodbury  
 Denise M. McGovern  
 Gary R. Battle  
 Michael I. Myles

Mark T. Gray  
 Cynthia N. DeRosa  
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Ana M. Ruiz

Genafa B. Byar

*Secretary 2*

*Secretary 1*

*Secretary 1*

**CREDIT UNION DIVISION**

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Eric B. Offei-Addo

Angela M. DiDomizio

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Darlene M. Testa

Carmen M. Calderon

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*Secretary 1*

*Clerk Typist*

*Clerk*

**SECURITIES AND BUSINESS INVESTMENTS DIVISION**

Ralph A. Lambiase, *Director*

Eric J. Wilder, *Assistant Director*

Cynthia E. Antanaitis, *Assistant Director*

*Banking Supervising Examiner (Securities)*

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*Banking Principal Examiner (Securities)*

Margot T. O'Grady

John P. Walsh

William E. Olesky

Jeffrey S. Goodson

Salvatore Cannata

*Banking Associate Examiner (Securities)*

## BANKING COMMISSIONER'S REPORT

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Paola Z. Barry	Lisa B. Troy	Naomi C. Church
John A. Horne		Cesar H. Garcia
	<i>Banking Examiner</i>	
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Klemes M. Klementon		Susan Nadimi
	<i>Connecticut Careers Trainee</i>	
	Mark A. Hornyak	
	<i>Accounting Careers Trainee</i>	
Louis A. Perillo, III		Laurie K. Greci
	<i>Staff Assistants</i>	
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<i>Administrative Assistant</i>	<i>Secretary 1</i>	<i>Secretary 1</i>
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<i>Secretary 1</i>	<i>Office Assistant</i>	<i>Office Assistant</i>
Judith A. Mercier	Mark D. Loveland	Sharada Kanive
<i>Office Assistant</i>	<i>Data Entry Operator 1</i>	<i>Clerk Typist</i>
	Alice F. Miller	
	<i>Clerk Typist</i>	

## CONSUMER CREDIT DIVISION

	Robert C. Focht, <i>Director</i>	
	William Nahas, Jr., <i>Assistant Director</i>	
	<i>Banking Principal Examiner (Consumer Credit)</i>	
Dena L. Wood	Jeffrey W. Hubbell	Marlene M. Mannix
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	Anne E. Cappelli	
	<i>Banking Examiner</i>	
Carmine T. Costa		Aslam S. Lodi
	<i>Accounting Careers Trainee</i>	
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	<i>Staff Assistants</i>	
	Larisa L. Hull	
	<i>Administrative Assistant</i>	
Olive R. Mihm	Maria C. Burgos	Jean L. Wright
<i>Clerk Typist</i>	<i>Clerk Typist</i>	<i>Clerk Typist</i>