

State of Connecticut Department of Banking

1837 to 2009
Supervising Connecticut
Financial Institutions
For 172 Years

Annual Report Of the Banking Commissioner

To Her Excellency
M. Jodi Rell, Governor

For the Year Ending December 31, 2009
Hartford, Connecticut



To Her Excellency, M. Jodi Rell, Governor

I have the honor to submit the annual report of this department for the year 2009 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
(1900-2009)**

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 ***	2007	--
<p><i>+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. *** Served as Acting Banking Commissioner from October 1, 2006 to March 7, 2007.</i></p>		

**DEPUTY BANKING COMMISSIONERS
(1900-2009)**

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 mortgage brokers, lenders and originators, consumer collection agencies, debt adjusters, debt negotiators, 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 division also directs the agency's legislative program, manages media relations, coordinates financial and investor education outreach efforts and handles calls to the Foreclosure Assistance Hotline. Other

divisions that support the agency are 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. The agency also has a full-time employee available to answer questions on rental security deposits.

As of December 31, 2009 there were 115 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 ending June 30, 2009 were as follows:

Receipts

Examination of banks etc. assessed in accordance with Section 36a-65, as amended	\$ 2,097,673
Examination of credit unions, assessed in accordance with Section 36a-65, as amended	133,980
Other license and examination fees	255,677
Registration, filing and transfer fees from securities brokers, etc.	10,609,660
Registration of securities and business opportunities	4,644,049
License and registration fees: mortgage brokers, loan originators, check cashers, money transmitters, sales finance companies, debt adjusters, collection agencies	2,359,410
Penalties	319,333
Sales and miscellaneous receipts	<u>73,809</u>
Total Receipts	\$ 20,493,591

Expenditures

Personnel services	\$ 10,083,262
Fringe benefits	5,545,634
Travel expenses, including motor vehicle rentals	403,684
Other expenses	1,419,944
Indirect overhead and equipment	<u>731,970</u>
Total Expenditures	\$ 18,184,494

CONSUMER CREDIT DIVISION

The Consumer Credit Division is responsible for regulating the activities of mortgage lenders, brokers, and originators; small loan companies; sales finance companies; debt adjusters; debt negotiators; consumer collection agencies; money transmitters; issuers of money orders or traveler's 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 2009 the Consumer Credit Division continued to increase focus on enforcement. Department actions against licensees and related entities increased, with 116 actions taken against licensees or registrants totaling \$905,000 in civil penalties.

The Division conducted 196 examinations of licensees under their jurisdiction. The examinations included review of state statutes, with \$110,183.40 being refunded to consumers.

During 2009, the Division continued to increase its participation in the modernization and enhancement of the mortgage examination process. Connecticut's involvement began in 2007, when the states, through the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) began a comprehensive initiative to bring greater uniformity, modernization and effectiveness to the mortgage examination process.

The examination process works in tandem with the Nationwide Mortgage Licensing System (NMLS), launched to restructure the mortgage licensing process, which the Division began active participation as one of the first states in July 2008.

One of the goals is to minimize regulatory burden for highly compliant licensees. The Division intends to achieve this goal by utilizing technologies that assist examiners in reviewing loan transaction data. An automated compliance review system will be utilized in the analysis of virtually every loan originated or funded by the licensee. This automated system will provide pre-screening for file review and will red-flag potential areas of concern. It will also review loans against federal, state, and municipal laws and regulations such as anti-predatory lending / high-cost legislation, the Truth-In-Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), and the Connecticut General Statutes. This new direction will result in enhanced capability to assess overall licensee risk and to further reduce examination time and burden.

The Division expects that both the multistate examination process and the introduction of the automated compliance review software will result in greater efficiencies by assigning more resources to the licensees posing greater risk and fewer resources to licensees exhibiting less risk while maintaining a regulatory presence.

Disclosure of the Cost of Credit (Truth in Lending)

During 2009, the Consumer Credit Division conducted 157 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 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 disclosure 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.

Mortgage Lenders, Correspondent Lenders and Brokers

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

There were 2,175 mortgage loan licensees on December 31, 2008. As of December 31, 2009, there were 1,428 licensees.

During 2009, 121 mortgage exams were conducted for compliance with state statutes along with Federal Regulation Z (the Truth in Lending Act).

Mortgage Loan Originators

A mortgage loan originator is an individual who for compensation or gain or with the expectation of compensation or gain takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan.

As of December 31, 2009, 6,361 mortgage loan originators were licensed to do business in Connecticut.

Debt Adjusters

There were 32 debt adjuster licenses in effect on December 31, 2008. As of December 31, 2009, 31 debt adjusters were licensed.

During 2009, one examination of debt adjusters was conducted reviewing compliance with state statutes and regulations.

Debt Negotiators

As of October 1, 2009, pursuant to Public Act 09-208, debt settlement companies, short sale consultants and providers of loan modification, foreclosure rescue or providers of similar types of services are required to obtain a debt negotiation license from the Department of Banking. There were 2 debt negotiator licenses in effect on December 31, 2009.

Consumer Collection Agencies

There were 935 consumer collection agency licenses in effect on December 31, 2008. As of December 31, 2009, 897 consumer collection agencies were licensed.

During 2009, 27 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, traveler's 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.

There were 57 money transmitter licenses in effect on December 31, 2008. As of December 31, 2009, there were 52 money transmitters and issuers of money orders and travelers checks licensed in Connecticut. Many retail businesses in Connecticut act as agents for these companies.

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.

There were 112 check casher licenses in effect on December 31, 2008. As of December 31, 2009, 109 check cashers were licensed to do business in Connecticut.

During 2009, 10 examinations were conducted reviewing compliance with both state and federal statutes and regulations.

Small Loan Licensees

There were 47 small loan licenses in effect on December 31, 2008. As of December 31, 2009, there were 18 small loan licensees. During the year, 10 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	2008	2009	% Change
Loans Outstanding #	23,024	18,703	(18.76%)
Loans Outstanding \$	\$133,433,658	\$110,485,931	(17.20%)

Closed – End Loans	2009 Number of Transactions	2009 Dollar Amount
Secured	507	\$4,019,846
Unsecured	5,496	\$35,056,895
Total	6,003	\$39,076,741

Other Business Conducted on the Same Premises as the Licensee	2009 Number of Transactions	2009 Dollar Amount
First Mortgages	710	\$91,004,749
Second Mortgages	2,232	\$82,340,267

Sales Finance Companies and Retail Installment Sales Financing

There were 197 sales finance company licenses in effect on December 31, 2008. As of December 31, 2009, there were 151 sales finance company licensees.

During 2009, 26 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.

Landlord/Tenant

During 2009, the Consumer Credit Division received approximately 403 complaints related to rental security deposits. The department recovered over \$91,223.02 for tenants.

FINANCIAL INSTITUTIONS DIVISION

The Financial Institutions Division (“Division”) is responsible for the supervision and regulation of Connecticut-chartered commercial banks, savings banks, savings and loan associations, limited-purpose trust companies and credit unions. The Division also regulates one state-chartered bankers’ bank, as well as one uninsured bank which does not accept retail deposits. In addition, the Division supervises the activities of foreign banking organizations 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 one bankers’ bank and several information technology service providers 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, acquisitions, 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, 2009, there were 15 state-chartered commercial banks (including one bankers’ bank), 22 state-chartered savings banks, and one uninsured bank. There were no state-chartered savings and loan associations operating in Connecticut as of December 31, 2009.

State-chartered commercial banks and state-chartered savings institutions, collectively, reported total assets of \$29.6 billion as of December 31, 2009, a \$1.6 billion or 5.7% increase from the \$28.0 billion reported as of December 31, 2008. Aggregate deposits totaled \$21.3 billion as of December 31, 2009, a \$2.3 billion or 12.1% increase from the \$19.0 billion reported for the prior year-end, while aggregate equity capital grew by 5.3% year-over-year from \$3.38 billion to \$3.56 billion.

In the aggregate, state-chartered banks’ earnings performance for the year-ended December 31, 2009 slightly increased from the prior year level, generating an average return on assets (ROA) and return on equity (ROE) of 0.43% and 3.65%, respectively, compared to the ROA of 0.38% and ROE of 2.97% for the year-ended December 31, 2008. Banks’ net interest income remained relatively unchanged largely due to the sustained low interest rate environment, while the prior year’s earnings had net securities losses and higher loan loss provision expenses.

**Number of Connecticut-Chartered Banks & Credit Unions
(As of December 31, 2008 & December 31, 2009)**

Institution Type	Institutions 12/31/2008	De Novo Opening	Closing	Merger/ Acquisition	Net Change	Institutions 12/31/2009
Commercial Banks	17			-2	-2	15
Savings Banks	22					22
Savings & Loan Assoc.	0					0
Uninsured Banks	1					1
LPTCs	2					2
Credit Unions	37					37
Totals	79	0	0	-2	-2	77

State-Chartered Commercial Banks

There were 15 state-chartered commercial banks operating in the State as of December 31, 2009, including one bankers' bank. The net reduction of two institutions from year-end 2008 resulted from the merger of Castle Bank & Trust Company, Meriden, with and into Naugatuck Savings Bank, Naugatuck, as well as from the mergers of federally-chartered Enfield Federal Savings & Loan Association, Enfield, and state-chartered Apple Valley Bank & Trust Company, Cheshire, with and into Valley Bank, Bristol. The resultant institution from the latter transaction retained the Connecticut charter of the former Valley Bank and was renamed New England Bank.

The 16 state-chartered commercial banks operating as of June 30, 2009 collectively operated 52 offices with aggregate deposits totaling \$2.3 billion.

State-Chartered Savings Banks

There were 22 state-chartered savings banks (14 mutual and 8 capital stock institutions) operating in the State as of December 31, 2009. There were no changes from the prior year-end.

The 22 state-chartered savings banks operating as of June 30, 2009 collectively operated 325 offices with aggregate deposits totaling \$18.1 billion.

Uninsured Bank

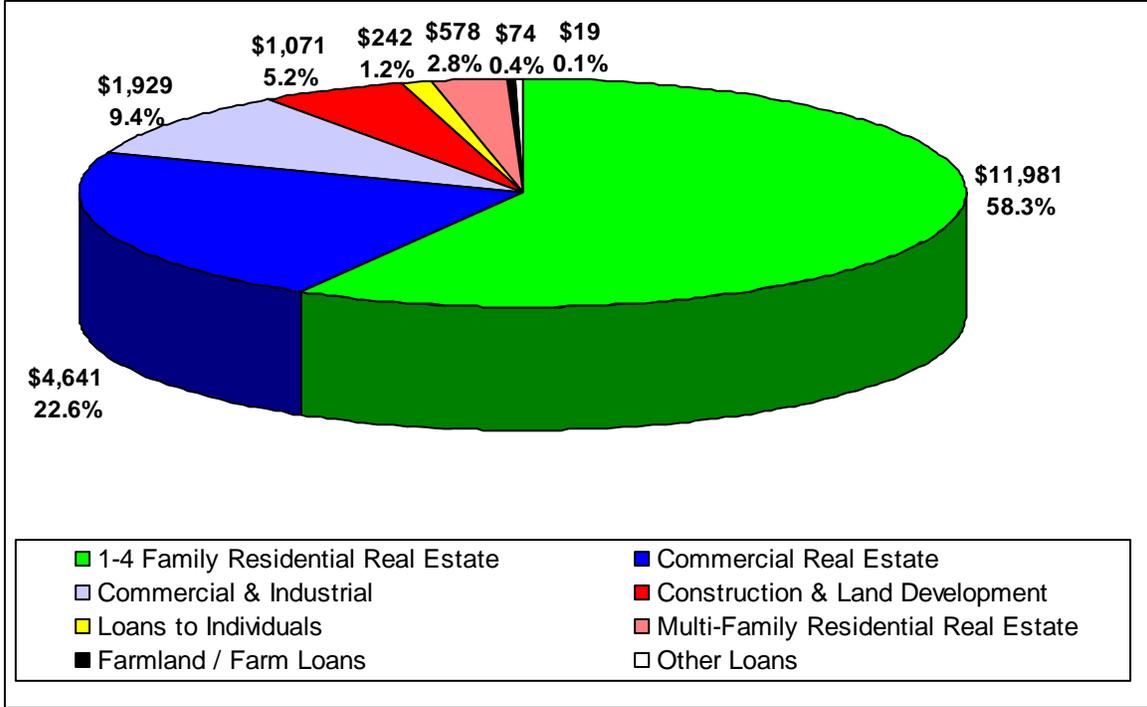
UPS Capital Business Credit ("UPSCBC"), a wholly-owned subsidiary of UPS Capital Corp., operates under an uninsured depository bank charter and does not accept retail deposits. UPSCBC focuses on originating, underwriting, and managing various small business and government guaranteed loan products.

State-Chartered Limited Purpose Trust Companies

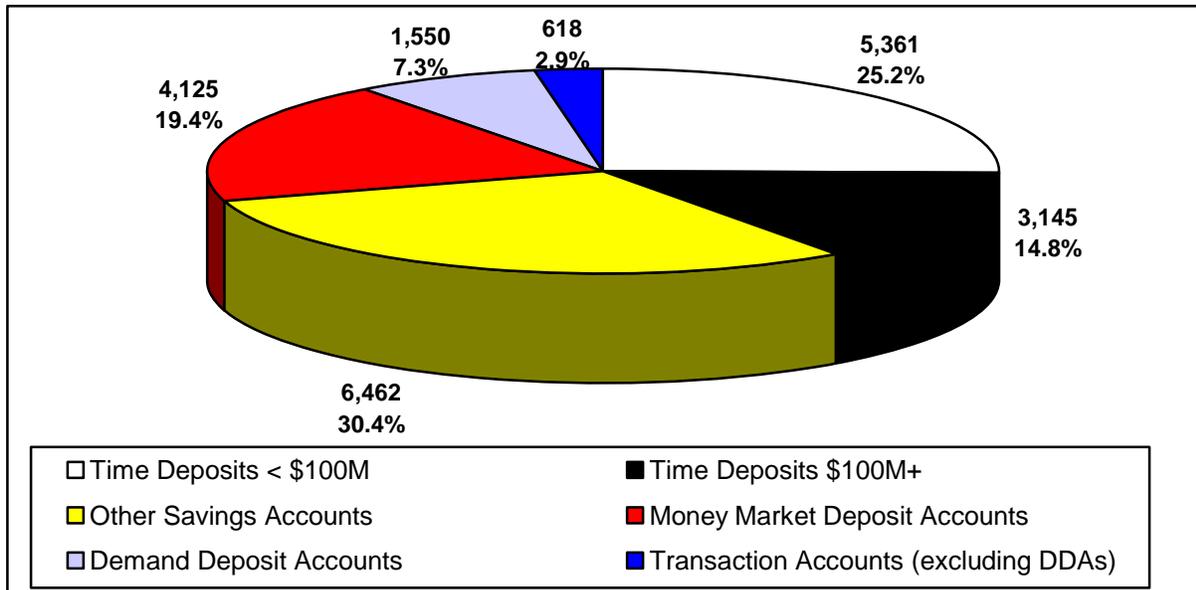
There were two Connecticut-chartered limited-purpose trust companies operating in the State as of December 31, 2009 with aggregate assets under management of \$27.5 billion. This total consisted of \$20.6 billion in managed assets and \$6.9 billion in non-managed assets.

Banks' Gross Loans & Leases and Total Deposits Composition

**Gross Loans & Leases of Connecticut-Chartered Banks
December 31, 2009
(in millions)**



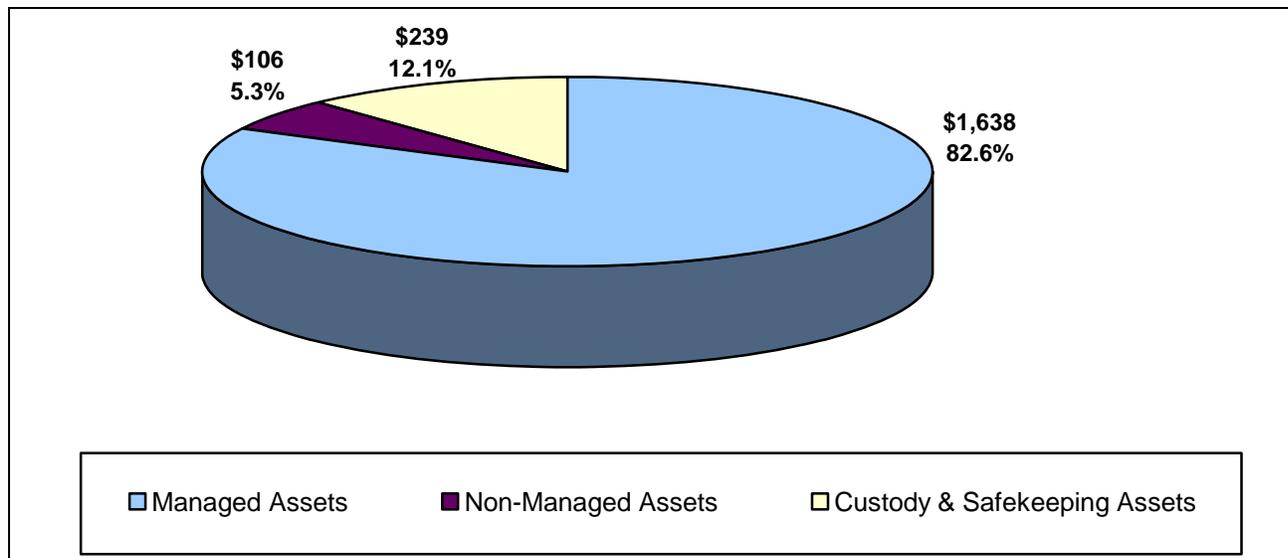
**Total Deposits of Connecticut-Chartered Banks
December 31, 2009
(in millions)**



Fiduciary & Related Trust Assets

As of December 31, 2009, nine state-chartered banks operated trust departments with aggregate assets under management of \$1.7 billion, with an additional \$239 million in custody and safekeeping assets.

Fiduciary & Related Trust Assets of Connecticut-Chartered Banks December 31, 2009 (in millions)



State-Chartered Credit Unions

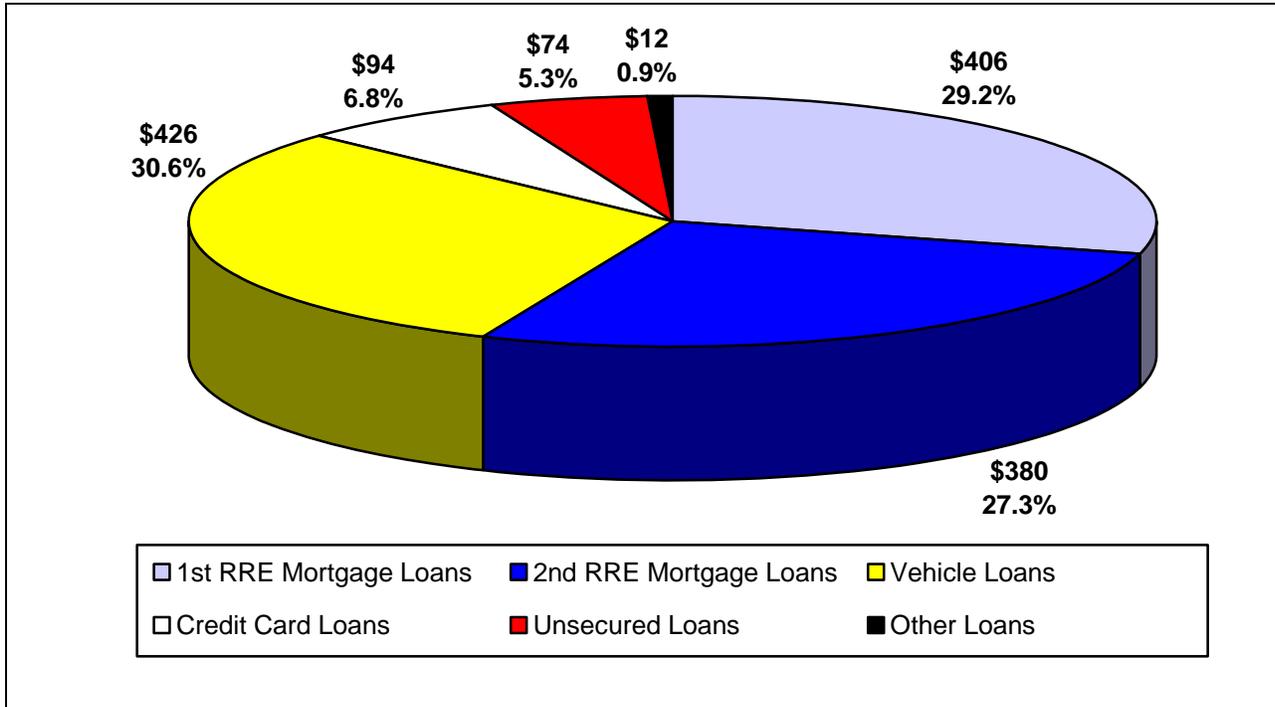
As of December 31, 2009, there were 37 Connecticut-chartered credit unions operating in the State. There was no change in the number of state-chartered credit unions from year-end 2008 to year-end 2009. However, a pending transaction was approved by the Banking Commissioner on December 28, 2009, but was not consummated until January 2010. This involved the mergers of The Jordan Mutual Benefit Association, Bloomfield, and American Mutual Credit Union, Inc., Bloomfield, with and into The Victory/Piaterer Mutual Benefit Association, East Hartford. The latter institution, as the resulting credit union, retained its Connecticut charter.

State-chartered credit unions reported total assets of \$3.3 billion as of December 31, 2009, approximately a \$340 million or 11.3% increase from the \$3.0 billion reported as of the prior year-end. Aggregate shares and deposits totaled approximately \$3.0 billion as of December 31, 2009, a \$407 million or 15.8% increase from the \$2.6 billion reported for the prior year-end. Total equity capital for state-chartered credit unions slightly decreased by \$4.3 million or (1.4%) from year-end 2008 to year-end 2009.

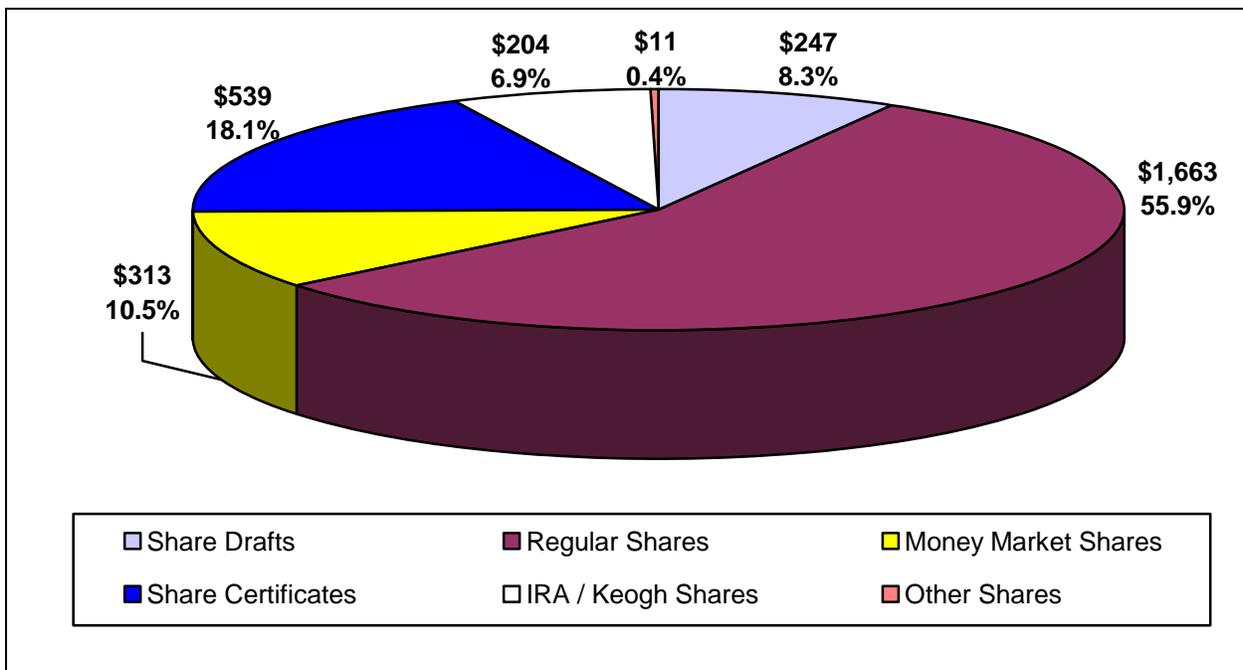
State-chartered credit unions' earnings performance for year-end December 31, 2009 declined from the prior year level, generating a return on average assets (ROA) of (0.10%) versus the ROA of 0.24% for year-end 2008. This decrease is primarily attributed to higher provisions for loan losses and increased operating expenses, as well as a slight compression of the net interest margin from 2.52% to 2.47%.

Credit Unions' Total Loans and Total Shares/Deposits Composition

**Total Loans of Connecticut-Chartered Credit Unions
December 31, 2009
(in millions)**



**Total Shares/Deposits of Connecticut-Chartered Credit Unions
December 31, 2009
(in millions)**



Community Reinvestment Act (“CRA”)

Since 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 & Credit Unions
As of December 31, 2009**

Institution Type	#	Outstanding	Satisfactory	Needs to Improve	Substantial Noncompliance	New Bank Not Rated
Connecticut-chartered Savings Banks	22	10	12	0	0	0
Connecticut-chartered Commercial Banks ¹	15	0	12	0	0	2
Connecticut-chartered Credit Unions ²	37	1	9	0	0	0
Totals	74	11	33	0	0	2

¹ Bankers’ Bank, Northeast is not rated for CRA purposes.

² CRA examinations are performed only for community credit unions with total assets over \$10 million. As of December 31, 2009, ten state-chartered credit unions met this criteria.

Federal and Out-of-State Banks

In addition to the 37 Connecticut-chartered, insured depository institutions operating in the State as of December 31, 2009, there was one bank chartered by a state other than Connecticut, 18 national banks regulated by the Office of the Comptroller of the Currency, and 14 federal savings associations regulated by the Office of Thrift Supervision.

**Deposit Market Share by Charter Type
As of June 30, 2009**

Institution Type	Number of Institutions	Deposits [millions]	Number of Offices	Market Share %
Connecticut-chartered Savings Banks	22	18,114	325	20.0%
Connecticut-chartered Commercial Banks	16	2,316	52	2.5%
Other State-chartered	1	66	3	0.1%
National Banks*	18*	53,834	653	59.4%
Federal Savings Associations**	14**	16,308	255	18.0%
Totals	71	90,638	1,288	100.0%

* Eight National Banks are headquartered in Connecticut.

** Ten Federal Savings Associations are headquartered in Connecticut.

Federal and Out-of-State Credit Unions

In addition to the 37 Connecticut-chartered credit unions operating in the State as of December 31, 2009, there was one credit union chartered by a state other than Connecticut, 105 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 (NCUA).

Foreign Banking Organizations

As of December 31, 2009, there were 4 branch offices of foreign banking organizations operating in the State. Additionally, foreign banking organizations operated 1 representative office as of December 31, 2009.

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.

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 U.S., 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 12/31/07	Assets As of 12/31/08	Assets As of 12/31/09
				(in millions)	(in millions)	(in millions)
Abbey Nat'l Treasury Services plc	Branch	Stamford	09/17/01	\$12,516	\$9,942	\$15,895
Bank of Ireland	Branch	Stamford	06/15/06	\$10,029	\$16,003	\$9,553
Royal Bank of Canada	Rep.	Greenwich	07/05/01	0	0	0
Royal Bank of Scotland plc	Branch	Stamford	05/03/07	\$2*	\$5	\$34,731
UBS AG	Branch	Stamford	06/23/97	\$71,179	\$55,366	\$47,810

* Pledged Assets only

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 2009, Securities and Business Investments Division intervention resulted in restitution and rescission offers to the investing public totaling \$4,612,772. In addition, the Division imposed \$3,129,681 in fines for violations of the state's securities and business opportunity laws, \$50,000 of which was allocated to promote financial literacy.

Some of the cases brought by the Division involved non-traditional securities products. In one case, the department imposed a \$900,000 fine against a Georgia corporation that allegedly violated the antifraud statutes in selling interests in an entity formed to acquire oil and gas development projects in Kentucky. In another case, the department entered a Consent Order with respect to a California-based issuer that sold unregistered loan notes in connection with its online marketplace for peer to peer lending.

Additional settlements involved licensing, securities registration and sales practice violations by brokerage firms and investment advisers.

The Division also provided assistance to state prosecutors in a matter involving a former broker-dealer agent based in Norwich, Connecticut who pled no contest to third degree larceny in New London Superior Court. The defendant allegedly used his positions as treasurer of two community organizations to embezzle a total of \$13,150 from both organizations. The defendant's broker-dealer agent registration had been revoked by the Division.

In conjunction with the Division's enforcement program, a total of 142 securities and business opportunity investigations were opened in 2009, 114 investigations were closed and 160 investigations were in progress as of December 31, 2009. Nineteen Cease and Desist Orders were entered.

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. Thirteen Consent Orders and eleven Stipulation and Agreements were executed in calendar year

2009. Three matters involved activity restrictions or the barring of affected individuals from securities-related activity 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 2009, the Division continued to monitor regulatory developments at the federal level, including proposals to restructure the regulation of the financial services industry.

In addition, the Securities and Business Investments Division finalized the streamlining of filing requirements for securities private placements in light of SEC Release No. 33-8891 which mandated electronic filing at the federal level by March 15, 2009. The Division communicated the new requirements to affected filers via the agency's website.

The Securities and Business Investments Division also continued online publication of its quarterly Securities Bulletin, now delivered electronically, to 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 20, 2009, the Department held its 21st annual Securities Forum in New Haven, Connecticut. Budget constraints resulted in the program being reduced to a half-day session. Presentations by Department speakers, Securities Advisory Council members and others kept securities industry members abreast of critical regulatory and compliance developments. Despite the abbreviated schedule, approximately 200 attendees from the securities industry and the private bar attended the event which featured two panel presentations and an opening general session on Frontiers of Regulatory Reform. Dr. Gary B. Gorton of Yale University's School of Management delivered the keynote address.

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

	2005	2006	2007	2008	2009	5 Year % Change
Broker-dealer firms	2,617	2,607	2,586	2,566	2,498	(4.5)
Broker-dealer agents	116,956	121,269	129,715	131,788	130,796	11.83
Broker-dealer branch offices	2,676	2,953	2,787	2,757	2,733	2.13
Investment Adviser firms	447	429	441	448	460	2.90
SEC Registered Investment Advisory Firms Filing Notice*	1,495	1,650	1,728	1,831	1,781	19.13
Investment Adviser Agents	7,119	7,683	8,687	9,300	9,666	35.77

* 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**

	2005	2006	2007	2008	2009	5 Year % Change
Offerings Reviewed	272	248	190	174	132	(51.47)
Investment Company Notice Filings*	7,459	8,016	8,380	8,597	7,811	4.71
Exemptions and Exemptive Notices†	3,151	3,371	3,510	3,130	2,500	(20.66)

*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**

	2009	2008
Broker-dealers	107	137
Investment Advisers	60	54

**Enforcement Activities
Securities and Business Opportunities**

	2009	2008
Investigations Opened	142	147
Investigations Closed	114	105
Investigations in Progress	160	132
Subpoenas Issued	30	47
Administrative Actions	13	17
Consent Orders	13	13
Stipulation and Agreements	11	6
Notices of Intent to Deny (Licensing)	0	0
Notices of Intent to Revoke (Licensing)	2	0
Denial Orders (Licensing)	0	0
Suspension Orders (Licensing)	1	0
Revocation Orders (Licensing)	2	1
Notices of Intent to Fine	9	8
Orders Imposing Fine	2	7
Cease and Desist Orders	19	16
Activity Restrictions/Bars	3	6
Monetary Sanctions Imposed	\$3,129,681	\$7,465,100
Offered/Returned to Investors Following Informal Division Intervention	\$4,612,772	\$625,474
Criminal Referrals	5	7
Referrals to Connecticut Attorney General	0	1
Other Agency Referrals	3	2

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 2009, examiners in the department's Government Relations and Consumer Affairs Division handled approximately 17,746 telephone inquiries and 2,792 written complaints from the public. As a result of their efforts, the department obtained approximately \$3,205,000 in adjustments or reimbursements on behalf of consumers during the period. In addition, the Division handled 4,493 calls to its Foreclosure Assistance Hotline in 2009 and responded to 1,254 emailed inquiries.

Outreach

The primary focus of the agency's educational outreach program is to inform and educate Connecticut's consumers and investors to help them make informed financial decisions and avoid fraud and scams. Helping to raise awareness of the Department of Banking and its role in consumer protection is an important component of this program, one that the agency focused on in 2009.

In February 2009, the agency launched the "Informed Investor" marketing campaign. A series of investor education radio spots was aired on radio stations throughout the state. These public service announcements provided information on a range of investment protection topics to help consumers make informed investment decisions. The Department of Banking joined forces with AARP-Connecticut to develop these radio spots, which were funded by a grant from the Investor Protection Trust, a nonprofit organization devoted to investor education. The goal was to provide investors and potential investors with research based investor education, to notify the public regarding fraudulent investment practices and to raise awareness of the Connecticut Securities Division as an important resource. Governor M. Jodi Rell provided the introduction to each of these radio spots.

Government Relations and Consumer Affairs Division staff conducted numerous talks and presentations in 2009. To assist homeowners having mortgage problems, division personnel participated in a number of foreclosure prevention clinics during the year, often providing one-on-one counseling. Agency employees gave presentations during the year to community organizations, libraries, rotary clubs, seniors, students and other groups, on topics ranging from identity theft and fraud to how to be an informed investor.

In 2009 the Department of Banking took part in a series of senior fairs that were held throughout the state. Agency staff was highly visible at each event, and actively assisted seniors and others by speaking one-on-one and distributing educational information on a variety of issues. The fairs were held in Bridgeport, Guilford, Ansonia, Manchester, Trumbull, New London, New Haven and Danielson.

Legislation

Each year the department, with the coordination of the Government Relations and Consumer Affairs Division, conducts an active legislative program. During the 2009 legislative session, five department proposals were enacted into law, three of which the agency worked closely with the Governor's Office.

Public Act 09-100, An Act Concerning Branching and Authority to Implement the National Defense Authorization Act eliminates the requirement that banks submit a Community Reinvestment Act plan with certain applications provided certain conditions are met and unless the agency determines the submission of such a plan is appropriate. These plans are costly for the bank to produce and are rarely examined by outside individuals. The act added language which will allow for the preliminary approval of investors who the agency determines to have the funds to assist a bank in crisis. This power is a temporary one, in place for only two years.

Public Act 09-160, An Act Concerning the Connecticut Business Opportunity Investment Act, makes certain technical changes. It clarifies the agency's business opportunity registration process, enhances disclosures by the seller of a business opportunity and strengthens the enforcement authority of the department.

The department worked closely with the Governor's office in developing the following three pieces of legislation. *Public Act 09-208, An Act Concerning Consumer Credit Licenses*, fills certain gaps in the agency's enforcement authority and provides the department with certain tools related to licensee and debt adjusters and negotiators. The act also contains new provisions governing payday loans and how to control this type of lending in this state.

Public Act 09-207, An Act Concerning Mortgage Practices, adds new provisions that define residential mortgage fraud. It also makes a single act of residential mortgage fraud a Class D felony and two or more acts of residential mortgage fraud a Class C felony. The act makes certain definitional and technical changes in the Banking Statutes as well.

The final piece of legislation is *Public Act 09-209, An Act Concerning Implementation of the S.A.F.E. Mortgage Licensing Act, the Emergency Mortgage Assistance Program, Foreclosure Procedures and Technical Revisions to the Banking Statutes*. The act sets forth the policy statement from the Model Act for Implementation of the S.A.F.E. Mortgage Licensing Act developed by the Conference of State Bank Supervisors/American Association of Residential Mortgage Regulators. The act details the process for the implementation of the act and the requirement specified related to registration, freedom of information and employment in the industry.