

State of Connecticut Department of Banking

1837 to 2006
Supervising Connecticut
Financial Institutions
For 169 Years

Annual Report Of the Banking Commissioner

To Her Excellency
M. Jodi Rell, Governor

For the Year Ending December 31, 2006
Hartford, Connecticut



To Her Excellency, M. Jodi Rell, Governor

I have the honor to submit the annual report of this department for the year 2006 pursuant to the requirements of Section 36a-14 of the Connecticut General Statutes.

Respectfully yours,

Howard F. Pitkin
Banking Commissioner

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**BANKING COMMISSIONERS
(1900-2006)**

BANKING COMMISSIONERS	FROM	TO
Charles H. Noble	1900	1906
George F. Kendall		
Charles H. Noble	1907	1911
Norris S. Lippitt		
Norris S. Lippitt	1911	1914
Fred P. Holt	1911	1915+
Everett J. Sturges	1915	1922
John K. Bissland	1922	1922
John B. Byrne	1922	1927
Lester E. Shippee	1927	1931
George J. Bassett	1931	1933
Walter Perry	1933	1943
Richard Rapport	1943	1951
Lynwood K. Elmore	1951	1955
Henry H. Pierce Jr.	1955	1960
Philip Hewes	1960	1970
Gerald A. Lamb	1970	1971
James E. Hagen	1971	1975
Lawrence Connell Jr.	1975	1977
David H. Neiditz	1977	1981
Brian J. Woolf *	1982	1985
Howard B. Brown Jr.**	1986	1991
Ralph M. Shulansky	1991	1995
John P. Burke	1995	2006
Howard F. Pitkin ***	2006	--

+Prior to 1915 two Banking Commissioners served concurrently as agency administrators.

** Served as Acting Banking Commissioner from December 31, 1981 to March 30, 1982.*

*** Served as Acting Banking Commissioner from September 13, 1985 to February 2, 1986.*

**** Appointed Acting Banking Commissioner on October 1, 2006.*

**DEPUTY BANKING COMMISSIONERS
(1900-2006)**

DEPUTY BANKING COMMISSIONERS	FROM	TO
John K. Bissland	1917	1921
Lester E. Shippee	1922	1927
R. Gordon Baldwin	1928	1937
Richard Rapport	1938	1942
Lynwood K. Elmore	1943	1950
Reinhard J. Bardeck	1951	1969
Maurice J. Ferland	1970	1971
Patsy J. Piscopo	1971	1974
Thomas E. Canfield	1974	1975
Kay V. Bergin	1975	1978
Linda J. Kelly	1979	1981
Howard B. Brown Jr.	1982	1985
Paul J. McDonough	1988	1991
Barbara S. McGrath	1991	1993
Robert B. Titus	1993	1995
Alan J. Cicchetti	1999	--

ADMINISTRATION

Agency Mission

The mission of the Department of Banking is to protect users of financial services from unlawful or improper practices by requiring that regulated entities and individuals adhere to the law, assuring the safety and soundness of state chartered banks and credit unions, educating and communicating with the public and other stakeholders, and promoting cost-efficient and effective regulation.

Organization

The Department of Banking is a state agency headed by the Banking Commissioner, who reports to the Governor. It is responsible for the regulation and examination of financial institutions and various related entities that are chartered, licensed or registered by the state. The Banking Commissioner is charged with administering the banking and credit union laws of the state as well as the laws regarding securities, tender offers and business opportunities. The Commissioner also administers the Truth-in-Lending Act and other consumer credit laws and a major portion of the law concerning rental security deposits.

The agency is divided into three line divisions responsible for specific types of financial institutions or types of transactions, as well as other divisions that support the department functions.

The Consumer Credit Division licenses and regulates first and second mortgage brokers, lenders and originators, consumer collection agencies, debt adjusters, sales finance companies, small loan companies, check cashing services and money forwarders.

The Financial Institutions Division regulates state-chartered bank and trust companies, credit unions, savings banks and savings and loan associations. It also supervises foreign bank agencies, branches and representative offices; licenses certain entities; and reviews applications for new banks and credit unions, mergers, branches, field of membership expansions and other matters.

The Securities and Business Investments Division is responsible for the registration of securities and business opportunity offerings for sale in Connecticut; the registration of broker-dealers and investment advisers, along with their agents and branch offices; the examination of broker-dealer, investment adviser and branch office registrants; and the enforcement of the state's securities and business opportunity laws.

The Government Relations and Consumer Affairs Division assists consumers with issues involving banks, credit unions, mortgage lending and other consumer credit matters and matters relating to securities and business opportunity investments. The agency also has a full-time employee available to answer questions on rental security deposits. Other divisions that support the agency are the Legal Division, comprised of an advisory staff of attorneys who assist the

commissioner and agency divisions in legal matters, the Business Office, which is responsible for the accounting, budgeting, fiscal, payroll, purchasing and financial reporting functions of the agency, the Human Resources Office, which addresses day-to-day employee issues and is responsible for preparing the agency's affirmative action plan detailing the department's commitment to equal opportunity, and the MIS unit that provides data processing and office automation support.

As of December 31, 2006 there were 120 full-time permanent employees.

Equal Opportunity and Affirmative Action

The Department of Banking is committed to providing equal employment opportunity on the basis of merit; to assuring nondiscrimination; and to implementing affirmative action and contract compliance programs, as required by law. The department's affirmative action plan, filed with the Commission on Human Rights and Opportunities, reflects the agency's commitment to achieving workforce balance and fairness in all terms and conditions of employment.

Financial Statement

Receipts and expenditures relating to the fiscal year ended June 30, 2006 were as follows:

Receipts

Examination of banks etc. assessed in accordance with Section 36a-65, as amended	\$ 651,946*
Examination of credit unions, assessed in accordance with Section 36a-65, as amended	0*
Other license and examination fees	180,324
Registration, filing and transfer fees from securities brokers, etc.	9,186,800
Registration of securities	4,478,098
License and registration fees: mortgage brokers, loan originators, check cashers, money forwarders, collection agencies.....	2,784,564
Sales and miscellaneous receipts	<u>711,884</u>
Total Receipts	\$17,993,616

Expenditures

Personnel services	\$ 9,007,880
Fringe benefits	4,938,150
Travel expenses, including motor vehicles rentals and repairs	372,390
Other expenses	<u>1,320,309</u>
Total Expenditures	\$15,638,729

* State-chartered banks and state-chartered credit unions were not assessed during this fiscal year period

CONSUMER CREDIT DIVISION

The Consumer Credit Division is responsible for regulating the activities of first and secondary mortgage lenders, brokers, and originators; small loan companies; sales finance companies; debt adjusters; consumer collection agencies; money transmitters; issuers of money orders or travelers checks; and check cashing services. The Division is responsible for the licensing and examination of these entities and the enforcement of related Connecticut laws. The Division also administers Truth-in-Lending laws; retail installment sales financing laws; and a major portion of the law relating to rental security deposits.

Examination and Enforcement

During 2006 the Consumer Credit Division continued to increase focus on enforcement. Department actions against licensees and related entities increased, with 24 actions taken against licensees or registrants related to the mortgage industries and three actions against the check cashing industry. The civil penalties totaled \$78,000.00, with \$63,000.00 in the mortgage area and \$15,000.00 involving check cashers.

The Division conducted 438 examinations of all licensees under their jurisdiction. The examinations included review of state statutes, with \$199,045.75 being refunded to consumers.

Disclosure of the Cost of Credit (Truth in Lending)

During 2006, the Consumer Credit Division conducted 168 inspections of creditors subject to the requirements of the Truth in Lending Act and Regulations. These examinations were conducted at entities licensed by the Consumer Credit Division, including first and secondary mortgage companies, sales finance companies and small loan companies. With few exceptions the level of compliance is high, with technical violations constituting the bulk of non-compliance observed.

Connecticut is one of five states that the Federal Reserve Board exempts from the federal Truth in Lending Act. This permits local enforcement of the Truth in Lending Law.

Creditors found to be violating the Truth in Lending regulations may be required to rebate overcharges, to issue corrected disclosures statements, or to issue additional rights of rescission where such rights were improperly administered initially. In addition, such creditors are required to advise the department of their plan to prevent similar violations from occurring in the future.

The staff of the Consumer Credit Division provides licensees subject to the Truth in Lending Act with substantial assistance in complying with its requirements. Guidance concerning compliance is offered to creditors during and after examinations. From time to time trade associations and other groups present formal educational programs in which staff members participate. The large volume of consumer inquiries received by the division is used wherever possible as an opportunity to educate the public on how to best use the information creditors are required to disclose.

Small Loan Licensees

There were 40 small loan licenses in effect on December 31, 2005. As of December 31, 2006, there were 44 small loan licensees. During the year, 20 small loan licensees were examined for compliance with the Small Loan Act (Chapter 668, Part III of the Connecticut General Statutes) and the Truth in Lending Laws.

Small Loan Activities

Small Loan activities	2005	2006	% Change
Loans Outstanding #	36,352	39,010	7.31
Loans Outstanding \$	\$155,177,625	\$180,685,870	16.44

Closed – End Loans	2006 Number of Transactions	2006 Dollar Amount
Total	110,386,554	\$23,351
Secured	1,322	\$8,728,970
Unsecured	22,029	\$101,917,264

Other Business Conducted on the Same Premises as the Licensee	2006 Number of Transactions	2006 Dollar Amount
First Mortgages	3,082	\$511,338,472
Second Mortgages	3,779	\$138,260,021

Sales Finance Companies and Retail Installment Sales Financing

There were 204 sales finance company licenses in effect on December 31, 2005. As of December 31, 2006, there were 208 sales finance company licensees.

During 2006, 21 licensees were examined for compliance with the Retail Installment Sales Financing Act (Chapter 668, Part II of the Connecticut General Statutes) and the Truth in Lending Laws.

Debt Adjusters

All debt adjuster activities in the state of Connecticut are performed only by bona fide non-profit organizations, licensed by the Department of Banking. There were 33 entities licensed to offer bona fide non-profit debt adjustment services on December 31, 2005. As of December 31, 2006, there were 36 licensed debt adjusters.

Consumer Collection Agencies

There were 764 consumer collection agency licenses in effect on December 31, 2005. As of December 31, 2006, 872 consumer collection agencies were licensed.

During 2006, 16 examinations of consumer collection agencies were conducted reviewing compliance with state statutes and regulations.

Money Transmitters and Issuers of Connecticut Payment Instruments

Connecticut issues licenses to persons or firms 1) engaged in the business of money transmission, or 2) engaged in the business of issuing money orders, travelers checks or other instruments for the payment of money. In some cases licensees may have a combination of both a license for Money Transmission and for Issuers of Connecticut Payment Instruments, allowing the licensee to conduct different types of activities.

As of December 31, 2006, there were 47 money transmitters and issuers of money orders and travelers checks licensed in Connecticut. Many retail businesses in Connecticut act as agents for these companies.

During 2006, one money transmitter examination was conducted reviewing both compliance with state statutes and federal statutes.

Check Cashers

Persons or firms engaging in the business of cashing checks, drafts or money orders for consideration at a general facility or a limited facility must be licensed by the Department of Banking for each location where such business is conducted. In early 2004 the administration and regulation of the check cashing service industry was transferred from the Financial Institutions Division to the Consumer Credit Division.

As of December 31, 2006, 97 check cashers were licensed to do business in Connecticut.

During 2006, 20 examinations were conducted reviewing compliance with both state and federal statutes and regulations.

First Mortgage Lenders, Correspondent Lenders and Brokers

Three types of first mortgage loan licenses are issued to distinguish between first mortgage loan licensees. Mortgage lenders grant loans, correspondent lenders close loans in their name; however, they are funded by another person and are not held for more than ninety days and brokers arrange loans which are made by lenders or correspondent lenders.

There were 3,206 first mortgage loan licensees on December 31, 2005. As of December 31, 2006, there were 3,190 licensees.

During 2006, 180 first mortgage exams were conducted for compliance with state statutes along with Federal Regulation Z (the Truth in Lending Act).

Secondary Mortgage Lenders, Correspondent Lenders and Brokers

Three types of secondary mortgage loan licenses are issued to distinguish between secondary mortgage loan licensees. Mortgage lenders grant loans, correspondent lenders close loans in their name; however, they are funded by another person and are not held for more than ninety days and brokers arrange loans which are made by lenders or correspondent lenders.

There were 2,689 secondary mortgage loan licensees as of December 31, 2005. As of December 31, 2006, there were 2,816 licensees.

During 2006, 180 first mortgage exams were conducted for compliance with state statutes along with Federal Regulation Z (the Truth in Lending Act).

THE FINANCIAL INSTITUTIONS DIVISION

The Financial Institutions Division (“Division”) is responsible for the supervision and regulation of state-chartered commercial banks, savings banks, savings and loan associations, limited-purpose trust companies, and credit unions. The Division also regulates the activities of foreign banking organizations (“FBO”) with branches, agencies, and representative offices located in Connecticut.

Through a combination of continuous off-site reviews and periodic on-site examinations, the Division monitors these institutions for compliance with Connecticut banking law, as well as applicable rules and regulations of the institutions’ respective federal regulators. Additionally, the Division, in conjunction with federal regulatory agencies, conducts examinations of electronic data processing servicers whose services substantially impact the operations of Connecticut banks and credit unions. The Division is also responsible for processing applications for new banks and credit unions, branches, mergers and consolidations, bank holding company formations, and requests for credit union field of membership expansions. The Division also licenses business and industrial development corporations and certain non-banking corporations exercising fiduciary powers in the State.

Consolidated Condition and Operating Results

As of December 31, 2006, there were 15 state-chartered commercial banks and 23 state-chartered savings banks operating in the State. There were no state-chartered savings and loan associations as of December 31, 2006 or December 31, 2005.

State-chartered commercial banks and state-chartered savings banks, collectively, reported total assets of \$28.9 billion as of December 31, 2006, a \$9.8 billion, or 25.29%, decline from the \$38.7 billion reported as of December 31, 2005. Aggregate deposits totaled \$20.2 billion as of December 31, 2006, a \$9.12 billion, or 31.10%, decline from the \$29.3 billion reported for the prior year end; while aggregate equity capital declined 22.69% year-over-year, to \$3.58 billion from \$4.63 billion. The declines are primarily attributable to People’s United Bank’s (formerly People’s Bank) August 2006 conversion to a federal charter and, to a lesser extent, the October 2006 merger of NewMil Bank into Webster Bank, N.A.

In the aggregate, state-chartered banks’ earnings performance for the year-ended December 31, 2006 declined from the prior year level, generating an average return on assets (ROA) and return on equity (ROE) of 0.84% and 6.86%, respectively, compared to the ROA of 1.06% and ROE of 8.88% for the year-ended December 31, 2005.

**Number of Connecticut-Chartered Banks and Credit Unions
(As of December 31, 2005 and December 31, 2006)**

Institution Type	Institutions 12/31/2005	De Novo Activity	Merger Activity	Charter Changes	Net Change	Institutions 12/31/2006
State-Chartered Commercial	14	2	-1		1	15
State-Chartered Savings	25		-1	-1	-2	23
Uninsured Banks	1				0	1
State-Chartered LPTC	2				0	2
State-Chartered Credit Unions	41				0	41
Totals	83	2	-2	-1	-1	82

State-Chartered Commercial Banks

There were 15 state-chartered commercial banks operating in the State as of December 31, 2006, a net increase of one institution from the 14 operating as of December 31, 2005. The net change reflects the establishment of two de novo banks, Darien Rowayton Bank and The Bank of Greenwich, during April 2006 and December 2006, respectively, and the January 2006 merger of Cornerstone Bank into NewAlliance Bank. The 14 state-chartered commercial banks operating as of June 30, 2006 collectively operated 33 branches with aggregate deposits totaling \$1.3 billion.

State-Chartered Savings Banks

There were 23 state-chartered savings banks (14 mutual and 9 capital stock institutions) operating in the State as of December 31, 2006, a net decrease of two institutions from the 25 operating as of December 31, 2005. The net change reflects People’s United Bank’s August 2006 conversion to a federal charter and the October 2006 merger of NewMil Bank into Webster Bank, N.A. The 25 state-chartered savings banks operating as of June 30, 2006 collectively operated 523 branches with aggregate deposits totaling \$29.2 billion.

Uninsured Bank

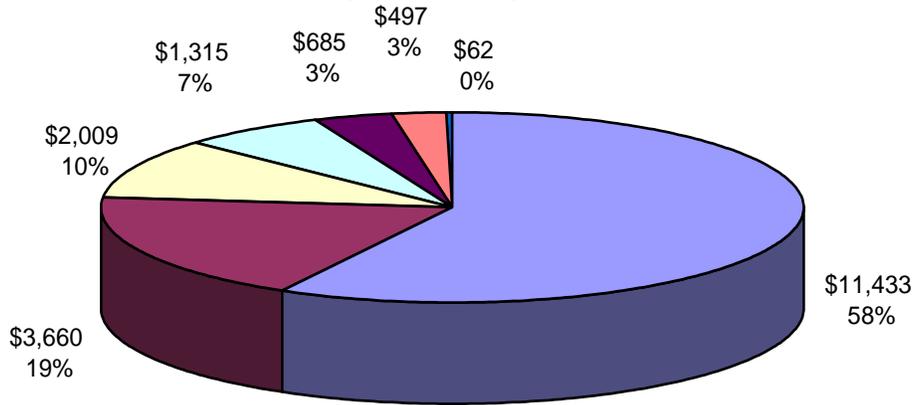
UPS Capital Business Credit (“UPSCBC”), a wholly-owned subsidiary of UPS Capital Corp., operates under an uninsured depository bank charter and does not accept retail deposits. UPSCBC focuses on originating, underwriting, and managing various small business and government guaranteed loan products.

State-Chartered Limited Purpose Trust Companies

There were two Connecticut-chartered limited-purpose trust companies operating in the State as of December 31, 2006, with managed assets totaling \$21 billion.

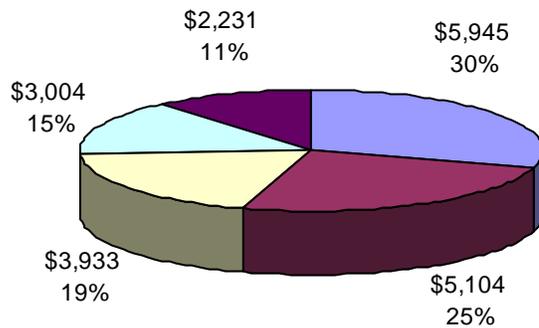
Bank Loan and Deposit Composition

**Gross Loans & Leases of Connecticut-chartered Banks
December 31, 2006
(in millions)**



- 1-4 Family Residential Real Estate
- Commercial Real Estate
- Commercial & Industrial
- Consumer Loans
- Other Loans & Leases
- Construction & Development
- Multi-family Residential Real Estate

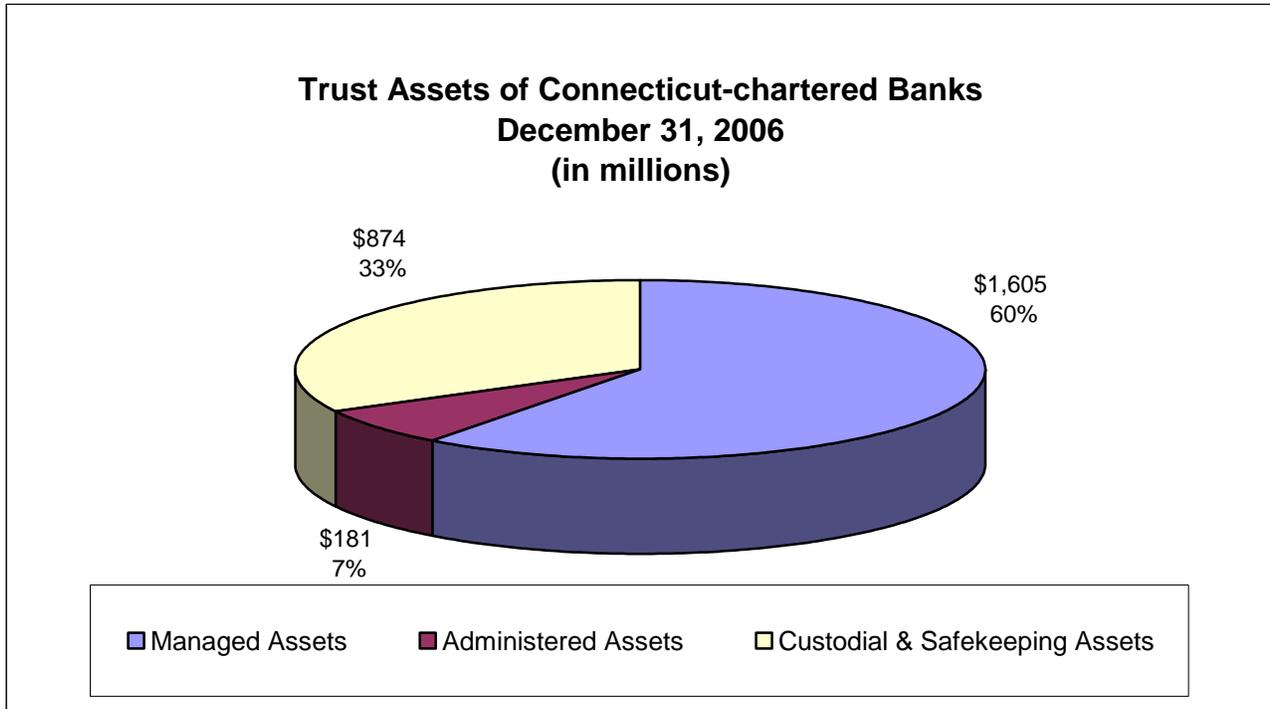
**Deposits of Connecticut-chartered Banks
December 31, 2006
(in millions)**



- Time Deposits < \$100M
- Other Savings Accounts (excluding MMDAs)
- Money Market Deposit Accounts
- Transaction Accounts
- Time Deposits > \$100M

Trust Assets

As of December 31, 2006, 9 state-chartered banks operated trust departments with aggregate managed assets totaling \$1.6 billion.



State-Chartered Credit Unions

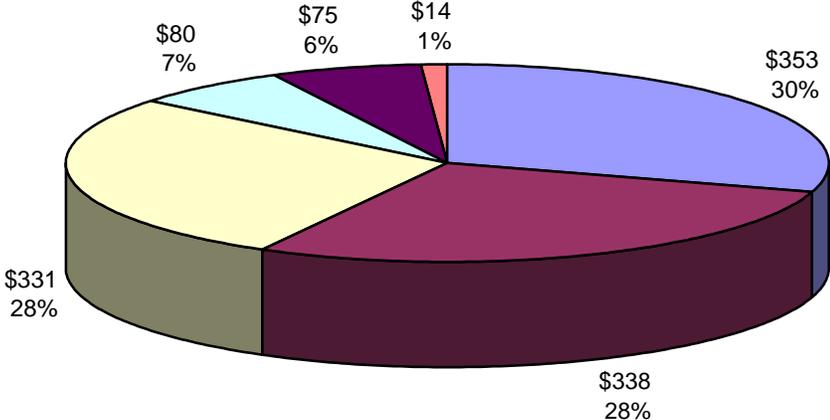
As of December 31, 2006, there were 41 state-chartered credit unions operating in the State. There were no mergers or conversions of state-chartered credit unions during 2006, leaving the aggregate number of Connecticut-chartered credit unions unchanged from December 31, 2005. There was, however, one recorded merger of a federal credit union, Stamford Telephone Employees Federal Credit Union, into a Connecticut-chartered credit union, Stamford Healthcare Credit Union, Inc., during 2006.

State-chartered credit unions reported total assets of \$2.55 billion as of December 31, 2006, a \$56.89 million, or 2%, increase from the \$2.50 billion reported as of December 31, 2005. Aggregate shares and deposits totaled \$2.22 billion as of December 31, 2006, a \$41.6 million, or 1%, increase from the \$2.18 billion reported for the prior year end. Net worth for state-chartered credit unions increased by \$13.5 million, or 4.2%, from year-end 2005 to year-end 2006.

State-chartered credit unions' earnings performance for the year-ended December 31, 2006 declined from the prior year level, generating an average return on assets (ROA) of 0.44%, compared to the ROA of 0.60% for the year-ended December 31, 2005. This decline can be attributed to a tightening of the net interest margin from 2.54% to 2.50%, coupled with an increase in operating expenses from 2.43% of average assets for 2005 to 2.60% for 2006.

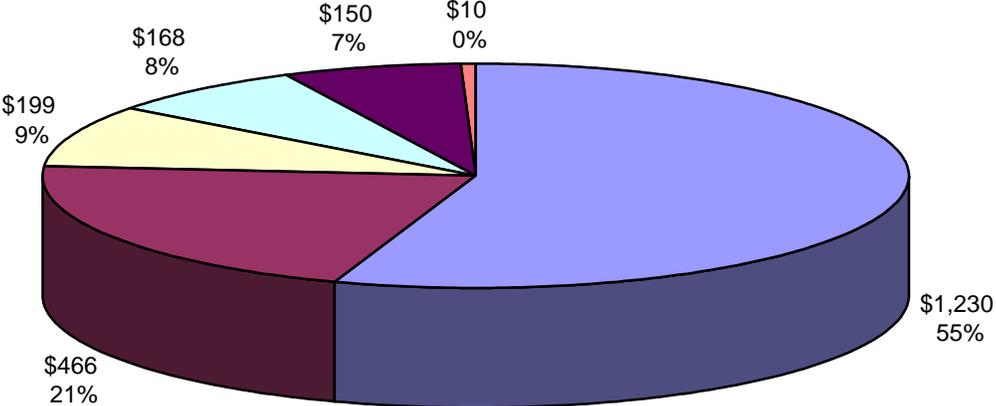
Credit Union Loan and Share Deposit Composition

**Loans of Connecticut-chartered Credit Unions
December 31, 2006
(in millions)**



- Second Mortgages
- Auto Loans
- First Mortgages
- Credit Cards
- Unsecured Loans
- Other

**Share Deposits of Connecticut-chartered Credit Unions
December 31, 2006
(in millions)**



- Regular Shares
- Certificates
- Transaction
- Money Markets
- IRA/Keogh
- Other

Community Reinvestment Act (“CRA”)

Since July 1, 1990, the Banking Commissioner has been required to assess the community reinvestment performances of state-chartered financial institutions and to consider their reinvestment efforts as a basis for approving or denying bank expansion.

**CRA Ratings of Connecticut-Chartered Banks and Credit Unions
(As of June 1, 2007)**

Institution Type	#	Outstanding	Satisfactory	Needs to Improve	Substantial Noncompliance	New Bank Not Yet Rated
State-chartered Savings Banks	23	8	15	0	0	0
State-chartered Commercial Banks ¹	15	0	12	0	0	2
State-chartered Credit Unions ²	41	0	10	0	0	0
Totals	79	8	37	0	0	2
¹ The Bankers’ Bank is not rated for CRA purposes.						
² CRA examinations are performed only for community credit unions with total assets over \$10 million.						

Federal and Out-of-State Banks

In addition to the 39 Connecticut-chartered, insured depository institutions operating in the State as of June 30, 2006, there were six banks chartered by states other than Connecticut, 15 national banks regulated by the Office of the Comptroller of the Currency, and 13 Federal savings associations regulated by the Office of Thrift Supervision. Additionally, as of June 30, 2006, there were two national banks and one federal savings bank operating as limited purpose trust companies in the State and one national bank operating a limited branch offering credit services.

**Deposit Market Share by Charter Type
(As of June 30, 2006)**

Institution Type	No. of Institutions	Deposits (as of 6/30/06) (in millions)	No. of Offices (as of 6/30/06)	Market Share (as of 6/30/06)
Connecticut-chartered	39	\$30,458	556	38.47%
Other State-chartered	6	\$751	19	0.95%
National Bank ¹	15	\$42,533	544	53.71%
Federal Savings Association ²	13	\$5,442	113	6.87%
Totals	73	\$79,184	1,232	100.00%
¹ Nine of the National Banks are headquartered in Connecticut.				
² Eight of the Federal Savings Associations are headquartered in Connecticut.				

Federal and Out-of-State Credit Unions

In addition to the 41 Connecticut-chartered credit unions operating in the State as of December 31, 2006, there was 1 credit union chartered by a state other than Connecticut, 112 federally chartered credit unions headquartered in Connecticut (including one corporate credit union whose field of membership consists of other credit unions), and 12 federally chartered credit unions headquartered outside of Connecticut. All credit unions operating in the state are insured by the National Credit Union Administration.

Foreign Banking Organizations

As of December 31, 2006, there were four branch offices of foreign banking organizations operating in the State, inclusive of The Bank of Ireland which was initially licensed as a representative office on September 22, 2000 and converted to a branch effective June 15, 2006. Additionally, foreign banking organizations operated two representative offices and one agency office as of December 31, 2006.

A branch of a foreign banking organization is a legal and operational extension of its parent organization and, as such, may conduct a full range of banking activities including: trading and investment activities; accepting wholesale and foreign deposits, but not retail deposits; granting credit; and acting as a fiduciary.

An agency, like a branch, is a legal and operational extension of its parent foreign banking organization. An agency primarily makes commercial and corporate loans and finances international transactions. An agency does not have general deposit-taking authority.

A representative office, the simplest form of organization for foreign banking organizations to establish, may only engage in representational and administrative functions and may not make any business decisions on behalf of the foreign bank. A representative office serves as a liaison between the head office of the foreign banking organization and its customers and correspondent banks in the United States, often soliciting business for the account of the head office.

Foreign Banking Organizations Operating In Connecticut

Institution Name	Office Type	Location	Approval/ License Date	Assets As of 12/31/04	Assets As of 12/31/05	Assets As of 12/31/06
				(in millions)	(in millions)	(in millions)
Abbey Nat'l Treasury Services plc	Branch	Stamford	09/17/01	\$3,581	\$3,380	\$13,482
The Bank of Ireland	Branch	Stamford	06/15/06	0	0	\$5,154
Fortis	Branch	Stamford	10/09/02	\$2	\$2.6	\$89
Lloyds TSB Offshore Limited	Rep.	Stamford	12/22/06	N/A	N/A	0
Royal Bank of Canada	Rep.	Greenwich	07/05/01	0	0	0
Societe Generale	Agency	Greenwich	03/05/01	\$7	\$7.1	\$4.5
UBS AG	Branch	Stamford	06/23/97	\$38,535	\$42,665	\$50,517

SECURITIES AND BUSINESS INVESTMENTS DIVISION

Subject to the general supervision of the Banking Commissioner, the Securities and Business Investments Division is charged with administering Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act; Chapter 672c of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act; and Chapter 672b of the Connecticut General Statutes, the Connecticut Tender Offer Act.

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

Activities

During calendar year 2006, Securities and Business Investments Division intervention resulted in restitution and rescission offers to the investing public totaling \$4,884,200. In addition, the division imposed \$4,466,480 in fines for violations of the state's securities and business opportunity laws, up nearly 300% from the preceding year. A portion of this amount was derived from settlements with securities brokerage firms and others resulting from a continuing multi-state and federal investigation into the formerly widespread brokerage practice of permitting investment banking considerations to undermine the objectivity of securities analysts. The Division also focused its enforcement efforts on improper market timing involving mutual fund shares and on schemes to defraud senior citizens. The division finalized a previously negotiated settlement with a brokerage firm charged with failing to supervise the market timing activities of its agents. The novel resolution not only fined the firm \$1 million, but required that, over three years, the firm pay the State of Connecticut Department of Education \$500,000 to promote financial literacy initiatives in Connecticut public schools and pay \$500,000 to the National White Collar Crime Center to train Connecticut regulatory and law enforcement personnel in investigating and prosecuting violations of financial, banking, corporate and securities laws. The division also provided assistance to state and federal prosecutors who procured the convictions of two men accused of bilking senior citizens out of approximately \$4.3 million in the aggregate. The criminal cases, which were separate, involved fraudulent sales of stock and promissory notes, and resulted in prison sentences of 170 months and 10 years, respectively.

In conjunction with the division's enforcement program, a total of 137 securities and business opportunity investigations were opened in 2006, 124 investigations were closed and 87 investigations were in progress as of December 31, 2006. Twenty-two cease and desist orders were entered and seven denial, suspension or revocation orders were issued.

Of all the securities and business opportunity-related complaints and investigations handled, most were resolved at the administrative level prior to being closed. Many administrative resolutions of enforcement matters took the form of remedial stipulation and agreements and

consent orders wherein the division sought corrective measures as well as monetary fines. Twenty two consent orders and 13 stipulation and agreements were executed in calendar year 2006. Eleven matters involved activity restrictions or the barring of affected individuals from securities-related activity or business opportunity sales in Connecticut. The division found the use of stipulation and agreements and consent orders to be an effective supplement to its array of enforcement tools.

During 2006, personnel from the Securities and Business Investments Division provided valuable input to the National Association of Securities Dealers concerning refinements to the national online system for filing branch office registrations through the Central Registration Depository. Electronic filing had been implemented in Connecticut and other jurisdictions in late 2005.

The Securities and Business Investments Division continued publication of its quarterly Securities Bulletin, switching exclusively to electronic delivery and using a listserv to more quickly advise the industry of new regulatory developments.

The division is assisted by a Securities Advisory Council, comprised of industry representatives, academics and members of the bar, all of whom serve without compensation, that offers the Commissioner and staff insight on proposed regulatory initiatives. On October 26, 2006, the Department held its annual Securities Forum in Cromwell, Connecticut. Presentations by Department speakers, Securities Advisory Council members and others kept securities industry members abreast of critical regulatory and compliance developments. Nearly 300 attendees from the securities industry and the private bar attended the event which featured 6 panel presentations and an opening general session on hedge funds. Zachary J. Bagdon, Executive Director of Yale University's International Center for Finance, delivered the keynote address.

Ralph Lambiase, director of the Securities and Business Investments Division, continued his active participation in the North American Securities Administrators Association, Inc. (NASAA). Organized in 1919 and dedicated to investor protection, NASAA is a voluntary association whose membership consists of 67 state, provincial and territorial securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. During 2006, Mr. Lambiase served on NASAA's Corporate Governance Committee, External Affairs Committee, Broker-dealer Section Committee and Continuing Education Project Group.

**Securities Industry Registrants and Notice Filers
As of Year End**

	2002	2003	2004	2005	2006	5 Year % Change
Broker-dealer firms	2,529	2,446	2,553	2,617	2,607	3.08
Broker-dealer agents	105,575	105,856	113,121	116,956	121,269	14.86
Broker-dealer branch offices	1,840	2,090	2,389	2,676	2,953	60.48
Investment Adviser firms	388	386	431	447	429	10.56
SEC Registered Investment Advisory Firms Filing Notice*	1,165	1,290	1,384	1,495	1,650	41.63
Investment Adviser Agents	5,303	5,810	6,380	7,119	7,683	44.88
Investment Advisory Branch Offices	143	173	157	122	139	(2.79)

* Investment advisers subject to exclusive Securities and Exchange Commission registration pursuant to the National Securities Markets Improvement Act of 1996, Public Law 104-290.

**Registrations and Notice Filings
Securities and Business Opportunities**

	2003	2004	2005	2006	4 Year % Change
Offerings Reviewed	181	236	272	248	37
Investment Company Notice Filings*	6,884	7,703	7,459	8,016	16
Exemptions and Exemptive Notices†	2,118	2,689	3,151	3,371	59

*Effective October 11, 1996, the National Securities Markets Improvement Act of 1996 (NSMIA), Public Law 104-290, preempted the states from registering securities offerings by investment companies subject to Securities and Exchange Commission oversight. State authority to require notice filings was preserved by the federal legislation.

†NSMIA also preempted the states from substantively reviewing private offerings under Rule 506 of federal Regulation D. State authority to require notice filings was preserved by the federal legislation.

**Examinations
Broker-dealers and Investment Advisers**

	2006	2005
Broker-dealers	73	71
Investment Advisers	19	15

**Enforcement Activities
Securities and Business Opportunities**

	2006	2005
Investigations Opened	137	135
Investigations Closed	124	111
Investigations in Progress	87	121
Subpoenas Issued	45	58
Administrative Actions	30	27
Consent Orders	22	14
Stipulation and Agreements	13	7
Notices of Intent to Deny (Licensing)	2	2
Notices of Intent to Revoke (Licensing)	3	4
Denial Orders (Licensing)	1	1
Suspension Orders (Licensing)	2	1
Revocation Orders (Licensing)	4	3
Notices of Intent to Fine	20	14
Orders Imposing Fine	9	7
Cease and Desist Orders	22	20
Activity Restrictions/Bars	11	7
Monetary Sanctions Imposed	\$4,466,480	\$1,143,663
Offered/Returned to Investors Following Informal Division Intervention	\$4,884,200	\$6,026,022
Criminal Referrals	4	9
Referrals to Connecticut Attorney General	1	0
Other Agency Referrals	10	1

GOVERNMENT RELATIONS AND CONSUMER AFFAIRS

The Government Relations and Consumer Affairs Division provides assistance to the public with inquiries and complaints regarding banking, mortgage lending and other consumer credit matters, and securities and business opportunity issues. The division also directs the agency's legislative program, manages media relations and coordinates financial and investor education outreach efforts.

Consumer Assistance

As a fundamental part of its mission, the department is committed to protecting Connecticut citizens in transactions with financial institutions, as directed by state law, and in assisting with consumer complaints and dispute resolution. In 2006, examiners in the department's Government Relations and Consumer Affairs Division handled approximately 15,000 telephone inquiries and 2491 written complaints from the public. As a result of their efforts, the department obtained approximately \$403,000 in adjustments and reimbursements on behalf of consumers during the period.

Outreach

The Government Relations and Consumer Affairs Division increased its focus on educating the public through outreach. During 2006 department staff gave informative talks and presentations on topics including credit repair, fraud, banking scams and identity theft. In cooperation with the Governor's Office, the department was part of the Identity Theft Information Team which conducted a series of identity theft prevention seminars for veterans throughout the state. In the fall of 2006, a series of Identity Theft workshops was presented to University of Connecticut Professional Employee Association members at various campuses statewide.

Legislation

Each year the Department of Banking, with the coordination of the Government Relations and Consumer Affairs Division, conducts an active legislative program. During the 2006 legislative session, five department proposals concerning banks, consumer credit and securities were enacted into law.

Public Act 06-10, An Act Concerning Bank and Credit Union Applications and Public Deposits, modifies the Commissioner's authority with respect to fees, procedures and deadlines for bank and credit union applications. The act also extends the time frame for review of certain credit union documents.

Public Act 06-35, An Act Concerning Check Cashers, Money Transmitters and Other Nonmortgage Licensees, changes the licensing period for money transmitters and check cashers from an annual period of July 1 through June 30 to a bi-annual period of October 1 through September 30, beginning October 1, 2007, and prohibits them from using any name other than

the one on their license. The act increases the commissioner's authority to impose penalties on check cashers and clarifies certain other licensing issues.

Public Act 06-45, An Act Concerning Mortgage Practices and Licensing Procedures, was enacted to protect borrowers from excessive charges and fees if a loan is not completed. It defines license fee schedules, and clarifies certain mortgage broker business, application and legal procedures.

Public Act 06-75, An Act Concerning Violation of the Connecticut Business Opportunity Investment Act, clarifies that the banking commissioner has the authority to take administrative or court action against persons who have already violated the Connecticut Business Opportunity Investment Act. It increases, from \$10,000 to \$100,000, the maximum fine for violations of the act and makes the act's annual \$100 registration renewal fee non-refundable.

Public Act 06-165, An Act Making Technical Revisions to Various Statutes Relative to the Banking and Securities Laws of Connecticut, makes technical changes to statutes.