



General Assembly

January Session, 2003

**Bill No. 1035**

LCO No. 3819

Referred to Committee on Banks

Introduced by:

SEN. DELUCA, 32<sup>nd</sup> Dist.

REP. WARD, 86<sup>th</sup> Dist.

**AN ACT CONCERNING WHITE COLLAR CRIME ENFORCEMENT, THE  
CONNECTICUT UNIFORM SECURITIES ACT AND CORPORATE  
FRAUD ACCOUNTABILITY.**

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

1 Section 1. Section 36a-50 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2003*):

3 (a) (1) Whenever the commissioner finds as the result of an  
4 investigation that any person has violated any provision of the general  
5 statutes within the jurisdiction of the commissioner, or any regulation,  
6 rule or order adopted or issued thereunder, the commissioner may  
7 send a notice to such person by registered or certified mail, return  
8 receipt requested, or by any express delivery carrier that provides a  
9 dated delivery receipt. The notice shall be deemed received by the  
10 person on the earlier of the date of actual receipt or seven days after  
11 mailing or sending. Any such notice shall include: (A) A statement of  
12 the time, place, and nature of the hearing; (B) a statement of the legal  
13 authority and jurisdiction under which the hearing is to be held; (C) a

14 reference to the particular sections of the general statutes, regulations,  
15 rules or orders alleged to have been violated; (D) a short and plain  
16 statement of the matters asserted; (E) the maximum penalty that may  
17 be imposed for such violation; and (F) a statement indicating that such  
18 person may file a written request for a hearing on the matters asserted  
19 within fourteen days of receipt of the notice.

20 (2) If a hearing is requested within the time specified in the notice,  
21 the commissioner shall hold a hearing upon the matters asserted in the  
22 notice unless such person fails to appear at the hearing. After the  
23 hearing, if the commissioner finds that the person has violated any  
24 such provision, regulation, rule or order, the commissioner may, in the  
25 commissioner's discretion and in addition to any other remedy  
26 authorized by law, order that a civil penalty not exceeding [seven  
27 thousand five hundred] one hundred thousand dollars per violation be  
28 imposed upon such person. [, except that in the case of a violation of  
29 sections 36a-746b to 36a-746g, inclusive, the commissioner may order  
30 that a civil penalty not exceeding fifteen thousand dollars per violation  
31 be imposed upon such person.] If such person does not request a  
32 hearing within the time specified in the notice or fails to appear at the  
33 hearing, the commissioner may, as the facts require, order that a civil  
34 penalty not exceeding [seven thousand five hundred] one hundred  
35 thousand dollars per violation be imposed upon such person. [, except  
36 that in the case of a violation of sections 36a-746b to 36a-746g,  
37 inclusive, the commissioner may order that a civil penalty, not  
38 exceeding fifteen thousand dollars per violation, be imposed upon  
39 such person.]

40 (3) Each action undertaken by the commissioner under this  
41 subsection shall be in accordance with the provisions of chapter 54.

42 (b) Whenever it appears to the commissioner that any such person  
43 has violated, is violating or is about to violate any such provision,  
44 regulation, rule or order, the commissioner may, in the commissioner's  
45 discretion and in addition to any other remedy authorized by law: (1)

46 Bring an action in the superior court for the judicial district of Hartford  
47 to enjoin the acts or practices and to enforce compliance with any such  
48 provision, regulation, rule or order. Upon a proper showing, a  
49 permanent or temporary injunction, restraining order or writ of  
50 mandamus shall be granted and a receiver or conservator may be  
51 appointed for such person or such person's assets. The court shall not  
52 require the commissioner to post a bond; (2) seek a court order  
53 imposing a penalty not to exceed [seven thousand five hundred] one  
54 hundred thousand dollars per violation against any such person found  
55 to have violated any such provision, regulation, rule or order; [issued  
56 by the commissioner;] or (3) apply to the superior court for the judicial  
57 district of Hartford for an order of restitution whereby such person  
58 shall be ordered to make restitution of any sums shown by the  
59 commissioner to have been obtained by such person in violation of any  
60 such provision, regulation, rule or order, plus interest at the rate set  
61 forth in section 37-3a. Such restitution shall, at the option of the court,  
62 be payable to the receiver or conservator appointed pursuant to this  
63 subsection, or directly to the person whose assets were obtained in  
64 violation of any such provision, regulation, rule or order. Whenever  
65 the commissioner prevails in any action brought under this subsection,  
66 the court may allow to the state its costs.

67 (c) The provisions of this section shall not apply to chapters 672a,  
68 672b and 672c.

69 Sec. 2. Subdivision (2) of subsection (c) of section 36a-53 of the  
70 general statutes is repealed and the following is substituted in lieu  
71 thereof (*Effective October 1, 2003*):

72 (2) Notwithstanding the provisions of section 36a-50, as amended  
73 by this act, unless the violation, breach, unsafe or unsound practice, or  
74 misuse of official position found to have occurred pursuant to this  
75 subsection and section 36a-50, as amended by this act, is such that it  
76 (A) is part of a pattern of misconduct, (B) has caused or is likely to  
77 cause a loss other than a de minimis loss to any bank, Connecticut

78 credit union, federal credit union or credit union service organization,  
79 (C) will result or has resulted in a pecuniary gain to an officer, director,  
80 manager or general partner of any Connecticut bank, Connecticut  
81 credit union or Connecticut credit union service organization, or (D) is  
82 a violation of section 36a-53a or sections 36a-746b to 36a-746g,  
83 inclusive, the civil penalty the commissioner may impose under this  
84 subsection and section 36a-50, as amended by this act, shall not exceed  
85 [one] ten thousand dollars.

86 Sec. 3. Section 36a-54 of the general statutes is repealed and the  
87 following is substituted in lieu thereof (*Effective October 1, 2003*):

88 Any officer, agent, or employee of any financial institution who  
89 makes any false entry upon the collection or forwarding register or any  
90 other book of any such institution, or who fails correctly to record on  
91 the books of such institution any change in its assets or liabilities, with  
92 intent to deceive the commissioner or the officers or auditors of any  
93 such institution, and any person who, with like intent, aids or abets  
94 any such officer, agent, or employee in the violation of any provision  
95 of this section, shall be imprisoned not more than ten years. A finding  
96 by the commissioner as a result of an investigation of any such false  
97 entry, failure to correctly record or aiding or abetting shall be  
98 considered a violation of this section for purposes of sections 36a-50 to  
99 36a-53, inclusive, as amended by this act.

100 Sec. 4. Section 36a-55 of the general statutes is repealed and the  
101 following is substituted in lieu thereof (*Effective October 1, 2003*):

102 Any person who, wilfully and maliciously, makes, circulates or  
103 transmits to another any false statement, rumor or suggestion, written,  
104 printed or oral, which is, directly or by inference, derogatory to the  
105 financial condition or affects the solvency or financial standing of any  
106 bank, out-of-state bank that maintains in this state a branch as defined  
107 in section 36a-410, Connecticut credit union or federal credit union, or  
108 who counsels, aids or induces another to transmit or circulate any such  
109 statement or rumor, shall be fined not more than one thousand dollars

110 or imprisoned not more than one year or both. A finding by the  
111 commissioner as a result of an investigation of any such making,  
112 circulating or transmitting, or aiding or inducing shall be considered a  
113 violation of this section for purposes of sections 36a-50 to 36a-53,  
114 inclusive, as amended by this act.

115 Sec. 5. Section 36a-56 of the general statutes is repealed and the  
116 following is substituted in lieu thereof (*Effective October 1, 2003*):

117 Any person who knowingly makes any false statement or report, or  
118 wilfully overvalues any land, property or security, with intent to  
119 defraud and for the purpose of influencing in any way the action of a  
120 bank, out-of-state bank that maintains in this state a branch as defined  
121 in section 36a-410, Connecticut credit union, small loan licensee or any  
122 first or secondary mortgage lender or broker licensee, upon any  
123 application, advance, commitment, loan or extension of credit, or any  
124 change, extension, renewal or refinancing thereof, or the acceptance,  
125 release or substitution of security therefor, and upon which such bank,  
126 credit union or licensee relies in taking such action, shall be fined not  
127 more than five hundred dollars or imprisoned not more than one year,  
128 or both. A finding by the commissioner as a result of an investigation  
129 of any such making or overvaluing shall be considered a violation of  
130 this section for purposes of sections 36a-50 to 36a-53, inclusive, as  
131 amended by this act.

132 Sec. 6. Subsection (c) of section 36a-70 of the general statutes is  
133 repealed and the following is substituted in lieu thereof (*Effective*  
134 *October 1, 2003*):

135 (c) The person or persons organizing a Connecticut bank shall  
136 execute, acknowledge and file with the commissioner an application to  
137 organize. Such application to organize shall include: (1) A proposed  
138 certificate of incorporation stating: (A) The name and type of the  
139 Connecticut bank; (B) the town in which the main office is to be  
140 located; (C) in the case of a capital stock Connecticut bank, the amount,  
141 authorized number and par value, if any, of shares of its capital stock;

142 (D) the minimum amount of equity capital with which the Connecticut  
143 bank shall commence business, which amount may be less than its  
144 authorized capital but shall not be less than that required by  
145 subsection (b) of this section; (E) the name, occupation and residence,  
146 post office or business address of each organizer and prospective  
147 initial director of the Connecticut bank; and (2) a proposed business  
148 plan. The organizers shall separately file with the commissioner a  
149 notice of the residence of each organizer and prospective initial  
150 director whose residence address is not included in the proposed  
151 certificate of incorporation. In connection with an application to  
152 organize a Connecticut bank, the commissioner may, in the  
153 commissioner's discretion, and in accordance with section 29-17a,  
154 arrange for the fingerprinting or for conducting any other method of  
155 positive identification required by the State Police Bureau of  
156 Investigation of each organizer and prospective initial director, to be  
157 used in conducting a criminal history records check.

158 Sec. 7. Subsection (f) of section 36a-125 of the general statutes is  
159 repealed and the following is substituted in lieu thereof (*Effective*  
160 *October 1, 2003*):

161 (f) Upon application by the constituent banks, and upon receipt of a  
162 copy of the agreement of merger or consolidation, certified by the  
163 secretaries of the respective constituent final banks and certified by the  
164 agents for the organizers of the respective constituent temporary banks  
165 as having been duly approved in accordance with subsection (b) of this  
166 section, the commissioner shall determine whether such merger or  
167 consolidation will promote public convenience, whether benefits to the  
168 public clearly outweigh possible adverse effects, including, but not  
169 limited to, an undue concentration of resources and decreased or  
170 unfair competition, and whether the terms thereof are reasonable and  
171 in accordance with law and sound public policy. The commissioner, if  
172 the commissioner so determines, shall approve the merger or  
173 consolidation. The commissioner shall not approve such merger or  
174 consolidation: (1) If it involves the acquisition of a Connecticut bank

175 that has not been in existence and continuously operating for at least  
176 five years, unless the commissioner waives this requirement; [or] (2) if  
177 the resulting bank including all insured depository institutions which  
178 are affiliates of the resulting bank, upon consummation of the merger  
179 or consolidation, would control thirty per cent or more of the total  
180 amount of deposits of insured depository institutions in this state,  
181 unless the commissioner permits a greater percentage of such deposits;  
182 or (3) if the programs, policies and procedures relating to anti-money  
183 laundering activities of the constituent banks, or the proposed  
184 programs, policies and procedures of the resulting bank relating to  
185 anti-money laundering activities, are inadequate, or the constituent  
186 banks do not have a record of compliance with anti-money laundering  
187 laws and regulations. In addition, the commissioner shall not approve  
188 such merger or consolidation unless the commissioner considers  
189 whether: (A) The investment and lending policies of the constituent  
190 banks, or the proposed investment and lending policies of the resulting  
191 bank, are consistent with safe and sound banking practices and will  
192 benefit the economy of this state; (B) the services or proposed services  
193 of the resulting bank are consistent with safe and sound banking  
194 practices and will benefit the economy of this state; (C) the constituent  
195 banks have sufficient capital to ensure, and agree to ensure, that the  
196 resulting bank will comply with applicable minimum capital  
197 requirements; (D) the constituent banks have sufficient managerial  
198 resources to operate the resulting bank in a safe and sound manner;  
199 and (E) the proposed merger or consolidation will not substantially  
200 lessen competition in the banking industry of this state. The  
201 commissioner shall not approve such merger or consolidation unless  
202 the commissioner makes the findings required by section 36a-34 and,  
203 in the case of a merger or consolidation of a mutual banking  
204 institution, determines that the interests of depositors are protected or  
205 served by the agreement of merger or consolidation. After approval of  
206 the merger or consolidation by the commissioner, a copy of the  
207 agreement and a copy of the commissioner's approval shall be filed in  
208 the office of the Secretary of the State. The resulting bank shall not

209 commence business unless its insurable accounts and deposits are  
210 insured by the Federal Deposit Insurance Corporation or its successor  
211 agency.

212 Sec. 8. Subdivision (1) of subsection (c) of section 36a-135 of the  
213 general statutes is repealed and the following is substituted in lieu  
214 thereof (*Effective October 1, 2003*):

215 (1) The commissioner shall approve a conversion under this  
216 subsection if the commissioner determines that: (A) The converting  
217 institution has complied with all applicable provisions of law; (B) the  
218 converting institution has equity capital at least equal to the minimum  
219 equity capital required for the organization of a Connecticut bank; ~~(C)~~  
220 the programs, policies and procedures of the converting institution  
221 relating to anti-money laundering activity are adequate, and the  
222 converting institution has a record of compliance with anti-money  
223 laundering laws and regulations; and ~~[(C)]~~ (D) the proposed  
224 conversion will serve the public necessity and convenience.

225 Sec. 9. Subsection (j) of section 36a-136 of the general statutes is  
226 repealed and the following is substituted in lieu thereof (*Effective*  
227 *October 1, 2003*):

228 (j) The commissioner shall approve a conversion under this section  
229 if the commissioner determines that: (1) The converting institution has  
230 complied with all applicable provisions of law; (2) the conversion  
231 would not result in any reduction of the converting institution's  
232 amount of equity capital, less any subordinated debt recognized as  
233 bona fide capital; (3) the conversion would not result in a taxable  
234 reorganization of the converting institution under the Internal  
235 Revenue Code of 1986, or any subsequent corresponding internal  
236 revenue code of the United States, as from time to time amended; ~~(4)~~  
237 the programs, policies and procedures of the converting institution  
238 relating to anti-money laundering activity are adequate, and the  
239 converting institution has a record of compliance with anti-money  
240 laundering laws and regulations; and ~~[(4)]~~ (5) the plan of conversion is

241 fair to depositors. The converted institution shall not commence  
242 business unless its insurable accounts and deposits are insured by the  
243 Federal Deposit Insurance Corporation or its successor agency.

244 Sec. 10. Subdivision (1) of subsection (d) of section 36a-137 of the  
245 general statutes is repealed and the following is substituted in lieu  
246 thereof (*Effective October 1, 2003*):

247 (1) The commissioner shall approve a conversion under this  
248 subsection if the commissioner determines that: (A) The converting  
249 bank has complied with all applicable provisions of law; (B) the  
250 converting bank has equity capital at least equal to the minimum  
251 equity capital for the organization of a Connecticut bank; ~~(C) the~~  
252 programs, policies and procedures of the converting institution relating to  
253 anti-money laundering activity are adequate, and the converting institution  
254 has a record of compliance with anti-money laundering laws and regulations;  
255 and ~~[(C)]~~ (D) the proposed conversion will serve public necessity and  
256 convenience.

257 Sec. 11. Subsection (c) of section 36a-138 of the general statutes is  
258 repealed and the following is substituted in lieu thereof (*Effective*  
259 *October 1, 2003*):

260 (c) The commissioner shall approve a conversion under this section  
261 if the commissioner determines that: (1) The converting institution has  
262 complied with all applicable provisions of law; (2) the proposed  
263 conversion will serve public necessity and convenience; [and] (3) in the  
264 case of a conversion to a mutual savings bank or mutual savings and  
265 loan association, the converting institution has equity capital at least  
266 equal to the minimum equity capital required for the organization of a  
267 Connecticut bank; and (4) the programs, policies and procedures of the  
268 converting institution relating to anti-money laundering activity are  
269 adequate, and the converting institution has a record of compliance  
270 with anti-money laundering laws and regulations. The converted  
271 institution shall not commence business unless its insurable accounts  
272 and deposits are insured by the Federal Deposit Insurance Corporation

273 or its successor agency.

274 Sec. 12. Subsection (c) of section 36a-185 of the general statutes is  
275 repealed and the following is substituted in lieu thereof (*Effective*  
276 *October 1, 2003*):

277 (c) The commissioner shall disapprove such offer, invitation,  
278 request, agreement or acquisition if: (1) It involves the acquisition of  
279 the voting securities or securities convertible into voting securities of a  
280 bank that has not been in existence and continuously operating for at  
281 least five years, or a holding company, the subsidiary banks of which  
282 have not been in existence and continuously operating for at least five  
283 years, unless the commissioner waives this requirement; [or] (2) the  
284 acquiring person, including all insured depository institutions which  
285 are affiliates of the person, upon consummation of the acquisition,  
286 would control thirty per cent or more of the total amount of deposits of  
287 insured depository institutions in this state, unless the commissioner  
288 permits a greater percentage of such deposits; (3) the commissioner  
289 cannot make the findings required by section 36a-34; or (4) the  
290 programs, policies and procedures of the acquiring person relating to  
291 anti-money laundering activity are inadequate, and the acquiring  
292 person does not have a record of compliance with anti-money  
293 laundering laws and regulations. In making the determination to  
294 disapprove or not to disapprove such offer, invitation, request,  
295 agreement or acquisition, the commissioner shall consider whether:  
296 (A) The investment and lending policies of the bank referred to in the  
297 acquisition statement are consistent with safe and sound banking  
298 practices and will benefit the economy of this state; (B) the services or  
299 proposed services of the bank referred to in the acquisition statement  
300 are consistent with safe and sound banking practices and will benefit  
301 the economy of this state; (C) the proposed acquisition will not  
302 substantially lessen competition in the banking industry of this state;  
303 and (D) the acquiring person, if such person would be the beneficial  
304 owner of twenty-five per cent or more of any class of voting securities  
305 of the bank or holding company referred to in the acquisition

306 statement, (i) has sufficient capital to ensure, and agrees to ensure, that  
307 the bank referred to in the acquisition statement will comply with  
308 applicable minimum capital requirements, and (ii) has sufficient  
309 managerial resources to operate the bank or holding company referred  
310 to in the acquisition statement in a safe and sound manner. [The  
311 commissioner shall disapprove such offer, invitation, request,  
312 agreement or acquisition unless the commissioner can make the  
313 findings required by section 36a-34.]

314 Sec. 13. Section 36a-210 of the general statutes is repealed and the  
315 following is substituted in lieu thereof (*Effective October 1, 2003*):

316 (a) With the approval of the commissioner, (1) a Connecticut bank  
317 or a Connecticut credit union may sell all or a significant part of its  
318 assets and business to a bank, and (2) a Connecticut credit union may  
319 sell all or a significant part of its assets and business to a Connecticut  
320 credit union or a federal credit union. The selling Connecticut bank  
321 must have been in existence and continuously operating for at least  
322 five years unless the commissioner waives this requirement. The  
323 commissioner shall not approve such sale if (A) the purchasing  
324 institution, including all insured depository institutions which are  
325 affiliates of such institution, upon consummation of the sale, would  
326 control thirty per cent or more of the total amount of deposits of  
327 insured depository institutions in this state, unless the commissioner  
328 permits a greater percentage of such deposits, or (B) the programs,  
329 policies and procedures relating to anti-money laundering activities of  
330 the purchasing institution are inadequate, or the purchasing institution  
331 does not have a record of compliance with anti-money laundering laws  
332 and regulations. The selling and purchasing institutions shall file with  
333 the commissioner a written agreement approved and executed by a  
334 majority of the governing board of each institution prescribing the  
335 terms and conditions of the transaction. In the case of a sale of all of the  
336 assets and business of the selling institution, the terms of the  
337 agreement shall at least provide for full payment of the amounts due  
338 depositors, share account holders and creditors of the selling

339 institution. Payment for all or part of the assets of the selling institution  
340 may be made in cash or by making available on demand to depositors,  
341 share account holders and other creditors thereof funds on deposit  
342 with the purchasing institution. Prior to the sale of all or substantially  
343 all of the assets and business of an institution pursuant to this section,  
344 the selling institution shall obtain authorization for the sale by the  
345 affirmative vote of at least: [(A)] (i) Two-thirds of the voting power of  
346 the outstanding shares of each class of stock, whether or not otherwise  
347 entitled to vote, in the case of a capital stock Connecticut bank; [(B)] (ii)  
348 two-thirds of the voting power of the members or depositors, in the  
349 case of a mutual savings and loan association or a Connecticut credit  
350 union; and [(C)] (iii) two-thirds of the governing board and two-thirds  
351 of the voting power of the corporators, in the case of mutual savings  
352 bank, which voting power shall, in any event, be no less than twenty-  
353 five corporators.

354 (b) In lieu of the vote required by subsection (a) of this section, the  
355 commissioner may certify in writing that the protection of depositors,  
356 share account holders, members or creditors of the selling institution  
357 requires that the sale proceed without delay.

358 (c) When a Connecticut bank or Connecticut credit union has sold  
359 and conveyed or arranged to sell and convey all of its assets in  
360 accordance with this section, the governing board of the selling  
361 institution shall, after receiving the approval of the commissioner as  
362 provided in subsection (a), send a written notice of such sale or  
363 proposed sale to each of its depositors, share account holders and  
364 other known creditors and shall cause a copy of such notice to be  
365 published in a newspaper published in this state and having a  
366 circulation in the town in which the main office of such institution is  
367 located. Such notice shall inform the depositors, share account holders  
368 and creditors of the selling institution of the sale and of the terms  
369 thereof with reference to payment of depositors, share account holders  
370 and creditors. Such notice may provide that creditors other than  
371 depositors and share account holders who fail to present their claims

372 to the selling institution within four months of the date of the notice  
373 shall be forever barred, and that creditors whose claims are presented  
374 within the time limited but which are disallowed by the selling  
375 institution shall commence an action to enforce their claims within  
376 three months of receipt of written notice disallowing their claims or be  
377 forever barred. Depositors or share account holders shall not be  
378 required to present claims for deposits or share accounts as shown by  
379 the records of the selling institution.

380 (d) At any time during the liquidation of the affairs of the selling  
381 institution, the governing board may have the privileges of a business  
382 corporation in voluntary dissolution as provided by law.

383 (e) After the claims of depositors, share account holders and  
384 creditors have been fully paid either by transfer to the purchasing  
385 institution or in cash, or barred, the liability of the selling institution  
386 for such claims shall cease.

387 (f) Any surplus remaining in the hands of the selling institution,  
388 after it has sold all its assets and business, shall, after payment of the  
389 expenses of liquidation, be distributed to those entitled by law to  
390 receive such surplus in the manner provided in the agreement of sale.  
391 Thereupon the governing board shall file a certificate with the  
392 commissioner stating that the affairs of the institution have been fully  
393 liquidated. Upon verifying the certificate as to the facts stated therein,  
394 the commissioner shall endorse the certificate "approved" and shall file  
395 a copy in the office of the Secretary of the State. Upon the finding by  
396 the Secretary of the State that the certificate complies with law, the  
397 secretary shall endorse the same "approved" and record the certificate.  
398 Thereupon the corporate existence of the institution shall cease.

399 (g) No Connecticut bank may purchase all or a significant part of  
400 the assets and business of a federal bank, a federal credit union or an  
401 out-of-state bank, and no Connecticut credit union may purchase all or  
402 a significant part of the assets and business of a federal credit union,  
403 without the approval of the commissioner. Such Connecticut bank or

404 Connecticut credit union shall file with the commissioner an  
405 application that includes a copy of any notice, application and other  
406 information filed with any federal or state banking or credit union  
407 regulator in connection with such purchase and such additional  
408 information as may be required by the commissioner. The  
409 commissioner shall not approve such purchase if: (1) It involves the  
410 acquisition of a federal bank or out-of-state bank that has not been in  
411 existence and continuously operating for at least five years, unless the  
412 commissioner waives this requirement; [or] (2) the purchasing  
413 institution, including all insured depository institutions which are  
414 affiliates of such institution, upon consummation of the purchase,  
415 would control thirty per cent or more of the total amount of deposits of  
416 insured depository institutions in this state, unless the commissioner  
417 permits a greater percentage of such deposits; or (3) the programs,  
418 policies and procedures relating to anti-money laundering activities of  
419 the purchasing institution are inadequate, or the purchasing institution  
420 does not have a record of compliance with anti-money laundering laws  
421 and regulations.

422 (h) No bank or out-of-state bank may purchase or otherwise acquire  
423 the assets and business of a Connecticut bank or Connecticut credit  
424 union from the receiver of such bank or credit union without the  
425 approval of the commissioner.

426 Sec. 14. Section 36a-260 of the general statutes is repealed and the  
427 following is substituted in lieu thereof (*Effective October 1, 2003*):

428 (a) A Connecticut bank may make secured and unsecured loans,  
429 except as otherwise expressly limited by sections 36a-261 to 36a-265,  
430 inclusive.

431 (b) At least once a year, the governing board of each Connecticut  
432 bank shall adopt a loan policy governing loans made pursuant to  
433 sections 36a-260 to 36a-266, inclusive. No Connecticut bank shall make  
434 any loan pursuant to said sections unless the making of such loan is  
435 consistent with the Connecticut bank's loan policy. The policy shall

436 require written applications for all loans, and address the categories  
437 and types of secured and unsecured loans offered by the bank, the  
438 manner in which mortgage loans and insider loans will be made and  
439 approved, underwriting guidelines and collateral requirements, and,  
440 in accordance with safety and soundness, acceptable standards for title  
441 review, title insurance and appraiser qualifications, procedures for the  
442 approval and selection of appraisers, appraisal and evaluation  
443 standards, and the bank's administration of the appraisal and  
444 evaluation process. The policy shall provide for frequent and periodic  
445 review by the Connecticut bank of loans made pursuant to the policy,  
446 and shall provide for the reasonable and expeditious divestiture of  
447 loans which the bank, upon its review, no longer deems prudent or  
448 consistent with the Connecticut bank's loan policy. The loan policy and  
449 any loan made pursuant to the policy shall be subject to the  
450 supervision of the commissioner concerning safe and sound banking  
451 practices.

452 (c) At least semiannually, the governing board of each Connecticut  
453 bank shall review loans made by the Connecticut bank pursuant to  
454 sections 36a-260 to 36a-266, inclusive. The minutes of the meetings of  
455 such governing board shall recite the results of each such review. The  
456 governing board shall cause the Connecticut bank to use reasonable  
457 efforts to divest as expeditiously as possible any loan which the  
458 governing board, upon its semiannual review, no longer deems  
459 prudent or consistent with the Connecticut bank's loan policy.

460 Sec. 15. Section 36a-262 of the general statutes is repealed and the  
461 following is substituted in lieu thereof (*Effective October 1, 2003*):

462 (a) Except as otherwise provided in this section, the total direct or  
463 indirect liabilities of any one obligor that are not fully secured,  
464 however incurred, to any Connecticut bank, exclusive of such bank's  
465 investment in the investment securities of such obligor, shall not  
466 exceed at the time incurred fifteen per cent of the equity capital and  
467 reserves for loan and lease losses of such bank. The total direct or

468 indirect liabilities of any one obligor that are fully secured, however  
469 incurred, to any Connecticut bank, exclusive of such bank's investment  
470 in the investment securities of such obligor, shall not exceed at the time  
471 incurred ten per cent of the equity capital and reserves for loan and  
472 lease losses of such bank, provided this limitation shall be separate  
473 from and in addition to the limitation on liabilities that are not fully  
474 secured. For purposes of this section, a liability shall be considered to  
475 be fully secured if it is secured by readily marketable collateral having  
476 a market value, as determined by reliable and continuously available  
477 price quotations, at least equal to the amount of the liability. For  
478 purposes of determining the limitations of this section, in computing  
479 the liabilities of an obligor, a liability is incurred at the time of the  
480 closing of the transaction, unless such closing is preceded by a legally  
481 binding written commitment to enter into the transaction, in which  
482 case such liability is incurred at the time of commitment and is net of  
483 any liabilities of the obligor to such bank that will be paid with the  
484 proceeds of the commitment at the time of closing. The limitations  
485 provided for in this subsection may be exceeded for a period of time  
486 not to exceed six hours if at the closing of any transaction at which  
487 such obligor incurs such liabilities to a Connecticut bank in excess of  
488 such limitations, such bank immediately assigns or participates out to  
489 one or more other persons an amount that constitutes not less than the  
490 excess over the applicable limitation. [For purposes of this section, in  
491 computing the liabilities of a partnership the individual liabilities of  
492 the general partners shall be included; and in computing the  
493 individual liabilities of a general partner, the liabilities of the  
494 partnership shall be included.] Obligations as endorser or guarantor of  
495 negotiable or nonnegotiable installment consumer paper which carry  
496 an agreement to repurchase on default, unless the bank's sole recourse  
497 is to an agreed reserve held by it, in which case the liability shall be  
498 excluded, a full recourse endorsement or an unconditional guarantee  
499 by the person, partnership, association or corporation transferring the  
500 same, shall be subject under this section to a limitation of fifteen per  
501 cent of the bank's equity capital and reserves for loan and lease losses

502 in addition to the applicable limitations of this section with respect to  
503 the makers of such obligations; provided, upon certification by an  
504 officer of the bank designated for that purpose by the governing board  
505 that the responsibility of each maker of such obligations has been  
506 evaluated and the bank is relying primarily upon each such maker for  
507 the payment of such obligations, the limitations of this section as to the  
508 obligations of each maker shall be the sole applicable loan limitation;  
509 and provided such certification shall be in writing and shall be  
510 retained as part of the records of such bank.

511 (b) Liabilities of one obligor shall be attributed to another person  
512 and each such person shall be deemed to be an obligor when proceeds  
513 of a loan are to be used for the direct benefit of the other person, to the  
514 extent of the proceeds so used, or a common enterprise is deemed to  
515 exist between such persons. For purposes of this section, the proceeds  
516 of a loan to an obligor shall be deemed to be used for the direct benefit  
517 of another person and shall be attributed to the person when the  
518 proceeds, or assets purchased with the proceeds, are transferred to  
519 another person, other than in a bona fide arm's length transaction  
520 where the proceeds are used to acquire property, goods or services.  
521 For purposes of this section, a common enterprise shall be deemed to  
522 exist and liabilities of separate obligors shall be aggregated:

523 (1) When the expected source of repayment for each liability is the  
524 same for each obligor and neither obligor has another source of income  
525 from which the liability, together with the obligor's other liabilities,  
526 may be fully repaid. An employer shall not be treated as a source of  
527 repayment under this subdivision because of wages and salaries paid  
528 to an employee, unless the standards of subdivision (2) of this section  
529 are met;

530 (2) When loans are made (A) to obligors who are related directly or  
531 indirectly through common control, including where one obligor is  
532 directly or indirectly controlled by another obligor; and (B) substantial  
533 financial interdependence exists between or among the obligors.

534 Substantial interdependence is deemed to exist when fifty per cent or  
535 more of one obligor's gross receipts or gross expenditures, on an  
536 annual basis, are derived from transactions with the other obligor.  
537 Gross receipts and expenditures include gross revenues, expenses,  
538 intercompany loans, dividends, capital contributions, and similar  
539 receipts or payments;

540 (3) When separate persons borrow from a Connecticut bank to  
541 acquire a business enterprise of which those obligors will own more  
542 than fifty per cent of the voting securities or voting interests, in which  
543 case a common enterprise is deemed to exist between the obligors for  
544 purposes of combining the acquisition loans; or

545 (4) When the commissioner determines, based upon an evaluation  
546 of the facts and circumstances of particular transactions, that a  
547 common enterprise exists.

548 (c) Loans to an obligor and its subsidiary, or to different subsidiaries  
549 of an obligor shall not be combined unless either the direct benefit or  
550 the common enterprise test is met. For purposes of this section, a  
551 corporation or a limited liability company is a subsidiary of an obligor  
552 if the obligor owns or beneficially owns directly or indirectly more  
553 than fifty per cent of the voting securities or voting interests of the  
554 corporation or company.

555 (d) Loans to a partnership, joint venture, limited liability company  
556 or association shall be deemed to be loans to each member of the  
557 partnership, joint venture, limited liability company or association.  
558 This provision shall not apply to limited partners in limited  
559 partnerships or to members of joint ventures, limited liability  
560 companies or associations unless the partners or members, by the  
561 terms of the partnership or membership agreement, are held generally  
562 liable for the debts or actions of the partnership, joint venture, limited  
563 liability company or association, and those provisions are valid under  
564 applicable law. Loans to partners or members of a partnership, joint  
565 venture, limited liability company or association are not attributed to

566 the partnership, joint venture, limited liability company or association  
567 unless either the direct benefit or the common enterprise tests are met.  
568 Both the direct benefit and common enterprise tests are met between a  
569 partner or member of a partnership, joint venture, limited liability  
570 company or association and such partnership, joint venture, limited  
571 liability company or association, when loans are made to the partner or  
572 member to purchase an interest in the partnership, joint venture,  
573 limited liability company or association. Loans to partners or members  
574 of a partnership, joint venture, limited liability company or association  
575 are not attributed to other members of the partnership, joint venture,  
576 limited liability company or association unless either the direct benefit  
577 or common enterprise test is met.

578 (e) Loans to foreign governments and their agencies and  
579 instrumentalities shall be aggregated with one another only if the loans  
580 fail to meet either the means test or the purpose test at the time the  
581 loan is made. The means test is met if the obligor has resources or  
582 revenue of its own sufficient to service its debt obligations. If the  
583 government's support, excluding guarantees by a central government  
584 of the obligor's debt, exceeds the obligor's annual revenues from other  
585 sources, it shall be presumed that the means test has not been satisfied.  
586 The purpose test is met if the purpose of the loan is consistent with the  
587 purposes of the obligor's general business. In order to show that the  
588 means and purpose tests have been satisfied, a Connecticut bank shall,  
589 at a minimum, retain in its files the following items:

590 (1) A statement, accompanied by supporting documentation,  
591 describing the legal status and the degree of financial and operational  
592 autonomy of the borrowing entity;

593 (2) Financial statements for the borrowing entity for a minimum of  
594 three years prior to the date the loan or extension of credit was made  
595 or for each year that the borrowing entity has been in existence, if less  
596 than three;

597 (3) Financial statements for each year the loan is outstanding;

598       (4) The bank's assessment of the obligor's means of servicing the  
599 loan, including specific reasons in support of that assessment. The  
600 assessment shall include an analysis of the obligor's financial history,  
601 its present and projected economic and financial performance, and the  
602 significance of any financial support provided to the obligor by third  
603 parties, including the obligor's central government; and

604       (5) A loan agreement or other written statement from the obligor  
605 which clearly describes the purpose of the loan. The written  
606 representation shall ordinarily constitute sufficient evidence that the  
607 purpose test has been satisfied. However, when, at the time the funds  
608 are disbursed, the bank knows or has reason to know of other  
609 information suggesting the obligor will use the proceeds in a manner  
610 inconsistent with the written representation, it may not, without  
611 further inquiry, accept the representation.

612       [(b)] (f) Obligations of the United States or this state, or of any town,  
613 city, borough or legally established district in this state which has the  
614 power to levy taxes for the payment of such obligations, shall not be  
615 subject to any limitation based upon such equity capital and reserves  
616 for loan and lease losses.

617       [(c)] (g) Obligations of any one obligor, with the exception of loans  
618 secured by mortgage of real estate and insured by the Federal Housing  
619 Administrator, which are secured or covered by guaranties, or by  
620 commitments or agreements to take over or to purchase, made by the  
621 United States or the Federal Reserve Bank or by any department,  
622 bureau, board, commission or establishment of the United States,  
623 including any corporation wholly owned, directly or indirectly by the  
624 United States, which, at the time of making such guaranty or  
625 commitment or agreement to take over or purchase, is authorized by  
626 law to enter into contracts with any financing institution guaranteeing  
627 such financing institution against loss of principal and interest on  
628 loans, taxes or advances or agreeing to take over or purchase the same,  
629 shall not be subject to any limitation based upon such equity capital

630 and reserves for loan and lease losses.

631 [(d)] (h) Obligations of any one obligor secured by the pledge of  
632 direct or fully guaranteed obligations of the United States shall be  
633 limited to fifty per cent of such equity capital and reserves for loan and  
634 lease losses; except that obligations secured by the pledge of direct or  
635 fully guaranteed obligations of the United States which will mature in  
636 not more than eighteen months shall not be subject under this section  
637 to any limitation based upon such equity capital and reserves for loan  
638 and lease losses.

639 [(e)] (i) Any Connecticut bank may accept drafts or bills of exchange  
640 drawn upon it having not more than six months' sight to run, exclusive  
641 of days of grace, which grow out of transactions involving the  
642 importation or exportation of goods, or which grow out of transactions  
643 involving the domestic shipment of goods, provided shipping  
644 documents conveying or securing title are attached at the time of  
645 acceptance, or which are secured at the time of acceptance by a  
646 warehouse receipt or other such document conveying or securing title  
647 covering readily marketable staples. No Connecticut bank shall accept  
648 such bills to an amount equal at any time in the aggregate to more than  
649 one-half of its equity capital and reserves for loan and lease losses;  
650 provided the commissioner may authorize any Connecticut bank to  
651 accept such bills to an amount not exceeding at any time in the  
652 aggregate one hundred per cent of its equity capital and reserves for  
653 loan and lease losses; provided further, the aggregate of acceptances  
654 growing out of domestic transactions shall in no event exceed fifty per  
655 cent of such equity capital and reserves for loan and lease losses.

656 [(f)] (j) The following shall not be subject under this section to any  
657 limitation based upon such equity capital and reserves for loan and  
658 lease losses: (1) Obligations in the form of bankers' acceptances of other  
659 banks, provided such acceptances have at the time of discount not  
660 more than six months' sight, exclusive of days of grace, and are  
661 endorsed by at least one other bank; (2) obligations resulting from the

662 purchase of securities subject to a resale agreement; and (3) the rental  
663 obligation of a lessee of real or personal property under a lease made  
664 or held by such bank.

665 [(g)] (k) Obligations of any one obligor which are secured by a first  
666 mortgage on real estate shall be limited to fifty per cent of such equity  
667 capital and reserves for loan and lease losses, provided the total  
668 obligations to any one obligor to which this subsection and subsection  
669 (a) of this section apply shall not exceed fifty per cent of such equity  
670 capital and reserves for loan and lease losses. Loans made to  
671 manufacturing, industrial or commercial borrowers when the bank  
672 looks for repayment out of the operations of the borrowers' business,  
673 relying primarily on the borrowers' general credit standing and  
674 forecast of operation, shall not be considered to be secured by a  
675 mortgage on real estate for purposes of this subsection, even though  
676 such loan may be secured by a mortgage on real estate.

677 Sec. 16. Section 36b-6 of the general statutes is repealed and the  
678 following is substituted in lieu thereof (*Effective October 1, 2003*):

679 (a) No person shall transact business in this state as a broker-dealer  
680 unless [he] such person is registered under sections 36b-2 to 36b-33,  
681 inclusive. No person shall transact business in this state as a broker-  
682 dealer in contravention of a currently effective sanction imposed by the  
683 Securities and Exchange Commission or by a self-regulatory  
684 organization registered under the federal laws administered by the  
685 Securities and Exchange Commission of which such person is a  
686 member, if the sanction would prohibit such person from effecting  
687 transactions in securities in this state. No individual shall transact  
688 business as an agent in this state unless [he] such individual is (1)  
689 registered as an agent of the broker-dealer or issuer whom [he] such  
690 individual represents in transacting such business or (2) an associated  
691 person who represents a broker-dealer in effecting transactions  
692 described in subdivisions (2) and (3) of [section] Section 15(h) of the  
693 Securities Exchange Act of 1934. No individual shall transact business

694 in this state as an agent of a broker-dealer in contravention of a  
695 currently effective sanction imposed by the Securities and Exchange  
696 Commission or a self-regulatory organization registered under the  
697 federal laws administered by the Securities and Exchange Commission  
698 of which the employing broker-dealer of such individual is a member,  
699 if the sanction would prohibit such individual from effecting  
700 transactions in securities in this state.

701 (b) No issuer shall employ an agent unless such agent is registered  
702 under sections 36b-2 to 36b-33, inclusive. No broker-dealer shall  
703 employ an agent unless such agent is (1) registered under sections 36b-  
704 2 to 36b-33, inclusive, or (2) an associated person who represents a  
705 broker-dealer in effecting transactions described in subdivisions (2)  
706 and (3) of section 15(h) of the Securities Exchange Act of 1934. The  
707 registration of an agent is not effective during any period when [he]  
708 such agent is not associated with a particular broker-dealer registered  
709 under [said] sections 36b-2 to 36b-33, inclusive, or a particular issuer.  
710 When an agent begins or terminates a connection with a broker-dealer  
711 or issuer, or begins or terminates those activities which make [him]  
712 such individual an agent, both the agent and the broker-dealer or  
713 issuer shall promptly notify the commissioner.

714 (c) No person shall transact business as an investment adviser,  
715 within or from this state, unless registered as such by the  
716 commissioner as provided in sections 36b-2 to 36b-33, inclusive, or  
717 exempted pursuant to subsection (e) of this section. No individual  
718 shall transact business as an investment adviser agent, within or from  
719 this state, unless [he] such individual is registered as an investment  
720 adviser agent of the investment adviser for whom [he] such individual  
721 acts in transacting such business. No investment adviser shall engage  
722 an investment adviser agent unless such investment adviser agent is  
723 registered under said sections. The registration of an investment  
724 adviser agent is not effective during any period when [he] such  
725 investment adviser agent is not associated with a particular investment  
726 adviser. When an investment adviser agent begins or terminates a

727 connection with an investment adviser, both the investment adviser  
728 agent and the investment adviser shall promptly notify the  
729 commissioner. If an investment adviser or investment adviser agent  
730 provides such notice, such investment adviser or investment adviser  
731 agent shall not be liable for the failure of the other to give such notice.

732 (d) No broker-dealer or investment adviser shall transact business  
733 from any place of business located within this state unless that place of  
734 business is registered as a branch office with the commissioner  
735 pursuant to this subsection. [, provided an investment adviser that is  
736 registered with the Securities and Exchange Commission may, in lieu  
737 of filing an application for branch office registration, file a notice with  
738 the commissioner for each branch office of the adviser located within  
739 this state together with a nonrefundable notice fee of one hundred  
740 dollars per branch office.] An application for branch office registration  
741 shall be made on forms prescribed by the commissioner and shall be  
742 filed with the commissioner, together with a nonrefundable  
743 application fee of one hundred dollars per branch office. A broker-  
744 dealer or investment adviser [, other than an investment adviser that is  
745 registered with the Securities and Exchange Commission,] shall  
746 promptly notify the commissioner in writing if such broker-dealer or  
747 investment adviser (1) engages a new manager at a branch office in  
748 this state, (2) acquires a branch office of another broker-dealer or  
749 investment adviser in this state, or (3) relocates a branch office in this  
750 state. In the case of a branch office acquisition or relocation, such  
751 broker-dealer or investment adviser shall pay to the commissioner a  
752 nonrefundable fee of one hundred dollars. [An investment adviser that  
753 is registered with the Securities and Exchange Commission shall notify  
754 the commissioner of an acquisition or relocation of any branch office of  
755 the investment adviser in this state in the same manner as and  
756 concurrently with the notification of such information to the Securities  
757 and Exchange Commission and shall pay to the commissioner a  
758 nonrefundable fee of one hundred dollars.] Each registrant or  
759 applicant for branch office registration [, and each investment adviser  
760 with a branch office in this state that is registered with the Securities

761 and Exchange Commission,] shall pay the actual cost, as determined  
762 by the commissioner, of any reasonable investigation or examination  
763 made of such registrant [,] or applicant [or investment adviser] by or  
764 on behalf of the commissioner.

765 (e) The following investment advisers are exempted from the  
766 registration requirements under subsection (c) of this section: Any  
767 investment adviser that (1) is registered or required to be registered  
768 under Section 203 of the Investment Advisers Act of 1940; (2) is  
769 excepted from the definition of investment adviser under Section  
770 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of  
771 business in this state and, during the preceding twelve months, has  
772 had no more than five clients who are residents of this state. Any  
773 investment adviser claiming an exemption pursuant to subdivision (1)  
774 or (2) of this subsection that is not otherwise excluded under  
775 subsection (10) of section 36b-3, shall first file with the commissioner a  
776 notice of exemption together with a consent to service of process as  
777 required by subsection (g) of section 36b-33. The notice of exemption  
778 shall contain such information as the commissioner may require and  
779 shall be accompanied by a nonrefundable fee of two hundred fifty  
780 dollars. Such notice of exemption shall be valid until December thirty-  
781 first of the calendar year in which it was first filed and may be  
782 renewed annually thereafter upon submission of such information as  
783 the commissioner may require together with a nonrefundable fee of  
784 one hundred fifty dollars. If any investment adviser that is exempted  
785 from registration pursuant to subdivision (1) or (2) of this subsection  
786 fails or refuses to pay any fee required by this subsection, the  
787 commissioner may require such investment adviser to register  
788 pursuant to subsection (c) of this section. For purposes of this  
789 subsection, a delay in the payment of a fee or an underpayment of a  
790 fee which is promptly remedied shall not constitute a failure or refusal  
791 to pay such fee.

792 (f) Any broker-dealer or investment adviser ceasing to transact  
793 business at any office in this state shall, in addition to providing

794 written notice to the commissioner prior to the termination of business  
795 activity at that office, (1) provide written notice to each customer or  
796 client serviced by such office at least ten business days prior to the  
797 termination of business activity at that office, or (2) demonstrate to the  
798 commissioner, in writing, the reasons why such notice to customers or  
799 clients cannot be provided within the time prescribed. If the  
800 commissioner finds that the broker-dealer or investment adviser  
801 cannot provide notice to customers or clients at least ten business days  
802 prior to the termination of business activity, the commissioner may  
803 exempt the broker-dealer or investment adviser from giving such  
804 notice. The commissioner shall act upon a request for such exemption  
805 within five business days following [his] receipt by the commissioner  
806 of the written request for such an exemption. The notice to customers  
807 or clients shall contain the following information: The date and reasons  
808 why business activity will terminate at the office; if applicable, a  
809 description of the procedure the customer or client may follow to  
810 maintain the customer's account at any other office of the broker-  
811 dealer or investment adviser; the procedure for transferring the  
812 customer's or client's account to another broker-dealer or investment  
813 adviser; and the procedure for making delivery to the customer or  
814 client of any funds or securities held by the broker-dealer or  
815 investment adviser.

816 (g) Any broker-dealer or investment adviser ceasing to transact  
817 business at any office in this state as a result of executing an agreement  
818 and plan of merger or acquisition shall provide written notice to the  
819 commissioner and to each customer or client serviced by such office  
820 not later than the date such merger or acquisition is completed. The  
821 notice provided to each customer or client shall contain the  
822 information specified in subsection (f) of this section.

823 (h) Any broker-dealer or investment adviser ceasing to transact  
824 business at any office in this state as a result of the commencement of a  
825 bankruptcy proceeding by such broker-dealer or investment adviser or  
826 by a creditor or creditors of such broker-dealer or investment adviser

827 shall immediately upon the filing of a petition with the bankruptcy  
828 court, provide written notice to the commissioner. The commissioner  
829 shall determine the time and manner in which notice shall be provided  
830 to each customer or client serviced by such office.

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

834 Sec. 17. Section 36b-12 of the general statutes is repealed and the  
835 following is substituted in lieu thereof (*Effective October 1, 2003*):

836 (a) Each person applying for registration as a broker-dealer or  
837 investment adviser shall pay to the commissioner, or to any person  
838 designated by the commissioner in writing to collect such fee on [his  
839 behalf a] behalf of the commissioner, a nonrefundable fee of two  
840 hundred fifty dollars, [which shall not be refunded.]

841 (b) Each person applying for registration as an agent or investment  
842 adviser agent shall pay to the commissioner, or to any person  
843 designated by the commissioner to collect such fee on [his behalf a] of  
844 the commissioner, a nonrefundable fee of fifty dollars, [which shall not  
845 be refunded.]

846 (c) Each registration issued pursuant to this section shall expire at  
847 the close of business on December thirty-first of [each calendar year  
848 unless renewed] the year of its issuance.

849 (d) [Each] (1) Except as provided in subdivision (2) of this  
850 subsection, each person registered as an agent or investment adviser  
851 agent, requesting transfer of [his] the registration of such agent or  
852 investment adviser agent to another registered broker-dealer or  
853 investment adviser, shall pay to the commissioner, or to any person  
854 designated by the commissioner in writing to collect such fee on [his]  
855 behalf of the commissioner, a fee of fifty dollars for each transfer  
856 requested.

857 (2) Each broker-dealer or investment adviser receiving a mass  
858 transfer shall pay to the commissioner, or to any person designated by  
859 the commissioner in writing to collect such fee on behalf of the  
860 commissioner, a fee of fifty dollars for each agent transferred. For  
861 purposes of this subsection, "mass transfer" means a transfer of agents  
862 of a broker-dealer or investment adviser from a transferring broker-  
863 dealer or investment adviser to a receiving broker-dealer or investment  
864 adviser due to the termination, name change, succession, acquisition,  
865 merger or other reorganization of the transferring broker-dealer or  
866 investment adviser.

867 (e) Each person [so] applying for registration under subsection (a) or  
868 (b) of this section, or both of said subsections, and any registrant  
869 applying for renewal of such registration under section 36b-13 shall  
870 pay the actual cost, as determined by the commissioner, of any  
871 reasonable investigation or examination made of such applicant or  
872 registrant by or on behalf of the commissioner.

873 Sec. 18. Subsection (a) of section 36b-15 of the general statutes is  
874 repealed and the following is substituted in lieu thereof (*Effective*  
875 *October 1, 2003*):

876 (a) The commissioner may by order deny, suspend or revoke any  
877 registration or by order restrict or impose conditions on the securities  
878 or investment advisory activities that an applicant or registrant may  
879 perform in this state if [he] the commissioner finds that (1) [that] the  
880 order is in the public interest and (2) [that] the applicant or registrant  
881 or, in the case of a broker-dealer or investment adviser, any partner,  
882 officer, or director, any person occupying a similar status or  
883 performing similar functions, or any person directly or indirectly  
884 controlling the broker-dealer or investment adviser: (A) Has filed an  
885 application for registration which as of its effective date, or as of any  
886 date after filing in the case of an order denying effectiveness, was  
887 incomplete in any material respect or contained any statement which  
888 was, in light of the circumstances under which it was made, false or

889 misleading with respect to any material fact; (B) has wilfully violated  
890 or wilfully failed to comply with any provision of sections 36b-2 to  
891 36b-33, inclusive, or a predecessor statute or any regulation or order  
892 under said sections or a predecessor statute; (C) has been convicted,  
893 within the past ten years, of any misdemeanor involving a security,  
894 any aspect of the securities business, or any felony, provided any  
895 denial, suspension or revocation of such registration shall be in  
896 accordance with the provisions of section 46a-80; (D) is permanently or  
897 temporarily enjoined by any court of competent jurisdiction from  
898 engaging in or continuing any conduct or practice involving any  
899 aspect of the securities or commodities business; (E) is the subject of a  
900 cease and desist order of the commissioner or an order of the  
901 commissioner denying, suspending, or revoking registration as a  
902 broker-dealer, agent, investment adviser or investment adviser agent;  
903 (F) is the subject of any of the following sanctions that are currently  
904 effective or were imposed within the past [five] ten years: (i) An order  
905 issued by the securities administrator of any other state, Canadian  
906 province or territory, or by the Securities and Exchange Commission or  
907 the Commodity Futures Trading Commission denying, suspending or  
908 revoking registration as a broker-dealer, agent, investment adviser,  
909 investment adviser agent or a person required to be registered under  
910 the Commodity Exchange Act, [as amended,] 7 USC 1 et seq., as from  
911 time to time amended, and the rules and regulations thereunder, or the  
912 substantial equivalent of those terms as defined in sections 36b-2 to  
913 36b-33, inclusive, (ii) an order of the Securities and Exchange  
914 Commission or Commodity Futures Trading Commission suspending  
915 or expelling [him] such applicant, registrant or person from a national  
916 securities or commodities exchange or national securities or  
917 commodities association registered under the Securities Exchange Act  
918 of 1934 or the Commodity Exchange Act, [as amended,] 7 USC 1 et  
919 seq., as from time to time amended, or, in the case of an individual, an  
920 order of the Securities and Exchange Commission or an equivalent  
921 order of the commodity futures trading commission barring [the] such  
922 individual from association with a broker-dealer or an investment

923 adviser, (iii) a suspension, expulsion or other sanction issued by a  
924 national securities exchange or other self-regulatory organization  
925 registered under federal laws administered by the Securities and  
926 Exchange Commission or the Commodity Futures Trading  
927 Commission if the effect of the sanction has not been stayed or  
928 overturned by appeal or otherwise, (iv) a United States Post Office  
929 fraud order, or (v) a cease and desist order entered by the Securities  
930 and Exchange Commission or the securities agency or administrator of  
931 [another] any other state or Canadian province or territory; but [(aa)  
932 the commissioner may not] the commissioner may not (I) institute a  
933 revocation or suspension proceeding under this subparagraph more  
934 than [one year] five years from the date of the sanction relied on, and  
935 [(bb) he may not] (II) enter an order under this subparagraph on the  
936 basis of an order under [another] any other state act unless that order  
937 was based on facts which would constitute a ground for an order  
938 under this section; (G) may [under federal law] be denied registration  
939 under federal law as a broker-dealer, agent, investment adviser,  
940 investment adviser agent or as a person required to be registered  
941 under the Commodity Exchange Act, as amended, 7 USC 1 et seq., and  
942 the rules and regulations promulgated thereunder, or the substantial  
943 equivalent of those terms as defined in sections 36b-2 to 36b-33,  
944 inclusive; (H) has engaged in fraudulent, dishonest or unethical  
945 practices in the securities or commodities business , including abusive  
946 sales practices in the business dealings of such applicant, registrant or  
947 person with current or prospective customers or clients; (I) is insolvent,  
948 either in the sense that [his] the liabilities of such applicant, registrant  
949 or person exceed [his assets] the assets of such applicant, registrant or  
950 person, or in the sense that [he] such applicant, registrant or person  
951 cannot meet [his] the obligations of such applicant, registrant or person  
952 as they mature; but the commissioner may not enter an order against a  
953 broker-dealer or investment adviser under this subparagraph without  
954 a finding of insolvency as to the broker-dealer or investment adviser;  
955 (J) is not qualified on the basis of such factors as training, experience,  
956 and knowledge of the securities business, except as otherwise

957 provided in subsection (b) of this section; (K) has failed reasonably to  
958 supervise [his] the agents of such applicant or registrant if [he] the  
959 applicant, registrant or person is a broker-dealer or an agent charged  
960 with exercising supervisory authority on behalf of the broker-dealer, or  
961 [his] such applicant's or registrant's investment adviser agents if [he]  
962 the applicant or registrant is an investment adviser; (L) in connection  
963 with any investigation conducted pursuant to section 36b-26 or any  
964 examination under subsection (d) of section 36b-14, has made any  
965 material misrepresentation to the commissioner or upon request made  
966 by the commissioner, has withheld or concealed material information  
967 from, or refused to furnish material information to the commissioner,  
968 provided, there shall be a rebuttable presumption that any records,  
969 including, but not limited to, written, visual, audio, magnetic or  
970 electronic records, computer printouts and software, and any other  
971 documents, that are withheld or concealed from the commissioner in  
972 connection with any such investigation or examination are material,  
973 unless such presumption is rebutted by substantial evidence; or (M)  
974 has failed to pay the proper filing fee; but the commissioner may enter  
975 only a denial order under this subparagraph, and [he] the  
976 commissioner shall vacate any such order when the deficiency has  
977 been corrected. The commissioner may not institute a suspension or  
978 revocation proceeding on the basis of a fact or transaction known to  
979 [him] the commissioner when the registration became effective unless  
980 the proceeding is instituted within one hundred eighty days of the  
981 effective date of such registration.

982 Sec. 19. Section 36b-27 of the general statutes is repealed and the  
983 following is substituted in lieu thereof (*Effective October 1, 2003*):

984 (a) Whenever it appears to the commissioner after an investigation  
985 that any person or persons have violated, are violating or are about to  
986 violate any of the provisions of sections 36b-2 to 36b-33, inclusive, or  
987 any regulation, rule or order adopted or issued under said sections, or  
988 that the further sale or offer to sell securities would constitute a  
989 violation of said sections or any such regulation, rule or order, or that

990 any person or persons have engaged in a dishonest or unethical  
991 practice in the securities or commodities business within the meaning  
992 of sections 36b-31-15a to 36b-31-15d, inclusive, of the regulations of  
993 Connecticut state agencies, the commissioner may in the  
994 commissioner's discretion order the person or persons or any other  
995 person that is, was or would be a cause of the violation of such sections  
996 or any such regulation, rule or order, due to an act or omission such  
997 other person knew or should have known would contribute to such  
998 violation, to cease and desist from the violations or the causing of the  
999 violations of the provisions of said sections or of the regulations, rules  
1000 or orders thereunder, or from the further sale or offer to sell securities  
1001 constituting or which would constitute a violation of the provisions of  
1002 said sections or of the regulations, rules or orders thereunder, or from  
1003 further engaging in such dishonest or unethical practice. After such an  
1004 order is issued, the person or persons named [therein] in the order  
1005 may, within fourteen days after receipt of the order, file a written  
1006 request for a hearing. [Said] Any such hearing shall be held in  
1007 accordance with the provisions of chapter 54.

1008 (b) Whenever it appears to the commissioner, after an investigation,  
1009 that any person or persons have violated any of the provisions of  
1010 sections 36b-2 to 36b-33, inclusive, or any regulation, rule or order  
1011 adopted or issued under said sections, or that the further sale or offer  
1012 to sell securities would constitute a violation of said sections or any  
1013 such regulation, rule or order, or that such person or persons have  
1014 engaged in a dishonest or unethical practice in the securities or  
1015 commodities business within the meaning of sections 36b-31-15a to  
1016 36b-31-15d, inclusive, of the regulations of Connecticut state agencies,  
1017 the commissioner may, in addition to any other remedy under this  
1018 section, [(1)] order the person or persons to (1) make restitution of any  
1019 sums shown to have been obtained in violation of any of the  
1020 provisions of said sections or any such regulation, rule or order or as a  
1021 result of such dishonest or unethical practice plus interest at the legal  
1022 rate set forth in section 37-1, [and (2) order the person or persons to] (2)  
1023 provide disgorgement of any sums shown to have been obtained in

1024 violation of any of the provisions of said sections or any such  
1025 regulation, rule or order or as a result of such dishonest or unethical  
1026 practice, or (3) both make restitution and provide disgorgement. After  
1027 such an order is issued, the person or persons named [therein] in the  
1028 order may, within fourteen days after receipt of the order, file a written  
1029 request for a hearing. [Said] Any such hearing shall be held in  
1030 accordance with the provisions of chapter 54.

1031 (c) The commissioner, in the commissioner's discretion, may order  
1032 any person who directly or indirectly controls a person liable under  
1033 subsection (b) of this section to make restitution, [or to] provide  
1034 disgorgement, or both, of any sums shown to have been obtained as a  
1035 result of a dishonest or unethical practice or in violation of any of the  
1036 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule  
1037 or order adopted or issued under said sections. Such controlling  
1038 person shall be liable jointly and severally with and to the same extent  
1039 as the person liable under subsection (b) of this section, unless such  
1040 controlling person allegedly liable under this subsection sustains the  
1041 burden of proof that such person did not know, and in the exercise of  
1042 reasonable care could not have known, of the existence of facts by  
1043 reason of which the liability is alleged to exist. After such an order is  
1044 issued, the person or persons named [therein] in the order may, within  
1045 fourteen days after receipt of the order, file a written request for a  
1046 hearing. [Said] Any such hearing shall be held in accordance with the  
1047 provisions of chapter 54. There shall be contribution as in cases of  
1048 contract among the several persons so liable under this subsection.

1049 (d) (1) Whenever the commissioner finds as the result of an  
1050 investigation that any person or persons have violated any of the  
1051 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule  
1052 or order adopted or issued under said sections, the commissioner may  
1053 send a notice to such person or persons by registered mail, return  
1054 receipt requested, or by any express delivery carrier that provides a  
1055 dated delivery receipt. Any such notice shall include: (A) A reference  
1056 to the title, chapter, regulation, rule or order alleged to have been

1057 violated; (B) a short and plain statement of the matter asserted or  
1058 charged; (C) the maximum fine that may be imposed for such  
1059 violation; and (D) the time and place for the hearing. [Such] Any such  
1060 hearing shall be fixed for a date not earlier than fourteen days after the  
1061 notice is mailed.

1062 (2) The commissioner shall hold a hearing upon the charges made  
1063 unless such person or persons fail to appear at the hearing. [Said] Any  
1064 such hearing shall be held in accordance with the provisions of chapter  
1065 54. After the hearing if the commissioner finds that the person or  
1066 persons have violated any of the provisions of sections 36b-2 to 36b-33,  
1067 inclusive, or any regulation, rule or order adopted or issued under said  
1068 sections, the commissioner may, in the commissioner's discretion and  
1069 in addition to any other remedy authorized by said sections, order that  
1070 a fine not exceeding [ten] one hundred thousand dollars per violation  
1071 be imposed upon such person or persons. If such person or persons fail  
1072 to appear at the hearing, the commissioner may, as the facts require,  
1073 order that a fine not exceeding [ten] one hundred thousand dollars per  
1074 violation be imposed upon such person or persons. The commissioner  
1075 shall send a copy of any order issued pursuant to this subsection by  
1076 registered mail, return receipt requested, or by any express delivery  
1077 carrier that provides a dated delivery receipt, to any person or persons  
1078 named in such order.

1079 (e) Whenever it appears to the commissioner that any person or  
1080 persons have violated, are violating or are about to violate any of the  
1081 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule  
1082 or order adopted or issued under said sections, or that the further sale  
1083 or offer to sell securities would constitute a violation of said sections or  
1084 any such regulation, rule or order, the commissioner may, in the  
1085 commissioner's discretion and in addition to any other remedy  
1086 authorized by this section: (1) Bring an action in the superior court for  
1087 the judicial district of Hartford to enjoin the acts or practices and to  
1088 enforce compliance with sections 36b-2 to 36b-33, inclusive, or any  
1089 such regulation, rule or order. Upon a proper showing a permanent or

1090 temporary injunction, restraining order or writ of mandamus shall be  
1091 granted and a receiver or conservator may be appointed for the  
1092 defendant or the defendant's assets. The court shall not require the  
1093 commissioner to post a bond; (2) seek a court order imposing a fine not  
1094 to exceed [ten] one hundred thousand dollars per violation against any  
1095 person found to have violated any order issued by the commissioner;  
1096 or (3) apply to the superior court for the judicial district of Hartford for  
1097 an order of restitution whereby the defendants in such action shall be  
1098 ordered to make restitution of those sums shown by the commissioner  
1099 to have been obtained by them in violation of any of the provisions of  
1100 sections 36b-2 to 36b-33, inclusive, or any such regulation, rule or  
1101 order, plus interest at the rate set forth in section 37-3a. Such  
1102 restitution shall, at the option of the court, be payable to the receiver or  
1103 conservator appointed pursuant to this subsection, or directly to the  
1104 persons whose assets were obtained in violation of any provision of  
1105 sections 36b-2 to 36b-33, inclusive, or any such regulation, rule or  
1106 order.

1107 (f) Any time after the issuance of an order or notice provided for in  
1108 subsection (a), (b) or (c) or subdivision (1) of subsection (d) of this  
1109 section, the commissioner may accept an agreement by any respondent  
1110 named in such order or notice to enter into a written consent order in  
1111 lieu of an adjudicative hearing. The acceptance of a consent order shall  
1112 be within the complete discretion of the commissioner. The consent  
1113 order provided for in this subsection shall contain (1) an express  
1114 waiver of the right to seek judicial review or otherwise challenge or  
1115 contest the validity of the order or notice; (2) a provision that the order  
1116 or notice may be used in construing the terms of the consent order; (3)  
1117 a statement that the consent order shall become final when issued; (4) a  
1118 specific assurance that none of the violations or dishonest or unethical  
1119 practices alleged in the order or notice shall occur in the future; (5)  
1120 such other terms and conditions as are necessary to further the  
1121 purposes and policies of sections 36b-2 to 36b-33, inclusive; (6) the  
1122 signature of each of the individual respondents evidencing such  
1123 respondent's consent; and (7) the signature of the commissioner or of

1124 the commissioner's authorized representative.

1125 Sec. 20. Subsection (f) of section 36b-29 of the general statutes is  
1126 repealed and the following is substituted in lieu thereof (*Effective*  
1127 *October 1, 2003*):

1128 (f) No person may bring an action under this section more than two  
1129 years after the date of the contract of sale or of the contract for  
1130 investment advisory services, except that (1) with respect to actions  
1131 arising out of intentional misrepresentation or fraud in the purchase or  
1132 sale of any interest in any limited partnership not required to be  
1133 registered under the Securities Act of 1933, no person may bring an  
1134 action more than one year from the date when the misrepresentation  
1135 or fraud is discovered, except that no such action may be brought more  
1136 than five years from the date of such misrepresentation or fraud,  
1137 [provided, with respect to an action pending on July 1, 1993, that  
1138 asserts facts upon which a claim could be asserted under this section  
1139 on and after July 1, 1993, and which claim is asserted prior to January  
1140 1, 1994, no such action may be brought for intentional  
1141 misrepresentation or fraud that occurred more than five years prior to  
1142 the date of the filing of the complaint in such action,] and (2) with  
1143 respect to actions arising out of intentional misrepresentation or fraud  
1144 in the purchase or sale of securities other than securities described in  
1145 subdivision (1) of this subsection, no person may bring an action more  
1146 than one year from the date when the misrepresentation or fraud is  
1147 discovered or in the exercise of reasonable care should have been  
1148 discovered, except that no such action may be brought more than three  
1149 years from the date of such misrepresentation or fraud.

1150 Sec. 21. Subsection (d) of section 36a-448a of the general statutes is  
1151 repealed and the following is substituted in lieu thereof (*Effective*  
1152 *October 1, 2003*):

1153 (d) Each director, upon such director's election, shall take and  
1154 subscribe to an oath or affirmation that the director (1) will diligently  
1155 and honestly perform the duties of director in administering the affairs

1156 of the Connecticut credit union; (2) will remain responsible for the  
1157 performance of the duties of director even if the director delegates the  
1158 performance of such duties; and (3) will not knowingly or wilfully  
1159 permit the violation of any law or regulation applicable to credit  
1160 unions. Each such oath or affirmation shall be recorded in the minutes  
1161 of the Connecticut credit union, and the Connecticut credit union shall  
1162 promptly file a copy of such minutes with the commissioner.

1163 Sec. 22. Subdivision (1) of subsection (b) of section 36a-468a of the  
1164 general statutes is repealed and the following is substituted in lieu  
1165 thereof (*Effective October 1, 2003*):

1166 (b) (1) The Commissioner of Banking shall not approve a merger  
1167 pursuant to this section unless the Commissioner of Banking considers  
1168 whether (A) the merging credit unions have engaged in any unsafe or  
1169 unsound practice during the one-year period preceding the date on  
1170 which the merger application is filed with the Commissioner of  
1171 Banking; (B) the resulting credit union will be adequately capitalized;  
1172 (C) the resulting credit union will have the managerial capability and  
1173 the financial resources to serve the proposed membership; (D) the  
1174 proposed merger will substantially lessen competition in the  
1175 Connecticut credit union industry; [and] (E) the proposed merger will  
1176 have a beneficial effect in meeting the convenience and needs of the  
1177 proposed membership; and (F) the programs, policies and procedures  
1178 of the merging credit unions or the resulting credit union, relating to  
1179 anti-money laundering activity are adequate, and the merging credit  
1180 unions have a record of compliance with anti-money laundering laws  
1181 and regulations.

1182 Sec. 23. Subsection (e) of section 36a-468b of the general statutes is  
1183 repealed and the following is substituted in lieu thereof (*Effective*  
1184 *October 1, 2003*):

1185 (e) The Commissioner of Banking shall approve a conversion under  
1186 this section if the Commissioner of Banking determines that (1) the  
1187 converting credit union has complied with the requirements of

1188 sections 36a-435a to 36a-472a, inclusive, and (2) the programs, policies  
1189 and procedures of the converting credit union relating to anti-money  
1190 laundering activity are adequate, and the converting credit union has a  
1191 record of compliance with anti-money laundering laws and  
1192 regulations.

1193 Sec. 24. Subsection (b) of section 36a-469b of the general statutes is  
1194 repealed and the following is substituted in lieu thereof (*Effective*  
1195 *October 1, 2003*):

1196 (b) When the Commissioner of Banking has been satisfied that all of  
1197 the requirements of subsection (a) of this section, and all other  
1198 requirements of sections 36a-435a to 36a-472a, inclusive, have been  
1199 complied with, and the Commissioner of Banking determines that (1)  
1200 the conversion would serve the economic needs of the proposed field  
1201 of membership and is in accordance with sound credit union practices,  
1202 (2) the converting credit union will have the managerial capacity and  
1203 the financial resources to serve the proposed membership group, [and]  
1204 (3) the converting credit union has adequate net worth to meet all  
1205 applicable regulatory requirements, and (4) the programs, policies and  
1206 procedures of the converting credit union relating to anti-money  
1207 laundering activity are adequate, and the converting credit union has a  
1208 record of compliance with anti-money laundering laws and  
1209 regulations, the Commissioner of Banking shall (A) issue an approval  
1210 of the conversion, which may contain such conditions as the  
1211 Commissioner of Banking may require, and (B) issue a certificate of  
1212 authority to engage in the business of a Connecticut credit union.

1213 Sec. 25. Subsection (d) of section 36a-469c of the general statutes is  
1214 repealed and the following is substituted in lieu thereof (*Effective*  
1215 *October 1, 2003*):

1216 (d) The Commissioner of Banking shall not approve the conversion  
1217 unless the commissioner determines that: (1) The converting credit  
1218 union has complied with all applicable provisions of law; (2) the  
1219 converting credit union has equity capital at least equal to the

1220 minimum equity capital required for the organization of the type of  
1221 mutual Connecticut bank to which it is converting; (3) the proposed  
1222 conversion will serve the public necessity and convenience; (4)  
1223 conditions in the locality in which the proposed mutual Connecticut  
1224 bank will transact business afford reasonable promise of successful  
1225 operation; [and] (5) the proposed directors and executive officers  
1226 possess capacity and fitness for the duties and responsibilities with  
1227 which they will be charged; and (6) the programs, policies and  
1228 procedures of the converting credit union relating to anti-money  
1229 laundering activity are adequate, and the converting credit union has a  
1230 record of compliance with anti-money laundering laws and  
1231 regulations. If the commissioner cannot make such determination with  
1232 respect to any such proposed director or proposed executive officer,  
1233 the commissioner may refuse to allow such proposed director or  
1234 proposed executive officer to serve in such capacity in the proposed  
1235 mutual Connecticut bank. As used in this subsection, "executive  
1236 officer" means every officer of the proposed mutual Connecticut bank  
1237 who participates or has authority to participate, other than in the  
1238 capacity of a director, in major policy-making functions of the  
1239 proposed mutual Connecticut bank, regardless of whether such officer  
1240 has an official title or whether such officer's title contains a designation  
1241 of assistant or whether such officer serves without salary or other  
1242 compensation. The vice president, the chief financial officer, secretary  
1243 and treasurer of the proposed mutual Connecticut bank are presumed  
1244 to be executive officers, unless, by resolution of the governing board or  
1245 by the proposed mutual Connecticut bank's bylaws, any such officer is  
1246 excluded from participation in major policy-making functions, other  
1247 than in the capacity of a director of the proposed mutual Connecticut  
1248 bank, and such officer does not actually participate in major policy-  
1249 making functions.

1250 Sec. 26. (NEW) (*Effective October 1, 2003*) Each director of a  
1251 Connecticut bank, upon such director's election, shall take and  
1252 subscribe to an oath or affirmation that the director: (1) Will diligently  
1253 and honestly perform the duties of director in administering the affairs

1254 of the Connecticut bank; (2) will remain responsible for the  
1255 performance of the duties of director even if the director delegates the  
1256 performance of such duties; and (3) will not knowingly or wilfully  
1257 permit the violation of any law or regulation applicable to Connecticut  
1258 banks. Each such oath or affirmation shall be recorded in the minutes  
1259 of the Connecticut bank, and the Connecticut bank shall promptly file  
1260 a copy of such minutes with the Commissioner of Banking.

1261       Sec. 27. (NEW) (*Effective October 1, 2003*) Each Connecticut bank  
1262 shall comply with the applicable provisions of the Currency and  
1263 Foreign Transactions Reporting Act, 31 USC Section 5311 et seq., as  
1264 from time to time amended, and any regulations adopted thereunder,  
1265 as from time to time amended.

1266       Sec. 28. (NEW) (*Effective October 1, 2003*) Each Connecticut credit  
1267 union shall comply with the applicable provisions of the Currency and  
1268 Foreign Transactions Reporting Act, 31 USC Section 5311 et seq., as  
1269 from time to time amended, and any regulations adopted thereunder,  
1270 as from time to time amended.

1271       Sec. 29. (NEW) (*Effective October 1, 2003*) Each broker-dealer shall  
1272 comply with the applicable provisions of the Currency and Foreign  
1273 Transactions Reporting Act, 31 USC Section 5311 et seq., as from time  
1274 to time amended, and any regulations adopted thereunder, as from  
1275 time to time amended.

1276       Sec. 30. (NEW) (*Effective October 1, 2003*) The Commissioner of  
1277 Banking, in the commissioner's discretion and in accordance with  
1278 section 29-17a of the general statutes, may arrange for the  
1279 fingerprinting or for conducting any other method of positive  
1280 identification required by the State Police Bureau of Investigation of  
1281 each director of a Connecticut bank upon such director's re-election  
1282 and each new officer of a Connecticut bank upon such officer's  
1283 employment, to be used in conducting a criminal history records  
1284 check.

1285       Sec. 31. (NEW) (*Effective October 1, 2003*) No individual or corporate  
1286 entity shall alter, falsify, destroy or conceal any record, document or  
1287 tangible object for the purposes of impeding, obstructing or  
1288 influencing an investigation by the state pertaining to publicly held  
1289 securities or for the purpose of concealing the financial status of the  
1290 corporation.

1291       Sec. 32. (NEW) (*Effective October 1, 2003*) No individual or  
1292 corporation shall discharge or discriminate against any individual who  
1293 has provided information, caused information to be provided, or  
1294 otherwise assisted in an investigation concerning alleged corporate  
1295 misconduct.

1296       Sec. 33. (NEW) (*Effective October 1, 2003*) No accountant who  
1297 conducts an audit of an issuer of securities shall alter, destroy or  
1298 conceal any documents sent, received or created in connection with  
1299 any audit, review or other engagement for a period of five years after  
1300 the end of the fiscal period in which the audit, review or other  
1301 engagement was concluded.

1302       Sec. 34. (NEW) (*Effective October 1, 2003*) (a) Each corporation  
1303 formed under the laws of the state or qualified to transact business in  
1304 the state shall require each corporate officer to certify that the financial  
1305 statements of the company fairly and accurately represent the financial  
1306 condition of the company.

1307       (b) Any corporate officer who violates the provisions of subsection  
1308 (a) of this section shall be fined not more than five million dollars or  
1309 imprisoned not more than twenty years, or both.

1310       Sec. 35. (NEW) (*Effective October 1, 2003*) (a) It shall be unlawful for a  
1311 registered public accounting firm to violate the provisions of Section  
1312 10a(g) of the Securities Exchange Act of 1934.

1313       (b) Any registered public accounting firm that violates subsection  
1314 (a) of this section shall be subject to the penalties that the State Board of

1315 Accountancy may impose under subsection (a) of section 20-281a of  
1316 the general statutes for conduct described in subdivision (10) of  
1317 subsection (a) of said section 20-281a.

1318 Sec. 36. (NEW) (*Effective October 1, 2003*) (a) A violation of sections  
1319 31 to 35, inclusive, of this act shall be deemed an unfair or deceptive  
1320 trade practice under subsection (a) of section 42-110b of the general  
1321 statutes.

1322 (b) There shall exist a private cause of action pursuant to section 42-  
1323 110g of the general statutes for injury sustained due to deceptive sales  
1324 or accounting practices.

1325 Sec. 37. (NEW) (*Effective October 1, 2003*) (a) A person is guilty of  
1326 filing a fraudulent report if the person (1) knowingly or recklessly files  
1327 a report, as defined in section 20-279b of the general statutes, which the  
1328 person knows contains an untrue statement of a material fact, or (2)  
1329 knowingly or recklessly omits a material fact on a report, as defined in  
1330 section 20-279b of the general statutes.

1331 Sec. 38. (*Effective from passage*) The State Board of Accountancy shall  
1332 conduct a study and make recommendations for strengthening its  
1333 oversight of licensees, as defined in section 20-279b of the general  
1334 statutes, who audit publicly held corporations. The board shall submit  
1335 a report on its findings and recommendations to the Governor and the  
1336 General Assembly no later than January 1, 2004, in accordance with the  
1337 provisions of section 11-4a of the general statutes.

1338 Sec. 39. Subsection (a) of section 20-280 of the general statutes is  
1339 repealed and the following is substituted in lieu thereof (*Effective*  
1340 *October 1, 2003*):

1341 (a) On and after October 1, 1992, there shall be a State Board of  
1342 Accountancy which shall consist of seven members, to be appointed by  
1343 the Governor, all of whom shall be residents of this state, [four] three  
1344 of whom shall hold current, valid licenses to practice public

1345 accountancy and [three] four of whom shall be public members. Any  
1346 persons serving on the board prior to October 1, 1992, shall continue to  
1347 serve until a successor is appointed. Whenever an appointment of a  
1348 licensee to the state board is to be made, the Connecticut Society of  
1349 Certified Public Accountants shall submit to the Governor the names  
1350 of five persons qualified for membership on the board and the  
1351 Governor shall appoint one of such persons to said board, subject to  
1352 the provisions of section 4-10. The Governor shall select a chairperson  
1353 pursuant to section 4-9a. The term of each member of the board shall  
1354 be coterminous with that of the Governor. Vacancies occurring during  
1355 a term shall be filled by appointment by the Governor for the  
1356 unexpired portion of the term. Upon the expiration of a member's term  
1357 of office, such member shall continue to serve until his successor has  
1358 been appointed. Any member of the board whose license under section  
1359 20-281d is revoked or suspended shall automatically cease to be a  
1360 member of the board. No person who has served two successive  
1361 complete terms shall be eligible for reappointment to the board.  
1362 Appointment to fill an unexpired term shall not be considered to be a  
1363 complete term. Any member who, without just cause, fails to attend  
1364 fifty per cent of all meetings held during any calendar year shall not be  
1365 eligible for reappointment.

1366 Sec. 40. Subsection (b) of section 20-280b of the general statutes is  
1367 repealed and the following is substituted in lieu thereof (*Effective*  
1368 *October 1, 2003*):

1369 (b) The board may, in its discretion, issue an appropriate order to  
1370 any person found to be in violation of an applicable statute or  
1371 regulation, providing for the immediate discontinuance of the  
1372 violation. The board may, through the Attorney General, petition the  
1373 superior court for the judicial district in which the violation occurred,  
1374 or in which the person committing the violation resides or does  
1375 business, for the enforcement of any order issued by it and for  
1376 appropriate temporary relief or a restraining order and shall certify  
1377 and file in the court a transcript of the entire record of the hearing or

1378 hearings, including all testimony upon which such order was made  
1379 and the findings and orders made by the board. The court may grant  
1380 such relief by injunction or otherwise, including temporary relief, as it  
1381 deems equitable and may make and enter a decree enforcing,  
1382 modifying or enforcing as so modified, or setting aside, in whole or in  
1383 part, any order of the board. The board, in its discretion, in lieu of or in  
1384 addition to any other action authorized by law, may assess a civil  
1385 penalty of up to one hundred thousand dollars against any person  
1386 found to have violated any provision of the general statutes or any  
1387 regulations adopted thereunder relating to the profession of public  
1388 accountancy.

1389 Sec. 41. Subsection (a) of section 20-281a of the general statutes is  
1390 repealed and the following is substituted in lieu thereof (*Effective*  
1391 *October 1, 2003*):

1392 (a) After notice and hearing pursuant to section 20-280c, the board  
1393 may revoke any certificate, license or permit issued under section 20-  
1394 281c, 20-281d or 20-281e; suspend any such certificate, registration,  
1395 license or permit or refuse to renew any such certificate, license or  
1396 permit; reprimand, censure, or limit the scope of practice of any  
1397 licensee; impose a civil penalty not exceeding one hundred thousand  
1398 dollars upon licensees or others violating provisions of section 20-281g  
1399 or place any licensee on probation, all with or without terms,  
1400 conditions and limitations, for any one or more of the following  
1401 reasons:

1402 (1) Fraud or deceit in obtaining a certificate, registration, license or  
1403 permit;

1404 (2) Cancellation, revocation, suspension or refusal to renew  
1405 authority to engage in the practice of public accountancy in any other  
1406 state for any cause;

1407 (3) Failure, on the part of a holder of a license or permit under  
1408 section 20-281d or 20-281e, to maintain compliance with the

1409 requirements for issuance or renewal of such license or permit or to  
1410 report changes to the board under subsection (g) of section 20-281d or  
1411 subsection (f) of section 20-281e;

1412 (4) Revocation or suspension of the right to practice before any state  
1413 or federal agency;

1414 (5) Dishonesty, fraud or negligence in the practice of public  
1415 accountancy or in the filing or failure to file his own income tax  
1416 returns;

1417 (6) Violation of any provision of sections 20-279b to 20-281m,  
1418 inclusive, or regulation adopted by the board under said sections;

1419 (7) Violation of any rule of professional conduct adopted by the  
1420 board under subdivision (4) of subsection (g) of section 20-280;

1421 (8) Conviction of a felony, or of any crime an element of which is  
1422 dishonesty or fraud, under the laws of the United States, of this state,  
1423 or of any other state if the acts involved would have constituted a  
1424 crime under the laws of this state, subject to the provisions of section  
1425 46a-80;

1426 (9) Performance of any fraudulent act while holding a registration,  
1427 certificate, license or permit issued under sections 20-279b to 20-281m,  
1428 inclusive, or prior law;

1429 (10) Any conduct reflecting adversely upon the licensee's fitness to  
1430 engage in the practice of public accountancy; and

1431 (11) Violation by anyone of any provision of section 20-281g.

1432 Sec. 42. Subsection (c) of section 20-281k of the general statutes is  
1433 repealed and the following is substituted in lieu thereof (*Effective*  
1434 *October 1, 2003*):

1435 (c) Nothing herein shall require a licensee to keep any workpaper  
1436 beyond the period prescribed in any other applicable statute, except

1437 that any workpaper prepared by a licensee in the course of an audit of  
1438 a publicly held corporation shall be retained for five years.

1439 Sec. 43. Subsection (b) of section 53a-155 of the general statutes is  
1440 repealed and the following is substituted in lieu thereof (*Effective*  
1441 *October 1, 2003*):

1442 (b) Tampering with or fabricating physical evidence is a class [D] C  
1443 felony.

1444 Sec. 44. Subsection (b) of section 53a-160 of the general statutes is  
1445 repealed and the following is substituted in lieu thereof (*Effective*  
1446 *October 1, 2003*):

1447 (b) Commercial bribery is a class [A misdemeanor] D felony.

1448 Sec. 45. Subsection (b) of section 53a-161 of the general statutes is  
1449 repealed and the following is substituted in lieu thereof (*Effective*  
1450 *October 1, 2003*):

1451 (b) Receiving a commercial bribe is a class [A misdemeanor] D  
1452 felony.

1453 Sec. 46. Subsection (b) of section 53a-147 of the general statutes is  
1454 repealed and the following is substituted in lieu thereof (*Effective*  
1455 *October 1, 2003*):

1456 (b) Bribery is a class [D] C felony.

1457 Sec. 47. Subsection (b) of section 53a-148 of the general statutes is  
1458 repealed and the following is substituted in lieu thereof (*Effective*  
1459 *October 1, 2003*):

1460 (b) Bribe receiving is a class [D] C felony.

1461 Sec. 48. Subsection (b) of section 53a-149 of the general statutes is  
1462 repealed and the following is substituted in lieu thereof (*Effective*  
1463 *October 1, 2003*):

1464 (b) Bribery of a witness is a class [D] C felony.

1465 Sec. 49. Subsection (b) of section 53a-166 of the general statutes is  
 1466 repealed and the following is substituted in lieu thereof (*Effective*  
 1467 *October 1, 2003*):

1468 (b) Hindering prosecution in the second degree is a class [D] C  
 1469 felony.

1470 Sec. 50. Subsection (b) of section 53a-167 of the general statutes is  
 1471 repealed and the following is substituted in lieu thereof (*Effective*  
 1472 *October 1, 2003*):

1473 (b) Hindering prosecution in the third degree is a class [A  
 1474 misdemeanor] D felony.

1475 Sec. 51. Subsection (b) of section 53a-150 of the general statutes is  
 1476 repealed and the following is substituted in lieu thereof (*Effective*  
 1477 *October 1, 2003*):

1478 (b) Bribe receiving by a witness is a class [D] C felony.

1479 Sec. 52. Subsection (b) of section 53a-151 of the general statutes is  
 1480 repealed and the following is substituted in lieu thereof (*Effective*  
 1481 *October 1, 2003*):

1482 (b) Tampering with a witness is a class [D] C felony.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>October 1, 2003</i>
Sec. 4	<i>October 1, 2003</i>
Sec. 5	<i>October 1, 2003</i>
Sec. 6	<i>October 1, 2003</i>
Sec. 7	<i>October 1, 2003</i>
Sec. 8	<i>October 1, 2003</i>
Sec. 9	<i>October 1, 2003</i>

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Sec. 10	<i>October 1, 2003</i>
Sec. 11	<i>October 1, 2003</i>
Sec. 12	<i>October 1, 2003</i>
Sec. 13	<i>October 1, 2003</i>
Sec. 14	<i>October 1, 2003</i>
Sec. 15	<i>October 1, 2003</i>
Sec. 16	<i>October 1, 2003</i>
Sec. 17	<i>October 1, 2003</i>
Sec. 18	<i>October 1, 2003</i>
Sec. 19	<i>October 1, 2003</i>
Sec. 20	<i>October 1, 2003</i>
Sec. 21	<i>October 1, 2003</i>
Sec. 22	<i>October 1, 2003</i>
Sec. 23	<i>October 1, 2003</i>
Sec. 24	<i>October 1, 2003</i>
Sec. 25	<i>October 1, 2003</i>
Sec. 26	<i>October 1, 2003</i>
Sec. 27	<i>October 1, 2003</i>
Sec. 28	<i>October 1, 2003</i>
Sec. 29	<i>October 1, 2003</i>
Sec. 30	<i>October 1, 2003</i>
Sec. 31	<i>October 1, 2003</i>
Sec. 32	<i>October 1, 2003</i>
Sec. 33	<i>October 1, 2003</i>
Sec. 34	<i>October 1, 2003</i>
Sec. 35	<i>October 1, 2003</i>
Sec. 36	<i>October 1, 2003</i>
Sec. 37	<i>October 1, 2003</i>
Sec. 38	<i>from passage</i>
Sec. 39	<i>October 1, 2003</i>
Sec. 40	<i>October 1, 2003</i>
Sec. 41	<i>October 1, 2003</i>
Sec. 42	<i>October 1, 2003</i>
Sec. 43	<i>October 1, 2003</i>
Sec. 44	<i>October 1, 2003</i>
Sec. 45	<i>October 1, 2003</i>
Sec. 46	<i>October 1, 2003</i>
Sec. 47	<i>October 1, 2003</i>
Sec. 48	<i>October 1, 2003</i>
Sec. 49	<i>October 1, 2003</i>

Sec. 50	<i>October 1, 2003</i>
Sec. 51	<i>October 1, 2003</i>
Sec. 52	<i>October 1, 2003</i>

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*