Document Name	**Community Banking Program [1 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC

Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	**Matt Smith** **(860) 240-8105** **Matthew.smith@ct.gov**
Division Requesting This Proposal	**Financial Institutions Division**
Drafter	**Matt Saunig** **(860) 240-8147** **Matthew.saunig@ct.gov**

Title of Proposal	**An Act Concerning Revisions to the Community Banking Program**
Statutory Reference, if any	**36a-250(a)(33); 3-24j**
Brief Summary and Statement of Purpose	**This proposal expands eligibility to participate in the Community Banking Program to include federal credit unions.**

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Section 1 amends the definition section of the Treasurer's Community Banking Program to include federal credit unions as eligible to participate in the program.

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	**The bill broadens the scope of entities eligible to participate in a program that benefits community development.**
How will we measure if the proposal successfully accomplishes its goals?	**The Community Banking Program change could be considered successful if any federal credit unions participate in the program.**
Have there been changes in federal/state laws or regulations that make this legislation necessary?	**Yes, a recent change to the Community Banking Program legislation (PA 23-126) inadvertently removed federal credit unions as eligible to participate in the program.**
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	**Not to our knowledge**
Have certain constituencies	**The credit union industry has advocated for the Community Banking Program change in this proposal.**

called for this proposal?	

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[ ] Check here if this proposal does NOT impact other agencies

1. Agency Name **Office of the Treasurer**	**Office of the Treasurer**
Agency Contact (name, title)	**Jennifer Puttetti, legislative director**
Date Contacted	**9/27/2023**
Status	**[X] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[ ] Check here if this proposal does NOT have a fiscal impact

State	**There may be a minor reduction in license application fees, but any such reduction is anticipated to be negligible.**
Municipal (Include any municipal mandate that can be found within legislation)	**n/a**
Federal	**n/a**

Additional notes	**n/a**

MONITORING & EVALUATION PLAN
If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

Sec. 1. Subsection (2) of section 3-24j of the general statutes is repealed and the following is substituted in lieu thereof (*effective July 1, 2024*):

(2) "Community credit union" means a cooperative, nonprofit financial institution that (A) **[**is organized under chapter 667 and the**]** has membership **[**of**]** which is limited as provided in section 36a-438a, as amended by this act, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership.

Document Name	**AAC Shared Appreciation [2 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC
Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	Matthew Smith
Division Requesting This Proposal	Consumer Credit
Drafter	Jeffrey Schuyler, Staff Attorney

Title of Proposal	An Act Concerning Shared Appreciation
Statutory Reference, if any	NEW
Brief Summary and Statement of Purpose	To codify certain required disclosures regarding shared appreciation agreements in statute.

SECTION-BY-SECTION SUMMARY
Summarize sections in groups where appropriate

Section 1 adds a new section and introduces transactional financial disclosures as a requirement of lenders of shared appreciation agreements.

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	
How will we measure if the proposal successfully accomplishes its goals?	
Have there been changes in federal/state laws or regulations that make this legislation necessary?	
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	
Have certain constituencies called for this proposal?	

INTERAGENCY IMPACT

List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT

Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

AN ACT CONCERNING SHARED APPRECIATION

Be in enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) *(Effective October 1, 2024*): For the purposes of this section the definition of shared appreciation agreement as stated in Connecticut General Statutes Section 36a-485(30) shall be incorporated by reference herein. Any mortgage lender making a shared appreciation agreement shall disclose to the prospective borrower no later than three (3) business days after the prospective borrower submits the application:

(1) The following statement clearly and conspicuously in at least 12-point font: "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage and shared interest in your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan. You may wish to consult an attorney";

(2) Financial information, including but not limited to, if the agreement is terminated through repayment, which may include the receipt by the lender of some or all of the sale proceeds if the agreement is terminated by the sale of the home;

(3) Agreement and transaction details, including, but not limited to, lender contact information, transaction amount, cash to the borrower, term of agreement and the home's current estimated market value;

(4) Disclosure of the method of determining the home's current market value;

(5) Disclosure of the method of determining the home's final value at time of agreement termination;

(6) Additional interest charged;

(7) Appreciation or equity share limit;

(8) Tax implications advisory;

(9) Repayment examples based upon, at minimum, a five-year, ten-year, fifteen-year and thirty-year term and changes in the market value of the home at rates of a ten per cent depreciation, no change, three and one-half per cent annual appreciation, five and one-half per cent annual appreciation and actual appreciation in this state in the prior years equal to the term of the agreement. The disclosure shall include the following information and corresponding calculations:

(A) Calculated appreciation amount;

(B) Appreciation based charge;

(C) Accrued or charged interest;

(D) Principal amount to be repaid;

(E) The lender's total calculated share of appreciation or equity;

(F) Any limit to the lender's share of appreciation or equity;

(G) Actual amount to be paid; and

(H) Equivalent APR calculation.

Statement of Purpose: To clearly require financial disclosures in connection with shared appreciation agreements to inform and protect consumers.

Document Name	**AAC Money Transmission [3 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC
Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	Matthew Smith
Division Requesting This Proposal	Consumer Credit
Drafter	Jeffrey Schuyler, Staff Attorney

Title of Proposal	An Act Concerning Money Transmission
Statutory Reference, if any	36a-596, 36a-597(a), 36a-599, Sections 3(f) and 3(h) of Public Act 23-82
Brief Summary and Statement of Purpose	To expand and enhance money transmission statute language.

SECTION-BY-SECTION SUMMARY
Summarize sections in groups where appropriate.

Section 1 amends Section 36a-596 to expand the definition of "cash" as a permissible investment beyond stating just US currency with language consistent with the money transmission model law.

Section 2 amends Section 36a-597(a) to add a licensing requirement for virtual currency ("VC") kiosk operators.

Section 3 amends Section 36a-599 to add a requirement for licensees to have a detailed wind-down plan.

Section 4 amends Section 3(f) of Public Act 23-82 to set maximum fee allowed for VC kiosk transactions.

Section 5 amends Section 3(h) of Public Act 23-82 to remove the "foreign wallet" requirement from the refund clause.

Section 6 introduces a new section to add a requirement for the provision of receipts to consumers for each money transmission transaction.

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	
How will we measure if the proposal successfully accomplishes its goals?	
Have there been changes in federal/state laws or regulations that make this legislation necessary?	
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	

Have certain constituencies called for this proposal?	

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

AN ACT CONCERNING MONEY TRANSMISSION

Be in enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 36a-596 of the general statutes, as amended by section 3 of public act 23-82, is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

As used in sections 36a-595 to 36a-612, inclusive, and section 3 of public act 23-82:

(1) "Advertise" or "advertising" has the same meaning as provided in section 36a-485.

(2) "Authorized delegate" means a person designated by a person licensed pursuant to sections 36a-595 to 36a-612, inclusive, to provide money transmission services on behalf of such licensed person.

(3) "Control" means (A) the power to vote, directly or indirectly, at least twenty-five per cent of the outstanding voting shares or voting interests of a licensee or person in control of a licensee; (B) the power to elect or appoint a majority of key individuals or executive officers, managers, directors, trustees or other persons exercising managerial authority of a person in control of a licensee; or (C) the power to exercise, directly or indirectly, a controlling influence over the management or policies of a licensee or person in control of a licensee. For purposes of this subdivision: (i) A person is presumed to exercise a controlling influence when the person holds the power to vote, directly or indirectly, at least ten per cent of the outstanding voting shares or voting interests of a licensee or person in control of a licensee, (ii) a person presumed to exercise a controlling influence can rebut such presumption if the person is a passive investor, and (iii) to determine the percentage of control, a person's interest shall be aggregated with the interest of any other immediate family member, including the person's spouse, parent, child,

sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law and any other person who shares the person's home.

(4) "Control person" means any individual in control of a licensee or applicant, any individual who seeks to acquire control of a licensee or a key individual.

(5) "Electronic payment instrument" means a card or other tangible object for the transmission of money or monetary value or payment of money which contains a microprocessor chip, magnetic stripe, or other means for the storage of information, that is prefunded and for which the value is decremented upon each use, but does not include a card or other tangible object that is redeemable by the issuer in the issuer's goods or services.

(6) "Holder" means a person, other than a purchaser, who is either in possession of a payment instrument and is the named payee thereon or in possession of a payment instrument issued or endorsed to such person or bearer or in blank. "Holder" does not include any person who is in possession of a lost, stolen or forged payment instrument.

(7) "Key individual" means any individual ultimately responsible for establishing or directing policies and procedures of the licensee, including, but not limited to, an executive officer, manager, director or trustee.

(8) "Licensee" means any person licensed or required to be licensed pursuant to sections 36a-595 to 36a-612, inclusive.

(9) "Main office" has the same meaning as provided in section 36a-485.

(10) "Monetary value" means a medium of exchange, whether or not redeemable in money.

(11) "Money transmission" means engaging in the business of issuing or selling payment instruments or stored value, receiving money or monetary value for current or future

transmission or the business of transmitting money or monetary value within the United States or to locations outside the United States by any and all means including, but not limited to, payment instrument, wire, facsimile, electronic transfer or virtual currency kiosk.

(12) "Outstanding" means (A) in the case of a payment instrument or stored value, that: (i) It is sold or issued in the United States; (ii) a report of it has been received by a licensee from its authorized delegates; and (iii) it has not yet been paid by the issuer, and (B) for all other money transmissions, the value reported to the licensee for which the licensee or any authorized delegate has received money or its equivalent value from the customer for transmission, but has not yet completed the money transmission by delivering the money or monetary value to the person designated by the customer.

(13) "Passive investor" means a person that: (A) Does not have the power to elect a majority of key individuals or executive officers, managers, directors, trustees or other persons exercising managerial authority of a person in control of a licensee; (B) is not employed by and does not have any managerial duties of the licensee or person in control of a licensee; (C) does not have the power to exercise, directly or indirectly, a controlling influence over the management or policies of a licensee or person in control of a licensee; and (D) attests to subparagraphs (A), (B) and (C) of this subdivision in the form and manner prescribed by the commissioner.

(14) "Payment instrument" means a check, draft, money order, travelers check or electronic payment instrument that evidences either an obligation for the transmission of money or monetary value or payment of money, or the purchase or the deposit of funds for the purchase of such check, draft, money order, travelers check or electronic payment instrument.

(15) "Permissible investment" means: (A) Cash in United States currency including demand deposits, savings deposits, and funds in such accounts held for the benefit of the licensee's customers in a federally insured depository financial institution and cash equivalents including ACH items in transit to the licensee and ACH items or international wires in transit to a payee, cash in transit via armored car, cash in smart safes, cash in licensee-owned locations, debit card or credit card-funded transmission receivables owed by any bank, or money market mutual funds rated "AAA" by S&P Global Ratings, or the equivalent from any eligible rating service; (B) time deposits, as defined in section 36a-2, or other debt instruments of a bank; (C) bills of exchange or bankers acceptances which are eligible for purchase by member banks of the Federal Reserve System; (D) commercial paper of prime quality; (E) interest-bearing bills, notes, bonds, debentures or other obligations issued or guaranteed by: (i) The United States or any of its agencies or instrumentalities, or (ii) any state, or any agency, instrumentality, political subdivision, school district or legally constituted authority of any state if such investment is of prime quality; (F) interest-bearing bills or notes, or bonds, debentures or preferred stocks, traded on any national securities exchange or on a national over-the-counter market, if such debt or equity investments are of prime quality; (G) receivables due from authorized delegates consisting of the proceeds of the sale of payment instruments which are not past due or doubtful of collection; (H) gold; and (I) any other investments approved by the commissioner. Notwithstanding the provisions of this subdivision, if the commissioner at any time finds that an investment of a licensee is unsatisfactory for investment purposes, the investment shall not qualify as a permissible investment.

(16) "Prime quality" of an investment means that it is within the top four rating categories in any rating service recognized by the commissioner unless the commissioner

determines for any licensee that only those investments in the top three rating categories qualify as prime quality.

(17) "Purchaser" means a person who buys or has bought a payment instrument or who has given money or monetary value for current or future transmission.

(18) "Stored value" means monetary value that is evidenced by an electronic record. For the purposes of this subdivision, "electronic record" means information that is stored in an electronic medium and is retrievable in perceivable form.

(19) "Travelers check" means a payment instrument for the payment of money that contains a provision for a specimen signature of the purchaser to be completed at the time of a purchase of the instrument and a provision for a countersignature of the purchaser to be completed at the time of negotiation.

(20) "Unique identifier" has the same meaning as provided in section 36a-485.

(21) "Virtual currency" means any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology. Virtual currency shall be construed to include digital units of exchange that (A) have a centralized repository or administrator; (B) are decentralized and have no centralized repository or administrator; or (C) may be created or obtained by computing or manufacturing effort. Virtual currency shall not be construed to include digital units that are used (i) solely within online gaming platforms with no market or application outside such gaming platforms, or (ii) exclusively as part of a consumer affinity or rewards program, and can be applied solely as payment for purchases with the issuer or other designated merchants, but cannot be converted into or redeemed for fiat currency.

(22) "Virtual currency address" means an alphanumeric identifier representing a destination for a virtual currency transfer that is associated with a virtual currency wallet.

(23) "Virtual currency kiosk" means an electronic terminal acting as a mechanical agent of the owner or operator to enable the owner or operator to facilitate the exchange of virtual currency for fiat currency or other virtual currency, including, but not limited to, by (A) connecting directly to a separate virtual currency exchanger that performs the actual virtual currency transmission, or (B) drawing upon the virtual currency in the possession of the owner or operator of the electronic terminal.

(24) "Virtual currency wallet" means a software application or other mechanism providing a means for holding, storing and transferring virtual currency.

Sec. 2. Subsection (a) of section 36a-597 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

(a) No person shall engage in the business of money transmission in this state, or advertise or solicit such services, without a main office license issued by the commissioner as provided in sections 36a-595 to 36a-612, inclusive, except as an authorized delegate of a person that has been issued a license by the commissioner and in accordance with section 36a-607. Any activity subject to licensure pursuant to sections 36a-595 to 36a-612, inclusive, shall be conducted from an office located in a state, as defined in section 36a-2. <u>On and after October 1, 2024, any person who owns, operates, solicits, markets, advertises or facilitates virtual currency kiosks in this state shall be deemed to be engaged in money transmission and require licensure pursuant this section.</u> A person engaged in the business of money transmission is acting in this state under this section if such person: (1) Has a place of business located in this state, (2) receives money or monetary value in this state or from a person located in this state, (3) transmits

money or monetary value from a location in this state or to a person located in this state, (4) issues stored value or payment instruments that are sold in this state, [or] (5) sells stored value or payment instruments in this state, [.] or (6) owns, operates, solicits, markets, advertises or facilitates virtual currency kiosks physically located in this state.

Sec. 3. Section 36a-599 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

(a) Each applicant for a money transmission license shall pay to the system any required fees or charges and a license fee of one thousand eight hundred seventy-five dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, except that any such license approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a money transmission license shall pay to the system any required fees or charges and a renewal fee of one thousand one hundred twenty-five dollars.

(b) Not later than fifteen days after the date a licensee ceases to engage in the business of money transmission in this state for any reason, including a business decision to terminate operations in this state, license revocation, bankruptcy or voluntary dissolution, such licensee shall request surrender of the license in accordance with subsection (c) of section 36a-51 for each location where such licensee has ceased to engage in such business. The licensee shall also identify, in writing, to the commissioner the location where the records of the licensee will be stored and the name, address and telephone number of an individual authorized to provide access to the records. The surrender of a license does not reduce or eliminate the licensee's civil or

criminal liability arising from acts or omissions occurring prior to the surrender of the license, including any administrative actions undertaken by the commissioner to revoke or suspend a license, assess a civil penalty, order restitution or exercise any other authority provided to the commissioner.

(c) Each license shall remain in force and effect until the license has been surrendered, revoked or suspended or has expired in accordance with the provisions of sections 36a-595 to 36a-612, inclusive. No abatement of the license fee shall be made if the applicant is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section shall be nonrefundable.

(d) Each licensee shall maintain a detailed plan and accounting as to how the licensee shall engage in winding down operations and further provide the same to the Commissioner upon request. Said wind-down plan shall contain (1) a full record showing that the minimum net worth and reserves are sufficient to prevent losses to consumers and purchasers and to repay any outstanding obligations or accounts payable; (2) procedures to ensure that all consumer and purchaser funds are not retained by the licensee after winddown and no other client funds are retained in any form by the licensee; (3) a plan illustrating consumer access to any funds in the custody of the licensee; (4) a detailed instruction on withdrawal of consumer funds upon request and; (5) any other requested records and information regarding the winding down of operations.

(1) No licensed money transmitter shall terminate its business unless the following conditions have been met: (A) The commissioner has received written notice of the proposed termination at least thirty days prior to its effective date; (B) all consumers, purchasers and users of the money transmitter are notified in writing of the proposed termination and its date at least

thirty days prior to such date; (C) all consumers, purchasers and users of the money transmitter are provided with detailed final accountings of their accounts; (D) all money held in the custody of the money transmitter on behalf of consumers, purchasers and users is remitted to said consumers, purchasers and users; (E) the licensee has filed a request to surrender the license and the commissioner has accepted such surrender request.

Sec. 4. Subsection (f) of section 3 of public act 23-82 is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

(f) The [Banking Commissioner may establish a schedule of] maximum fees that an owner or operator of a virtual currency kiosk may charge for specific services is ten per cent per transaction.

Sec. 5. Subsection (h) of section 3 of public act 23-82 is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

(h) The owner or operator of a virtual currency kiosk shall, at such owner's or operator's cost and within seventy-two hours after a virtual currency transaction, allow the customer to cancel and receive a full refund for the virtual currency transaction if such virtual currency transaction [: (1) Is] is the customer's first virtual currency transaction with such owner or operator. [; and (2) is to a virtual currency wallet or exchange located outside of the United States.]

Sec. 6. (NEW) *(Effective October 1, 2024*): (a) For purposes of this section, "receipt" means a paper receipt, electronic record or other written confirmation. For a transaction conducted in person, the receipt may be provided electronically if the sender, requests or agrees to receive an electronic receipt. For a transaction conducted electronically or by phone, a receipt may be provided electronically. All electronic receipts shall be provided in a retainable form.

(b) Every licensee or its authorized delegate shall provide the sender a receipt for monetary value received for transmission.

(1) The receipt shall contain the following information, as applicable:

(A) The name of the sender;

(B) The name of the designated recipient;

(C) The date of the transaction;

(D) The unique transaction or identification number;

(E) The name of the licensee, unique identifier as defined in section 36a-485, the licensee's business address, and the licensee's customer service telephone number;

(F) The amount of the transaction in United States dollars;

(G) Any fee charged by the licensee to the sender for the transaction;

(H) Any taxes collected by the licensee from the sender for the transaction; and

(I) Any other fees charged directly or indirectly by the licensee or a third party involved in the transaction.

(2) The receipt required by this section shall be in English and in the language principally used by the licensee or authorized delegate to advertise, solicit or negotiate, either orally or in writing, for a transaction conducted in person, electronically or by phone, if other than English.

(3) Every licensee or authorized delegate shall include on a receipt or disclose on the licensee's website or mobile application the name and telephone number of the Department of Banking and a statement that the licensee's customers can contact the Department of Banking with questions or complaints about the licensee's money transmission services.

Statement of Purpose: To expand and enhance consumer protections in Connecticut's money transmission act.

Document Name	**AAC Consumer Credit Licenses [4 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC
Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	Matt Smith
Division Requesting This Proposal	Consumer Credit
Drafter	Stacey Serrano, Staff Attorney and Melissa Desmond, Staff Attorney

Title of Proposal	An Act Concerning Consumer Credit Licenses
Statutory Reference, if any	36a-492(c), 36a-602(c), 36a-664(b), 36a-671d(c), 36a-719c(d), 36a-802(b), 36a-490(b)(2), 36a-598, 36a-658, 36a-671(i), 36a-719a, 36a-801(i), 36a-487(d), 36a-535(2), 36a-718, 36a-719c, 36a-785, 36a-850a, 36a-51, 36a-556, 36a-715, 36a-846, Sections 3, 10 and 12 of Public Act 23-201, Section 166 of Public Act 23-204
Brief Summary and Statement of Purpose	To require bond cancellations to be submitted electronically, to update statutes to reflect electronic bond procedures for consumer credit licensees; clarify servicing provisions for sales finance companies, small loan companies, mortgage servicers and student loan servicers; clarify "balance due under the contract" and establish limitations on actual and reasonable expenses in repossessions; provide enforcement authority and registration timelines for consumer credit registrants; to require APR disclosures by commercial financing providers; and clarify obligations concerning private student education cosigner releases.

SECTION-BY-SECTION SUMMARY
Summarize sections in groups where appropriate.

Sections 1 to 6 of this proposal amend Sections 36a-492(c), 36a-602(c), 36a-664(b), 36a-671d(c), 36a-719c(d), and 36a-802(b) by requiring bond cancellations to be done electronically.

Sections 7 through 12 remove existing requirements that mortgage, money transmitter, debt adjuster, debt negotiator, mortgage servicer and consumer collection agency licensees update

their surety bonds when they change their location since new electronic bonds on the Nationwide Multistate Licensing System and Registry ("System") do not reflect address locations.

Section 13 amends Section 36a-535(2) to clarify that receipt of any payments on an installment loan contract or retail installment contract constitutes sales finance company activity requiring licensure.

Sections 14 and 15 create a new registration type of exempt mortgage servicer registrant for mortgage lenders exempt from mortgage servicer requirements. The new registration type is necessary for implementing electronic bonds on the System for these entities.

Section 16 amends Section 36a-785 to establish limitations on amounts that can be deemed actual and reasonable expenses of repossessing a motor vehicle and clarifies that "balance due under the contract" refers only to principal, interest and late fees.

Section 17 amends Section 36a-850a to place obligations concerning cosigner releases on private education lenders and private education loan creditors when appropriate.

Section 18 amends Section 36a-51 to provide the Commissioner authority to suspend, revoke and refuse to renew registrations issued by the Commissioner.

Section 19 amends Section 36a-556 to clarify that receiving any payments in connection with a small loan is small loan company activity requiring licensure.

Section 20 amends Section 36a-715 to clarify that receiving any payments on a residential mortgage loan constitutes mortgage servicing activity.

Section 21 amends Section 36a-846 to clarify that receiving any payments on a student education loan constitutes student loan servicing activity.

Section 22 amends Section 3 of Public Act 23-201 to require that a provider of commercial financing provide an APR disclosure to a recipient when extending a specific offer for sales-based financing.

Section 23 amends Section 12 of Public Act 23-201 to provide the Commissioner with enforcement authority over commercial financing brokers and providers.

Section 24 amends Section 36a-487(d) to create a registration timeline and fee schedule for exempt registrants that sponsor mortgage loan originators and loan processor or underwriters.

Section 25 amends Section 10 of Public Act 23-201 to create a registration timeline and fee schedule for commercial financing brokers and providers.

BACKGROUND

Origin of Proposal [X] New Proposal [ ] Resubmission

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	
How will we measure if the proposal successfully accomplishes its goals?	
Have there been changes in federal/state laws or regulations that make this legislation necessary?	
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	
Have certain constituencies called for this proposal?	

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

AN ACT CONCERNING CONSUMER CREDIT LICENSES

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (c) of section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024*):

(c) The surety company shall have the right to cancel the bond at any time by a written notice to the principal stating the date cancellation shall take effect, provided the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. [If the bond is issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.] A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the principal of the date such bond cancellation shall take effect and such notice shall be deemed notice to each mortgage loan originator licensee sponsored by such principal. The commissioner shall automatically suspend the licenses of a mortgage lender, mortgage correspondent lender or mortgage broker on such date and inactivate the licenses of the mortgage loan originators sponsored by such lender, correspondent lender or broker. In the case of a cancellation of an exempt registrant's bond, the commissioner shall inactivate the licenses of the mortgage loan originators sponsored by such exempt registrant. No automatic suspension or inactivation shall occur if, prior to the date that the bond cancellation shall take effect, (1) the principal submits a letter of reinstatement of the bond from the surety company or a new bond, (2) the mortgage lender, mortgage correspondent lender or mortgage broker licensee has ceased business and has surrendered all licenses in accordance with subsection (a) of section 36a-490, or (3) in the case of a

mortgage loan originator licensee, the sponsorship with the mortgage lender, mortgage correspondent lender or mortgage broker who was automatically suspended pursuant to this section or, with the exempt registrant who failed to provide the bond required by this section, has been terminated and a new sponsor has been requested and approved. After a mortgage lender, mortgage correspondent lender or mortgage broker license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494 and an opportunity for a hearing on such action in accordance with section 36a-51, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section. The commissioner may provide information to an exempt registrant concerning actions taken by the commissioner pursuant to this subsection against any mortgage loan originator licensee that was sponsored and bonded by such exempt registrant.

Sec. 2. Subsection (c) of section 36a-602 of general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024):*

(c) The surety company may cancel the bond at any time by a written notice to the licensee and the commissioner, stating the date cancellation shall take effect. [If the bond is issued electronically on the system, such] <u>Such</u> written notice [may] <u>shall</u> be provided by the surety company to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.] A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless the licensee, prior to such date, submits (1) a letter of reinstatement of the bond from the surety company, (2) a new bond, (3) evidence that all of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, (4) a new bond that replaces the surety bond in part and evidence that the remaining part

of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, or (5) evidence that the licensee has ceased business and has surrendered the license. After a license has been automatically suspended, the commissioner shall (A) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew such license and an opportunity for a hearing on such actions in accordance with section 36a-51, and (B) require the licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 3. Subsection (b) of section 36a-664 of general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024):*

(b) The surety shall have the right to cancel any bond filed under subsection (a) of this section at any time by a written notice to the licensee and the commissioner, stating the date cancellation shall take effect. [If such bond is issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.] No such bond shall be cancelled unless the surety notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless prior to such date the licensee submits a letter of reinstatement of the bond from the surety or a new bond or the licensee has surrendered the license. After a license has been automatically suspended, the commissioner shall (1) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, and (2) require the licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 4. Subsection (c) of section 36a-671d of general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024):*

(c) The surety shall have the right to cancel any bond written or issued under subsection (a) of this section at any time by a written notice to the debt negotiation licensee and the commissioner stating the date cancellation shall take effect. [If such bond is issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.] No such bond shall be cancelled unless the surety notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the debt negotiation licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the licenses of the debt negotiation licensee on such date and inactivate the license of any sponsored mortgage loan originator, unless prior to such date the debt negotiation licensee submits a letter of reinstatement of the bond from the surety or a new bond, surrenders all licenses or, in the case of a mortgage loan originator sponsored by a debt negotiation licensee, the sponsorship has been terminated and a new sponsor has been requested and approved. After a license has been automatically suspended, the commissioner shall (1) give the debt negotiation licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, and (2) require the debt negotiation licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 5. Subsection (d) of section 36a-719c of general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024):*

(d) A surety shall have the right to cancel the surety bond, fidelity bond and errors and omissions coverage required by this section at any time by a written notice to the principal and the commissioner stating the date cancellation shall take effect. [If the surety bond required by this section was issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of

cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.] A surety bond, fidelity bond or errors and omissions coverage shall not be cancelled unless the surety notifies the commissioner, in writing, not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the principal of the date such cancellation shall take effect. The commissioner shall automatically suspend the license of a mortgage servicer on such date or on any date when a fidelity bond or errors and omissions coverage expires or is no longer in effect. No automatic suspension or inactivation shall occur if, prior to the date that such bond or errors and omissions coverage cancellation or expiration shall take effect, (1) the principal submits a letter of reinstatement of the bond or errors and omissions coverage, or a new bond or errors and omissions policy; or (2) the mortgage servicer licensee has ceased business in this state and has surrendered all licenses in accordance with section 36a-51 and section 36a-719a. After a mortgage servicer license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-719j and an opportunity for a hearing on such action in accordance with section 36a-51, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section. A person licensed as a mortgage lender in this state acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b shall cease to be exempt from mortgage servicer licensing requirements in this state upon cancellation or expiration of any surety bond, fidelity bond or errors and omissions coverage required by this section.

Sec. 6. Subsection (b) of section 36a-802 of general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024):*

(b) The surety company shall have the right to cancel the bond at any time by a written notice to the licensee and the commissioner stating the date cancellation shall take effect. [If the bond is issued electronically on the system,] <u>Such</u> written notice of cancellation [may] <u>shall</u> be provided by the surety

company to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.] A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless the licensee prior to such date submits a letter of reinstatement of the bond from the surety company or a new bond or the licensee has ceased business and has surrendered its license. After a license has been automatically suspended, the commissioner shall (1) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, and (2) require the licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 7. Subdivision (2) of subsection (b) of section 36a-490 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(2) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A mortgage lender, mortgage correspondent lender, mortgage broker or lead generator licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (A) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a [main or branch office] <u>change to the legal name of the licensee</u>, provides, directly to the commissioner, a bond rider [or endorsement, or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new <u>legal</u> name [or

address of the main or branch office] of the licensee, and (B) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 8. Subdivision (2) of subsection (d) of section 36a-598 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A licensee may change the name of the licensee or the address of the office specified on the most recent filing with the system if, (A) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides a bond rider [, endorsement or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new legal name [or address,] of the licensee, and (B) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 9. Subsection (b) of section 36a-658 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

No licensee shall use any name or address other than the name and address stated on the license issued by the commissioner. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in

the case of a change to the legal name of the licensee, provides to the commissioner a bond rider [, endorsement or addendum, as applicable] to the surety bond on file with the commissioner that reflects the new legal name of the licensee; and (2) the commissioner does not disapprove such change, in writing, or request further information from the licensee within such thirty-day period.

Sec. 10. Subsection (i) of section 36a-671 of the general statutes are repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A licensee may change the name of the licensee or the address of the office specified on the most recent filing with the system if, (i) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides to the commissioner a bond rider [, endorsement or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new legal name of the licensee; and (ii) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 11. Subsection (b) of section 36a-719a of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address stated on the license issued by the commissioner. A mortgage servicer licensee may

change the name of the licensee or address of any office specified on the most recent filing with the system if (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a [main office or branch office] change in the legal name of the licensee, provides the commissioner a bond rider [or endorsement, or addendum, as applicable,] to [any] the surety bond [or evidence of errors and omissions coverage] on file with the commissioner that reflects the new legal name [or address of the main office or branch office] of the licensee; and (2) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 12. Subsection (i) of section 36a-801 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

No person licensed to act within this state as a consumer collection agency shall do so under any other name or at any other place of business than that named in the license. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if, at least thirty calendar days prior to such change, (1) the licensee files such change with the system and, in the case of a change in the legal name of a licensee, provides a bond rider [, endorsement or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new legal name [or address] of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information from the licensee within such thirty-day period. Not more than one place of business shall be maintained under the same license but the commissioner may issue more than one license to the same licensee upon compliance with the provisions of sections 36a-800 to

36a-814, inclusive, as to each new licensee. A license shall not be transferable or assignable. Any change in any control person of the licensee, except a change of a director, general partner or executive officer that is not the result of an acquisition or change of control of the licensee, shall be the subject of an advance change notice filed on the system at least thirty days prior to the effective date of such change and no such change shall occur without the commissioner's approval. For purposes of this section, "change of control" means any change causing the majority ownership, voting rights or control of a licensee to be held by a different control person or group of control persons. The commissioner may automatically suspend a license for any violation of this subsection. After a license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-804 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 13. Subdivision (2) of section 36a-535 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(2) "Sales finance company" means any person engaging in this state in the business, in whole or in part, of (A) acquiring retail installment contracts or installment loan contracts from the holders thereof, by purchase, discount or pledge, or by loan or advance to the holder of either on the security thereof, or otherwise, or (B) receiving payments, [of principal and interest] including, but not limited to, principal, interest or fees, from a retail buyer [under] in connection with a retail installment contract or installment loan contract. "Sales finance company" does not

include a bank, out-of-state bank, Connecticut credit union, federal credit union, or out-of-state credit union, if so engaged;

Sec. 14. Section 36a-718 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) On and after January 1, 2015, no person shall act as a mortgage servicer, directly or indirectly, without first obtaining a license under section 36a-719 from the commissioner for its main office and for each branch office where such business is conducted, unless such person is exempt from licensure pursuant to subsection (b) of this section. Any activity subject to licensure pursuant to sections 36a-715 to 36a-719*l*, inclusive, as amended by this act, shall be conducted from an office located in a state, as defined in section 36a-2.

(b) The following persons are exempt from mortgage servicer licensing requirements: (1) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured; (2) any wholly-owned subsidiary of such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union; (4) any person [licensed as a mortgage lender in this state while] registered as an exempt mortgage servicer registrant pursuant to subsection (d) of this section and acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b, [provided (A) such person meets the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, and (B)] during any period that the license of the mortgage lender in this state has not been suspended; [, such exemption shall not be effective;] and (5) any person licensed as a mortgage correspondent lender in this state while acting as a mortgage servicer with respect to

any residential mortgage loan it has made and during the permitted ninety-day holding period for such loan from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b, provided during any period the license of the mortgage correspondent lender in this state has been suspended, such exemption shall not be effective.

(c) The provisions of sections 36a-719e to 36a-719h, inclusive, shall apply to any person, including a person exempt from licensure pursuant to subsection (b) of this section, who acts as a mortgage servicer in this state on or after January 1, 2015.

(d) (1) Any person licensed as a mortgage lender in this state shall register on the system as an exempt mortgage servicer registrant prior to acting as a mortgage servicer from any location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b. Each registration shall expire at the close of business on December thirty-first of the year in which it is approved, unless such registration is renewed, and provided any such registration that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a registration shall be filed between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall meet the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, as amended by this act, and pay to the system any required fees or charges. All fees paid pursuant to this section shall be nonrefundable.

(2) The commissioner may suspend, revoke or refuse to renew any exempt mortgage servicer registration or take any other action, in accordance with the provisions of section

36a-51, as amended by this act, if the commissioner finds that the registrant no longer meets the requirements for registration or if any registrant, any control person, trustee, employee or agent of such registrant has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud or misappropriated funds; (C) violated any provision of this title or of any regulation or order adopted or issued pursuant thereto pertaining to such person, or any other law or regulation applicable to the conduct of such registrant's business.

Sec. 15. Section 36a-719c of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) Each mortgage servicer applicant or licensee and [any person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant shall file with the commissioner (1) a surety bond, written by a surety authorized to write such bonds in this state, covering its main office and any branch office from which it acts as mortgage servicer, in a penal sum of one hundred thousand dollars per office location in accordance with subsection (b) of this section, (2) a fidelity bond, written by a surety authorized to write such bonds in this state, in accordance with the requirements of subsection (c) of this section, and (3) evidence of errors and omissions coverage, written by a surety authorized to write such coverage in this state, in accordance with the requirements of subsection (c) of this section. No mortgage servicer licensee and no [person otherwise exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant shall act as a mortgage servicer in this state without maintaining the surety bond, fidelity bond and errors and omissions coverage required by this section.

(b) The surety bond required by subsection (a) of this section shall be (1) in a form approved by the Attorney General; and (2) conditioned upon the mortgage servicer licensee or [person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant faithfully performing any and all written agreements or commitments with or for the benefit of mortgagors and mortgagees, truly and faithfully accounting for all funds received from a mortgagor or mortgagee in such person's capacity as a mortgage servicer, and conducting such mortgage business consistent with the provisions of sections 36a-715 to 36a-719*l*, inclusive, as amended by this act. Any mortgagor that may be damaged by the failure of a mortgage servicer licensee or [person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a mortgagor to such licensee or person, may proceed on such bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on such bond against the principal or surety on such bond, or both, to collect any civil penalty imposed pursuant to subsection (a) of section 36a-50, any restitution imposed pursuant to subsection (c) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65. The proceeds of the bond, even if commingled with other assets of the principal, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the principal in the event of bankruptcy of the principal and shall be immune from attachment by creditors and judgment creditors. The surety bond shall run concurrently with the period of the license for the main office of the mortgage servicer or mortgage lender and the aggregate liability under the bond shall not exceed the penal sum of the bond. The principal shall notify the commissioner of the commencement of an action

on the bond. When an action is commenced on a principal's bond, the commissioner may require the filing of a new bond and immediately on recovery on any action on the bond, the principal shall file a new bond.

(c) The fidelity bond and errors and omissions coverage required by subsection (a) of this section shall name the commissioner as an additional loss payee on drafts the surety issues to pay for covered losses directly or indirectly incurred by mortgagors of residential mortgage loans serviced by the mortgage servicer. The fidelity bond shall cover losses arising from dishonest and fraudulent acts, embezzlement, misplacement, forgery and similar events committed by employees of the mortgage servicer. The errors and omissions coverage shall cover losses arising from negligence, errors and omissions by the mortgage servicer with respect to the payment of real estate taxes and special assessments, hazard and flood insurance or the maintenance of mortgage and guaranty insurance. The fidelity bond and errors and omissions coverage shall each be in the following principal amounts based on the mortgage servicer's volume of servicing activity most recently reported to the commissioner:

(1) If the amount of the residential mortgage loans serviced is one hundred million dollars or less, the principal amount shall be at least three hundred thousand dollars; or

(2) If the amount of such loans exceeds one hundred million dollars, the principal amount shall be at least three hundred thousand dollars plus (A) three-twentieths of one per cent of the amount of residential mortgage loans serviced greater than one hundred million dollars but less than or equal to five hundred million dollars; (B) plus one-eighth of one per cent of the amount of residential mortgage loans serviced greater than five hundred million dollars but less than or equal to one billion dollars; and (C) plus one-tenth of one per cent of the amount of residential mortgage loans serviced greater than one billion dollars.

The fidelity bond and errors and omissions coverage may provide for a deductible amount not to exceed the greater of one hundred thousand dollars or five per cent of the face amount of such bond or coverage.

(d) A surety shall have the right to cancel the surety bond, fidelity bond and errors and omissions coverage required by this section at any time by a written notice to the principal and the commissioner stating the date cancellation shall take effect. If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation. A surety bond, fidelity bond or errors and omissions coverage shall not be cancelled unless the surety notifies the commissioner, in writing, not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the principal of the date such cancellation shall take effect. The commissioner shall automatically suspend the license of a mortgage servicer or exempt mortgage servicer registration on such date or on any date when a fidelity bond or errors and omissions coverage expires or is no longer in effect. No automatic suspension or inactivation shall occur if, prior to the date that such bond or errors and omissions coverage cancellation or expiration shall take effect, (1) the principal submits a letter of reinstatement of the bond or errors and omissions coverage, or a new bond or errors and omissions policy; or (2) the mortgage servicer licensee or exempt mortgage servicer registrant has ceased business in this state and has surrendered all licenses in accordance with [section] sections 36a-51 and [section] 36a-719a, as amended by this act. After a mortgage servicer

license or exempt mortgage servicer registrant has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee or registrant notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-719j or subsection (d) of section 36a-718 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee or registrant to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section. [A person licensed as a mortgage lender in this state] Any exempt mortgage servicer registrant acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b shall cease to be exempt from mortgage servicer licensing requirements in this state upon cancellation or expiration of any surety bond, fidelity bond or errors and omissions coverage required by this section.

(e) If the commissioner finds that the financial condition of a mortgage servicer or mortgage lender licensee so requires, as evidenced by the reduction of tangible net worth, financial losses or potential losses as a result of a violation of sections 36a-715 to 36a-719k, inclusive, as amended by this act, the commissioner may require one or more additional bonds meeting the standards set forth in this section. The mortgage servicer or mortgage lender licensee shall file any such additional bonds not later than ten days after receipt of the commissioner's written notice of such requirement. A mortgage servicer or mortgage lender licensee shall file, as the commissioner may require, any bond rider or endorsement or addendum, as applicable, to any bond or evidence of errors and omissions coverage on file with the commissioner to reflect any changes necessary to maintain the surety bond, fidelity bond and errors and omissions coverage required by this section.

Sec. 16. Section 36a-785 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) When the retail buyer is in default in the payment of any sum due under the retail installment contract or installment loan contract, or in the performance of any other condition that such contract requires the retail buyer to perform, or in the performance of any promise, the breach of which is by such contract expressly made a ground for the retaking of the goods, the holder of the contract may retake possession of such goods, provided the filing of a petition in bankruptcy under 11 USC Chapter 7 by a retail buyer of a motor vehicle, or such retail buyer's status as a debtor in bankruptcy, shall not be considered a default of a retail installment contract or ground for repossession of such motor vehicle. Unless the goods can be retaken without breach of the peace, the goods shall be retaken by legal process, provided nothing contained in this section shall be construed to authorize a violation of the criminal law. In the case of repossession of any motor vehicle without the knowledge of the retail buyer, the local police department shall be notified of such repossession not later than two hours after repossession. In the absence of a local police department or if the local police department cannot be reached for notification, the state police shall be promptly notified of such repossession.

(b) Not less than ten days prior to the retaking, the holder of such contract may serve upon the retail buyer, personally or by registered or certified mail, a notice of intention to retake the goods on account of the retail buyer's default. The notice shall state that the retail buyer is in default and the period at the end of which such goods will be retaken, and designate (1) the obligations required to be performed in order to cure the default, including the dollar amount of any required payment, and (2) the date by which such obligations must be performed. The notice shall briefly and clearly state the retail buyer's rights under this subsection in the event such

goods are retaken. In the case of repossession of any motor vehicle, the notice shall inform the retail buyer that he or she is responsible for removing all of his or her personal property from the motor vehicle prior to the date such repossession can take place. If the notice is so served and the retail buyer does not perform the conditions and provisions required under the contract to cure the default before the day set for retaking, the holder of the contract may retake such goods and hold such goods subject to the provisions of subsections (d), (e), (f), (g) and (h) of this section regarding resale, but without any right of redemption.

(c) If the holder of such contract does not give the notice of intention to retake, described in subsection (b) of this section, the holder shall retain such goods for fifteen days after the retaking within the state in which such goods were located when retaken. During such period the retail buyer, upon payment or tender of the unaccelerated amount due under such contract at the time of retaking and interest, or upon performance or tender of performance of such other condition as may be named in such contract as precedent to the retail buyer's continued possession of such goods, or upon performance or tender of performance of any other promise for the breach of which such goods were retaken, and upon payment of the actual and reasonable expenses of any retaking and storing, may redeem such goods and become entitled to take possession of such goods and to continue in the performance of such contract as if no default had occurred. The holder of such contract shall, not later than three days after the date of the retaking, furnish or mail, by registered or certified mail, to the last-known address of the retail buyer, a written statement indicating (1) the unaccelerated sum due under such contract and the actual and reasonable expense of any retaking and storing, and (2) in the case of repossession of any motor vehicle, the holder of such contract shall also, not later than three days after the date of the retaking, and without regard to whether notice of intention to retake was given to the

buyer, send a written notice (A) that the buyer is responsible for retrieving items of personal property that may have been left in the motor vehicle, other than items that may have been turned over to law enforcement, (B) that such property, if any, will be available for retrieval for at least sixty days after the date on which the motor vehicle was repossessed, unless the holder of the contract specifies, or the terms of the contract specify a date at least sixty days after the repossession after which the buyer may no longer retrieve the property, and (C) the contact and business hours information that the buyer can use to make arrangements for retrieval of the property. If the buyer retrieves some or all of the personal property more than fifteen days after the date on which the motor vehicle was repossessed, the holder of the contract, or an agent thereof maintaining custody of the personal property, may charge the buyer a reasonable storage fee not to exceed twenty-five dollars. Failure to furnish or mail such statement as required by this section shall result in forfeiture of the holder's right to claim payment for the actual and reasonable expenses of retaking and storage, and the holder shall be liable for the actual damages suffered because of such failure. If such goods are perishable so that retention for fifteen days under this subsection would result in their destruction or substantial injury, the provisions of this subsection shall not apply and the holder of the contract may resell the goods immediately upon such retaking.

(d) If the retail buyer does not redeem such goods within fifteen days after the holder of the contract has retaken possession, the holder of the contract shall sell such goods at public or private sale not less than fifteen days and not more than one hundred eighty days after the retaking. When the holder of the contract retakes possession by legal process, and an answer is interposed, the holder of the contract may, at the holder's election, hold such retaken goods for a period not to exceed thirty days after the entry of final judgment by a court of competent

jurisdiction entitling the holder of the contract to possession of such goods before holding such resale. The holder of the contract shall give the retail buyer not less than ten days' written notice of the time and place of any public sale, or the time after which any private sale or other intended disposition is to be made, either personally or by registered mail or by certified mail, return receipt requested, directed to the retail buyer at such retail buyer's last-known place of business or residence. The holder of the contract may bid for such goods at any public sale. The proceeds of the resale shall be considered to be either the amount paid for such goods at such sale or the fair cash retail market value of such goods at the time of repossession, whichever is the greater, except as otherwise provided in subsection (g) of this section.

(e) Proceeds of the resale shall be applied in the following order of priority: (1) First, to the payment of the actual and reasonable expenses of such resale, (2) if, after application pursuant to subdivision (1) of this subsection, there are proceeds remaining, then to the payment of the actual and reasonable expenses of any retaking and storing of said goods, and (3) if, after application pursuant to subdivisions (1) and (2) of this subsection, there are proceeds remaining, then to the satisfaction of the balance due under the contract. Not later than thirty days after the resale, the holder of the contract shall give the retail buyer a written statement itemizing the disposition of the proceeds. Any sum remaining after the satisfaction of such claims shall be paid to the retail buyer.

(f) Even if the proceeds of the resale are insufficient to defray the actual and reasonable expenses of such resale, and such actual and reasonable expenses of any retaking and storing of such goods and the balance due under the contract, the holder of the contract may not recover the deficiency from the retail buyer or any surety or guarantor for the retail buyer, or from anyone

who has succeeded to the obligations of such retail buyer, except as provided in subsection (g) of this section.

(g) If the goods retaken consist of a motor vehicle the aggregate cash price of which was more than four thousand dollars, the prima facie fair market value of such motor vehicle shall be calculated by adding together the average trade-in value for such motor vehicle and the highest-stated retail value for such motor vehicle and dividing the sum of such values by two. Such average trade-in value and highest-stated retail value shall be determined by the values as stated in the National Automobile Dealers Association Used Car Guide, Eastern Edition, as of the date of repossession. If an average trade-in value is not stated in said guide, the highest-stated trade-in value stated in said guide for the motor vehicle shall be used. If the goods retaken consist of a boat the aggregate cash price of which was more than four thousand dollars, the prima facie fair market value of such boat shall be calculated by adding together the average trade-in value for such boat and the highest-stated retail value for such boat and dividing the sum of such values by two. Such average trade-in value and highest-stated retail value shall be determined by the values as stated in the National Automobile Dealers Association Appraisal Guide for Boats, Eastern Edition, as of the date of repossession. If an average trade-in value is not stated in said guide, the highest-stated trade-in value stated in said guide for the boat shall be used. In the event that the value of such motor vehicle or boat is not stated in such publication, the fair market value at retail minus the reasonable costs of resale shall be determined by the court. The prima facie evidence of fair market value of such motor vehicle or boat so determined may be rebutted only by direct in-court testimony. If such value of the motor vehicle or boat is less than the balance due under the contract, plus the actual and reasonable expenses of the retaking [of possession,] and storing, the holder of the contract may recover from the retail

buyer, or from anyone who has succeeded to such retail buyer's obligations, as a deficiency, the amount by which such liability exceeds such fair market value, as defined in this subsection. If the actual resale price received by the holder exceeds such fair market value, as defined in this subsection, the actual resale price shall govern.

(h) After the holder retakes possession as provided in subsection (a) of this section, or if the holder obtains a prejudgment remedy against the goods under chapter 903a, the retail buyer or anyone who has succeeded to such retail buyer's obligations shall not be liable for any balance due, except to the extent permitted by subsection (g) of this section. The holder may seek a monetary judgment on the contract against the retail buyer unless the goods have been repossessed, with or without judicial process. Goods purchased under the contract shall not be executed upon to satisfy such judgment. When such judgment becomes final, the holder's security interest in the goods shall be extinguished. If the contract covers a retail sale of a motor vehicle required to be registered, the holder shall comply with section 14-188.

(i) If the holder of the contract fails to comply with the provisions of subsections (c), (d), (e), (f), (g) and (h) of this section, after retaking the goods, the retail buyer may recover from the holder of the contract such retail buyer's actual damages, if any, and in no event less than one-fourth of the sum of all payments which have been made under the contract.

(j) No act or agreement of the retail buyer before or at the time of the making of a retail installment contract or installment loan contract nor any agreement or statement by the retail buyer in such contract shall constitute a valid waiver of the provisions of subsections (c), (d), (e), (f), (g), (h) and (i) of this section.

(k) After the delivery of the goods to the retail buyer and prior to any retaking of such goods by the holder of the contract, the risk of injury and loss shall rest upon the retail buyer.

(l) The commissioner may adopt regulations in accordance with the provisions of chapter 54 to implement the provisions of this section.

(m) For purposes of this section, "balance due under the contract" shall mean any principal, interest and late fees due under the retail installment contract or installment loan contract.

(n) Actual and reasonable expenses of the retaking and storing of any motor vehicle pursuant to this section shall not exceed: (1) fifteen per cent of the proceeds of the resale if such amount is five thousand dollars or less, (2) twelve per cent of the proceeds of the resale if such amount is between five and ten thousand dollars, and (3) ten per cent of the proceeds of the resale if such amount is greater than ten thousand dollars. The holder of the contract shall substantiate all actual and reasonable expenses of retaking, storing and reselling any motor vehicle with receipts and shall retain such receipts for a period of not less than five years from the date of retaking. Failure to substantiate such expenses with receipts as required by this subsection shall result in the forfeiture of the holder's right to claim payment for the actual and reasonable expenses of retaking, storing and reselling.

Sec. 17. Section 36a-850a of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) [In] Any person servicing a private student education loan, including, but not limited to, a private student education loan servicer, private education lender and private education loan creditor, shall:

(1) Prior to sending the first billing statement on a private student education loan or immediately upon receipt of a private student education loan following the transfer or assignment of such private student education loan, provide to the student loan borrower, and to

any cosigner of such private student education loan, information concerning the rights and responsibilities of such student loan borrower and cosigner, including information regarding (A) how such private student education loan obligation will appear on the cosigner's consumer report, (B) how the cosigner will be notified if the private student education loan becomes delinquent, including how the cosigner can cure the delinquency in order to avoid negative credit furnishing and loss of cosigner release eligibility, and (C) eligibility for release of the cosigner's obligation on such private student education loan, including number of on-time payments and any other criteria required to approve the release of the cosigner from the loan obligation;

(2) Send annual written notice to all student loan borrowers and cosigners relating to information about cosigner release, including the criteria [the private student education loan servicer requires] necessary to approve the release of a cosigner from a private student education loan obligation and the process for applying for cosigner release;

(3) Upon satisfaction by the student loan borrower of the applicable consecutive on-time payment requirement for purposes of cosigner release eligibility, send, in writing, to such student loan borrower and cosigner (A) a notification that such consecutive on-time payment requirement has been satisfied and that such cosigner may be eligible for cosigner release, and (B) information relating to the procedure for applying for cosigner release and any additional criteria that a cosigner must satisfy in order to be eligible for cosigner release. Such notification and information shall be sent by either United States mail or electronic mail, provided such student loan borrower has elected to receive electronic communications from the private student education loan servicer;

(4) In the event that an application for a cosigner release is incomplete, provide, in writing, (A) notice to the student loan borrower and cosigner that such application is incomplete,

and (B) a description of the information that is missing or the additional information that is needed to consider the application complete and the date by which the borrower or cosigner are required to provide such information;

(5) Not later than thirty days following the submission of an application for cosigner release, send to the student loan borrower and cosigner a written notice of the decision that such application has been approved or denied. If the application for cosigner release has been denied, such written notice shall: [inform] (A) Inform such student loan borrower and cosigner that such student loan borrower and cosigner have the right to request all documents and information used [by the private student education loan servicer] in [its] the decision to deny such application, including [the] any credit score threshold used, [by the private student education loan servicer,] the consumer report of such student loan borrower or cosigner, the credit score of such student loan borrower or cosigner, and any other documents that are relevant or specific to such student loan borrower or cosigner, [. The private student education loan servicer shall provide such student loan borrower and cosigner with] and (B) include (i) any adverse action notices required under federal law if the denial of such application was based in whole or in part on any information contained in a consumer report, [;

(6) Include] and (ii) the information described in subdivision (2) of this section; [in any response to an application for cosigner release;]

[(7) Refrain from imposing any restrictions on a student loan borrower or cosigner that may permanently prevent such student loan borrower or cosigner from qualifying for a cosigner release, including, but not limited to, restrictions on the number of times a student loan borrower or cosigner may apply for cosigner release;

(8) Refrain from imposing any negative consequences on a student loan borrower or cosigner during the sixty days following issuance of the notice described in subdivision (4) of this section, or until a final decision concerning a student loan borrower or cosigner's application for cosigner release is made. For purposes of this subdivision, "negative consequences" includes, but is not limited to, the imposition of additional eligibility criteria, negative credit reporting, lost eligibility for a cosigner release, late fees, interest capitalization or other financial penalties or injury;

(9) Refrain from requiring a student loan borrower to make more than twelve consecutive on-time payments as part of the eligibility criteria for cosigner release. Such private student education loan servicer shall consider any student loan borrower who has paid the equivalent of twelve months of principal and interest during any twelve-month period to have satisfied the consecutive on-time payment requirement, even if such student loan borrower has not made payments monthly during such twelve-month period;]

[(10)] (6) Upon receipt of a request by a student loan borrower or cosigner to a change that results in restarting the count of consecutive on-time payments required for cosigner release eligibility, provide to such student loan borrower and cosigner written notification of the impact of such change on cosigner release eligibility and an opportunity to withdraw or reverse such change for purposes of avoiding such impact;

[(11)] (7) Provide a student loan borrower or cosigner (A) the right to request an appeal of a determination to deny a cosigner release application, (B) an opportunity to submit additional information or documentation evidencing that such student loan borrower has the ability, willingness and stability to make his or her payment obligations, and (C) the right to request that

a different employee [of the private student education loan servicer] review and make a determination on the application for a cosigner release;

[(12)] (8) Establish and maintain a comprehensive record management system reasonably designed to ensure the accuracy, integrity and completeness of data and other information about cosigner release applications. Such system shall include the number of cosigner release applications received, the approval and denial rate of such applications and the primary reasons for denial of such applications;

[(13) In the event that a cosigner has a total and permanent disability, as determined by any federal or state agency or doctor of medicine or osteopathy legally authorized to practice in the state, and unless otherwise expressly prohibited under the terms of a private student education loan agreement, (A) release the cosigner from his or her obligation to repay the private student education loan upon receipt of notification that such cosigner has a total and permanent disability, and (B) refrain from requiring that a new cosigner be added to such private student education loan after the original cosigner has been released from such private student education loan;]

[(14)] (9) Provide the cosigner of a private student education loan with access to the same documents and records associated with the private student education loan that are available to the student loan borrower of such private student education loan; and

[(15)] (10) If a student loan borrower has electronic access to documents and records associated with a private student education loan, provide equivalent electronic access to such documents and records to the cosigner of such private student education loan.

(b) [The provisions of subsection (a) of this section shall not apply to the following persons: (1) Any bank, out-of-state bank that has a physical presence in the state, Connecticut

credit union, federal credit union or out-of-state credit union; (2) any wholly owned subsidiary of any such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same bank or credit union; and (4) the Connecticut Higher Education Supplemental Loan Authority.] Any person that makes or extends a private student education loan on and after October 1, 2024, shall provide, consistent with the terms of this subsection, options for cosigner release on such private student education loan upon the satisfaction of certain criteria, including but not limited to, twelve consecutive on-time payments by the student loan borrower or in the event of total and permanent disability by the cosigner. On and after October 1, 2024, no person that makes, extends or owns one or more private student education loans, including but not limited to, any private education lender or private education loan creditor, directly or indirectly, shall:

(1) Impose any restrictions on a student loan borrower or cosigner that may permanently prevent such student loan borrower or cosigner from qualifying for a cosigner release, including, but not limited to, restrictions on the number of times a student loan borrower or cosigner may apply for cosigner release;

(2) Impose any negative consequences on a student loan borrower or cosigner during the sixty days following issuance of the notice described in subdivision (4) of subsection (a) of this section, or until a final decision concerning a student loan borrower or cosigner's application for cosigner release is made. For purposes of this subdivision, "negative consequences" includes, but is not limited to, the imposition of additional eligibility criteria, negative credit reporting, lost eligibility for a cosigner release, late fees, interest capitalization or other financial penalties or injury;

(3) Require a student loan borrower to make more than twelve consecutive on-time payments as part of the eligibility criteria for cosigner release. Such private student education loan servicer shall consider any student loan borrower who has paid the equivalent of twelve months of principal and interest during any twelve-month period to have satisfied the consecutive on-time payment requirement, even if such student loan borrower has not made payments monthly during such twelve-month period; and

(4) In the event that a cosigner has a total and permanent disability, as determined by any federal or state agency or doctor of medicine or osteopathy legally authorized to practice in this state, (A) refuse to release the cosigner from his or her obligation to repay the private student education loan upon receipt of notification that such cosigner has a total and permanent disability or (B) require that a new cosigner be added to such private student education loan after the original cosigner has been released.

(c) The provisions of this section shall not apply to the following persons: (1) Any bank, out-of-state bank that has a physical presence in this state, Connecticut credit union, federal credit union or out-of-state credit union; (2) any wholly-owned subsidiary of any such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly-owned by the same bank or credit union; and (4) the Connecticut Higher Education Supplemental Loan Authority.

Sec. 18. Section 36a-51 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) The commissioner may suspend, revoke or refuse to renew any license or registration issued by the commissioner under any provision of the general statutes by sending a notice to the licensee or registrant by registered or certified mail, return receipt requested, or by any express

delivery carrier that provides a dated delivery receipt, or by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the licensee or registrant on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the licensee or registrant in accordance with section 36a-52a. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes, regulations, rules or orders involved; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that the licensee may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. If the commissioner finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in the notice, the commissioner may order summary suspension of a license or registration in accordance with subsection (c) of section 4-182 and require the licensee or registrant to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section, pending proceedings for suspension, revocation or refusal to renew.

(b) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless the licensee or registrant fails to appear at the hearing. After the hearing, the commissioner shall suspend, revoke or refuse to renew the license or registration for any reason set forth in the applicable [licensing] provisions of the general statutes if the commissioner finds sufficient grounds exist for such suspension, revocation or refusal to renew. If the licensee or registrant does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall suspend,

revoke or refuse to renew the license or registration. No such license or registration shall be suspended or revoked except in accordance with the provisions of chapter 54.

(c) (1) Any licensee or registrant may surrender any license or registration issued by the commissioner under any provision of the general statutes by surrendering the license or registration to the commissioner in person or by registered or certified mail, provided, in the case of a license or registration issued through the system, as defined in section 36a-2, such surrender shall be initiated by filing a request to surrender on the system. No surrender on the system shall be effective until the request to surrender is accepted by the commissioner. Surrender of a license or registration shall not affect the licensee's or registrant's civil or criminal liability, or affect the commissioner's ability to impose an administrative penalty on the licensee or registrant pursuant to section 36a-50 for acts committed prior to the surrender. If, prior to receiving the license or registration, or, in the case of a license or registration issued through the system prior to the filing of a request to surrender a license or registration, the commissioner has instituted a proceeding to suspend, revoke or refuse to renew such license or registration, such surrender or request to surrender will not become effective except at such time and under such conditions as the commissioner by order determines. If no proceeding is pending or has been instituted by the commissioner at the time of surrender, or, in the case of a license or registration issued through the system, at the time a request to surrender is filed, the commissioner may still institute a proceeding to suspend, revoke or refuse to renew a license or registration under subsection (a) of this section up to the date one year after the date of receipt of the license or registration by the commissioner, or, in the case of a license or registration issued through the system, up to the date one year after the date of the acceptance by the commissioner of a request to surrender a license or registration.

(2) If any license or registration issued on the system expires due to the licensee's or registrant's failure to renew such license or registration, the commissioner may institute a revocation or suspension proceeding, or issue an order revoking or suspending the license or registration, under applicable authorities not later than one year after the date of such expiration.

(3) Withdrawal of an application for a license or registration filed on the system shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license or registration up to the date one year after the effective date of withdrawal.

(d) The provisions of this section shall not apply to chapters 672a, 672b and 672c.

Sec. 19. Section 36a-556 of the general statutes, as amended by public act 23-126, is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(a) Without having first obtained a small loan license from the commissioner pursuant to section 36a-565, no person shall, by any method, including, but not limited to, mail, telephone, Internet or other electronic means, unless exempt pursuant to section 36a-557:

(1) Make a small loan to a Connecticut borrower;

(2) Offer, solicit, broker, directly or indirectly arrange, place or find a small loan for a prospective Connecticut borrower;

(3) Engage in any other activity intended to assist a prospective Connecticut borrower in obtaining a small loan, including, but not limited to, generating leads;

(4) Receive payments, [of] including, but not limited to, principal, [and,] interest, or fees, from a Connecticut borrower in connection with a small loan; [made to a Connecticut borrower;]

(5) Purchase, acquire or receive assignment of a small loan made to a Connecticut borrower; and

(6) Advertise or cause to be advertised in this state a small loan or any of the services described in subdivisions (1) to (5), inclusive, of this subsection.

(b) No person shall accept any lead, referral or application for a small loan to a prospective Connecticut borrower from a person who is not (1) licensed pursuant to section 36a-565, or (2) exempt from licensure pursuant to section 36a-557.

(c) No person shall sell, transfer, pledge, assign or otherwise dispose of any small loan made to a Connecticut borrower to any person who is not (1) licensed pursuant to section 36a-565, or (2) exempt from licensure pursuant to section 36a-557.

(d) Any person who purports to act as an agent, service provider or in another capacity for a person who is exempt from licensure pursuant to subsection (a) or (b) of section 36a-557, shall require licensure pursuant to subsection (a) of this section if: (1) Such person holds, acquires or maintains, directly or indirectly, the predominant economic interest in a small loan; (2) such person markets, brokers, arranges or facilitates the loan and holds the right, requirement or right of first refusal to purchase the small loans, receivables or interests in the small loans; or (3) the totality of the circumstances indicate that such person is the lender and the transaction is structured to evade the requirements of sections 36a-555 to 36a-573, inclusive. Circumstances weighing in favor of deeming a person a lender who shall be licensed under sections 36a-555 to 36a-573, inclusive, include, but are not limited to, the person: (A) Indemnifying, insuring or protecting an exempt person for any costs or risks related to a small loan; (B) predominantly designing, controlling or operating a small loan program; or (C) purporting to act as an agent, service provider or in another capacity for an exempt person in this state while acting directly as a lender in another state.

Sec. 20. Section 36a-715 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

As used in sections 36a-715 to 36a-719*l*, inclusive, as amended by this act, unless the context otherwise requires:

(1) "Branch office" means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a mortgage servicer.

(2) The terms "advertise or advertising", "control person", "individual", "main office", "mortgage broker", "mortgage correspondent lender", "mortgage lender", "office", "person" and "unique identifier" have the same meanings as provided in section 36a-485.

(3) "Mortgage servicer" (A) means any person, wherever located, who, for such person or on behalf of the holder of a residential mortgage loan, receives payments, [of] including, but not limited to, principal, [and] interest, or fees, in connection with a residential mortgage loan, records such payments on such person's books and records and performs such other administrative functions as may be necessary to properly carry out the mortgage holder's obligations under the mortgage agreement including, when applicable, the receipt of funds from the mortgagor to be held in escrow for payment of real estate taxes and insurance premiums and the distribution of such funds to the taxing authority and insurance company, and (B) includes a person who makes payments to borrowers pursuant to the terms of a home equity conversion mortgage or reverse mortgage.

(4) "Mortgagee" means the grantee of a residential mortgage, provided if the residential mortgage has been assigned of record, "mortgagee" means the last person to whom the residential mortgage has been assigned of record.

(5) "Mortgagor" means any person obligated to repay a residential mortgage loan.

(6) "Residential mortgage loan" means any loan primarily for personal, family or household use that is secured by a mortgage, deed of trust or other equivalent consensual security interest on a dwelling, as defined in Section 103 of the Consumer Credit Protection Act, 15 USC 1602, located in this state, or real property located in this state upon which is constructed or intended to be constructed a dwelling.

Sec. 21. Section 36a-846 of the general statutes, as amended by public act 23-204, is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

As used in this section and sections 36a-847 to 36a-855, inclusive:

(1) "Advertise" or "advertising" has the same meaning as provided in section 36a-485;

(2) "Branch office" means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a student loan servicer;

(3) "Consumer report" has the same meaning as provided in Section 603(d) of the Fair Credit Reporting Act, 15 USC, 1681a, as amended from time to time;

(4) "Control person" has the same meaning as provided in section 36a-485;

(5) "Cosigner" has the same meaning as provided in 15 USC 1650(a), as amended from time to time;

(6) "Federal student education loan" means any student education loan (A) (i) made pursuant to the William D. Ford Federal Direct Loan Program, 20 USC 1087a, et seq., as amended from time to time, or (ii) purchased by the United States Department of Education pursuant to 20 USC 1087i-1(a), as amended from time to time, and (B) owned by the United States Department of Education;

(7) "Federal student loan servicer" means any student loan servicer responsible for the servicing of a federal student education loan to a student loan borrower pursuant to a contract

awarded by the United States Department of Education under 20 USC 1087f, as amended from time to time;

(8) "Main office" has the same meaning as provided in section 36a-485;

(9) "Private student education loan" means any student education loan that is not a federal student education loan;

(10) "Private student education loan servicer" means any student loan servicer responsible for the servicing of a private student education loan to a student loan borrower;

(11) "Student loan borrower" means any individual who resides within this state who has agreed to repay a student education loan;

(12) "Student loan servicer" means any person, wherever located, responsible for the servicing of any student education loan to any student loan borrower;

(13) "Servicing" means (A) receiving any [scheduled periodic] payments from a student loan borrower pursuant to the terms of a student education loan; (B) applying the payments of principal and interest and such other payments with respect to the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan; (C) maintaining account records for and communicating with the student loan borrower concerning the student education loan during the period when no [scheduled periodic] payments are required; (D) interacting with a student loan borrower for purposes of facilitating the servicing of a student education loan, including, but not limited to, assisting a student loan borrower to prevent such borrower from defaulting on obligations arising from the student education loan; or (E) performing other administrative services with respect to a student education loan;

(14) "Student education loan" means any loan primarily for personal use to finance education or other school-related expenses; and

(15) "Unique identifier" has the same meaning as provided in section 36a-485.

Sec. 22. Section 3 of the public act 23-201 is repealed and the following is substituted in lieu thereof *(Effective July 1, 2024)*:

A provider shall provide to a recipient, when the provider extends a specific offer for sales-based financing, the following disclosures in a format prescribed by the Banking Commissioner:

(1) The total amount of the commercial financing.

(2) The disbursement amount, which is the amount paid to the recipient or on the recipient's behalf, excluding any finance charges that are deducted or withheld at disbursement.

(3) The finance charge.

(4) The estimated annual percentage rate, using the words annual percentage rate or the abbreviation "APR", expressed as a yearly rate, inclusive of any fees and finance charges, and calculated in accordance with 12 CFR 1026.22, as amended from time to time, based on the estimated term of repayment and the projected periodic payment amounts. The estimated term of repayment and the projected periodic payment amounts shall be calculated based on the projection of the recipient's sales. The projected sales volume may be calculated using the historical method or the opt-in method as described in subparagraphs (A) and (B) of this subdivision. The provider shall provide notice to the Banking Commissioner, in a form and manner prescribed by the commissioner, disclosing which method the provider intends to use in all instances of sales-based financing offered in calculating the estimated annual percentage rate pursuant to this section.

(A) A provider using the historical method shall use an average historical volume of sales or revenue by which the financing's payment amounts are based and the estimated annual

percentage rate is calculated. The provider shall fix the historical time period used to calculate the average historical volume and use such period for all disclosure purposes for all sales-based financing products offered. The fixed historical time period shall either be the preceding time period from the specific offer or, alternatively, the provider may use average sales for the same number of months with the highest sales volume within the past twelve months. The fixed historical time period shall be at least one month and shall not exceed twelve months.

(B) A provider using the opt-in method shall determine the estimated annual percentage rate, the estimated term and the projected payments using a projected sales volume that the provider elects for each disclosure, provided such provider participates in a review process prescribed by the commissioner. A provider shall, not later than October 1, 2024, and annually thereafter, report data to the commissioner disclosing the estimated annual percentage rates the provider disclosed to recipients and the actual retrospective annual percentage rates of completed transactions. The report shall contain such information as the commissioner may prescribe as necessary or appropriate for the purpose of making a determination of whether the deviation between the estimated annual percentage rate and the actual retrospective annual percentage rates of completed transactions was reasonable. The commissioner shall establish the method of reporting and may, upon a finding by the commissioner that the use of projected sales volume by the provider has resulted in an unacceptable deviation between the estimated and actual annual percentage rates, require the provider to use the historical method. The commissioner may consider unusual and extraordinary circumstances impacting the provider's deviation between estimated and actual annual percentage rates in making such finding.

[(4)] (5) The total repayment amount, which is the disbursement amount plus the finance charge.

[(5)] (6) The estimated time period required for the periodic payments to equal the total repayment amount.

[(6)] (7) The payment amounts as follows:

(A) For payment amounts that are fixed, the payment amounts and frequency; or

(B) For payment amounts that are variable, a payment schedule or a description of the method used to calculate the amounts and frequency of payments, and the amount of the average projected payments per month.

[(7)] (8) A description of all other potential fees and charges not included in the finance charge, including, but not limited to, draw fees, late payment fees and returned payment fees.

[(8)] (9) (A) Any finance charge the recipient will be required to pay if the recipient elects to pay off or refinance the commercial financing prior to full repayment, other than interest accrued since the recipient's last payment, and the percentage of any unpaid portion of such finance charge and the maximum dollar amount of such finance charge the recipient will be required to pay; and

(B) Any additional fees, not already included in the finance charge, the recipient will be required to pay if the recipient elects to pay off or refinance the commercial financing prior to full repayment.

[(9)] (10) A description of collateral requirements or security interests, if any.

[(10)] (11) Whether, in connection with the specific offer of sales-based financing, the provider will pay compensation directly to a commercial financing broker out of the financed amount and, if so, the amount of such compensation.

Sec. 23. Section 12 of the public act 23-201 is repealed and the following is substituted in lieu thereof *(Effective July 1, 2024)*:

(a) [Any provider who violates any provision of sections 1 to 10, inclusive, of this act or any regulation adopted pursuant to section 11 of this act shall be liable for a civil penalty pursuant to section 36a-50 of the general statutes.] The commissioner may suspend, revoke or refuse to renew any registration or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, if the commissioner finds that the registrant or any control person, trustee, employee or agent of such registrant has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud or misappropriated funds; (C) violated any provision of this title or of any regulation or order adopted or issued pursuant thereto pertaining to such person, or any other law or regulation applicable to the conduct of such registrant's business.

(b) [In addition to any civil penalty imposed under subsection (a) of this section, if the Banking Commissioner finds that a provider has knowingly violated any provision of sections 1 to 10, inclusive, of this act or any regulation adopted pursuant to section 11 of this act, the commissioner may seek an injunction in a court of competent jurisdiction, and may exercise the powers granted to the commissioner under section 36a-50 of the general statutes, on behalf of any recipient affected by the violation.] Whenever it appears to the commissioner that any person has violated, is violating or is about to violate the provisions of sections 1 to 10, inclusive, of Public Act 23-201, as amended by this act, the commissioner may take action against such person or registrant in accordance with sections 36a-50 and 36a-52.

Sec. 24. Subsection (d) of section 36a-487 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2024)*:

(d) Any person claiming exemption from licensure under this section may register on the system as an exempt registrant for purposes of sponsoring a mortgage loan originator or a loan processor or underwriter pursuant to subdivision (1) of subsection (b) of section 36a-486. Such registration shall not affect the exempt status of such person. Each registration shall expire at the close of business on December thirty-first of the year in which it is approved, unless such registration is renewed, and provided any such registration that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a registration shall be filed between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall pay to the system any required fees or charges. All fees paid pursuant to this section shall be nonrefundable. Any approval of such registration, or any approval of any renewal of such registration, shall not constitute a determination by the commissioner that such entity is exempt, but rather shall evidence the commissioner's approval to use the system for purposes of sponsoring and bonding.

Sec. 25. Section 10 of the public act 23-201 is repealed and the following is substituted in lieu thereof *(Effective July 1, 2024)*:

(a) Not later than October 1, 2024, each provider and commercial financing broker shall: (1) Register with the Banking Commissioner in a manner prescribed by the commissioner; and (2) unless such provider or broker is organized under the laws of this state or is otherwise not required to obtain authority to transact business in this state as a foreign entity, shall obtain authority to transact business in this state.

(b) An application for registration by a provider or commercial financing broker shall disclose any judgment, memorandum of understanding, cease and desist order or conviction that

involves a crime or an act of fraud, breach of trust or money laundering with respect to such provider or broker or any officer, director, manager, operator or individual who otherwise controls the operations of such provider or broker.

(c) [Each provider and commercial financing broker shall pay an initial registration fee of one thousand dollars and an annual registration fee of five hundred dollars by the fifteenth of September each year thereafter. If a provider or commercial financing broker fails to timely pay any such annual registration fee, its registration shall automatically expire by operation of law.] Each provider and commercial financing broker registration shall expire at the close of business on December thirty-first of the year in which it is approved, unless such registration is renewed, and provided any such registration that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a registration shall be filed between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall pay to the system any required fees or charges and a registration fee of one thousand dollars. All fees paid pursuant to this section shall be nonrefundable.

Statement of Purpose: To make it a requirement for all licensees to submit bond cancellations electronically through System; to update statutes to reflect electronic bond procedures for consumer credit licensees; clarify servicing provisions for sales finance companies, small loan companies, mortgage servicers and student loan servicers; clarify "balance due under the contract" and establish limitations on actual and reasonable expenses in repossessions; provide enforcement

authority and registration timelines for consumer credit registrants; to require APR disclosures by commercial financing providers; and clarify obligations concerning private student education cosigner releases.

Agency Legislative Proposal – 2024 Session
Document Name: DOB Proposal 05 AN ACT CREATING A REGISTRATION EXEMPTION FOR MERGER AND ACQUISITIONS BROKER-DEALERS

Document Name	**AN ACT CREATING A REGISTRATION EXEMPTION FOR MERGER AND ACQUISITIONS BROKER-DEALERS [5 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC

Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	**Matt Smith**
Division Requesting This Proposal	**Securities and Business Investments**
Drafter	**Cynthia Antanaitis**

Title of Proposal	**AN ACT CREATING A REGISTRATION EXEMPTION FOR MERGER AND ACQUISITIONS BROKER-DEALERS**
Statutory Reference, if any	**C.G.S. Section 36b-6 [new subsection (f)]**
Brief Summary and Statement of Purpose	**This proposal creates a state broker-dealer registration exemption for merger and acquisitions broker-dealers who facilitate a change in control of private companies. The proposal substantially mirrors that adopted by Congress in December 2022 as part of the Consolidated Appropriations Act of 2023.**

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Section 36b-6 of the Connecticut Uniform Securities Act was renumbered to create a new exemption from registration for merger and acquisitions broker-dealers whose business focuses on helping privately held companies transfer ownership of their businesses. A merger and acquisition broker-dealer ("M&A Broker") is a broker-dealer whose business focuses on helping privately held companies transfer ownership of their businesses. The ownership transfer may be accomplished through the purchase or exchange of securities or through a business combination. The securities of privately held companies are not publicly traded. In addition, privately held companies are not subject to the periodic reporting requirements under Section 12 of the Securities Exchange Act of 1934. Historically, both the states and the federal government (Securities and Exchange Commission) registered M&A broker-dealers as broker-dealers under state and federal securities laws. In 2014, the SEC issued a letter stating that it would take no enforcement action if certain broker-dealers conducting mergers and acquisitions activity did not register federally as broker-dealers. The no-action letter set out specific conditions the broker-dealer would have to meet to be eligible. In 2015, the North American Securities Administrators Association, Inc., an association comprised of state securities regulators, crafted a model rule patterned after the 2014 SEC no-action letter. Roughly 22 states followed suit in permitting an exemption based on the SEC no-action letter and the NASAA model (Alaska, Arkansas, California, Colorado, Florida, Georgia, Illinois, Iowa, Maryland, Michigan, Mississippi, Montana, Nebraska, Nevada, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont). On December 29, 2022, President Biden signed into the law the Consolidated Appropriations Act of 2023 ("CAA"). The CAA provided a new federal exemption in Section 15(b)(13) of the Securities Exchange Act for certain merger and acquisition brokers facilitating a change in control of private companies. (The CAA did not provide a generic exemption for other capital raising activities.) The amendment became effective on March 29, 2023. The fact that the CAA did not provide a wholesale exemption for capital raising (e.g. by finders) is significant. Rather, the CAA focuses on change of control transactions which help small businesses consolidate. Shortly after the amendment became law, the SEC withdrew its 2014 no-action letter. The CAA did not preempt state law. The current legislative proposal creates a parallel state registration exemption for M&A Brokers and their agents. Like its federal counterpart, it defines "eligible privately held company" to encompass nonpublic, federally nonreporting entities whose earnings are less than $25 million and whose gross revenues are less than $250 million. Both the Connecticut proposal and the federal CAA hold the M&A Broker to a "reasonable belief" standard before it may claim the exemption. Specifically, the M&A Broker must reasonably believe that 1) when the transaction is completed, the person acquiring the eligible privately held company's assets will be actively involved in managing the company; and 2) if the transaction involves an exchange of securities or assets, the acquiring party will be provided with financial information on the issuer before being bound. Under C.G.S. Section 36b-21(g), the M&A Broker has the burden of proving the exemption. The draft proposal does not contain a specific filing requirement. Both the Connecticut proposal and the federal CAA exemption cut off a merger and acquisition broker-dealer's ability to use the exemption if:

1. The M&A Broker receives, holds, transmits, or has custody of the funds or securities to be exchanged by the parties to the transaction
2. The M&A Broker engages in a public offering of a class of securities that must be registered with the SEC under Section 12 of the Securities Exchange Act of 1934 or that are subject to federal reporting requirements
3. The transaction involves a shell company (other than a business combination related shell company). A shell company is one with no or nominal operations; no or nominal assets; or assets consisting solely of cash and cash equivalents. A business combination related shell company is limited to companies formed by a non-shell company to effect a corporate domicile change in the U.S. or effect a business combination involving a non-shell company.
4. The M&A Broker (alone or through its affiliates) provides financing relating to the ownership transfer
5. The M&A Broker helps any party to obtain financing from an unaffiliated third party without complying with applicable laws, including Regulation T (12 C.F.R. 220 et seq.) [extension of credit by securities broker-dealers], and disclosing any compensation in writing to the party
6. Where the M&A Broker represents both the buyer and the seller in the same transaction, not providing clear written disclosure as to the parties the broker-dealer represents and obtaining written consent from both parties to the joint representation
7. The M&A Broker facilitates a transaction with a group of buyers formed with the assistance of the M&A Broker to acquire the eligible privately held company
8. The M&A Broker facilitates an ownership transfer to a passive buyer or group of passive buyers
9. The M&A Broker binds a party to a transfer of ownership of an eligible privately held company.

The federal CAA disqualifies a M&A broker-dealer from using the exemption if it or its associated persons is subject to a bar or suspension. The Connecticut proposal provides additional safeguards by extending the disqualifier to those sanctions described in subparagraphs (C), (D), (E) or (F) of section 36b-15(a)(2) of the general statutes. These sanctions, which would support suspension or revocation proceedings under Connecticut's securities law, include criminal felony convictions and injunctions.

BACKGROUND

Origin of Proposal [X] New Proposal [ ] Resubmission

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	**In a time of economic uncertainty, this proposal makes it easier for private companies to transfer ownership of their businesses through a merger and acquisitions broker.**
How will we measure if the proposal successfully accomplishes its goals?	**Public feedback, pro and con.**
Have there been changes in federal/state laws or regulations that make this legislation necessary?	**Codification of federal registration exemption for merger and acquisitions brokers prompted agency review of the matter.**
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	**See summary above.**
Have certain constituencies called for this proposal?	**Over the years, there have been several securities bar association inquiries concerning how the Commissioner treats merger and acquisition broker-dealers.**

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	**Not known. The universe of merger and acquisition brokers is relatively small. The proposal is circumscribed in that it is limited to firms effecting a privately held company's change of control (versus capital raising activities).**
Municipal (Include any municipal mandate that can be found within legislation)	**Not known.**
Federal	**Federal counterpart enacted in 2022.**
Additional notes	

MONITORING & EVALUATION PLAN
If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

Be it enacted by the Senate and House of Representatives in General Assembly convened.

Section 1. Section 36b-6 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective upon passage):*

(a) No person shall transact business in this state as a broker-dealer unless such person is registered under sections 36b-2 to 36b-34, inclusive. No person shall transact business in this state as a broker-dealer in contravention of a sanction that is currently effective imposed by the Securities and Exchange Commission or by a self-regulatory organization of which such person is a member if the sanction would prohibit such person from effecting transactions in securities in this state. No individual shall transact business as an agent in this state unless such individual is (1) registered as an agent of the broker-dealer or issuer whom such individual represents in transacting such business, or (2) an associated person who

represents a broker-dealer in effecting transactions described in subdivisions (3) and (4) of Section 15(i) of the Securities Exchange Act of 1934. No individual shall transact business in this state as an agent of a broker-dealer in contravention of a sanction that is currently effective imposed by the Securities and Exchange Commission or a self-regulatory organization of which the employing broker-dealer is a member if the sanction would prohibit the individual employed by such broker-dealer from effecting transactions in securities in this state.

(b) No issuer shall employ an agent unless such agent is registered under sections 36b-2 to 36b-34, inclusive. No broker-dealer shall employ an agent unless such agent is (1) registered under sections 36b-2 to 36b-34, inclusive, or (2) an associated person who represents a broker-dealer in effecting transactions described in subdivisions (2) and (3) of Section 15(h) of the Securities Exchange Act of 1934. The registration of an agent is not effective during any period when such agent is not associated with a particular broker-dealer registered under sections 36b-2 to 36b-34, inclusive, or a particular issuer. When an agent begins or terminates a connection with a broker-dealer or issuer, or begins or terminates those activities which make such individual an agent, both the agent and the broker-dealer or issuer shall promptly notify the commissioner.

(c) (1) No person shall transact business in this state as an investment adviser unless registered as such by the commissioner as provided in sections 36b-2 to 36b-34, inclusive, or exempted pursuant to subsection (e) of this section. No person shall transact business, directly or indirectly, in this state as an investment adviser if the registration of such investment adviser is suspended or revoked or, in the case of an investment adviser who is an individual, the investment adviser is barred from employment or association with an investment adviser or broker-dealer by order of the commissioner, the Securities and Exchange Commission or a self-regulatory organization.

(2) No individual shall transact business in this state as an investment adviser agent unless such individual is registered as an investment adviser agent of the investment adviser for which such individual acts in

transacting such business. An investment adviser agent registered under sections 36b-2 to 36b-34, inclusive, who refers advisory clients to another investment adviser registered under said sections 36b-2 to 36b-34, inclusive, or to an investment adviser registered with the Securities and Exchange Commission that has filed a notice under subsection (e) of this section, is not required to register as an investment adviser agent of such investment adviser if the only compensation paid for such referral services is paid to the investment adviser with whom the individual is employed or associated. No individual shall transact business, directly or indirectly, in this state as an investment adviser agent on behalf of an investment adviser if the registration of such individual as an investment adviser agent is suspended or revoked or the individual is barred from employment or association with an investment adviser by an order of the commissioner, the Securities and Exchange Commission or a self-regulatory organization.

(3) No investment adviser shall engage an investment adviser agent unless such investment adviser agent is registered under sections 36b-2 to 36b-34, inclusive. The registration of an investment adviser agent is not effective during any period when such investment adviser agent is not associated with a particular investment adviser. When an investment adviser agent begins or terminates a connection with an investment adviser, both the investment adviser agent and the investment adviser shall promptly notify the commissioner. If an investment adviser or investment adviser agent provides such notice, such investment adviser or investment adviser agent shall not be liable for the failure of the other to give such notice.

(d) No broker-dealer or investment adviser shall transact business from any place of business located within this state unless that place of business is registered as a branch office with the commissioner pursuant to this subsection. An application for branch office registration shall be made on forms prescribed by the commissioner and shall be filed with the commissioner, together with a nonrefundable application fee of one hundred twenty-five dollars per branch office. A broker-dealer or investment adviser shall promptly notify the commissioner in writing if such broker-dealer or investment adviser (1)

engages a new manager at a branch office in this state, (2) acquires a branch office of another broker-dealer or investment adviser in this state, or (3) relocates a branch office in this state. In the case of a branch office acquisition or relocation, such broker-dealer or investment adviser shall pay to the commissioner a nonrefundable fee of one hundred twenty-five dollars. Each registrant or applicant for branch office registration shall pay the actual cost, as determined by the commissioner, of any reasonable investigation or examination made of such registrant or applicant by or on behalf of the commissioner.

(e) The following investment advisers are exempted from the registration requirements under subsection (c) of this section: Any investment adviser that (1) is registered or required to be registered under Section 203 of the Investment Advisers Act of 1940; (2) is excepted from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of business in this state and, during the preceding twelve months, has had no more than five clients who are residents of this state. Any investment adviser claiming an exemption pursuant to subdivision (1) of this subsection that is not otherwise excluded under subsection (11) of section 36b-3, shall first file with the commissioner a notice of exemption together with a consent to service of process as required by subsection (g) of section 36b-33 and shall pay to the commissioner or to any person designated by the commissioner in writing to collect such fee on behalf of the commissioner a nonrefundable fee of two hundred seventy-five dollars. The notice of exemption shall contain such information as the commissioner may require. Such notice of exemption shall be valid until December thirty-first of the calendar year in which it was first filed and may be renewed annually thereafter upon submission of such information as the commissioner may require together with a nonrefundable fee of one hundred seventy-five dollars. If any investment adviser that is exempted from registration pursuant to subdivision (1) of this subsection fails or refuses to pay any fee required by this subsection, the commissioner may require such investment adviser to register pursuant to subsection (c) of this section. For purposes of this subsection, a delay in the payment of a fee or an underpayment of a fee which is promptly remedied shall not constitute a failure or refusal to pay

such fee.

(f) (1) A merger and acquisition broker-dealer and those individuals representing the merger and acquisition broker-dealer solely in performing the services described in this subsection shall be exempt from the registration requirements in subsections (a) and (d) of this section unless the merger and acquisition broker is disqualified under subdivisions (3) or (4) of this subsection.

(2)(A) "Merger and acquisition broker-dealer" means a broker-dealer and any person associated with such broker-dealer who, on behalf of a seller or buyer, engages in the business of effecting securities transactions solely in connection with the transfer of ownership of an eligible privately held company, through the purchase, sale, exchange, issuance, repurchase, or redemption of, or a business combination involving, securities or assets of the eligible privately held company. To meet this definition, (i) the broker-dealer must reasonably believe that, when the transaction is consummated, any person acquiring securities or assets of the eligible privately held company, acting alone or in concert, will control the eligible privately held company or the business conducted with the assets of the eligible privately held company and, directly or indirectly, will be active in the management of the eligible privately held company or the business conducted with the assets of the eligible privately held company. A person shall be deemed active in the management of the eligible privately held company or the business conducted with the assets of the eligible privately held company when such person's activities include, without limitation, electing executive officers, approving the annual budget or serving as an executive or other executive manager; and (ii) if any person is offered securities in exchange for securities or assets of the eligible privately held company, such person will, prior to becoming legally bound to consummate the transaction, receive or have reasonable access to the most recent fiscal year-end financial statements of the issuer of the securities as customarily prepared by its management in the normal course of operations and, if the financial statements of the issuer are audited, reviewed, or compiled, any related statement by the independent accountant; a balance sheet dated not more than 120 days before the date of the exchange

offer; and information pertaining to the management, business, results of operations for the period covered by the foregoing financial statements, and any material loss contingencies of the issuer.

(B)"Control" means the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. There shall be a presumption of control if, upon completion of a transaction, the buyer or group of buyers (i) has the right to vote 25 percent or more of a class of voting securities or the power to sell or direct the sale of 25 percent or more of a class of voting securities; or (ii) in the case of a partnership or limited liability company, has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital.

(C) "Eligible privately held company" means a company that (A) does not have any class of securities registered, or required to be registered, with the United States Securities and Exchange Commission under Section 12 of the Securities Exchange Act of 1934, 15 U.S.C. 78l, or with respect to which the company files, or is required to file, periodic information, documents, and reports under 15 U.S.C. 78o(d); and (B) that, in the fiscal year ending immediately prior to the fiscal year when the services of the merger and acquisition broker-dealer are first engaged with respect to the securities transaction, the company meets either or both of the following conditions (determined in accordance with the historical financial accounting records of the company): (i) company earnings before interest, taxes, depreciation, and amortization are less than $25 million or such other amount as the federal Securities and Exchange Commission by rule determines; and (ii) company gross revenues are less than $250 million or such other amount as the federal Securities and Exchange Commission by rule determines.

(3) A merger and acquisitions broker-dealer shall be ineligible to claim an exemption from registration under this subsection under the following circumstances: (A) the merger and acquisition broker-dealer, directly or indirectly, in connection with the transfer of ownership of an eligible privately held company, receives, holds, transmits, or has custody of the funds or securities to be exchanged by the parties to the transaction; (B) the merger and acquisition broker-dealer engages, on behalf of an issuer, in

a public offering of any class of securities that is registered, or is required to be registered, with the United States Securities and Exchange Commission under Section 12 of the Securities Exchange Act of 1934, 15 U.S.C. 78l, or with respect to which the issuer files, or is required to file, periodic information, documents, and reports under subsection (d) of Section 15 of the Securities Exchange Act of 1934, 15 U.S.C. 78o(d); (C) the merger and acquisitions broker-dealer engages, on behalf of any party, in a transaction involving a shell company, other than a business combination related shell company. "Shell company" means a company that, at the time of a transaction with an eligible privately held company, has no or nominal operations and has no or nominal assets, assets consisting solely of cash and cash and cash equivalents or assets consisting of any amount of cash and cash equivalents and nominal other assets. "Business combination related shell company" means a shell company formed by a non-shell company solely for the purpose of changing the corporate domicile of that entity solely within the United States or solely for the purpose of completing a business combination transaction, as defined in 17 C.F.R. 230.165(f), among one or more entities other than the company itself, none of which is a shell company; (D) the merger and acquisition broker-dealer, directly, or indirectly through any of its affiliates, provides financing related to the transfer of ownership of an eligible privately held company; (E) the merger and acquisition broker-dealer helps any party to obtain financing from an unaffiliated third party without complying with all other applicable laws in connection with such assistance, including, if applicable, Regulation T (12 C.F.R. 220 et seq.), and disclosing any compensation in writing to the party; (F) the merger and acquisition broker-dealer represents both the buyer and the seller in the same transaction without providing clear written disclosure as to the parties the broker-dealer represents and obtaining written consent from both parties to the joint representation; (G) the merger and acquisition broker-dealer facilitates a transaction with a group of buyers formed with the assistance of the merger and acquisitions broker-dealer to acquire the eligible privately held company; (H) the merger and acquisition broker-dealer engages in a transaction involving the transfer of ownership of an eligible privately held company to a

passive buyer or group of passive buyers; and (I) the merger and acquisition broker-dealer binds a party to a transfer of ownership of an eligible privately held company.

(4) A merger and acquisitions broker-dealer shall also be ineligible to claim an exemption from registration under this subsection if it or any its officers, directors, members, managers, partners, control persons or employees) is subject to a sanction described in subparagraphs (C), (D), (E) or (F) of section 36b-15(a)(2) of the general statutes;

[(f)] (g) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state shall, in addition to providing written notice to the commissioner prior to the termination of business activity at that office, (1) provide written notice to each customer or client serviced by such office at least ten business days prior to the termination of business activity at that office, or (2) demonstrate to the commissioner, in writing, the reasons why such notice to customers or clients cannot be provided within the time prescribed. If the commissioner finds that the broker-dealer or investment adviser cannot provide notice to customers or clients at least ten business days prior to the termination of business activity, the commissioner may exempt the broker-dealer or investment adviser from giving such notice. The commissioner shall act upon a request for such exemption within five business days following receipt by the commissioner of the written request for such an exemption. The notice to customers or clients shall contain the following information: The date and reasons why business activity will terminate at the office; if applicable, a description of the procedure the customer or client may follow to maintain the customer's account at any other office of the broker-dealer or investment adviser; the procedure for transferring the customer's or client's account to another broker-dealer or investment adviser; and the procedure for making delivery to the customer or client of any funds or securities held by the broker-dealer or investment adviser.

[(g)] (h) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state as a result of executing an agreement and plan of merger or acquisition shall provide

written notice to the commissioner and to each customer or client serviced by such office not later than the date such merger or acquisition is completed. The notice provided to each customer or client shall contain the information specified in subsection (f) of this section.

[(h)] (i) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state as a result of the commencement of a bankruptcy proceeding by such broker-dealer or investment adviser or by a creditor or creditors of such broker-dealer or investment adviser shall, immediately upon the filing of a petition with the bankruptcy court, provide written notice to the commissioner. The commissioner shall determine the time and manner in which notice shall be provided to each customer or client serviced by such office.

[(i)] (j)(1) A broker-dealer or investment adviser may succeed to the current registration of another broker-dealer or investment adviser or to a notice filing of an investment adviser registered with the Securities and Exchange Commission, and an investment adviser registered with the Securities and Exchange Commission may succeed to the current registration of an investment adviser or to a notice filing of another investment adviser registered with the Securities and Exchange Commission, by filing as a successor an application for registration pursuant to section 36b-7 or a notice pursuant to subsection (e) of this section for the unexpired portion of the current registration or notice filing and paying the fee required by subsection (a) of section 36b-12.

(2) A broker-dealer or investment adviser that changes its form of organization or state of incorporation or organization may continue its registration by filing an amendment to its registration if the change does not involve a material change in its management. The amendment shall become effective when filed or on a date designated by the registrant in its filing. The new organization shall be a successor to the original registrant for the purposes of sections 36b-2 to 36b-34, inclusive. If there is a material change in management, the broker-dealer or investment adviser shall file a new application for registration. A predecessor registered under sections 36b-2 to 36b-34, inclusive, shall stop conducting its securities

business or investment advisory business other than winding down transactions and shall file for withdrawal of its broker-dealer or investment adviser registration not later than forty-five days after filing its amendment to effect succession.

(3) A broker-dealer or investment adviser that changes its name may continue its registration by filing an amendment to its registration. The amendment shall become effective when filed or on a date designated by the registrant.

(4) The commissioner may, by regulation adopted, in accordance with chapter 54, or order, prescribe the means by which a change of control of a broker-dealer or investment adviser may be made.

(5) Nothing in this subsection shall relieve a registrant of its obligation to pay agent and investment adviser agent transfer fees as described in subsection (d) of section 36b-12.

[(j)] (k) The commissioner may, by regulation adopted, in accordance with chapter 54, or order, require an agent or investment adviser agent to participate in a continuing education program approved by the Securities and Exchange Commission and administered by a self-regulatory organization or, in the absence of such a program, the commissioner may require continuing education for registered investment adviser agents by regulation or order.

[(k)] (l) For purposes of subsections (d), [(f)], (g), [and] (h) and (i) of this section, "investment adviser" means an investment adviser registered or required to be registered with the commissioner.

[(l)] (m) The commissioner may by rule, regulation or order, conditionally or unconditionally, exempt from the requirements of this section any person or class of persons upon a finding that such exemption is in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this chapter.

Agency Legislative Proposal – 2024 Session
Document Name: DOB Proposal 06 An Act Concerning Securities Offerings Under Tier 2 of Federal Regulation A

Document Name	**An Act Concerning Securities Offerings Under Tier 2 of Federal Regulation A [6 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC

Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	**Matt Smith**
Division Requesting This Proposal	**Securities and Business Investments Division**
Drafter	**Cynthia Antanaitis**

Title of Proposal	**An Act Concerning Securities Offerings Under Tier 2 of Federal Regulation A**
Statutory Reference, if any	**C.G.S. Section 36b-21**
Brief Summary and Statement of Purpose	Regulation A, promulgated under the federal Securities Act of 1933, is a federal exemption from securities registration. Before 2015, the total amount of money that could be raised in a Regulation A securities offering was $5 million. Regulation A offerings were registered under the Connecticut Uniform Securities Act. The filing fee ranged from $300 to $1,500 (sliding scale). Effective June 19, 2015, to implement the Jumpstart Our Business Startups Act, the SEC by rule raised the monetary amount issuers could raise in a Regulation A offering. (The federal monetary amount was later raised from the initial 2015 amount.) The SEC accomplished this by creating two offering tiers: 1) Tier 1, for offerings up to $20 million in a 12-month period; and 2) Tier 2 for offerings up to $75 million in a 12-month period. In its rule, the SEC indicated that Tier 2 offerings to qualified purchasers would be preempted from state review under Section 18(b)(3) of the Securities Act of 1933. Such preempted securities are

	referred to as "covered securities." The states, however, could impose notice filing and fee requirements for Tier 2 offerings. Tier 1 offerings, on the other hand, would remain subject to state registration requirements. The proposed amendment would revise Section 36b-21(d) of the Connecticut Uniform Securities Act to add notice filing and fee requirements for offerings made pursuant to Tier 2 of federal Regulation A. The amendment was patterned after the North American Securities Administrators Association, Inc.'s Model Rule and Uniform Notice Filing Form proposal for Regulation A - Tier 2 offerings.

SECTION-BY-SECTION SUMMARY
Summarize sections in groups where appropriate

The proposal amends Section 36b-21(d) of the Connecticut Uniform Securities Act to require a notice filing and fee for offerings made pursuant to Regulation A Tier 2. The initial notice filing fee and the renewal notice filing fee were set at $250. The majority of states have adopted notice filing and fee provisions for Regulation A Tier 2 offerings (Arizona, Arkansas, California, Colorado, Delaware, the District of Columbia, Idaho, Iowa, Kentucky, Maine, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington State, West Virginia and Wyoming)

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	**The proposal brings Connecticut in line with other states that have required notice filings for Regulation A Tier 2 offerings.**

How will we measure if the proposal successfully accomplishes its goals?	**We will communicate the law change to the securities industry and monitor future filings for compliance.**
Have there been changes in federal/state laws or regulations that make this legislation necessary?	**No federal mandate that notice filings be imposed (notice filings permissive given federal preemption).**
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	**See summary above.**
Have certain constituencies called for this proposal?	**The Division has received inquiries concerning how Connecticut treats offerings made pursuant to Regulation A Tier 2, but no constituencies have specifically requested that a notice filing be required.**

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	

Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[ ] Check here if this proposal does NOT have a fiscal impact

State	**Minimal fiscal impact anticipated. Based on those issuers who have advised the Division that they were relying on Regulation A Tier 2 federally, our estimate is that roughly 30 filings will be made per year, less if there is an economic downturn.**
Municipal (Include any municipal mandate that can be found within legislation)	**None.**
Federal	**None.**
Additional notes	

MONITORING & EVALUATION PLAN
If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (d) of section 36b-21 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective upon passage):*

(d)(1) Any person who offers or sells a security that is a covered security under Section 18(b)(3) of the Securities Act of 1933 shall file a consent to service of process with the commissioner as required by subsection (g) of section 36b-33 prior to the first offer or sale of such security in this state. (2) An issuer proposing to offer and sell securities in this state in an offering exempt under Tier 2 of federal Regulation A shall file the following at least twenty one calendar days prior to the initial sale of securities in this state: (A) A completed Regulation A – Tier 2 notice filing form and, if the Commissioner so requests, copies of all documents filed with the Securities and Exchange Commission; (B) A consent to service of process to the extent it is not included on the notice filing form; and (C) a filing fee of two hundred fifty dollars. The initial notice filing shall be effective for twelve months from the date it is filed with the Commissioner. For each additional twelve-month period in which the same offering is continued, an issuer conducting a Tier 2 offering under federal Regulation A may renew its notice filing on or before the expiration date of the notice filing. An issuer renewing its notice shall file with the Commissioner a renewal Regulation A - Tier 2 notice filing form and a renewal fee of two hundred fifty dollars.

Agency Legislative Proposal – 2024 Session
Document Name: DOB Proposal 07 AAC Enforcement Powers of the Commissioner Under the Connecticut Uniform Securities Act

Document Name	**AAC Enforcement Powers of the Commissioner Under the Connecticut Uniform Securities Act [7 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC

Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	**Matt Smith**
Division Requesting This Proposal	**Securities and Business Investments Division**
Drafter	**Cynthia Antanaitis**

Title of Proposal	**An Act Concerning the Enforcement Powers of the Commissioner Under the Connecticut Uniform Securities Act**
Statutory Reference, if any	**C.G.S. Section 36b-15(a)**
Brief Summary and Statement of Purpose	**This proposal would authorize the Banking Commissioner to censure or bar a registered securities broker-dealer, agent, investment adviser or investment adviser agent based upon the grounds enumerated in Section 36b-15(a), subject to the registrant's right to request a hearing.**

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

This proposal amends Section 36b-15(a) of the Connecticut Uniform Securities Act to provide the Banking Commissioner with more flexibility in the sanctions that he may impose against registrants. The Banking Commissioner is responsible for registering (licensing) broker-dealers, investment advisers, agents and investment adviser agents. Currently, in an administrative proceeding, the Commissioner may only deny a registration, revoke a registration, suspend a registration or condition the registration. The Connecticut Uniform Securities Act does not expressly authorize the Commissioner to enter an order censuring the registrant or barring the registrant from the securities business. While the Commissioner has negotiated a bar or censure in voluntarily executed Consent Orders, not every respondent desires to settle a matter informally with the department. This bill would amend Section 36b-15(a) of the Connecticut Uniform Securities Act to permit the Commissioner to impose a censure or bar against a registrant and its principals if grounds exist to revoke or suspend the registration under Section 36b-15(a) of the Act. The affected party would have an opportunity to request a formal administrative hearing before the censure or bar may be imposed. A censure or bar may be sought independently of, or as a supplement to, a revocation. Including a censure and bar among the remedies available to the Commissioner is consistent with the approach taken by other states which authorize a censure or bar against registrants in their securities laws, although the exact language in their statutes varies. These states include: Alaska, California, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, Pennsylvania, Rhode Island, South Carolina, South Dakota, Vermont and Wisconsin. In addition, the SEC (under the Investment Advisers Act of 1940 and the Securities Exchange Act of 1934) has statutory power to issue a censure or bar.

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year	**The proposal enhances the tools available to the Commissioner to promote investor protection.**

vision for the agency's mission?	
How will we measure if the proposal successfully accomplishes its goals?	**Since enforcement cases are variable and depend on the facts and circumstances, set outcomes cannot be quantified.**
Have there been changes in federal/state laws or regulations that make this legislation necessary?	**No.**
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	**See summary above.**
Have certain constituencies called for this proposal?	**No. This is an agency-initiated proposal.**

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[x] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	

Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN
If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (a) of section 36b-15 of the General Statutes is repealed and the following is substituted in lieu thereof *(Effective upon passage):*

(a) The commissioner may, by order, deny, suspend or revoke any registration, censure or impose a bar upon any registrant or any partner, officer, or director or any person directly or indirectly controlling the registrant, or, by order, restrict or impose conditions on the securities or investment advisory activities that an applicant or registrant may perform in this state if the commissioner finds that (1) the order is in the public interest, and (2) the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: (A) Has filed an application for registration which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading with respect to any material fact; (B) has wilfully violated or wilfully failed to comply with any provision of sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any regulation or order under said sections or a predecessor statute; (C) has been convicted, within the past ten years, of any misdemeanor involving a security, any aspect of a business involving securities, commodities, investments, franchises, business opportunities, insurance, banking or finance, or any felony, provided any denial, suspension or

revocation of such registration shall be in accordance with the provisions of section 46a-80; (D) is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of a business involving securities, commodities, investments, franchises, business opportunities, insurance, banking or finance; (E) is the subject of a cease and desist order of the commissioner or an order of the commissioner denying, suspending, or revoking registration as a broker-dealer, agent, investment adviser or investment adviser agent; (F) is the subject of any of the following sanctions that are currently effective or were imposed within the past ten years: (i) An order issued by the securities administrator of any other state or by the Securities and Exchange Commission or the Commodity Futures Trading Commission denying, suspending or revoking registration as a broker-dealer, agent, investment adviser, investment adviser agent or a person required to be registered under the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, and the rules and regulations thereunder, or the substantial equivalent of those terms, as defined in sections 36b-2 to 36b-34, inclusive, (ii) an order of the Securities and Exchange Commission or Commodity Futures Trading Commission suspending or expelling such applicant, registrant or person from a national securities or commodities exchange or national securities or commodities association registered under the Securities Exchange Act of 1934 or the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, or, in the case of an individual, an order of the Securities and Exchange Commission or an equivalent order of the Commodity Futures Trading Commission barring such individual from association with a broker-dealer or an investment adviser, (iii) a suspension, expulsion or other sanction issued by a national securities exchange or other self-regulatory organization registered under federal laws administered by the Securities and Exchange Commission or the Commodity Futures Trading Commission if the effect of the sanction has not been stayed or overturned by appeal or otherwise, (iv) a United States Post Office fraud order, (v) a denial, suspension, revocation or other

sanction issued by the commissioner or any other state or federal financial services regulator based upon nonsecurities violations of any state or federal law under which a business involving investments, franchises, business opportunities, insurance, banking or finance is regulated, or (vi) a cease and desist order entered by the Securities and Exchange Commission, a self-regulatory organization or the securities agency or administrator of any other state or Canadian province or territory; but the commissioner may not (I) institute a revocation or suspension proceeding under this subparagraph more than five years from the date of the sanction relied on, and (II) enter an order under this subparagraph on the basis of an order under any other state act unless that order was based on facts which would constitute a ground for an order under this section; (G) may be denied registration under federal law as a broker-dealer, agent, investment adviser, investment adviser agent or as a person required to be registered under the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, and the rules and regulations promulgated thereunder, or the substantial equivalent of those terms as defined in sections 36b-2 to 36b-34, inclusive; (H) has engaged in fraudulent, dishonest or unethical practices in the securities, commodities, investment, franchise, business opportunity, banking, finance or insurance business, including abusive sales practices in the business dealings of such applicant, registrant or person with current or prospective customers or clients; (I) is insolvent, either in the sense that the liabilities of such applicant, registrant or person exceed the assets of such applicant, registrant or person, or in the sense that such applicant, registrant or person cannot meet the obligations of such applicant, registrant or person as they mature; but the commissioner may not enter an order against a broker-dealer or investment adviser under this subparagraph without a finding of insolvency as to the broker-dealer or investment adviser; (J) is not qualified on the basis of such factors as training, experience, and knowledge of the securities business, except as otherwise provided in subsection (b) of this section; (K) has failed reasonably to supervise: (i) The agents or investment adviser agents of such

applicant or registrant, if the applicant or registrant is a broker-dealer or investment adviser; or (ii) the agents of a broker-dealer or investment adviser agents of an investment adviser, if such applicant, registrant or other person is or was an agent, investment adviser agent or other person charged with exercising supervisory authority on behalf of a broker-dealer or investment adviser; (L) in connection with any investigation conducted pursuant to section 36b-26 or any examination under subsection (d) of section 36b-14, has made any material misrepresentation to the commissioner or upon request made by the commissioner, has withheld or concealed material information from, or refused to furnish material information to the commissioner, provided, there shall be a rebuttable presumption that any records, including, but not limited to, written, visual, audio, magnetic or electronic records, computer printouts and software, and any other documents, that are withheld or concealed from the commissioner in connection with any such investigation or examination are material, unless such presumption is rebutted by substantial evidence; (M) has wilfully aided, abetted, counseled, commanded, induced or procured a violation of any provision of sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any regulation or order under such sections or a predecessor statute; (N) after notice and opportunity for a hearing, has been found within the previous ten years: (i) By a court of competent jurisdiction, to have wilfully violated the laws of a foreign jurisdiction under which the business of securities, commodities, investments, franchises, business opportunities, insurance, banking or finance is regulated; (ii) to have been the subject of an order of a securities regulator of a foreign jurisdiction denying, revoking or suspending the right to engage in the business of securities as a broker-dealer, agent, investment adviser, investment adviser agent or similar person; or (iii) to have been suspended or expelled from membership by or participation in a securities exchange or securities association operating under the securities laws of a foreign jurisdiction. As used in this subparagraph, “foreign” means a jurisdiction outside of the United States; or (O) has failed to pay the proper filing fee; but the

commissioner may enter only a denial order under this subparagraph, and the commissioner shall vacate any such order when the deficiency has been corrected. The commissioner may not institute a suspension or revocation proceeding on the basis of a fact or transaction known to the commissioner when the registration became effective unless the proceeding is instituted within one hundred eighty days of the effective date of such registration.

Agency Legislative Proposal – 2024 Session
Document Name:

Document Name	**DOB Proposal – Innovation Bank Charter [8 of 8]**

Naming Format: AGENCY ACRONYM PROPOSAL NUMBER - TOPIC

Please insert a copy of the fully drafted bill at the end of this document (required for review)

Legislative Liaison	**Matt Smith** **(860) 240-8105** **Matthew.smith@ct.gov**
Division Requesting This Proposal	**Financial Institutions Division**
Drafter	**Hannah Ahern** **(860) 240-8112** **Hannah.ahern@ct.gov**

Title of Proposal	**Financial Institutions Innovation Bank Charter**
Statutory Reference, if any	**36a-2(74); 36a-70(t)**
Brief Summary and Statement of Purpose	**This proposal would amend the name of the uninsured bank charter to "innovation bank charter". The proposal would amend the term "uninsured bank" to "innovation bank". The proposal would also make an insignificant change to the definition of "uninsured bank".**

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

This proposal amends the term "uninsured bank" to "innovation bank" in the following sections: Sec. 36a-2(74); Sec. 36a-65(e)(1); Sec. 36a-65(e)(2); Sec. 36a-70(n); Sec. 36a-70(t)(1); Sec. 36a-70(t)(2); Sec. 36a-70(t)(3)(a)-(c); Sec. 36a-70(u)(1); Sec. 36a-139a(a); Sec. 36a-139a(f); Sec. 36a-139a(h); Sec. 36a-139b(a); Sec. 36a-139b(d); Sec. 36a-139b(g); Sec. 36a-215; Sec. 36a-220(a); Sec. 36a-221a(a)(1); Sec. 36a-221a(c); Sec. 36a-225(a); Sec. 36a-225(b)(1); Sec. 36a-225(b)(2); Sec. 36a-226a(a); Sec. 36a-237(a); Sec. 36a-237(b)(1); Sec. 36a-237(c); Sec. 36a-237f(a); Sec. 36a-237f(b)(1); Sec. 36a-237f(c); Sec. 36a-237f(d)(1); Sec.

36a-237f(d)(2); Sec. 36a-237f(e)(1); Sec. 36a-237f(e)(3); Sec. 36a-237f(f)(1); Sec. 36a-237f(f)(2); Sec. 36a-237f(g)(1); Sec. 36a-237f(h); Sec. 36a-237f(i); Sec. 36a-237f(j)(1); Sec. 36a-237f(j)(3); Sec. 36a-237g(a)-(b); Sec. 36a-237h(a); Sec. 36a-237h(c)(1)-(4); Sec. 36a-333(a)(1)-(4); and Sec. 36a-609(2). **The proposal amends the definition of "uninsured bank" set forth in Sec. 36a-2(74) to " "innovation bank" means an uninsured Connecticut bank that does not accept retail deposits for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required".**

BACKGROUND

Origin of Proposal **[X] New Proposal** **[ ] Resubmission**

If this is a resubmission, please share the prior bill number, the reason the bill did not move forward, and any changes made or conversations had since it was last proposed:

Please consider the following, if applicable:

How does this proposal connect to the 10-year vision for the agency's mission?	**This proposal updates the term "uninsured bank" to improve the name of the Connecticut uninsured bank charter and make the charter more appealing to those interested in chartering an uninsured bank.**
How will we measure if the proposal successfully accomplishes its goals?	**It will be difficult to measure the tangible impact of a change in terminology used to describe a certain bank charter.**
Have there been changes in federal/state laws or regulations that make this legislation necessary?	**No.**

Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	**No.**
Have certain constituencies called for this proposal?	**No.**

INTERAGENCY IMPACT
List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	**Office of the Treasurer**
Agency Contact (name, title)	
Date Contacted	
Status	**[ ] Approved [ ] Talks Ongoing**
Open Issues, if any	

FISCAL IMPACT
Include the section number(s) responsible for the fiscal impact and the anticipated impact

[X] Check here if this proposal does NOT have a fiscal impact

State	

Municipal (Include any municipal mandate that can be found within legislation)	
Federal	**n/a**
Additional notes	**n/a**

MONITORING & EVALUATION PLAN
If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

All sections to be effective July 1, 2024.

Sec. 36a-2. (Formerly Sec. 36-2).

As used in this title, unless the context otherwise requires:

(1) "Affiliate" of a person means any person controlling, controlled by, or under common control with, that person;

(2) "Applicant" with respect to any license or approval provision pursuant to this title means a person who applies for that license or approval;

(3) "Automated teller machine" means a stationary or mobile device that is unattended or equipped with a telephone or televideo device that allows contact with bank personnel, including a satellite device but excluding a point of sale terminal, at which banking transactions, including, but not limited to, deposits, withdrawals, advances, payments or transfers, may be conducted;

(4) "Bank" means a Connecticut bank or a federal bank;

(5) "Bank and trust company" means an institution chartered or organized under the laws of this state as a bank and trust company;

(6) "Bank holding company" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time, except that the term "bank", as used in 12 USC Section 1841(a) includes a bank or out-of-state bank that functions solely in a trust or fiduciary capacity;

(7) "Capital stock" when used in conjunction with any bank or out-of-state bank means a bank or out-of-state bank that is authorized to accumulate funds through the issuance of its capital stock;

(8) "Client" means a beneficiary of a trust for whom the Connecticut bank acts as trustee, a person for whom the Connecticut bank acts as agent, custodian or bailee, or other person to whom a Connecticut bank owes a duty or obligation under a trust or other account administered by such Connecticut bank, regardless of whether such Connecticut bank owes a fiduciary duty to the person;

(9) "Club deposit" means deposits to be received at regular intervals, the whole amount deposited to be withdrawn by the owner or repaid by the bank in not more than fifteen months from the date of the first deposit, and upon which no interest or dividends need to be paid;

(10) "Commissioner" means the Banking Commissioner and, with respect to any function of the commissioner, includes any person authorized or designated by the commissioner to carry out that function;

(11) "Company" means any corporation, joint stock company, trust, association, partnership, limited partnership, unincorporated organization, limited liability company or similar organization, but does not include (A) any corporation the majority of the shares of which are owned by the United States or by any state, or (B) any trust which by its terms shall terminate within twenty-five years or not later than twenty-one years and ten months after the death of beneficiaries living on the effective date of the trust;

(12) "Connecticut bank" means a bank and trust company, savings bank or savings and loan association chartered or organized under the laws of this state;

(13) "Connecticut credit union" means a cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership;

(14) "Connecticut credit union service organization" means a credit union service organization that is (A) incorporated under the laws of this state, located in this state and established by at least one Connecticut credit union, or (B) wholly owned by a credit union that converted into a Connecticut credit union pursuant to section 36a-469b;

(15) "Consolidation" means a combination of two or more institutions into a new institution; all institutions party to the consolidation, other than the new institution, are "constituent" institutions; the new institution is the "resulting" institution;

(16) "Control" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time;

(17) "Credit union service organization" means an entity organized under state or federal law to provide credit union service organization services primarily to its members, to Connecticut credit unions, federal credit unions and out-of-state credit unions other than its members, and to members of any such other credit unions;

(18) "Customer" means any person using a service offered by a financial institution;

(19) "Demand account" means an account into which demand deposits may be made;

(20) "Demand deposit" means a deposit that is payable on demand, a deposit issued with an original maturity or required notice period of less than seven days or a deposit representing funds for which the bank does not reserve the right to require at least seven days' written notice of the intended withdrawal, but does not include any time deposit;

(21) "Deposit" means funds deposited with a depository;

(22) "Deposit account" means an account into which deposits may be made;

(23) "Depositor" includes a member of a mutual savings and loan association;

(24) "Director" means a member of the governing board of a financial institution;

(25) "Equity capital" means the excess of a Connecticut bank's total assets over its total liabilities, as defined in the instructions of the federal Financial Institutions Examination Council for consolidated reports of condition and income;

(26) "Executive officer" means every officer of a Connecticut bank who participates or has authority to participate, otherwise than in the capacity of a director, in major policy-making functions of such bank, regardless of whether such officer has an official title or whether that title contains a designation of assistant and regardless of whether such officer is serving without salary or other compensation. The president, vice president, secretary and treasurer of such bank are deemed to be executive officers, unless, by resolution of the governing board or by such bank's bylaws, any such officer is excluded from participation in major policy-making functions, otherwise than in the capacity of a director of such bank, and such officer does not actually participate in such policy-making functions;

(27) "Federal agency" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(28) "Federal bank" means a national banking association, federal savings bank or federal savings and loan association having its principal office in this state;

(29) "Federal branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(30) "Federal credit union" means any institution chartered or organized as a federal credit union pursuant to the laws of the United States having its principal office in this state;

(31) "Fiduciary" means a person undertaking to act alone or jointly with others primarily for the benefit of another or others in all matters connected with its undertaking and includes a person acting in the capacity of trustee, executor, administrator, guardian, assignee, receiver, conservator, agent, custodian under the Connecticut Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting in any other similar capacity;

(32) "Financial institution" means any Connecticut bank, Connecticut credit union, or other person whose activities in this state are subject to the supervision of the commissioner, but does not include a person whose activities are subject to the supervision of the commissioner solely pursuant to chapter 672a, 672b or 672c or any combination thereof;

(33) "Foreign bank" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(34) "Foreign country" means any country other than the United States and includes any colony, dependency or possession of any such country;

(35) "Governing board" means the group of persons vested with the management of the affairs of a financial institution irrespective of the name by which such group is designated;

(36) "Holding company" means a bank holding company or a savings and loan holding company, except, as used in sections 36a-180 to 36a-191, inclusive, "holding company" means a company that controls a bank;

(37) "Innovation bank" means Connecticut bank that does not accept retail deposits and for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required.

[(37)] (38) "Insured depository institution" has the meaning given to that term in 12 USC Section 1813, as amended from time to time;

[(38)] (39) "Licensee" means any person who is licensed or required to be licensed pursuant to the applicable provisions of this title;

[(39)] (40) "Loan" includes any line of credit or other extension of credit;

[(40)] (41) "Loan production office" means an office of a bank or out-of-state bank, other than a foreign bank, whose activities are limited to loan production and solicitation;

[(41)] (42) "Merger" means the combination of one or more institutions with another which continues its corporate existence; all institutions party to the merger are "constituent" institutions; the merging institution which upon the merger continues its existence is the "resulting" institution;

[(42)] (43) "Mutual" when used in conjunction with any institution that is a bank or out-of-state bank means any such institution without capital stock;

[(43)] (44) "Mutual holding company" means a mutual holding company organized under sections 36a-192 to 36a-199, inclusive, and unless otherwise indicated, a subsidiary holding company controlled by a mutual holding company organized under sections 36a-192 to 36a-199, inclusive;

[(44)] (45) "Out-of-state" includes any state other than Connecticut and any foreign country;

[(45)] (46) "Out-of-state bank" means any institution that engages in the business of banking, but does not include a bank, Connecticut credit union, federal credit union or out-of-state credit union;

[(46)] (47) "Out-of-state credit union" means any credit union other than a Connecticut credit union or a federal credit union;

[(47)] (48) "Out-of-state trust company" means any company chartered to act as a fiduciary but does not include a company chartered under the laws of this state, a bank, an out-of-state bank, a Connecticut credit union, a federal credit union or an out-of-state credit union;

[(48)] (49) "Person" means an individual, company, including a company described in subparagraphs (A) and (B) of subdivision (11) of this section, or any other legal entity, including a federal, state or municipal government or agency or any political subdivision thereof;

[(49)] (50) "Point of sale terminal" means a device located in a commercial establishment at which sales transactions can be charged directly to the buyer's deposit, loan or credit account, but at which deposit transactions cannot be conducted;

[(50)] (51) "Prepayment penalty" means any charge or penalty for paying all or part of the outstanding balance owed on a loan before the date on which the principal is due and includes computing a refund of unearned interest by a method that is less favorable to the borrower than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as amended from time to time;

[(51)] (52) "Reorganized savings bank" means any savings bank incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(52)] (53) "Reorganized savings and loan association" means any savings and loan association incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(53)] (54) "Reorganized savings institution" means any reorganized savings bank or reorganized savings and loan association;

[(54)] (55) "Representative office" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(55)] (56) "Reserves for loan and lease losses" means the amounts reserved by a Connecticut bank against possible loan and lease losses as shown on the bank's consolidated reports of condition and income;

[(56)] (57) "Retail deposits" means any deposits made by individuals who are not "accredited investors", as defined in 17 CFR 230.501(a);

[(57)] (58) "Satellite device" means an automated teller machine which is not part of an office of the bank, Connecticut credit union or federal credit union which has established such machine;

[(58)] (59) "Savings account" means a deposit account, other than an escrow account established pursuant to section 49-2a, into which savings deposits may be made and which account must be evidenced by periodic statements delivered at least semiannually or by a passbook;

[(59)] (60) "Savings and loan association" means an institution chartered or organized under the laws of this state as a savings and loan association;

[(60)] (61) "Savings bank" means an institution chartered or organized under the laws of this state as a savings bank;

[(61)] (62) "Savings deposit" means any deposit other than a demand deposit or time deposit on which interest or a dividend is paid periodically;

[(62)] (63) "Savings and loan holding company" has the meaning given to that term in 12 USC Section 1467a, as amended from time to time;

[(63)] (64) "Share account holder" means a person who maintains a share account in a Connecticut credit union, federal credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b;

[(64)] (65) "State" means any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the trust territory of the Pacific Islands, the Virgin Islands and the Northern Mariana Islands;

[(65)] (66) "State agency" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(66)] (67) "State branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(67)] (68) "Subsidiary" has the meaning given to that term in 12 USC Section 1841(d), as amended from time to time;

[(68)] (69) "Subsidiary holding company" means a stock holding company, controlled by a mutual holding company, that holds one hundred per cent of the stock of a reorganized savings institution;

[(69)] (70) "Supervisory agency" means: (A) The commissioner; (B) the Federal Deposit Insurance Corporation; (C) the Resolution Trust Corporation; (D) the Office of Thrift Supervision; (E) the National Credit Union Administration; (F) the Board of Governors of the Federal Reserve System; (G) the United States Comptroller of the Currency; (H) the Bureau of Consumer Financial Protection; and (I) any successor to any of the foregoing agencies or individuals;

[(70)] (71) "System" means the Nationwide Mortgage Licensing System and Registry, NMLS, NMLSR or such other name or acronym as may be assigned to the multistate system developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators and owned and operated by the State Regulatory Registry, LLC, or any successor or affiliated entity, for the licensing and registration of persons in the mortgage and other financial services industries;

[(71)] (72) "Time account" means an account into which time deposits may be made;

[(72)] (73) "Time deposit" means a deposit that the depositor or share account holder does not have a right and is not permitted to make withdrawals from within six days after the date of deposit, unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit, subject to those exceptions permissible under 12 CFR Part 204, as amended from time to time;

[(73)] (74) "Trust bank" means a Connecticut bank organized to function solely in a fiduciary capacity; and

[(74) "Uninsured bank" means Connecticut bank that does not accept retail deposits and for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required.]

Sec. 36a-65. (Formerly Sec. 36-12a).

(a)(1) Except as provided in subsection (e) of this section, the commissioner shall annually, on or after July first for the fiscal year commencing on said July first, collect pro rata based on asset size from each Connecticut bank and each Connecticut credit union an amount sufficient in the commissioner's judgment to meet the expenses of the Department of Banking, including a reasonable reserve for contingencies, provided the commissioner shall not collect such amount from a newly organized Connecticut credit union until July first following the third full calendar year after issuance by the commissioner of such credit union's certificate of authority. Such assessments and expenses shall not exceed the budget estimates submitted in accordance with section 36a-13.

(2) In addition to any license, investigation or examination fee required under this title, the commissioner may levy assessments on persons licensed as money transmitters pursuant to sections 36a-595 to 36a-612, inclusive, and persons licensed as private student loan servicers pursuant to sections 36a-846 to 36a-854, inclusive. The commissioner shall annually, on or after July first for the fiscal year commencing on said July first, collect such additional amounts sufficient in the commissioner's judgment to meet the expenses of the Department of Banking, including a reasonable reserve for contingencies. Such assessment shall be determined pro rata based on: (A) For licensed money transmitters, dollar volume of money transmissions in this state, and (B) for licensed private student loan servicers, dollar volume of private student education loans, as defined in section 36a-846, of student loan borrowers serviced. Each such licensee shall pay the commissioner the amount allocated to it not later than the date specified by the commissioner for payment. Failure by a licensee to timely make such payment shall constitute a violation of this section and a basis upon which the commissioner may take action against such licensee pursuant to section 36a-51.

(3) Such assessments may be made more frequently than annually at the discretion of the commissioner. Such assessments for any fiscal year shall be reduced pro rata by the amount of any surplus from the assessments of prior fiscal years, which surplus shall be maintained in accordance with subdivision (4) of subsection (b) of this section. The commissioner may reduce any such assessment collected from a Connecticut bank up to the amount of any assessment for the same fiscal year collected from such bank by another state in which such bank has established a branch, limited branch or mobile branch. The commissioner may reduce any such assessment collected from a Connecticut credit union up to the amount of any assessment for the same fiscal year collected from such credit union by another state in which such credit union has established a branch. Such assessments for any fiscal year shall be a liability of such banks, credit unions and licensees as of the assessment date. Except as provided in this subsection, such assessments shall not be prorated for any reason.

(b) (1) Each such bank and credit union shall pay the commissioner the amount allocated to it not later than the date specified by the commissioner for payment. Any such bank or credit union shall pay the commissioner an additional two hundred dollars if such payment is not paid by the time specified. The provisions of this subdivision shall not apply to any person required to pay the commissioner any fee for license or registration or the whole cost of all examinations made by the commissioner.

(2) Except as provided in section 36a-60, the State Treasurer shall place all funds received from the commissioner in a special fund to be known as the State Banking Fund. Amounts in the fund may be expended only pursuant to appropriation by the General Assembly.

(3) The Comptroller shall determine for each fiscal year the expenses of the Department of Banking.

(4) The Secretary of the Office of Policy and Management shall examine the State Banking Fund annually after the Comptroller has made his determination and shall direct the Treasurer to set aside within the Banking Fund amounts in excess of a reasonable reserve for contingencies, which excess amounts shall be considered a surplus for the purposes of subsection (a) of this section.

(c) (1) The fee for an examination of a trust department of a Connecticut bank shall be the actual cost of the examination, as such cost is determined by the commissioner.

(2) The fee for an examination of a trust bank shall be the actual cost of the examination, as such cost is determined by the commissioner.

(3) The fee for an examination of a Connecticut credit union service organization is the actual cost of the examination, as such cost is determined by the commissioner.

(4) The fee for an examination of an out-of-state branch of a Connecticut bank or a branch in this state of an out-of-state bank shall be the actual cost of the examination, as such cost is determined by the commissioner, and the commissioner may share any such fee with other banking regulators in accordance with agreements entered into by the commissioner pursuant to subsection (j) of section 36a-145 and subdivision (5) of subsection (a) and subsection (b) of section 36a-412.

(5) The fee for an examination of an out-of-state branch of a Connecticut credit union or a branch in this state of an out-of-state credit union shall be the actual cost of the examination, as such cost is determined by the commissioner, and the commissioner may share any such fee with other state or federal credit union regulators in accordance with agreements entered into by the commissioner pursuant to subsection (f) of section 36a-462a and subsection (b) of section 36a-462b.

(6) A licensee under section 36a-489, 36a-541, 36a-556, 36a-581, 36a-600, 36a-628, 36a-656, 36a-671, 36a-719, 36a-801 or 36a-847, and a registrant under section 36a-847a shall pay to the commissioner the actual cost of any examination of the licensee or registrant, as such cost is determined by the commissioner. If the licensee fails to pay such cost not later than sixty days after receipt of demand from the commissioner, the commissioner may suspend the license until such costs are paid.

(d) (1) The fee for investigating and processing each application is as follows:

(A) Establishment of (i) a branch under subdivision (1) of subsection (b) of section 36a-145, two thousand dollars; (ii) a mobile branch under subdivision (1) of subsection (d) of section 36a-145, one thousand five hundred dollars; (iii) a limited branch under subdivision (1) of subsection (c) of section 36a-145, one thousand five hundred dollars; (iv) a special need limited branch under subdivision (4) of subsection (c) of section 36a-145, five hundred dollars; (v) an out-of-state branch under subsection (j) of

section 36a-145, a reasonable fee not to exceed two thousand dollars from which any fees paid to a state other than this state or to a foreign country in connection with the establishment shall be deducted; and (vi) an out-of-state limited branch or mobile branch under subsection (j) of section 36a-145, a reasonable fee not to exceed one thousand five hundred dollars from which any fees paid to a state other than this state or to a foreign country in connection with the establishment shall be deducted.

(B) Sale of (i) a branch under subsection (i) of section 36a-145, two thousand dollars, except there shall be no fee for the sale of a branch of a Connecticut bank to another Connecticut bank or to a Connecticut credit union; and (ii) a limited branch, including a special need limited branch or mobile branch under subsection (i) of section 36a-145, a fee not to exceed one thousand five hundred dollars.

(C) Relocation of (i) a main office of a Connecticut bank under subsection (a) of section 36a-81, two thousand dollars; and (ii) a branch or a limited branch under subsections (g) and (k) of section 36a-145, five hundred dollars.

(D) Conversions from (i) a branch to a limited branch under subdivision (3) of subsection (c) of section 36a-145; and (ii) a limited branch to a branch under subdivision (3) of subsection (b) of section 36a-145, five hundred dollars.

(E) Merger or consolidation involving a Connecticut bank under section 36a-125 or subsection (a) of section 36a-126, two thousand five hundred dollars if two institutions are involved and five thousand dollars if three or more institutions are involved.

(F) Acquisition of assets or business under section 36a-210, two thousand five hundred dollars.

(G) Organization of a holding company under section 36a-181, two thousand five hundred dollars.

(H) Organization of any Connecticut bank under section 36a-70, including the conditional preliminary approval for an expedited bank, fifteen thousand dollars, except no fee shall be required for the organization of an interim Connecticut bank.

(I) Reorganization of a mutual savings bank or mutual savings and loan association into a mutual holding company under section 36a-192, five thousand dollars.

(J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, five thousand dollars; (ii) sections 36a-139, 36a-139a and 36a-469c, two thousand five hundred dollars; and (iii) section 36a-139b, fifteen thousand dollars.

(K) Acquiring, altering or improving real estate for present or future use in the business of the bank or purchasing real estate adjoining any parcel of real estate owned by the bank under subdivision (33) of subsection (a) of section 36a-250, five hundred dollars, except that no fee shall be charged for such application if it is filed in connection with an application to relocate a main office of a Connecticut bank under subsection (a) of section 36a-81 or establish (i) a branch in this state under subdivision (1) of subsection (b) of section 36a-145, (ii) a limited branch in this state under subdivision (1) of subsection (c)

of section 36a-145, or (iii) a branch or limited branch outside of this state under subsection (j) of section 36a-145.

(L) Investigation and processing an interstate banking transaction application filed under section 36a-411 or 36a-412, two thousand five hundred dollars, unless the transaction otherwise requires an investigation and processing fee under this section.

(M) Issuance of a final certificate of authority for an expedited Connecticut bank, fifteen thousand dollars.

(N) Establishment of a loan production office under subsection (o) of section 36a-145 or subsection (d) of section 36a-412, one thousand dollars.

(2) The fee for investigating and processing each acquisition statement filed under section 36a-184 is two thousand five hundred dollars, except if the acquisition statement is filed in connection with a transaction that requires one or more applications, a reasonable fee not to exceed two thousand five hundred dollars.

(3) Any fee for processing a notice of closing of a branch, limited branch or special need limited branch under subdivision (1) of subsection (f) of section 36a-145, if charged, shall not exceed two thousand dollars. There shall be no fee for processing a notice of closing of any mobile branch.

(4) The fee for a miscellaneous investigation shall be the actual cost of the investigation, as such cost is determined by the commissioner.

(e) (1) If the commissioner determines that the assessment to be collected from an **[**uninsured**]** innovation bank or a trust bank pursuant to subdivision (1) of subsection (a) of this section is unreasonably low or high based on the size and risk profile of the bank, the commissioner may require such bank to pay a fee in lieu of such assessment. Each such bank shall pay such fee to the commissioner not later than the date specified by the commissioner for payment. If payment of such fee is not made by the time specified by the commissioner, such bank shall pay to the commissioner an additional two hundred dollars.

(2) Any **[**uninsured**]** innovation bank required to pay a fee in lieu of assessment shall also pay to the commissioner the actual cost of the examination of such bank, as such cost is determined by the commissioner.

Sec. 36a-70. (Formerly Sec. 36-53).

(a) One or more persons may organize a Connecticut bank.

(b) Except as otherwise provided in this section, any such Connecticut bank shall commence business with a minimum equity capital of at least five million dollars. Any trust bank shall commence business with a minimum equity capital of at least two million dollars. Such equity capital shall be paid for in cash before

any Connecticut bank commences business. For purposes of this section, nonwithdrawable accounts and pledged deposits of mutual savings banks and mutual savings and loan associations shall constitute capital of such mutual banks and associations to the extent that such accounts or deposits have no fixed maturity date, cannot be withdrawn at the option of the account holders and do not earn interest that carries over to subsequent periods.

(c) The person or persons organizing a Connecticut bank shall execute, acknowledge and file with the commissioner an application to organize. Such application to organize shall include: (1) A proposed certificate of incorporation stating: (A) The name and type of the Connecticut bank; (B) the town in which the main office is to be located; (C) in the case of a capital stock Connecticut bank, the amount, authorized number and par value, if any, of shares of its capital stock; (D) the minimum amount of equity capital with which the Connecticut bank shall commence business, which amount may be less than its authorized capital but shall not be less than that required by subsection (b) of this section; (E) the name, occupation and residence, post office or business address of each organizer and prospective initial director of the Connecticut bank; and (2) a proposed business plan. The organizers shall separately file with the commissioner a notice of the residence of each organizer and prospective initial director whose residence address is not included in the proposed certificate of incorporation. In connection with an application to organize a Connecticut bank, the commissioner may, in the commissioner's discretion, and in accordance with section 29-17a, arrange for the fingerprinting or for conducting any other method of positive identification required by the State Police Bureau of Investigation of each organizer and prospective initial director, to be used in conducting a criminal history records check.

(d) Within twenty days after receipt of the application to organize, the commissioner shall order, at the expense of the organizers, an independent feasibility study and an independent three-year financial forecast prepared by a certified public accounting firm or other professional firm designated by the commissioner.

(e) Upon receipt of the feasibility study and financial forecast required by subsection (d) of this section, the commissioner shall issue an order designating a time and place for a hearing on the application. Such hearing shall be held in accordance with chapter 54 not more than thirty days from receipt of such feasibility study and financial forecast unless the commissioner determines that good cause exists to extend such time period. A copy of such feasibility study and financial forecast shall be made available to the organizers. Any exhibit or documentation submitted to the commissioner by the organizers at the time of filing or by the preparer or preparers of the feasibility study and financial forecast, other than financial statements and biographical information relating to the individual organizers, shall be available for public inspection prior to such hearing unless the commissioner determines that good cause exists to keep any such exhibit or documentation confidential.

(f) The organizers shall cause to be published a copy of the order for hearing for three business days, such publication to commence not later than twenty days prior to the hearing, in a newspaper designated by the commissioner published in the town where the main office of the Connecticut bank is to be located or, if there is no newspaper published in such town, in a newspaper having a circulation therein.

(g) For applications to organize bank and trust companies and capital stock savings banks, the commissioner shall notify the State Treasurer and State Comptroller of the time and place of the hearing.

(h) (1) The application shall be approved if the approving authority determines that: (A) The interest of the public will be served to advantage by the establishment of the proposed Connecticut bank; (B) the proposed bank shows reasonable promise of successful operation; and (C) the proposed directors and officers possess the capacity, character and experience for the duties and responsibilities with which they will be charged.

(2) In determining whether the public will be served to advantage under subdivision (1) of this subsection, the approving authority shall consider the following factors in light of the proposed business plan of the proposed Connecticut bank: (A) The population of the area to be served by the proposed Connecticut bank; (B) the competitive effect of the proposed Connecticut bank on the availability and quality of services in the market area to be served; (C) the likely impact of the proposed Connecticut bank on other financial institutions in the market area to be served; and (D) the convenience and needs of the market area to be served.

(3) Except as otherwise provided in subsections (p), (q), (r), (s) and (t) of this section, the approving authority shall be, in the case of an application to organize a bank and trust company or a capital stock savings bank, a majority of the commissioner, State Treasurer, and State Comptroller, and, in the case of an application to organize a mutual savings bank or a mutual or capital stock savings and loan association, the commissioner acting alone.

(i) If the application is approved by the approving authority, a temporary certificate of authority, valid for eighteen months, shall be issued to the organizers authorizing them to complete the organization of the Connecticut bank. The organizers shall thereupon file one copy of the temporary certificate of authority and one copy of the certificate of incorporation with the Secretary of the State. The commissioner may, upon the application of the organizers and after a hearing thereon, extend, for cause, the period for which the temporary certificate of authority is valid.

(j) If the application is not approved by the approving authority, the approving authority shall, in writing, so notify the organizers. An appeal from the decision approving or disapproving the application may be taken in accordance with chapter 54.

(k) (1) Prior to the issuance of a final certificate of authority, the organizers may (A) with the approval of the commissioner, amend the proposed certificate of incorporation to change (i) the name or the type of the Connecticut bank, (ii) the town in which the main office of the Connecticut bank is to be located, (iii) in the case of a capital stock Connecticut bank, the amount, authorized number and par value, if any, of shares of its capital stock, or (iv) the name of an organizer or prospective initial director of the Connecticut bank; (B) with the approval of the approving authority, amend a material provision of the proposed business plan, or amend the proposed certificate of incorporation to change the minimum amount of equity capital with which the Connecticut bank shall commence business, which amount may be less than its authorized capital but not less than that required by subsection (b) of this section; or (C) file notice with the commissioner to amend the proposed certificate of incorporation to change the occupation or residence, post office or business address of any organizer or prospective initial director of the Connecticut bank.

(2) Upon receipt of an application to change the name of a Connecticut bank under subparagraph (A)(i) of subdivision (1) of this subsection, the commissioner shall cause notice of the filing of such application to be published in the department's weekly bulletin. The notice shall state that written objections to such application may be made, for a period of thirty days from the date of publication of the bulletin, on the grounds that the name selected will tend to confuse the public. If, in the opinion of the commissioner, the name selected by the organizers will not tend to confuse the public and if no objection is filed, the commissioner shall approve such change of name. If, in the opinion of the commissioner, the name selected will tend to confuse the public or if an objection is filed, the commissioner shall order a hearing to be held not less than twenty or more than thirty days from the date originally set for the filing of objections to the application for change of name, and notice of such hearing shall be published in the department's weekly bulletin at least fourteen days prior to the hearing. At the hearing, the commissioner shall hear all persons desiring to be heard and shall make a ruling within fifteen days.

(3) The organizers shall file with the Secretary of the State any approval issued pursuant to this subsection, and the approved amendment shall become effective upon such filing. In the case of an amendment notice pursuant to subparagraph (C) of subdivision (1) of this subsection, the organizers shall file such amendment with the Secretary of the State, and such amendment shall become effective upon such filing.

(l) The approving authority shall cause to be made an examination of the proposed Connecticut bank upon notice from the organizers that the following conditions have occurred: (1) The proposed bank has been fully organized according to law; (2) the State Treasurer has been paid the franchise tax and filing fee specified in subsection (o) of this section; (3) the proposed bank has raised the minimum equity capital required; and (4) in the case of a proposed capital stock Connecticut bank, a certified list of each subscriber who will own at least five per cent of any class of voting securities of the proposed bank, showing the number of shares owned by each, has been filed with the commissioner. If all provisions of law have been complied with, a final certificate of authority to commence the business for which the bank was organized shall be issued by the approving authority. One copy of the final certificate shall be filed with the Secretary of the State, one copy shall be retained by the bank, and one copy shall be retained by the commissioner.

(m) The reasonable charges and expenses of organization or reorganization of a capital stock Connecticut bank, and the reasonable expenses of any compensation or discount for the sale, underwriting or purchase of its shares, may be paid or allowed by such bank out of the par value received by it for its shares, or in the case of shares without par value, out of the stated capital received by it for its shares, without rendering such shares not fully paid and nonassessable.

(n) The Connecticut bank shall not commence business until: (1) A final certificate of authority has been issued in accordance with subsection (l) of this section, (2) except in the case of a trust bank, an interim Connecticut bank organized pursuant to subsection (p) of this section, or an **[**uninsured**]** innovation bank organized pursuant to subsection (t) of this section, until its insurable accounts or deposits are insured by the Federal Deposit Insurance Corporation or its successor agency, and (3) it has complied with the requirements of subsection (u) of this section, if applicable. The acceptance of subscriptions for deposits by a mutual savings bank or mutual savings and loan association as may be necessary to obtain insurance by the Federal Deposit Insurance Corporation or its successor agency shall not be considered to be

commencing business. No Connecticut bank other than a trust bank may exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the commissioner.

(o) Prior to the issuance of a final certificate of authority to commence business in accordance with subsection (l) of this section, the Connecticut bank shall pay to the State Treasurer a franchise tax, together with a filing fee of twenty dollars for the required papers. The franchise tax for a mutual savings bank and mutual savings and loan association shall be thirty dollars. The franchise tax for all capital stock Connecticut banks shall be one cent per share up to and including the first ten thousand authorized shares, one-half cent per share for each authorized share in excess of ten thousand shares up to and including one hundred thousand shares, one-quarter cent per share for each authorized share in excess of one hundred thousand shares up to and including one million shares and one-fifth cent per share for each authorized share in excess of one million shares.

(p) (1) One or more persons may organize an interim Connecticut bank solely (A) for the acquisition of an existing bank, whether by acquisition of stock, by acquisition of assets, or by merger or consolidation, or (B) to facilitate any other corporate transaction authorized by this title in which the commissioner has determined that such transaction has adequate regulatory supervision to justify the organization of an interim Connecticut bank. Such interim Connecticut bank shall not accept deposits or otherwise commence business. Subdivision (2) of subsection (c) and subsections (d), (f), (g), (h) and (o) of this section shall not apply to the organization of an interim bank, provided the commissioner may, in the commissioner's discretion, order a hearing under subsection (e) or require that the organizers publish or mail the proposed certificate of incorporation or both. The approving authority for an interim Connecticut bank shall be the commissioner acting alone. If the approving authority determines that the organization of the interim Connecticut bank complies with applicable law, the approving authority shall issue a temporary certificate of authority conditioned on the approval by the appropriate supervisory agency of the corporate transaction for which the interim Connecticut bank is formed.

(2) (A) Notwithstanding any provision of this title, for the period from June 13, 2011, to September 30, 2013, inclusive, one or more persons may apply to the commissioner for the conditional preliminary approval of one or more expedited Connecticut banks organized primarily for the purpose of assuming liabilities and purchasing assets from the Federal Deposit Insurance Corporation when the Federal Deposit Insurance Corporation is acting as receiver or conservator of an insured depository institution. The application shall be made on a form acceptable to the commissioner and shall be executed and acknowledged by the applicant or applicants. Such application shall contain sufficient information for the commissioner to evaluate (i) the amount, type and sources of capital that would be available to the bank or banks; (ii) the ownership structure and holding companies, if any, over the bank or banks; (iii) the identity, biographical information and banking experience of each of the initial organizers and prospective initial directors, senior executive officers and any individual, group or proposed shareholders of the bank that will own or control ten per cent or more of the stock of the bank or banks; (iv) the overall strategic plan of the organizers and investors for the bank or banks; and (v) a preliminary business plan outlining intended product and business lines, retail branching plans and capital, earnings and liquidity projections. The commissioner, acting alone, shall grant conditional preliminary approval of such application to organize if the commissioner determines that the organizers have available sufficient committed funds to invest in the

bank or banks; the organizers and proposed directors possess capacity and fitness for the duties and responsibilities with which they will be charged; the proposed bank or banks have a reasonable chance of success and will be operated in a safe and sound manner; and the fee for investigating and processing the application has been paid in accordance with subparagraph (H) of subdivision (1) of subsection (d) of section 36a-65. Such preliminary approval shall be subject to such conditions as the commissioner deems appropriate, including the requirements that the bank or banks not commence the business of a Connecticut bank until after their bid or application for a particular insured depository institution is accepted by the Federal Deposit Insurance Corporation, that the background checks are satisfactory, and that the organizers submit, for the safety and soundness review by the commissioner, more detailed operating plans and current financial statements as potential acquisition transactions are considered, and such plans and statements are satisfactory to the commissioner. The commissioner may alter, suspend or revoke the conditional preliminary approval if the commissioner deems any interim development warrants such action. The conditional preliminary approval shall expire eighteen months from the date of approval, unless extended by the commissioner.

(B) The commissioner shall not issue a final certificate of authority to commence the business of a Connecticut bank or banks under this subdivision until all conditions and preopening requirements and applicable state and federal regulatory requirements have been met and the fee for issuance of a final certificate of authority for an expedited Connecticut bank has been paid in accordance with subparagraph (M) of subdivision (1) of subsection (d) of section 36a-65. The commissioner may waive any requirement under this title or regulations adopted under this title that is necessary for the consummation of an acquisition involving an expedited Connecticut bank if the commissioner finds that such waiver is advisable and in the interest of depositors or the public, provided the commissioner shall not waive the requirement that the institution's insurable accounts or deposits be federally insured. Any such waiver granted by the commissioner under this subparagraph shall be in writing and shall set forth the reason or reasons for the waiver. The commissioner may impose conditions on the final certificate of authority as the commissioner deems necessary to ensure that the bank will be operated in a safe and sound manner. The commissioner shall cause notice of the issuance of the final certificate of authority to be published in the department's weekly bulletin.

(q) (1) As used in this subsection, “bankers' bank” means a Connecticut bank that is (A) owned exclusively by (i) any combination of banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions, or (ii) a bank holding company that is owned exclusively by any such combination, and (B) engaged exclusively in providing services for, or that indirectly benefit, other banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions and their directors, officers and employees.

(2) One or more persons may organize a bankers' bank in accordance with the provisions of this section, except that subsections (g) and (h) of this section shall not apply. The approving authority for a bankers' bank shall be the commissioner acting alone. Before granting a temporary certificate of authority in the case of an application to organize a bankers' bank, the approving authority shall consider (A) whether the proposed bankers' bank will facilitate the provision of services that such banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions would not otherwise be able to readily obtain, and (B) the character and experience of the proposed directors and officers. The

application to organize a bankers' bank shall be approved if the approving authority determines that the interest of the public will be directly or indirectly served to advantage by the establishment of the proposed bankers' bank, and the proposed directors possess capacity and fitness for the duties and responsibilities with which they will be charged.

(3) A bankers' bank shall have all of the powers of and be subject to all of the requirements applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except to the extent the commissioner limits such powers by regulation. Upon the written request of a bankers' bank, the commissioner may waive specific requirements of this title and the regulations adopted thereunder if the commissioner finds that (A) the requirement pertains primarily to banks that provide retail or consumer banking services and is inconsistent with this subsection, and (B) the requirement may impede the ability of the bankers' bank to compete or to provide desired services to its market provided, any such waiver and the commissioner's findings shall be in writing and shall be made available for public inspection.

(4) The commissioner may adopt regulations, in accordance with chapter 54, to administer the provisions of this subsection.

(r) (1) As used in this subsection and section 36a-139, “community bank” means a Connecticut bank that is organized pursuant to this subsection and is subject to the provisions of this subsection and section 36a-139.

(2) One or more persons may organize a community bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. Any such community bank shall commence business with a minimum equity capital of at least three million dollars. The approving authority for a community bank shall be the commissioner acting alone. In addition to the considerations and determinations required by subsection (h) of this section, before granting a temporary certificate of authority to organize a community bank, the approving authority shall determine that (A) each of the proposed directors and proposed executive officers, as defined in subparagraph (D) of subdivision (3) of this subsection, possesses capacity and fitness for the duties and responsibilities with which such director or officer will be charged, and (B) there is satisfactory community support for the proposed community bank based on evidence of such support provided by the organizers to the approving authority. If the approving authority cannot make such determination with respect to any such proposed director or proposed executive officer, the approving authority may refuse to allow such proposed director or proposed executive officer to serve in such capacity in the proposed community bank.

(3) A community bank shall have all of the powers of and be subject to all of the requirements and limitations applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except: (A) No community bank may (i) exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the approving authority, (ii) establish and maintain one or more mutual funds, (iii) invest in derivative securities other than mortgage-backed securities fully guaranteed by governmental agencies or government sponsored agencies, (iv) own any real estate for the present or future use of the bank unless the approving authority finds, based on an independently prepared analysis of costs and benefits, that it would be less costly to the bank to own instead of lease such real estate, or (v) make mortgage loans secured by nonresidential real estate the aggregate amount of which, at

the time of origination, exceeds ten per cent of all assets of such bank; (B) the aggregate amount of all loans made by a community bank shall not exceed eighty per cent of the total deposits held by such bank; (C) (i) the total direct or indirect liabilities of any one obligor, whether or not fully secured and however incurred, to any community bank, exclusive of such bank's investment in the investment securities of such obligor, shall not exceed at the time incurred ten per cent of the equity capital and reserves for loan and lease losses of such bank, and (ii) the limitations set forth in subsection (a) of section 36a-262 shall apply to this subparagraph; and (D) the limitations set forth in subsection (a) of section 36a-263 shall apply to all community banks, provided, a community bank may (i) make a mortgage loan to any director or executive officer secured by premises occupied or to be occupied by such director or officer as a primary residence, (ii) make an educational loan to any director or executive officer for the education of any child of such director or executive officer, and (iii) extend credit to any director or executive officer in an amount not exceeding ten thousand dollars for extensions of credit not otherwise specifically authorized in this subparagraph. The aggregate amount of all loans or extensions of credit made by a community bank pursuant to this subparagraph shall not exceed thirty-three and one-third per cent of the equity capital and reserves for loan and lease losses of such bank. As used in this subparagraph, "executive officer" means every officer of a community bank who participates or has authority to participate, other than in the capacity of a director, in major policy-making functions of the bank, regardless of whether such officer has an official title or whether such officer serves without salary or other compensation. The vice president, chief financial officer, secretary and treasurer of a community bank are presumed to be executive officers unless, by resolution of the governing board or by the bank's bylaws, any such officer is excluded from participation in major policy-making functions, other than in the capacity of a director of the bank, and such officer does not actually participate in major policy-making functions.

(4) The audit and examination requirements set forth in section 36a-86 shall apply to each community bank.

(5) The commissioner may adopt regulations, in accordance with chapter 54, to administer the provisions of this subsection and section 36a-139.

(s) (1) As used in this subsection, "community development bank" means a Connecticut bank that is organized to serve the banking needs of a well-defined neighborhood, community or other geographic area as determined by the commissioner, primarily, but not exclusively, by making commercial loans in amounts of one hundred fifty thousand dollars or less to existing businesses or to persons seeking to establish businesses located within such neighborhood, community or geographic area.

(2) One or more persons may organize a community development bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. The approving authority for a community development bank shall be the commissioner acting alone. Any such community development bank shall commence business with a minimum equity capital determined by the commissioner to be appropriate for the proposed activities of such bank, provided, if such proposed activities include accepting deposits, such minimum equity capital shall be sufficient to enable such deposits to be insured by the Federal Deposit Insurance Corporation or its successor agency.

(3) The state, acting through the State Treasurer, may be the sole organizer of a community development bank or may participate with any other person or persons in the organization of any community development bank, and may own all or a part of any capital stock of such bank. No application fee shall be required under subparagraph (H) of subdivision (1) of subsection (d) of section 36a-65 and no franchise tax shall be required under subsection (o) of this section for any community development bank organized by or in participation with the state.

(4) In addition to the considerations and determinations required by subsection (h) of this section, before granting a temporary certificate of authority to organize a community development bank, the approving authority shall determine that (A) each of the proposed directors and proposed executive officers possesses capacity and fitness for the duties and responsibilities with which such director or officer will be charged, and (B) there is satisfactory community support for the proposed community development bank based on evidence of such support provided by the organizers to the approving authority. If the approving authority cannot make such determination with respect to any such proposed director or proposed executive officer, the approving authority may refuse to allow such proposed director or proposed executive officer to serve in such capacity in the proposed community development bank. As used in this subdivision, "executive officer" means every officer of a community development bank who participates or has authority to participate, other than in the capacity of a director, in major policy-making functions of the bank, regardless of whether such officer has an official title or whether such officer serves without salary or other compensation. The vice president, chief financial officer, secretary and treasurer of a community development bank are presumed to be executive officers unless, by resolution of the governing board or by the bank's bylaws, any such officer is excluded from participation in major policy-making functions, other than in the capacity of a director of the bank, and such officer does not actually participate in major policy-making functions.

(5) Notwithstanding any contrary provision of this title: (A) The commissioner may limit the powers that may be exercised by a community development bank or impose conditions on the exercise by such bank of any power allowed by this title as the commissioner deems necessary in the interest of the public and for the safety and soundness of the community development bank, provided, any such limitations or conditions, or both, shall be set forth in the final certificate of authority issued in accordance with subsection (l) of this section; and (B) the commissioner may waive in writing any requirement imposed on a community development bank under this title or any regulation adopted under this title if the commissioner finds that such requirement is inconsistent with the powers that may be exercised by such community development bank under its final certificate of authority.

(6) The commissioner may adopt regulations, in accordance with chapter 54, to carry out the provisions of this subsection.

(t) (1) One or more persons may organize an **[**uninsured**]** innovation bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. The approving authority for an **[**uninsured**]** innovation bank shall be the commissioner acting alone. Any such **[**uninsured**]** innovation bank shall commence business with a minimum equity capital of at least five million dollars unless the commissioner establishes a different minimum capital requirement for such **[**uninsured**]** innovation bank based upon its proposed activities.

(2) An **[**uninsured**]** innovation bank shall have all of the powers of and be subject to all of the requirements and limitations applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except no **[**uninsured**]** innovation bank may accept retail deposits and, notwithstanding any provision of this title, sections 36a-30 to 36a-34, inclusive, do not apply to **[**uninsured**]** innovation banks.

(3) (A) An **[**uninsured**]** innovation bank shall display conspicuously, at each window or other place where deposits are usually accepted, a sign stating that deposits are not insured by the Federal Deposit Insurance Corporation or its successor agency.

(B) An **[**uninsured**]** innovation bank shall either (i) include in boldface conspicuous type on each signature card, passbook, and instrument evidencing a deposit the following statement: "This deposit is not insured by the FDIC" or (ii) require each depositor to execute a statement that acknowledges that the initial deposit and all future deposits at the **[**uninsured**]** innovation bank are not insured by the Federal Deposit Insurance Corporation or its successor agency. The **[**uninsured**]** innovation bank shall retain such acknowledgment as long as the depositor maintains any deposit with the **[**uninsured**]** innovation bank.

(C) An **[**uninsured**]** innovation bank shall include on all of its deposit-related advertising a conspicuous statement that deposits are not insured by the Federal Deposit Insurance Corporation or its successor agency.

(u) (1) Each trust bank and **[**uninsured**]** innovation bank shall keep assets on deposit in the amount of at least one million dollars with such banks as the commissioner may approve, provided a trust bank or **[**uninsured**]** innovation bank that received its final certificate of authority prior to May 12, 2004, shall keep assets on deposit as follows: At least two hundred fifty thousand dollars no later than one year from May 12, 2004, at least five hundred thousand dollars no later than two years from said date, at least seven hundred fifty thousand dollars no later than three years from said date and at least one million dollars no later than four years from said date. No trust bank or **[**uninsured**]** innovation bank shall make a deposit pursuant to this section until the bank at which the assets are to be deposited and the trust bank or **[**uninsured**]** innovation bank shall have executed a deposit agreement satisfactory to the commissioner. The value of such assets shall be based upon the principal amount or market value, whichever is lower. If the commissioner determines that an asset that otherwise qualifies under this section shall be valued at less than the amount otherwise provided in this subdivision, the commissioner shall so notify the trust bank or **[**uninsured**]** innovation bank, which shall thereafter value such asset as directed by the commissioner.

(2) As used in this subsection, "assets" means: (A) United States dollar deposits payable in the United States, other than certificates of deposit; (B) bonds, notes, debentures or other obligations of the United States or any agency or instrumentality thereof, or guaranteed by the United States, or of this state or of a county, city, town, village, school district, or instrumentality of this state or guaranteed by this state; (C) bonds, notes, debentures or other obligations issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Corporation; (D) commercial paper payable in dollars in the United States, provided such paper is rated in one of the three highest rating categories by a rating service recognized by the commissioner. In the event that an issue of commercial paper is rated by more than one recognized rating service, it shall be rated in one of the three highest rating categories by each such rating service; (E)

negotiable certificates of deposit that are payable in the United States; (F) reserves held at a federal reserve bank; and (G) such other assets as determined by the commissioner upon written application.

Sec. 36a-139a. (Formerly Sec. 36a-252a)

(a) Any **[**uninsured**]** innovation bank or any trust bank may, upon the approval of the commissioner, convert to a Connecticut bank that is authorized to accept retail deposits and operate without the limitations provided in subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70 and subsection (b) of section 36a-250.

(b) The converting bank shall file with the commissioner a proposed plan of conversion, a copy of the proposed amended certificate of incorporation and a certificate by the secretary of the converting bank that the proposed plan of conversion and proposed amended certificate of incorporation have been approved in accordance with subsection (c) of this section.

(c) The proposed plan of conversion and proposed amended certificate of incorporation shall require the approval of a majority of the governing board of the converting bank and the favorable vote of not less than two-thirds of the holders of each class of the converting bank's capital stock, if any, or in the case of a converting mutual bank, the corporators thereof, cast at a meeting called to consider such conversion.

(d) Any shareholder of a capital stock Connecticut bank that proposes to convert under this section, who, on or before the date of the shareholders' meeting to vote on such conversion, objects to the conversion by filing a written objection with the secretary of such bank may, within ten days after the effective date of such conversion, make written demand upon the bank for payment of such shareholder's stock. Any such shareholder that makes such objection and demand shall have the same rights as those of a shareholder that asserts appraisal rights with respect to the merger of two or more capital stock Connecticut banks.

(e) The commissioner shall approve a conversion under this section if the commissioner determines that: (1) The converting bank has complied with all applicable provisions of law; (2) the converting bank has equity capital of at least five million dollars; (3) the converting bank has received satisfactory ratings on its most recent safety and soundness examination; (4) the proposed conversion will serve the public necessity and convenience; and (5) the converting bank will provide adequate services to meet the banking needs of all community residents, including low-income residents and moderate-income residents to the extent permitted by its charter, in accordance with a plan submitted by the converting bank to the commissioner, in such form and containing such information as the commissioner may require. Upon receiving any such plan, the commissioner shall make the plan available for public inspection and comment at the Department of Banking and cause notice of its submission and availability for inspection and comment to be published in the department's weekly bulletin. With the concurrence of the commissioner, the converting bank shall publish, in the form of a legal advertisement in a newspaper having a substantial circulation in the area, notice of such plan's submission and availability for public inspection and comment. The notice shall state that the inspection and comment period will last for a period of thirty days from the date of publication. The commissioner shall not make such determination until the expiration of the thirty-day period. In making such determination, the commissioner shall, unless clearly inapplicable, consider, among other factors,

whether the plan identifies specific unmet credit and consumer banking needs in the local community and specifies how such needs will be satisfied, provides for sufficient distribution of banking services among branches or satellite devices, or both, located in low-income neighborhoods, contains adequate assurances that banking services will be offered on a nondiscriminatory basis and demonstrates a commitment to extend credit for housing, small business and consumer purposes in low-income neighborhoods.

(f) After receipt of the commissioner's approval, the converting bank shall promptly file such approval and its amended certificate of incorporation with the Secretary of the State and with the town clerk of the town in which its principal office is located. Upon such filing, the bank shall cease to be an **[**uninsured**]** innovation bank subject to the provisions of subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70, or a trust bank, subject to the limitations provided in subsection (u) of section 36a-70 and subsection (b) of section 36a-250, and shall be a Connecticut bank subject to all of the requirements and limitations and possessed of all rights, privileges and powers granted to it by its amended certificate of incorporation and by the provisions of the general statutes applicable to its type of Connecticut bank. Such Connecticut bank shall not commence business unless its insurable accounts and deposits are insured by the Federal Deposit Insurance Corporation or its successor agency. Upon such filing with the Secretary of the State and with the town clerk, all of the assets, business and good will of the converting bank shall be transferred to and vested in such Connecticut bank without any deed or instrument of conveyance, provided the converting bank may execute any deed or instrument of conveyance as is convenient to confirm such transfer. Such Connecticut bank shall be subject to all of the duties, relations, obligations, trusts and liabilities of the converting bank, whether as debtor, depository, registrar, transfer agent, executor, administrator or otherwise, and shall be liable to pay and discharge all such debts and liabilities, and to perform all such duties in the same manner and to the same extent as if the Connecticut bank had itself incurred the obligation or liability or assumed the duty or relation. All rights of creditors of the converting bank and all liens upon the property of such bank shall be preserved unimpaired and the Connecticut bank shall be entitled to receive, accept, collect, hold and enjoy any and all gifts, bequests, devises, conveyances, trusts and appointments in favor of or in the name of the converting bank and whether made or created to take effect prior to or after the conversion.

(g) The persons named as directors in the amended certificate of incorporation shall be the directors of such Connecticut bank until the first annual election of directors after the conversion or until the expiration of their terms as directors, and shall have the power to take all necessary actions and to adopt bylaws concerning the business and management of such Connecticut bank.

(h) No such Connecticut bank resulting from the conversion of an **[**uninsured**]** innovation bank may exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the commissioner, unless such authority was previously granted to the converting bank.

(i) The franchise tax required to be paid by capital stock Connecticut banks upon an increase of capital stock shall be paid upon the capital stock of any such Connecticut bank, provided, any franchise tax paid by the converting bank shall be subtracted from any amount owed under this subsection.

Sec. 36a-139b

(a) Any Connecticut bank may, upon the approval of the commissioner, convert to an **[**uninsured**]** innovation bank.

(b) The converting bank shall file with the commissioner a proposed plan of conversion, a copy of the proposed amended certificate of incorporation and a certificate by the secretary of the converting bank that the proposed plan of conversion and proposed certificate of incorporation have been approved in accordance with subsection (c) of this section.

(c) The proposed plan of conversion and proposed amended certificate of incorporation shall require the approval of a majority of the governing board of the converting bank and the favorable vote of not less than two-thirds of the holders of each class of the bank's capital stock, if any, or, in the case of a mutual bank, the corporators thereof, cast at a meeting called to consider such conversion.

(d) Any shareholder of a converting capital stock Connecticut bank that proposes to convert to an **[**uninsured**]** innovation bank who, on or before the date of the shareholders' meeting to vote on such conversion, objects to the conversion by filing a written objection with the secretary of such bank may, within ten days after the effective date of such conversion, make written demand upon the converted bank for payment of such shareholder's stock. Any such shareholder that makes such objection and demand shall have the same rights as those of a shareholder who dissents from the merger of two or more capital stock Connecticut banks.

(e) If applicable, a converting Connecticut bank shall liquidate all of its retail deposits with the approval of the commissioner. The converting bank shall file with the commissioner a written notice of its intent to liquidate all of its retail deposits together with a plan of liquidation and a proposed notice to depositors approved and executed by a majority of its governing board. The commissioner shall approve the plan and the notice to depositors. The commissioner shall not approve a sale of the retail deposits of the converting bank if the purchasing insured depository institution, including all insured depository institutions which are affiliates of such institution, upon consummation of the sale, would control thirty per cent or more of the total amount of deposits of insured depository institutions in this state, unless the commissioner permits a greater percentage of such deposits. The converting and purchasing institutions shall file with the commissioner a written agreement approved and executed by a majority of the governing board of each institution prescribing the terms and conditions of the transaction.

(f) The commissioner shall approve a conversion under this section if the commissioner determines that: (1) The converting bank has complied with all applicable provisions of law; (2) the converting bank has equity capital of at least five million dollars unless the commissioner establishes a different minimum capital requirement based on the proposed activities of the converting bank; (3) the converting bank has liquidated all of its retail deposits, if any, and has no deposits that are insured by the Federal Deposit Insurance Corporation or its successor agency; and (4) the proposed conversion will serve the public necessity and convenience. The commissioner shall not approve such conversion unless the commissioner considers the findings of the most recent state or federal safety and soundness examination of the converting

bank, and the effect of the proposed conversion on the financial resources and future prospects of the converting bank.

(g) After receipt of the commissioner's approval for the conversion, the converting bank shall promptly file such approval and its certificate of incorporation with the Secretary of the State and with the town clerk of the town in which its principal office is located. Upon such filing, the converted Connecticut bank shall not accept retail deposits and shall be an **[**uninsured**]** innovation bank, subject to the limitations in subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70. Upon such conversion, the converted Connecticut bank possesses all of the rights, privileges and powers granted to it by its certificate of incorporation and by the provisions of the general statutes applicable to its type of Connecticut bank, and all of the assets, business and good will of the converting bank shall be transferred to and vested in the converted Connecticut bank without any deed or instrument of conveyance, provided the converting bank may execute any deed or instrument of conveyance as is convenient to confirm such transfer. The converted Connecticut bank shall be subject to all of the duties, relations, obligations, trusts and liabilities of the converting bank, whether as debtor, depository, registrar, transfer agent, executor, administrator or otherwise, and shall be liable to pay and discharge all such debts and liabilities, and to perform all such duties in the same manner and to the same extent as if the converted bank had itself incurred the obligation or liability or assumed the duty or relation. All rights of creditors of the converting bank and all liens upon the property of such bank shall be preserved unimpaired and the **[**uninsured**]** innovation bank shall be entitled to receive, accept, collect, hold and enjoy any and all gifts, bequests, devises, conveyances, trusts and appointments in favor of or in the name of the converting bank and whether made or created to take effect prior to or after the conversion.

(h) The persons named as directors in the certificate of incorporation shall be the directors of the converted Connecticut bank until the first annual election of directors after the conversion or until the expiration of their terms as directors, and shall have the power to take all necessary actions and to adopt bylaws concerning the business and management of such Connecticut bank.

(i) No converted Connecticut bank, other than a Connecticut bank which converted from a trust bank, may exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the commissioner, unless such authority was previously granted to the converting bank.

(j) The franchise tax required to be paid by capital stock Connecticut banks upon an increase of capital stock shall be paid upon the capital stock of any such converted bank, provided, any franchise tax paid by the converting bank shall be subtracted from any amount owed under this subsection.

Sec. 36a-215. (Formerly Sec. 36-22b)

If, in the opinion of the commissioner, a trust bank, or an **[**uninsured**]** innovation bank, in danger of becoming insolvent, is not likely to be able to meet the demands of its depositors, in the case of an **[**uninsured**]** innovation bank, or pay its obligations in the normal course of business, or is likely to incur losses that may deplete all or substantially all of its capital, the commissioner may require such trust bank

or [uninsured] innovation bank to increase the assets kept on deposit as required by subsection (u) of section 36a-70 to an amount that would be sufficient to meet the costs and expenses incurred by the commissioner pursuant to section 36a-222 and all fees and assessments due the commissioner. Such assets shall be deposited with such bank as the commissioner may designate, and shall be in such form and subject to such conditions as the commissioner deems necessary.

Sec. 36a-220. (Formerly Sec. 36-34)

(a) If it appears to the commissioner that (1) the charter of any Connecticut bank or out-of-state bank that maintains in this state a branch, as defined in section 36a-410, or the certificate of authority of any Connecticut credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b, is forfeited, (2) the public is in danger of being defrauded by such bank or credit union, it is unsafe or unsound for such bank or credit union to continue business or its assets are being dissipated, (3) such bank or credit union is insolvent, is in danger of imminent insolvency or that its capital is not adequate to support the level of risk, or (4) the Federal Deposit Insurance Corporation, National Credit Union Administration or their successor agencies have terminated insurance of the insurable accounts or deposits of such bank, unless such Connecticut bank has filed an application with the commissioner to convert to an [uninsured] innovation bank pursuant to section 36a-139b, or credit union, the commissioner shall apply to the superior court for the judicial district of Hartford or the judicial district in which the main office of such bank or credit union is located for an injunction restraining such bank or credit union from conducting business or, in the case of a Connecticut bank or Connecticut credit union, for the appointment of a conservator or for a receiver to wind up its affairs.

(b) The court may take one or more of the following actions: (1) Grant such injunction or appoint such receiver, or both, (2) appoint such conservator, or (3) in the case of a Connecticut bank or Connecticut credit union, declare the charter of such bank or certificate of authority of such credit union to be null and void after reasonable notice to such bank or credit union. Nothing in this section shall be construed as affecting any provision of sections 36a-218 and 36a-219.

Sec. 36a-221a

(a)(1) The receiver of a trust bank or [uninsured] innovation bank shall, as soon after the receiver's appointment as is practicable, terminate all fiduciary positions the bank holds, surrender all property held by the bank as a fiduciary and settle the fiduciary accounts. With the approval of the Superior Court, the receiver of a trust bank or [uninsured] innovation bank shall release all segregated and identifiable fiduciary property held by the bank to one or more successor fiduciaries, and may sell one or more fiduciary accounts to one or more successor fiduciaries on terms that appear to be in the best interest of the bank's estate and the persons interested in the property or fiduciary accounts.

(2) Upon the sale or transfer of fiduciary property or a fiduciary account, the successor fiduciary shall be automatically substituted without further action and without any order of any court. Prior to the effective date of substitution of the successor fiduciary, the receiver shall mail notice of such substitution to each person to whom such bank provides periodic reports of fiduciary activity. The notice shall include: (A) The name of such bank, (B) the name of the successor fiduciary, and (C) the effective date of the substitution of the successor fiduciary. The provisions of section 45a-245a shall not apply to the substitution of a fiduciary under this section.

(b) A successor fiduciary shall have all of the rights, powers, duties and obligations of such bank and shall be deemed to be named, nominated or appointed as fiduciary in any will, trust, court order or similar written document or instrument that names, nominates or appoints such bank as fiduciary, whether executed before or after the successor fiduciary is substituted, provided the successor fiduciary shall have no obligations or liabilities under this section for any acts, actions, inactions or events occurring prior to the effective date of the substitution.

(c) If commingled fiduciary money held by the trust bank or **[**uninsured**]** innovation bank as trustee is insufficient to satisfy all fiduciary claims to the commingled money, the receiver shall distribute such money pro rata to all fiduciary claimants of such money based on their proportionate interest.

(d) For the purpose of this section, "successor fiduciary" has the meaning given to that term in section 45a-245a.

Sec. 36a-225. (Formerly Sec. 36-38)

(a) The Superior Court, upon appointing a receiver of any Connecticut bank, other than a trust bank or an **[**uninsured**]** innovation bank, or Connecticut credit union, shall limit the time within which all claims against the bank or credit union may be presented to the receiver, and the court may, upon cause shown, extend such time and shall cause such public notice of such limitation or extension of time to be given as it deems reasonable and just. All claims not presented to the receiver within the period limited shall be forever barred, except that any claim for a deposit or share account, as shown by the depositor's or share account holder's passbook, certificate of deposit, statement or other evidence of deposit or the records of such bank or credit union, shall be allowed by the receiver.

(b) (1) As soon as reasonably practicable after appointment of a receiver of a trust bank or an **[**uninsured**]** innovation bank, the receiver shall publish notice, in a newspaper of general circulation in each town in which an office of such bank is located, stating that: (A) The bank has been placed in receivership; (B) the depositors, clients and creditors are required to present their claims for payment on or before a specific date and at a specified place; and (C) all safe deposit box holders and bailors of property left with the bank are required to remove their property no later than a specified date. The dates that the receiver selects may not be earlier than the one hundred twenty-first day after the date of the notice, and shall allow: (i) The affairs of the bank to be wound up as quickly as feasible; and (ii) depositors, clients, creditors, safe deposit box holders and bailors of property adequate time for presentation of claims, withdrawal of accounts, and redemption of property. The receiver may adjust the dates with the approval of the court and with or without

republication of notice if the receiver determines that additional time is needed for any such presentation, withdrawal or redemption.

(2) As soon as reasonably practicable, given the state of the bank's records and the adequacy of staffing, the receiver shall mail to each of the bank's known depositors, clients, creditors, safe deposit box holders and bailors of property left with the bank, at the mailing address shown on the bank's records, an individual notice containing the information required in the notice provided in subdivision (1) of this subsection, and specific information pertinent to the account or property of the addressee. The receiver of a trust bank or **[**uninsured**]** innovation bank may require a fiduciary claimant to file a proof of claim if the records of such bank are insufficient to identify the claimant's interest.

Sec. 36a-226a

(a) A contract between a trust bank or **[**uninsured**]** innovation bank in receivership and another person for bailment, of deposit for hire, or for the lease of a safe, vault or safe deposit box terminates on the date specified for removal of property in the notices that were published and mailed in accordance with section 36a-225 or a later date approved by the receiver or the Superior Court. A person who has paid rental or storage charges for a period extending beyond the date designated for removal of property has a claim against such bank's estate for a refund of the unearned amount paid.

(b) If the property is not removed by the date the contract terminates, the receiver shall inventory the property. In making the inventory, the receiver may open a safe, vault or safe deposit box, or any package, parcel, or receptacle in the custody or possession of the receiver. The property shall be marked to identify, to the extent possible, its owner or the person who left it with the bank. After all property belonging to others that is in the receiver's custody and control has been inventoried, the receiver shall compile a list that is divided for each office of the bank that received property that remains unclaimed. The receiver shall publish, in a newspaper of general circulation in each town in which the bank had an office that received property that remains unclaimed, the list and the names of the owners of the property as shown in the bank's records. The published notice shall specify a procedure for claiming the property unless the court, on application of the receiver, approves an alternate procedure.

Sec. 36a-237

(a) The assets of any Connecticut bank, other than a trust bank or **[**uninsured**]** innovation bank, in the possession of a receiver shall be distributed in the following order of priority: (1) All fees and assessments due the commissioner; (2) the charges and expenses of settling such bank's affairs; (3) all deposits; (4) all other liabilities; (5) any liquidation account; and (6) in the case of a capital stock Connecticut bank, the claims of shareholders or, in the case of a mutual savings bank or mutual savings and loan association, the claims of depositors in proportion to their respective deposits.

(b) (1) The assets of a trust bank or an **[**uninsured**]** innovation bank shall be distributed in the following order of priority: (A) All fees and assessments due the commissioner; (B) administrative expenses; (C)

approved claims of owners of secured trust funds on deposit to the extent of the value of the security as provided in subsection (d) of section 36a-237f; (D) approved claims of secured creditors to the extent of the value of the security as provided in subsection (d) of section 36a-237f; (E) approved claims by beneficiaries of insufficient commingled fiduciary money or missing fiduciary property and approved claims of clients of the trust bank or **[**uninsured**]** innovation bank; (F) other approved claims of depositors and general creditors not falling within a higher priority under this subdivision, including unsecured claims for taxes and debts due the federal government or a state or local government; (G) approved claims of a type described by subparagraphs (A) to (F), inclusive, of this subdivision that were not filed within the period prescribed by sections 36a-215 to 36a-239, inclusive; and (H) claims of capital note or debenture holders or holders of similar obligations and proprietary claims of shareholders or other owners according to the terms established by issue, class or series.

(2) As used in this subsection, "administrative expense" means (A) any expense designated as an administrative expense by sections 36a-231 and 36a-237h; (B) any charge or expense of settling the affairs of the bank, including court costs and expenses of operation and liquidation of the bank's estate; (C) wages owed to an employee of the bank for services rendered within three months before the date the bank was placed in receivership and not exceeding two thousand dollars to each employee; (D) current wages owed to an employee of the bank whose services are retained by the receiver for services rendered after the date the bank is placed in receivership; and (E) an unpaid expense of supervision or conservatorship of the bank before it was placed in receivership.

(c) In the event of liquidation of a Connecticut credit union, the assets of the Connecticut credit union or the proceeds from any disposition of the assets shall be applied and distributed in the following sequence: (1) All fees and assessments due the commissioner; (2) claims of secured creditors up to the value of their collateral; (3) the costs and expenses of liquidation; (4) the wages due the employees of the Connecticut credit union; (5) the costs and expenses incurred by creditors in successfully opposing the release of the Connecticut credit union from certain debts as allowed by the commissioner; (6) all taxes owed to the United States or any other governmental unit; (7) all other debts owed to the United States or any other governmental unit; (8) claims of general creditors and secured creditors to the extent that their claims exceed the value of their collateral; (9) claims of members, to the extent of uninsured share accounts, and the organization that insured the share accounts of the Connecticut credit union; (10) in the event of liquidation of a Connecticut credit union that is a corporate Connecticut credit union, as defined in section 36a-435b, membership capital, and then paid-in capital; and (11) in the event of liquidation of a Connecticut credit union that has received a low-income designation from the National Credit Union Administration under 12 CFR 701.34, as from time to time amended, any outstanding secondary capital accounts.

(d) The holders of claims in any class set forth in this section shall not receive any distribution until the holders of claims in all classes having a higher priority under this section are paid in full. If the assets of any such Connecticut bank or Connecticut credit union are insufficient to pay in full all of the claims in a particular class, the assets shall be distributed to each claimant within such class on a pro rata basis.

Sec. 36a-237f

(a) To receive payment of a claim against the estate of a trust bank or **[**uninsured**]** innovation bank in receivership, a person who has a claim, other than a shareholder acting in that capacity, including a claimant with a secured claim or a fiduciary claimant ordered by the receiver to file a proof of claim under subdivision (2) of subsection (b) of section 36a-225, shall present proof of the claim to the receiver at a place specified by the receiver, within the period specified by the receiver. Receipt of the required proof of claim by the receiver is a condition precedent to the payment of the claim. A claim that is not filed within the period or at the place specified by the receiver may not participate in a distribution of the assets by the receiver, except that, subject to court approval, the receiver may accept a claim filed not later than the one-hundred-eightieth day after the date notice of the claimant's right to file a proof of claim is mailed to the claimant, provided such claim shall be subordinate to an approved claim of a general creditor. Interest does not accrue on any claim after the date the bank is placed in receivership. The provisions of this subsection shall not apply to a fiduciary claimant or depositor where the records of the bank in receivership are sufficient to identify the fiduciary claimant's or depositor's interest.

(b) (1) The proof of claim against a trust bank or an **[**uninsured**]** innovation bank shall be in writing, be signed by the claimant, and include: (A) A statement of the claim; (B) a description of the consideration for the claim; (C) a statement of whether collateral is held or a security interest is asserted against the claim and, if so, a description of the collateral or security interest; (D) a statement of any right of priority of payment for the claim or other specific right asserted by the claimant; (E) a statement of whether a payment has been made on the claim and, if so, the amount and source of the payment, to the extent known by the claimant; (F) a statement that the amount claimed is justly owed by the bank to the claimant; and (G) any other matter that is required by the Superior Court.

(2) The receiver may designate the form of the proof of claim. A proof of claim shall be filed under oath unless the oath is waived by the receiver. If a claim is founded on a written instrument, the original instrument, unless lost or destroyed, shall be filed with the proof of claim. After the instrument is filed, the receiver may permit the claimant to substitute a copy of the instrument until the final disposition of the claim. If the instrument is lost or destroyed, a statement of that fact and of the circumstances of the loss or destruction shall be filed under oath with the claim.

(c) A judgment against a trust bank or **[**uninsured**]** innovation bank in receivership taken by default or by collusion before the date the bank was placed in receivership may not be considered as conclusive evidence of the liability of the bank to the judgment creditor or of the amount of damages to which the judgment creditor is entitled. A judgment against the bank entered after the date the bank was placed in receivership may not be considered as evidence of liability or of the amount of damages.

(d) (1) The owner of secured trust funds on deposit may file a claim as a creditor against a trust bank or **[**uninsured**]** innovation bank in receivership. The value of the security shall be determined under supervision of the Superior Court by converting the security into money.

(2) The owner of a secured claim against a trust bank or **[**uninsured**]** innovation bank in receivership may surrender the security and file a claim as a general creditor or apply the security to the claim and discharge the claim.

(3) If the owner applies the security and discharges the claim under subdivision (2) of this subsection, any deficiency shall be treated as a claim against the general assets of the bank on the same basis as a claim of an unsecured creditor. The amount of the deficiency shall be determined as provided by subsection (e) of this section, except that if the amount of the deficiency has been adjudicated by a court in a proceeding in which the receiver has had notice and an opportunity to be heard, the court's decision is conclusive as to the amount.

(4) The value of security held by a secured creditor shall be determined under supervision of the court by converting the security into money according to the terms of the agreement under which the security was delivered to the creditor or by agreement, arbitration, compromise or litigation between the creditor and the receiver.

(e) (1) A claim against a trust bank or **[**uninsured**]** innovation bank in receivership based on an unliquidated or undetermined demand shall be filed within the period for the filing of the claim. The claim may not share in any distribution to claimants until the claim is definitely liquidated, determined and allowed. After the claim is liquidated, determined and allowed, the claim shares ratably with the claims of the same class in all subsequent distributions.

(2) If the receiver in all other respects is in a position to close the receivership proceeding, the proposed closing is sufficient grounds for the rejection of any remaining claim based on an unliquidated or undetermined demand. The receiver shall notify the claimant of the intention to close the proceeding. If the demand is not liquidated or determined before the sixty-first day after the date of the notice, the receiver may reject the claim.

(3) For the purposes of this subsection, a demand is considered unliquidated or undetermined if the right of action on the demand accrued while the trust bank or **[**uninsured**]** innovation bank was placed in receivership and the liability on the demand has not been determined or the amount of the demand has not been liquidated.

(f) (1) Mutual credits and mutual debts shall be set off and only the balance allowed or paid, except that a set-off may not be allowed in favor of a person if: (A) The obligation of a trust bank or **[**uninsured**]** innovation bank to the person on the date the bank was placed in receivership did not entitle the person to share as a claimant in the assets of the bank; (B) the obligation of the bank to the person was purchased by or transferred to the person after the date the bank was placed in receivership or for the purpose of increasing set-off rights; or (C) the obligation of the person or the bank is as a trustee or fiduciary.

(2) Upon request, the receiver shall provide a person with an accounting statement identifying each debt that is due and payable. A person who owes a trust bank or **[**uninsured**]** innovation bank an amount that is due and payable against which the person asserts set-off of mutual credits that may become due and payable from the bank in the future shall promptly pay to the receiver the amount due and payable. The receiver

shall promptly refund, to the extent of the person's prior payment, mutual credits that become due and payable to the person by the bank in receivership.

(g) (1) Not later than six months after the last day permitted for the filing of claims or a later date allowed by the Superior Court, the receiver shall accept or reject in whole or in part each claim filed against a trust bank or an **[**uninsured**]** innovation bank in receivership, except for an unliquidated or undetermined claim governed by subsection (e) of this section. The receiver shall reject a claim if the receiver doubts its validity.

(2) The receiver shall mail written notice to each claimant, specifying the disposition of the person's claim. If a claim is rejected in whole or in part, the receiver in the notice shall specify the basis for rejection and advise the claimant of the procedures and deadline for appeal.

(3) The receiver shall send each claimant a summary schedule of approved and rejected claims by priority class and notify the claimant: (A) That a copy of a schedule of claims disposition, including only the name of the claimant, the amount of the claim allowed, and the amount of the claim rejected, is available upon request; and (B) of the procedure and deadline for filing an objection to an approved claim.

(h) The receiver of a trust bank or **[**uninsured**]** innovation bank, with the approval of the superior court, shall set a deadline for an objection to an approved claim. On or before that date, a depositor, creditor, other claimant or shareholder of a trust bank or **[**uninsured**]** innovation bank may file an objection to an approved claim. The objection shall be heard and determined by the court. If the objection is sustained, the court shall direct an appropriate modification of the schedule of claims.

(i) The receiver's rejection of a claim may be appealed to the superior court in which the receivership proceeding of a trust bank or **[**uninsured**]** innovation bank is pending. The appeal shall be filed within three months after the date of service of notice of the rejection. If the appeal is timely filed, review is de novo as if it were an action originally filed in the court, and is subject to the rules of procedure and appeal applicable to civil cases. An action to appeal rejection of a claim by the receiver is separate from the receivership proceeding, and may not be initiated by a claimant intervening in the receivership proceeding. If the action is not timely filed, the action of the receiver is final and not subject to review.

(j) (1) The commissioner shall deposit all money available for the benefit of persons who have not filed a claim and are, according to the bank's records, depositors and creditors of a trust bank or **[**uninsured**]** innovation bank in receivership in a bank, Connecticut credit union, federal credit union, out-of-state bank that maintains in this state a branch, as defined in section 36a-410, or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b. The commissioner shall pay the nonclaiming depositors and creditors on demand the undisputed amount, based on the bank's records, held for their benefit.

(2) The receiver may periodically make a partial distribution to the holders of approved claims if: (A) All objections have been heard and decided as provided by subsection (h) of this section; (B) the time for filing appeals has expired as provided by subsection (i) of this section; (C) money has been made available to provide for the payment of all nonclaiming depositors and creditors in accordance with subdivision (1) of this subsection; and (D) a proper reserve is established for the pro rata payment of: (i) Rejected claims

that have been appealed, and (ii) any claims based on unliquidated or undetermined demands governed by subsection (e) of this section.

(3) As soon as practicable after all objections, appeals and claims based on previously unliquidated or undetermined demands governed by subsection (e) of this section have been determined and money has been made available to provide for the payment of all nonclaiming depositors and creditors in accordance with subdivision (1) of this subsection, the receiver shall distribute the assets of a trust bank or **[**uninsured**]** innovation bank in satisfaction of approved claims other than claims asserted in a person's capacity as a shareholder.

Sec. 36a-237g

(a) All fiduciary records relating to the administration of fiduciary accounts of a trust bank or **[**uninsured**]** innovation bank shall be turned over to the successor fiduciary, as defined in section 45a-245a, in charge of administration of the accounts. The receiver may devise a method for the effective, efficient and economical maintenance of all other records of the trust bank or **[**uninsured**]** innovation bank and of the receiver's office.

(b) On approval by the Superior Court, the receiver may dispose of records of the trust bank or **[**uninsured**]** innovation bank in receivership that are obsolete and unnecessary to the continued administration of the receivership proceeding.

Sec. 36a-237h

(a) Persons entitled to protection under this section shall be: (1) All receivers or conservators of trust banks or **[**uninsured**]** innovation banks, including present and former receivers and conservators; and (2) the employees of such receivers or conservators. Attorneys, accountants, auditors and other professional persons or firms who are retained by the receiver or conservator as independent contractors, and their employees, shall not be considered employees of the receiver or conservator for purposes of this section.

(b) The receiver or conservator and the employees of the receiver or conservator shall be immune from suit and liability, both personally and in their official capacities, for any claim for damage to or loss of property, personal injury or other civil liability caused by or resulting from any alleged act, error or omission of the receiver or conservator or any employee arising out of or by reason of their duties or employment, provided nothing in this section shall be construed to hold the receiver or conservator or any employee immune from suit or liability for any damage, loss, injury or liability caused by the intentional or wilful and wanton misconduct of the receiver or conservator or any employee.

(c) (1) If any legal action is commenced against the receiver or conservator or any employee, whether personally or in such person's official capacity, alleging property damage, property loss, personal injury or other civil liability caused by or resulting from any alleged act, error or omission of the receiver or conservator or any employee arising out of or by reason of their duties or employment, the receiver or conservator and any employee shall be indemnified from the assets of the trust bank or **[**uninsured**]**

innovation bank for all expenses, attorneys' fees, judgments, settlements, decrees or amounts due and owing or paid in satisfaction of or incurred in the defense of such legal action unless it is determined upon a final adjudication on the merits that the alleged act, error or omission of the receiver or conservator or employee giving rise to the claim did not arise out of or by reason of such person's duties or employment, or was caused by intentional or wilful and wanton misconduct.

(2) Attorneys' fees and any related expenses incurred in defending a legal action for which immunity or indemnity is available under this section shall be paid from the assets of the trust bank or **[**uninsured**]** innovation bank, as they are incurred, in advance of the final disposition of such action upon receipt of an undertaking by or on behalf of the receiver or conservator or employee to repay the attorneys' fees and expenses if it shall ultimately be determined upon a final adjudication on the merits that the receiver or conservator or employee is not entitled to immunity or indemnity under this section.

(3) Any indemnification for expense payments, judgments, settlements, decrees, attorneys' fees, surety bond premiums or other amounts paid or to be paid from the assets of the trust bank or **[**uninsured**]** innovation bank pursuant to this section shall be an administrative expense of the receivership or conservatorship.

(4) In the event of any actual or threatened litigation against a receiver or conservator or any employee for which immunity or indemnity may be available under this section, a reasonable amount of funds, which in the judgment of the receiver or conservator may be needed to provide immunity or indemnity, shall be segregated and reserved from the assets of the trust bank or **[**uninsured**]** innovation bank as security for the payment of indemnity until such time as all applicable statutes of limitation shall have run and all actual or threatened actions against the receiver or conservator or any employee have been completely and finally resolved, and all obligations of the trust bank or **[**uninsured**]** innovation bank and the commissioner under this section shall have been satisfied.

(5) In lieu of segregation and reserving of funds, the receiver or conservator may, in the receiver's or conservator's discretion, obtain a surety bond or make other arrangements that will enable the receiver or conservator to fully secure the payment of all obligations under this section.

(d) If any legal action against an employee for which indemnity may be available under this section is settled prior to final adjudication on the merits, the receiver or conservator shall pay from the assets of the bank the settlement amount on behalf of the employee or indemnify the employee for the settlement amount unless the receiver or conservator determines:

(1) That the claim did not arise out of or by reason of the employee's duties or employment; or

(2) That the claim was caused by the intentional or wilful and wanton misconduct of the employee.

(e) In any legal action in which the receiver or conservator is a defendant, that portion of any settlement relating to the alleged act, error or omission of the receiver or conservator shall be subject to the approval of the superior court before which the receivership proceeding or conservatorship is pending. The court shall not approve that portion of the settlement if it determines:

(1) That the claim did not arise out of or by reason of the receiver's or conservator's duties or employment; or

(2) That the claim was caused by the intentional or wilful and wanton misconduct of the receiver or conservator.

(f) Nothing contained or implied in this section shall operate, or be construed or applied to deprive the receiver or conservator or any employee of any immunity, indemnity, benefits of law, rights or any defense otherwise available.

(g) (1) The provisions of subsection (b) of this section shall apply to any suit based in whole or in part on any alleged act, error or omission which takes place on or after May 12, 2004.

(2) No legal action shall lie against the receiver or conservator or any employee based in whole or in part on any alleged act, error or omission which took place prior to May 12, 2004, unless suit is filed and valid service of process is obtained not later than twelve months after May 12, 2004.

(3) Subsections (c) to (e), inclusive, of this section shall apply to any suit which is pending on or filed after May 12, 2004, without regard to when the alleged act, error or omission took place.

Sec. 36a-333

(a)(1) To secure public deposits, each qualified public depository that is not under a formal regulatory order shall at all times maintain, segregated from its other assets as provided in subsection (b) of this section, eligible collateral in an amount not less than twenty-five per cent of all uninsured public deposits held by the depository, provided if such depository is: (A) (i) A bank or out-of-state bank having a tier one leverage ratio of not less than six per cent and a risk-based capital ratio of not less than twelve per cent, (ii) a bank or out-of-state bank having elected to use the community bank leverage ratio framework pursuant to 12 CFR 324.12, as amended from time to time, and having a tier one leverage ratio greater than nine per cent, or (iii) a credit union or federal credit union having a net worth ratio of not less than eight per cent, the amount of eligible collateral shall be a sum not less than ten per cent of all uninsured deposits held by the depository; or (B) (i) a bank or out-of-state bank having a tier one leverage ratio of less than five per cent or a risk-based capital ratio of less than ten per cent, or (ii) a credit union or federal credit union having a net worth ratio of less than seven per cent, the amount of eligible collateral shall be not less than a sum equal to one hundred ten per cent of all uninsured public deposits held by the depository.

(2) Notwithstanding the provisions of subdivisions (1) and (3) of this subsection, to secure public deposits, each qualified public depository that (A) has been conducting business in this state for a period of less than two years, except for a depository that is a successor institution to a depository which conducted business in this state for two years or more, or (B) is an **[**uninsured**]** innovationf bank, shall at all times maintain, segregated from its other assets as required under subsection (b) of this section, eligible collateral in an amount not less than one hundred twenty per cent of all uninsured public deposits held by the depository.

(3) To secure public deposits, each qualified public depository that is under a formal regulatory order shall at all times maintain, segregated from its other assets as required under subsection (b) of this section, eligible collateral in an amount not less than one hundred ten per cent of all uninsured public deposits held by the depository. However, if such regulatory order is not related to capital, asset quality, earnings or liquidity, the depository notifies each of its public depositors of the issuance of such order and such depository is (A) a bank or out-of-state bank having a tier one leverage ratio of not less than five per cent and a risk-based capital ratio of not less than ten per cent, or (B) a credit union or federal credit union having a net worth ratio of not less than seven per cent, such depository may reduce the amount of eligible collateral it is required to maintain under this subdivision to an amount not less than seventy-five per cent of all uninsured public deposits held by the depository, provided if such depository is (i) a bank or out-of-state bank having a tier one leverage ratio of not less than seven and one-half per cent and a risk-based capital ratio of not less than fourteen per cent, (ii) a bank or out-of-state bank having elected to use the community bank leverage ratio framework pursuant to 12 CFR 324.12, as amended from time to time, and having a tier one leverage ratio greater than nine per cent, or (iii) a credit union or federal credit union having a net worth ratio of not less than nine and one-half per cent, the amount of eligible collateral may be reduced to a sum not less than fifty per cent of all uninsured public deposits held by the depository.

(4) Notwithstanding the provisions of this subsection, the qualified public depository and the public depositor may agree on an amount of eligible collateral to be maintained by the depository that is greater than the minimum amounts required under subdivision (1) or (3) of this subsection, as applicable. For purposes of this subsection, the amount of all uninsured public deposits held by the depository shall be determined at the close of business on the day of receipt of any public deposit and any deficiency in the amount of eligible collateral required under this section shall be cured not later than the close of business on the following business day. For purposes of this subsection, the depository's tier one leverage ratio and risk-based capital ratio or net worth ratio shall be determined, in accordance with applicable federal regulations and regulations adopted by the commissioner in accordance with chapter 54, based on the most recent quarterly call report, provided if, during any calendar quarter after the issuance of such report, the depository experiences a decline in its tier one leverage ratio, risk-based capital ratio or net worth ratio to a level that would require the depository to maintain a higher amount of eligible collateral under subdivision (1) or (3) of this subsection, the depository shall increase the amount of eligible collateral maintained by it to the minimum required under subdivision (1) or (3) of this subsection, as applicable, based on such lower tier one leverage ratio, risk-based capital ratio or net worth ratio and shall notify the commissioner of its actions. The commissioner may, at any time, require the depository to increase its eligible collateral to an amount greater than that required by subdivision (1) or (3) of this subsection, as applicable, up to a maximum amount of one hundred twenty per cent, if the commissioner reasonably determines that such increase is necessary for the protection of public deposits. If the commissioner determines that such increase in eligible collateral is no longer necessary for the protection of public deposits, the commissioner may allow the depository to adjust the amount downward, as the circumstances warrant, to an amount not less than the minimum amount required by subdivision (1) or (3) of this subsection, as applicable.

(5) For purposes of this subsection, “formal regulatory order” means a written agreement related to enforcement, including a letter of understanding or agreement or a written order, that a supervisory agency

is required to publish or publishes on its web site, but does not include any written agreement or written order under which the sole obligation of the depository is to pay a civil money penalty, fine or restitution.

(b) (1) Each qualified public depository that is a bank or out-of-state bank (A) having a tier one leverage ratio of five per cent or greater and a risk-based capital ratio of ten per cent or greater, or (B) having elected to use the community bank leverage ratio framework pursuant to 12 CFR 324.12, as amended from time to time, and having a tier one leverage ratio greater than nine per cent shall transfer eligible collateral maintained under subsection (a) of this section to its own trust department, provided such trust department is located in this state unless the commissioner approves otherwise, to the trust department of another financial institution, provided such eligible collateral shall be maintained in such other financial institution's trust department located in this state unless the commissioner approves otherwise, or to a federal reserve bank or federal home loan bank. Each qualified public depository that is (i) a bank or out-of-state bank having a tier one leverage ratio of less than five per cent or a risk-based capital ratio of less than ten per cent, (ii) a bank or out-of-state bank having elected to use the community bank leverage ratio framework pursuant to 12 CFR 324.12, as amended from time to time, and having a tier one leverage ratio of nine per cent or less, or (iii) a credit union or federal credit union shall transfer eligible collateral maintained under subsection (a) of this section to the trust department of a financial institution that is not owned or controlled by the depository or by a holding company owning or controlling the depository, provided such eligible collateral shall be maintained in such other financial institution's trust department located in this state unless the commissioner approves otherwise, or to a federal reserve bank or federal home loan bank. Such transfers of eligible collateral shall be made in a manner prescribed by the commissioner. The qualified public depository shall determine and adjust the market value of such eligible collateral on a monthly basis. Without the requirement of any further action, the commissioner shall have, for the benefit of public depositors, a perfected security interest in all such eligible collateral held in such segregated trust accounts. Such security interest shall have priority over all other perfected security interests and liens. The commissioner may, at any time, require the depository to value the collateral more frequently than monthly if the commissioner reasonably determines that such valuation is necessary for the protection of public deposits. Each holder of eligible collateral shall file with the commissioner, at the end of each calendar quarter, a report with the CUSIP number, description and par value of each investment it holds as eligible collateral.

(2) No qualified public depository shall maintain eligible collateral in its own trust department pursuant to subdivision (1) of this subsection unless such depository is authorized under law to exercise fiduciary powers in this state.

(3) No financial institution shall accept a transfer of eligible collateral from a qualified public depository pursuant to subdivision (1) of this subsection unless such financial institution is (A) authorized under law to exercise fiduciary powers in this state, and (B) federally insured or receives approval of the commissioner. If a financial institution ceases to meet such requirements, it shall give immediate notice to the qualified public depository and the commissioner who shall thereupon instruct such institution with respect to the disposition of eligible collateral.

(4) Each qualified public depository shall enter into a written trust agreement with the financial institution, federal reserve bank or federal home loan bank serving as trustee. Such agreement shall include

a statement by the financial institution that such institution shall be subject to and comply with the applicable requirements of sections 36a-330 to 36a-338, inclusive.

(c) The depository shall have the right to make substitutions of eligible collateral at any time without notice. The depository shall have the right to reduce the amount of eligible collateral maintained by it that is in excess of the amount required under subsection (a) of this section. The income from the assets which constitute segregated eligible collateral shall belong to the depository without restriction.

(d) Any qualified public depository that ceases to be a qualified public depository or no longer wishes to be a qualified public depository shall no longer receive public deposits and shall give immediate notice to the commissioner, who shall thereupon instruct such qualified public depository of the procedures to be followed with respect to the return of public deposits and eligible collateral.

Section 36a-609 of the general statutes, as amended by section 26 of public act 23-126, is repealed and the following is substituted in lieu thereof *(Effective July, 1, 2024)*:

The provisions of sections 36a-597 to 36a-607, inclusive, and sections 36a-611 and 36a-612 shall not apply to:

(1) Any federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such institution does not engage in the business of money transmission in this state through any person who is not (A) a federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, (B) a person licensed pursuant to sections 36a-595 to 36a-612, inclusive, or an authorized delegate acting on behalf of such licensed person, or (C) a person exempt pursuant to subdivisions (2) to (4), inclusive, of this section;

(2) Any Connecticut bank that is an [uninsured] <u>innovation</u> bank organized pursuant to subsection (t) of section 36a-70;

(3) The United States Postal Service and any contractor that engages in the business of money transmission in this state on behalf of the United States Postal Service; and

(4) A person whose activity is limited to the electronic funds transfer of governmental benefits for or on behalf of a federal, state or Substitute Senate Bill No. 1033 Public Act No. 23-126 84 of 86 other governmental agency, quasi-governmental agency or government sponsored enterprise.