



General Assembly

Substitute Bill No. 1035

January Session, 2003

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 Section 36a-3 of the general statutes is repealed and the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

3 Other definitions applying to this title or to specified parts thereof
4 and the sections in which they appear are:

- T1 "Account". Sections 36a-155 and 36a-365.
- T2 "Additional proceeds". Section 36a-746e.
- T3 "Advance fee". Sections 36a-510, 36a-485 and 36a-615.
- T4 "Advertise" or "advertisement". Sections 36a-485 and 36a-510.
- T5 "Agency bank". Section 36a-285.
- T6 "Alternative mortgage loan". Section 36a-265.
- T7 "Amount financed". Section 36a-690.
- T8 "Annual percentage rate". Section 36a-690.
- T9 "Annual percentage yield". Section 36a-316.
- T10 "Annuities". Section 36a-455a.
- T11 "Applicant". Section 36a-736.

- T12 "APR". Section 36a-746a.
- T13 "Assessment area". Section 36a-37.
- T14 "Associate". Section 36a-184.
- T15 "Associated member". Section 36a-458a.
- T16 "Bank". Section 36a-30.
- T17 "Bankers' bank". Section 36a-70, as amended by this act.
- T18 "Banking business". Section 36a-425.
- T19 "Basic services". Section 36a-437a.
- T20 "Billing cycle". Section 36a-565.
- T21 "Bona fide nonprofit organization". Section 36a-655.
- T22 "Branch". Sections 36a-145, 36a-410 and 36a-435b.
- T23 "Branch or agency net payment entitlement". Section 36a-428n.
- T24 "Branch or agency net payment obligation". Section 36a-428n.
- T25 "Broker". Section 36a-746a.
- T26 "Business and industrial development corporation". Section 36a-626.
- T27 "Business and property in this state". Section 36a-428n.
- T28 "Capital". Section 36a-435b.
- T29 "Cash advance". Section 36a-564.
- T30 "Cash price". Section 36a-770.
- T31 "Certificate of incorporation". Section 36a-435b.
- T32 "Closely related activities". Sections 36a-250 and 36a-455a.
- T33 "Collective managing agency account". Section 36a-365.
- T34 "Commercial vehicle". Section 36a-770.
- T35 "Community bank". Section 36a-70, as amended by this act.
- T36 "Community credit union". Section 36a-37.
- T37 "Community development bank". Section 36a-70, as amended by
- T38 this act.
- T39 "Community reinvestment performance". Section 36a-37.
- T40 "Connecticut holding company". [Section] Sections 36a-53, as
- T41 amended by this act, and 36a-410.
- T42 "Construction loan". Section 36a-458a.
- T43 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- T44 "Consumer Credit Protection Act". Section 36a-676.
- T45 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800.
- T46 "Consumer collection agency". Section 36a-800.

- T47 "Consummation". Section 36a-746a.
- T48 "Controlling interest". Section 36a-276.
- T49 "Corporate". Section 36a-435b.
- T50 "Credit". Sections 36a-645 and 36a-676.
- T51 "Credit manager". Section 36a-435b.
- T52 "Creditor". Sections 36a-676, 36a-695 and 36a-800.
- T53 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- T54 "Credit clinic". Section 36a-695.
- T55 "Credit rating agency". Section 36a-695.
- T56 "Credit report". Section 36a-695.
- T57 "Credit sale". Section 36a-676.
- T58 "Credit union service organization". Section 36a-435b.
- T59 "Credit union service organization services". Section 36a-435b.
- T60 "De novo branch". Section 36a-410.
- T61 "Debt". Section 36a-645.
- T62 "Debt adjustment". Section 36a-655.
- T63 "Debt mutual fund". Sections 36a-275 and 36a-459a.
- T64 "Debt securities". Sections 36a-275 and 36a-459a.
- T65 "Debtor". Section 36a-655.
- T66 "Deliver". Section 36a-316.
- T67 "Deposit". Section 36a-316.
- T68 "Deposit account". Sections 36a-136, as amended by this act, and
- T69 36a-316.
- T70 "Deposit account charge". Section 36a-316.
- T71 "Deposit account disclosures". Section 36a-316.
- T72 "Deposit contract". Section 36a-316.
- T73 "Deposit services". Section 36a-425.
- T74 "Depositor". Section 36a-316.
- T75 "Director". Section 36a-435b.
- T76 "Earning period". Section 36a-316.
- T77 "Electronic payment instrument". Section 36a-596.
- T78 "Eligible account holder". Section 36a-136, as amended by this act.
- T79 "Eligible collateral". Section 36a-330.
- T80 "Equity mutual fund". Sections 36a-276 and 36a-459a.
- T81 "Equity security". Sections 36a-276 and 36a-459a.

- T82 "Executive officer". Sections 36a-263 and 36a-469c, as amended by
T83 this act.
- T84 "Federal Credit Union Act". Section 36a-435b.
- T85 "Federal Home Mortgage Disclosure Act". Section 36a-736.
- T86 "Fiduciary". Section 36a-365.
- T87 "Filing fee". Section 36a-770.
- T88 "Finance charge". Sections 36a-690 and 36a-770.
- T89 "Financial institution". Sections 36a-41, 36a-44a, 36a-155, 36a-316,
T90 36a-330, 36a-435b and 36a-736.
- T91 "Financial records". Section 36a-41.
- T92 "First mortgage broker". Section 36a-485.
- T93 "First mortgage correspondent lender". Section 36a-485.
- T94 "First mortgage lender". Section 36a-485.
- T95 "First mortgage loan". Sections 36a-485, 36a-705 and 36a-715.
- T96 "Foreign banking corporation". Section 36a-425.
- T97 "General facility". Section 36a-580.
- T98 "Global net payment entitlement". Section 36a-428n.
- T99 "Global net payment obligation". Section 36a-428n.
- T100 "Goods". Sections 36a-535 and 36a-770.
- T101 "Graduated payment mortgage loan". Section 36a-265.
- T102 "Guardian". Section 36a-365.
- T103 "High cost home loan". Section 36a-746a.
- T104 "Holder". Section 36a-596.
- T105 "Home banking services". Section 36a-170.
- T106 "Home banking terminal". Section 36a-170.
- T107 "Home improvement loan". Section 36a-736.
- T108 "Home purchase loan". Section 36a-736.
- T109 "Home state". Section 36a-410.
- T110 "Immediate family member". Section 36a-435b.
- T111 "Insider". Section 36a-454b.
- T112 "Installment loan contract". Sections 36a-535 and 36a-770.
- T113 "Insurance". Section 36a-455a.
- T114 "Insurance bank". Section 36a-285.
- T115 "Insurance department". Section 36a-285.
- T116 "Interest". Section 36a-316.

- T117 "Interest rate". Section 36a-316.
- T118 "Lender". Sections 36a-746a and 36a-770.
- T119 "Lessor". Section 36a-676.
- T120 "License". Section 36a-626.
- T121 "Licensee". Sections 36a-510, 36a-596 and 36a-626.
- T122 "Limited branch". Section 36a-145.
- T123 "Limited facility". Section 36a-580.
- T124 "Loan broker". Section 36a-615.
- T125 "Loss". Section 36a-330.
- T126 "Made in this state". Section 36a-770.
- T127 "Managing agent". Section 36a-365.
- T128 "Manufactured home". Section 36a-457b.
- T129 "Material litigation". Section 36a-596.
- T130 "Member". Section 36a-435b.
- T131 "Member business loan". Section 36a-458a.
- T132 "Member in good standing". Section 36a-435b.
- T133 "Membership share". Section 36a-435b.
- T134 "Money order". Section 36a-596.
- T135 "Money transmission". Section 36a-365.
- T136 "Mortgage insurance". Section 36a-725.
- T137 "Mortgage lender". Sections 36a-485, 36a-510 and 36a-705.
- T138 "Mortgage loan". Sections 36a-261, 36a-265 and 36a-457b.
- T139 "Mortgage rate lock-in". Section 36a-705.
- T140 "Mortgage servicing company". Section 36a-715.
- T141 "Mortgagor". Section 36a-715.
- T142 "Motor vehicle". Section 36a-770.
- T143 "Multiple common bond membership". Section 36a-435b.
- T144 "Municipality". Section 36a-800.
- T145 "Net outstanding member business loan balance". Section 36a-458a.
- T146 "Net worth". Sections 36a-441a, 36a-458a and 36a-596.
- T147 "Network". Section 36a-155.
- T148 "Nonrefundable". Sections 36a-498 and 36a-521.
- T149 "Note account". Sections 36a-301 and 36a-456b.
- T150 "Office". Section 36a-316.
- T151 "Officer". Section 36a-435b.

- T152 "Open-end credit plan". Section 36a-676.
- T153 "Open-end loan". Section 36a-565.
- T154 "Organization". Section 36a-800.
- T155 "Originator". Sections 36a-485 and 36a-510.
- T156 "Out-of-state holding company". Section 36a-410.
- T157 "Outstanding". Section 36a-596.
- T158 "Passbook savings account". Section 36a-316.
- T159 "Payment instrument". Section 36a-596.
- T160 "Periodic statement". Section 36a-316.
- T161 "Permissible investment". Section 36a-596.
- T162 "Person". Section 36a-184.
- T163 "Post". Section 36a-316.
- T164 "Prepaid finance charge". Section 36a-746a.
- T165 "Prepayment penalty". Section 36a-746a.
- T166 "Prime quality". Section 36a-596.
- T167 "Principal amount of the loan". Section 36a-510.
- T168 "Processor". Section 36a-155.
- T169 "Public deposit". Section 36a-330.
- T170 "Purchaser". Section 36a-596.
- T171 "Qualified financial contract". Section 36a-428n.
- T172 "Qualified public depository" and "depository". Section 36a-330.
- T173 "Real estate". Section 36a-457b.
- T174 "Records". Section 36a-17.
- T175 "Related person". Section 36a-53, as amended by this act.
- T176 "Relocate". Sections 36a-145 and 36a-462a.
- T177 "Residential property". Section 36a-485.
- T178 "Retail buyer". Sections 36a-535 and 36a-770.
- T179 "Retail credit transaction". Section 42-100b.
- T180 "Retail deposits". Section 36a-70, as amended by this act.
- T181 "Retail installment contract". Sections 36a-535 and 36a-770.
- T182 "Retail installment sale". Sections 36a-535 and 36a-770.
- T183 "Retail seller". Sections 36a-535 and 36a-770.
- T184 "Reverse annuity mortgage loan". Section 36a-265.
- T185 "Sales finance company". Sections 36a-535 and 36a-770.
- T186 "Savings department". Section 36a-285.

T187	"Savings deposit". Section 36a-316.
T188	"Secondary mortgage broker". Section 36a-510.
T189	"Secondary mortgage correspondent lender". Section 36a-510.
T190	"Secondary mortgage lender". Section 36a-510.
T191	"Secondary mortgage loan". Section 36a-510.
T192	"Security convertible into a voting security". Section 36a-184.
T193	"Senior management". Section 36a-435b.
T194	"Share". Section 36a-435b.
T195	"Simulated check". Sections 36a-485 and 36a-510.
T196	"Single common bond membership". Section 36a-435b.
T197	"Social purpose investment". Section 36a-277.
T198	"Standard mortgage loan". Section 36a-265.
T199	"Table funding agreement". Section 36a-485.
T200	"Tax and loan account". Sections 36a-301 and 36a-456b.
T201	"The Savings Bank Life Insurance Company". Section 36a-285.
T202	"Time account". Section 36a-316.
T203	"Transaction". Section 36a-215.
T204	"Travelers check". Section 36a-596.
T205	"Troubled Connecticut credit union". Section 36a-448a, <u>as amended</u>
T206	<u>by this act.</u>
T207	"Troubled financial institution". Section 36a-215.
T208	"Uninsured bank". Section 36a-70, <u>as amended by this act.</u>
T209	"Unsecured loan". Section 36a-615.
T210	"Warehouse agreement". Section 36a-485.

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

7 (a) (1) Whenever the commissioner finds as the result of an
8 investigation that any person has violated any provision of the general
9 statutes within the jurisdiction of the commissioner, or any regulation,
10 rule or order adopted or issued thereunder, the commissioner may
11 send a notice to such person by registered or certified mail, return
12 receipt requested, or by any express delivery carrier that provides a
13 dated delivery receipt. The notice shall be deemed received by the

14 person on the earlier of the date of actual receipt or seven days after
15 mailing or sending. Any such notice shall include: (A) A statement of
16 the time, place, and nature of the hearing; (B) a statement of the legal
17 authority and jurisdiction under which the hearing is to be held; (C) a
18 reference to the particular sections of the general statutes, regulations,
19 rules or orders alleged to have been violated; (D) a short and plain
20 statement of the matters asserted; (E) the maximum penalty that may
21 be imposed for such violation; and (F) a statement indicating that such
22 person may file a written request for a hearing on the matters asserted
23 within fourteen days of receipt of the notice.

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

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

46 (b) Whenever it appears to the commissioner that any such person

47 has violated, is violating or is about to violate any such provision,
48 regulation, rule or order, the commissioner may, in the commissioner's
49 discretion and in addition to any other remedy authorized by law: (1)
50 Bring an action in the superior court for the judicial district of Hartford
51 to enjoin the acts or practices and to enforce compliance with any such
52 provision, regulation, rule or order. Upon a proper showing, a
53 permanent or temporary injunction, restraining order or writ of
54 mandamus shall be granted and a receiver or conservator may be
55 appointed for such person or such person's assets. The court shall not
56 require the commissioner to post a bond; (2) seek a court order
57 imposing a penalty not to exceed [seven thousand five hundred] one
58 hundred thousand dollars per violation against any such person found
59 to have violated any such provision, regulation, rule or order; [issued
60 by the commissioner;] or (3) apply to the superior court for the judicial
61 district of Hartford for an order of restitution whereby such person
62 shall be ordered to make restitution of any sums shown by the
63 commissioner to have been obtained by such person in violation of any
64 such provision, regulation, rule or order, plus interest at the rate set
65 forth in section 37-3a. Such restitution shall, at the option of the court,
66 be payable to the receiver or conservator appointed pursuant to this
67 subsection, or directly to the person whose assets were obtained in
68 violation of any such provision, regulation, rule or order. Whenever
69 the commissioner prevails in any action brought under this subsection,
70 the court may allow to the state its costs.

71 (c) The provisions of this section shall not apply to chapters 672a,
72 672b and 672c.

73 Sec. 3. Section 36a-53 of the general statutes is repealed and the
74 following is substituted in lieu thereof (*Effective October 1, 2003*):

75 (a) As used in this section, (1) "related person" means a director,
76 officer, employee, independent contractor, manager or general partner,
77 and (2) "Connecticut holding company" means a holding company that
78 holds a subsidiary that is a Connecticut bank.

79 (b) (1) Whenever the commissioner finds as the result of an
80 investigation that any [officer or director] related person of any
81 Connecticut bank, [or officer or director, as defined in section 36a-435b,
82 of any] Connecticut holding company, Connecticut credit union or
83 [any officer, director, manager or general partner of a] Connecticut
84 credit union service organization [(1)] (A) has violated or is violating
85 any provision of the general statutes within the jurisdiction of the
86 commissioner, or any regulation, rule or order adopted or issued
87 thereunder, or any condition imposed in writing by the commissioner,
88 [(2)] (B) has breached or is breaching any written agreement with the
89 commissioner, [(3)] (C) has engaged or participated in or is engaging
90 or participating in any unsafe or unsound practice in connection with
91 any bank, Connecticut holding company, Connecticut credit union,
92 federal credit union or credit union service organization, [(4)] (D) has
93 been or is charged in any information, indictment or complaint with
94 the commission of or participation in a crime which is punishable by
95 imprisonment for a term exceeding one year under state or federal law,
96 and continued service or participation by such [officer, director,
97 manager or general partner] related person may pose a threat to the
98 interests of depositors or members, or threatens to impair public
99 confidence in any bank, Connecticut holding company, Connecticut
100 credit union, federal credit union or Connecticut credit union service
101 organization, [(5)] (E) has used or is using such [officer's, director's,
102 manager's or general partner's official] related person's position in a
103 manner contrary to the interest of any bank, Connecticut holding
104 company, Connecticut credit union, federal credit union or credit
105 union service organization, or its depositors or members, or [(6)] (F)
106 has been or is negligent in the performance of such [officer's, director's,
107 manager's or general partner's] related person's duties, after having
108 been warned in writing by the commissioner to discontinue any such
109 continuing delinquency, the commissioner may send notice to such
110 [officer, director, manager or general partner] related person by
111 registered or certified mail, return receipt requested, or by any express
112 delivery carrier that provides a dated delivery receipt. The notice shall
113 be deemed received by the [officer, director, manager or general

114 partner] related person on the earlier of the date of actual receipt or
115 seven days after mailing or sending. Any such notice shall include:
116 [(A)] (i) A statement of the time, place and nature of the hearing; [(B)]
117 (ii) a statement of the legal authority and jurisdiction under which the
118 hearing is to be held; [(C)] (iii) a reference to the particular sections of
119 the general statutes, regulations, rules or orders alleged to have been
120 violated; [(D)] (iv) a short and plain statement of the matters asserted;
121 and [(E)] (v) a statement indicating that such [officer, director, manager
122 or general partner] related person may file a written request for a
123 hearing on the matters asserted within fourteen days of receipt of the
124 notice. If a hearing is requested within the time specified in the notice,
125 the commissioner shall hold a hearing upon the matters asserted in the
126 notice unless such [officer, director, manager or general partner]
127 related person fails to appear at the hearing. After the hearing, if the
128 commissioner finds that any of the grounds set forth in [subdivisions
129 (1) to (6)] subparagraphs (A) to (F), inclusive, of this [subsection]
130 subdivision exist with respect to such [officer, director, manager or
131 general partner] related person, the commissioner shall order the
132 removal of such [officer, director, manager or general partner] related
133 person from office and from any participation in the management of
134 the Connecticut bank, Connecticut holding company, Connecticut
135 credit union or Connecticut credit union service organization. If such
136 [officer, director, manager or general partner] related person fails to
137 appear at the hearing, the commissioner shall order the removal of
138 such [officer, director, manager or general partner] related person from
139 office and from any participation in the management of the
140 Connecticut bank, Connecticut holding company, Connecticut credit
141 union or Connecticut credit union service organization. If the
142 commissioner finds that the protection of the Connecticut bank,
143 Connecticut holding company or its subsidiary that is a Connecticut
144 bank, Connecticut credit union or Connecticut credit union service
145 organization, or the interest of its depositors, depositors of its
146 subsidiary that is a Connecticut bank or members requires immediate
147 action, the commissioner may suspend any such [officer, director,
148 manager or general partner] related person from office and from

149 further participation in the management of the Connecticut bank,
150 Connecticut holding company, Connecticut credit union or
151 Connecticut credit union service organization, by incorporating a
152 finding to that effect in such notice. The suspension or prohibition
153 shall become effective upon receipt of such notice and, unless stayed
154 by a court, shall remain in effect until the entry of a permanent order
155 or the dismissal of the matters asserted.

156 (2) Any related person who has been removed or suspended from
157 office pursuant to an order issued under this subsection may not
158 continue to hold or commence holding office as a related person of any
159 bank, Connecticut credit union, federal credit union, licensee or
160 registrant under titles 36a and 36b or holding company that holds a
161 subsidiary that is a bank, while such order is in effect, without the
162 written consent of the commissioner.

163 [(b)] (c) Whenever it appears to the commissioner that any [such]
164 Connecticut bank, Connecticut holding company, Connecticut credit
165 union or Connecticut credit union service organization (1) is violating,
166 has violated or is about to violate any provision of the general statutes
167 within the jurisdiction of the commissioner, or any regulation, rule or
168 order adopted or issued thereunder, or any condition imposed in
169 writing by the commissioner, (2) is breaching, has breached or is about
170 to breach any written agreement with the commissioner, or (3) is
171 engaging, has engaged or is about to engage, in an unsafe or unsound
172 practice, the commissioner may send notice and take action against the
173 Connecticut bank, Connecticut holding company, Connecticut credit
174 union or Connecticut credit union service organization in accordance
175 with section 36a-52. If the commissioner finds that the actual or
176 threatened violation, breach or unsafe or unsound practice or practices
177 specified in such notice is likely to cause insolvency or substantial
178 dissipation of assets or earnings of the Connecticut bank, Connecticut
179 holding company, Connecticut credit union or Connecticut credit
180 union service organization, or is likely to otherwise seriously prejudice
181 the interests of its depositors or members, the commissioner may
182 incorporate a finding to that effect in such notice and issue a

183 temporary order requiring the Connecticut bank, Connecticut holding
184 company, Connecticut credit union or Connecticut credit union service
185 organization to cease and desist from any such violation, breach or
186 practice. The temporary order shall become effective upon receipt and,
187 unless set aside or modified by a court, shall remain in effect until the
188 effective date of a permanent order or the dismissal of the matters
189 asserted.

190 [(c)] (d) (1) Whenever the commissioner finds as the result of an
191 investigation that any [such officer, director, manager, general
192 partner,] Connecticut bank, Connecticut holding company,
193 Connecticut credit union, [or] Connecticut credit union service
194 organization or any related person of any such entity has (A) violated
195 any provision of the general statutes within the jurisdiction of the
196 commissioner, or any regulation, rule or order adopted or issued
197 thereunder, or any condition imposed in writing by the commissioner,
198 (B) breached any written agreement with the commissioner, (C)
199 engaged or participated in any unsafe or unsound practice, or (D) used
200 such [officer's, director's, manager's or general partner's official]
201 related person's position in a manner contrary to the interest of any
202 bank, Connecticut holding company, Connecticut credit union, federal
203 credit union or credit union service organization, or its depositors or
204 members, the commissioner may send notice to and take action against
205 such [officer, director, manager, general partner,] Connecticut bank,
206 Connecticut holding company, Connecticut credit union, [or]
207 Connecticut credit union service organization or related person
208 regarding the violation, breach, unsafe or unsound practice, or misuse
209 of [official] position in accordance with section 36a-50, as amended by
210 this act. Any finding made by the commissioner pursuant to this
211 subdivision shall be considered a violation of this subsection for
212 purposes of section 36a-50, as amended by this act.

213 (2) Notwithstanding the provisions of section 36a-50, as amended
214 by this act, unless the violation, breach, unsafe or unsound practice, or
215 misuse of [official] position found to have occurred pursuant to this
216 subsection and section 36a-50, as amended by this act, is such that it

217 (A) is part of a pattern of misconduct, (B) has caused or is likely to
218 cause a loss other than a de minimis loss to any bank, Connecticut
219 holding company, Connecticut credit union, federal credit union or
220 credit union service organization, (C) will result or has resulted in a
221 pecuniary gain to [an officer, director, manager or general partner] a
222 related person of any Connecticut bank, Connecticut holding
223 company, Connecticut credit union or Connecticut credit union service
224 organization, or (D) is a violation of [section 36a-53a] sections 36a-53a
225 to 36a-56, inclusive, or sections 36a-746b to 36a-746g, inclusive, the
226 civil penalty the commissioner may impose under this subsection and
227 section 36a-50, as amended by this act, shall not exceed [one] ten
228 thousand dollars.

229 (3) In determining the amount of any penalty imposed under this
230 subsection and section 36a-50, as amended by this act, the
231 commissioner shall take into account (A) the size of the financial
232 resources and good faith of the Connecticut bank, Connecticut holding
233 company, Connecticut credit union, Connecticut credit union service
234 organization, [officer or director of such Connecticut bank, Connecticut
235 credit union or officer, director, manager or general partner of such
236 Connecticut credit union service organization] or related person, (B)
237 the gravity of the violation, breach, unsafe or unsound practice or
238 misuse of [official] position, (C) the history of previous violations,
239 breaches, unsafe or unsound practices, or misuse of [official] position,
240 and (D) such other matters as justice may require, except that this
241 subdivision does not apply to any violation of section 36a-53a and
242 sections 36a-746b to 36a-746g, inclusive.

243 [(d)] (e) In connection with any investigation or proceeding under
244 this section and section 36a-50, as amended by this act, the
245 commissioner shall make reasonable efforts to obtain from a federal
246 banking or credit union agency any relevant information that the
247 commissioner knows to be in the possession of such agency.

248 (f) The resignation, termination of employment or separation,
249 including a separation caused by the closing of the institution, of any

250 related person against whom the commissioner may issue an order
251 under this section, shall not affect the authority of the commissioner to
252 issue any notice and proceed under this section against such related
253 person if such notice is sent before the end of the six-year period
254 beginning on the date of such resignation, termination of employment
255 or separation.

256 Sec. 4. Section 36a-54 of the general statutes is repealed and the
257 following is substituted in lieu thereof (*Effective October 1, 2003*):

258 Any officer, agent, or employee of any financial institution who
259 makes any false entry upon the collection or forwarding register or any
260 other book of any such institution, or who fails correctly to record on
261 the books of such institution any change in its assets or liabilities, with
262 intent to deceive the commissioner or the officers or auditors of any
263 such institution, and any person who, with like intent, aids or abets
264 any such officer, agent, or employee in the violation of any provision
265 of this section, shall be imprisoned not more than ten years. A finding
266 by the commissioner as a result of an investigation of any such false
267 entry, failure to correctly record or aiding or abetting shall be
268 considered a violation of this section for purposes of sections 36a-50 to
269 36a-53, inclusive, as amended by this act.

270 Sec. 5. Section 36a-55 of the general statutes is repealed and the
271 following is substituted in lieu thereof (*Effective October 1, 2003*):

272 Any person who, wilfully and maliciously, makes, circulates or
273 transmits to another any false statement, rumor or suggestion, written,
274 printed or oral, which is, directly or by inference, derogatory to the
275 financial condition or affects the solvency or financial standing of any
276 bank, out-of-state bank that maintains in this state a branch as defined
277 in section 36a-410, Connecticut credit union or federal credit union, or
278 who counsels, aids or induces another to transmit or circulate any such
279 statement or rumor, shall be fined not more than one thousand dollars
280 or imprisoned not more than one year or both. A finding by the
281 commissioner as a result of an investigation of any such making,

282 circulating or transmitting, or counseling, aiding or inducing shall be
283 considered a violation of this section for purposes of sections 36a-50 to
284 36a-53, inclusive, as amended by this act.

285 Sec. 6. Section 36a-56 of the general statutes is repealed and the
286 following is substituted in lieu thereof (*Effective October 1, 2003*):

287 Any person who knowingly makes any false statement or report, or
288 wilfully overvalues any land, property or security, with intent to
289 defraud and for the purpose of influencing in any way the action of a
290 bank, out-of-state bank that maintains in this state a branch as defined
291 in section 36a-410, Connecticut credit union, small loan licensee or any
292 first or secondary mortgage lender or broker licensee, upon any
293 application, advance, commitment, loan or extension of credit, or any
294 change, extension, renewal or refinancing thereof, or the acceptance,
295 release or substitution of security therefor, and upon which such bank,
296 credit union or licensee relies in taking such action, shall be fined not
297 more than five hundred dollars or imprisoned not more than one year,
298 or both. A finding by the commissioner as a result of an investigation
299 of any such making or overvaluing shall be considered a violation of
300 this section for purposes of sections 36a-50 to 36a-53, inclusive, as
301 amended by this act.

302 Sec. 7. Subsection (c) of section 36a-70 of the general statutes is
303 repealed and the following is substituted in lieu thereof (*Effective*
304 *October 1, 2003*):

305 (c) The person or persons organizing a Connecticut bank shall
306 execute, acknowledge and file with the commissioner an application to
307 organize. Such application to organize shall include: (1) A proposed
308 certificate of incorporation stating: (A) The name and type of the
309 Connecticut bank; (B) the town in which the main office is to be
310 located; (C) in the case of a capital stock Connecticut bank, the amount,
311 authorized number and par value, if any, of shares of its capital stock;
312 (D) the minimum amount of equity capital with which the Connecticut
313 bank shall commence business, which amount may be less than its

314 authorized capital but shall not be less than that required by
315 subsection (b) of this section; (E) the name, occupation and residence,
316 post office or business address of each organizer and prospective
317 initial director of the Connecticut bank; and (2) a proposed business
318 plan. The organizers shall separately file with the commissioner a
319 notice of the residence of each organizer and prospective initial
320 director whose residence address is not included in the proposed
321 certificate of incorporation. In connection with an application to
322 organize a Connecticut bank, the commissioner may, in the
323 commissioner's discretion, and in accordance with section 29-17a,
324 arrange for the fingerprinting or for conducting any other method of
325 positive identification required by the State Police Bureau of
326 Investigation of each organizer and prospective initial director, to be
327 used in conducting a criminal history records check.

328 Sec. 8. Subsection (f) of section 36a-125 of the general statutes is
329 repealed and the following is substituted in lieu thereof (*Effective*
330 *October 1, 2003*):

331 (f) Upon application by the constituent banks, and upon receipt of a
332 copy of the agreement of merger or consolidation, certified by the
333 secretaries of the respective constituent final banks and certified by the
334 agents for the organizers of the respective constituent temporary banks
335 as having been duly approved in accordance with subsection (b) of this
336 section, the commissioner shall determine whether such merger or
337 consolidation will promote public convenience, whether benefits to the
338 public clearly outweigh possible adverse effects, including, but not
339 limited to, an undue concentration of resources and decreased or
340 unfair competition, and whether the terms thereof are reasonable and
341 in accordance with law and sound public policy. The commissioner, if
342 the commissioner so determines, shall approve the merger or
343 consolidation. The commissioner shall not approve such merger or
344 consolidation: (1) If it involves the acquisition of a Connecticut bank
345 that has not been in existence and continuously operating for at least
346 five years, unless the commissioner waives this requirement; [or] (2) if
347 the resulting bank including all insured depository institutions which

348 are affiliates of the resulting bank, upon consummation of the merger
349 or consolidation, would control thirty per cent or more of the total
350 amount of deposits of insured depository institutions in this state,
351 unless the commissioner permits a greater percentage of such deposits;
352 or (3) if the programs, policies and procedures relating to anti-money
353 laundering activities of the constituent banks, or the proposed
354 programs, policies and procedures of the resulting bank relating to
355 anti-money laundering activities, are inadequate, or the constituent
356 banks do not have a record of compliance with anti-money laundering
357 laws and regulations. In addition, the commissioner shall not approve
358 such merger or consolidation unless the commissioner considers
359 whether: (A) The investment and lending policies of the constituent
360 banks, or the proposed investment and lending policies of the resulting
361 bank, are consistent with safe and sound banking practices and will
362 benefit the economy of this state; (B) the services or proposed services
363 of the resulting bank are consistent with safe and sound banking
364 practices and will benefit the economy of this state; (C) the constituent
365 banks have sufficient capital to ensure, and agree to ensure, that the
366 resulting bank will comply with applicable minimum capital
367 requirements; (D) the constituent banks have sufficient managerial
368 resources to operate the resulting bank in a safe and sound manner;
369 and (E) the proposed merger or consolidation will not substantially
370 lessen competition in the banking industry of this state. The
371 commissioner shall not approve such merger or consolidation unless
372 the commissioner makes the findings required by section 36a-34 and,
373 in the case of a merger or consolidation of a mutual banking
374 institution, determines that the interests of depositors are protected or
375 served by the agreement of merger or consolidation. After approval of
376 the merger or consolidation by the commissioner, a copy of the
377 agreement and a copy of the commissioner's approval shall be filed in
378 the office of the Secretary of the State. The resulting bank shall not
379 commence business unless its insurable accounts and deposits are
380 insured by the Federal Deposit Insurance Corporation or its successor
381 agency.

382 Sec. 9. Subdivision (1) of subsection (b) of section 36a-135 of the
383 general statutes is repealed and the following is substituted in lieu
384 thereof (*Effective October 1, 2003*):

385 (1) The commissioner shall approve a conversion under this
386 subsection if the commissioner determines that (A) the converting
387 institution has complied with all applicable provisions of law, and (B)
388 the programs, policies and procedures of the converting institution
389 relating to anti-money laundering activity are adequate, and the
390 converting institution has a record of compliance with anti-money
391 laundering laws and regulations.

392 Sec. 10. Subdivision (1) of subsection (c) of section 36a-135 of the
393 general statutes is repealed and the following is substituted in lieu
394 thereof (*Effective October 1, 2003*):

395 (1) The commissioner shall approve a conversion under this
396 subsection if the commissioner determines that: (A) The converting
397 institution has complied with all applicable provisions of law; (B) the
398 converting institution has equity capital at least equal to the minimum
399 equity capital required for the organization of a Connecticut bank; (C)
400 the programs, policies and procedures of the converting institution
401 relating to anti-money laundering activity are adequate, and the
402 converting institution has a record of compliance with anti-money
403 laundering laws and regulations; and [(C)] (D) the proposed
404 conversion will serve the public necessity and convenience.

405 Sec. 11. Subsection (j) of section 36a-136 of the general statutes is
406 repealed and the following is substituted in lieu thereof (*Effective*
407 *October 1, 2003*):

408 (j) The commissioner shall approve a conversion under this section
409 if the commissioner determines that: (1) The converting institution has
410 complied with all applicable provisions of law; (2) the conversion
411 would not result in any reduction of the converting institution's
412 amount of equity capital, less any subordinated debt recognized as
413 bona fide capital; (3) the conversion would not result in a taxable

414 reorganization of the converting institution under the Internal
415 Revenue Code of 1986, or any subsequent corresponding internal
416 revenue code of the United States, as from time to time amended; ~~(4)~~
417 the programs, policies and procedures of the converting institution
418 relating to anti-money laundering activity are adequate, and the
419 converting institution has a record of compliance with anti-money
420 laundering laws and regulations; and ~~[(4)]~~ (5) the plan of conversion is
421 fair to depositors. The converted institution shall not commence
422 business unless its insurable accounts and deposits are insured by the
423 Federal Deposit Insurance Corporation or its successor agency.

424 Sec. 12. Subdivision (1) of subsection (b) of section 36a-137 of the
425 general statutes is repealed and the following is substituted in lieu
426 thereof (*Effective October 1, 2003*):

427 (1) The commissioner shall approve a conversion under this
428 subsection if the commissioner determines (A) that the converting
429 bank has complied with all applicable provisions of law, and (B) the
430 programs, policies and procedures of the converting institution
431 relating to anti-money laundering activity are adequate, and the
432 converting institution has a record of compliance with anti-money
433 laundering laws and regulations.

434 Sec. 13. Subdivision (1) of subsection (d) of section 36a-137 of the
435 general statutes is repealed and the following is substituted in lieu
436 thereof (*Effective October 1, 2003*):

437 (1) The commissioner shall approve a conversion under this
438 subsection if the commissioner determines that: (A) The converting
439 bank has complied with all applicable provisions of law; (B) the
440 converting bank has equity capital at least equal to the minimum
441 equity capital for the organization of a Connecticut bank; ~~(C)~~ the
442 programs, policies and procedures of the converting institution
443 relating to anti-money laundering activity are adequate, and the
444 converting institution has a record of compliance with anti-money
445 laundering laws and regulations; and ~~[(C)]~~ (D) the proposed

446 conversion will serve public necessity and convenience.

447 Sec. 14. Subsection (c) of section 36a-138 of the general statutes is
448 repealed and the following is substituted in lieu thereof (*Effective*
449 *October 1, 2003*):

450 (c) The commissioner shall approve a conversion under this section
451 if the commissioner determines that: (1) The converting institution has
452 complied with all applicable provisions of law; (2) the proposed
453 conversion will serve public necessity and convenience; [and] (3) in the
454 case of a conversion to a mutual savings bank or mutual savings and
455 loan association, the converting institution has equity capital at least
456 equal to the minimum equity capital required for the organization of a
457 Connecticut bank; and (4) the programs, policies and procedures of the
458 converting institution relating to anti-money laundering activity are
459 adequate, and the converting institution has a record of compliance
460 with anti-money laundering laws and regulations. The converted
461 institution shall not commence business unless its insurable accounts
462 and deposits are insured by the Federal Deposit Insurance Corporation
463 or its successor agency.

464 Sec. 15. Subsection (c) of section 36a-185 of the general statutes is
465 repealed and the following is substituted in lieu thereof (*Effective*
466 *October 1, 2003*):

467 (c) The commissioner shall disapprove such offer, invitation,
468 request, agreement or acquisition if: (1) It involves the acquisition of
469 the voting securities or securities convertible into voting securities of a
470 bank that has not been in existence and continuously operating for at
471 least five years, or a holding company, the subsidiary banks of which
472 have not been in existence and continuously operating for at least five
473 years, unless the commissioner waives this requirement; [or] (2) the
474 acquiring person, including all insured depository institutions which
475 are affiliates of the person, upon consummation of the acquisition,
476 would control thirty per cent or more of the total amount of deposits of
477 insured depository institutions in this state, unless the commissioner

478 permits a greater percentage of such deposits; (3) the commissioner
479 cannot make the findings required by section 36a-34; or (4) the
480 programs, policies and procedures of the acquiring person relating to
481 anti-money laundering activity are inadequate, and the acquiring
482 person does not have a record of compliance with anti-money
483 laundering laws and regulations. In making the determination to
484 disapprove or not to disapprove such offer, invitation, request,
485 agreement or acquisition, the commissioner shall consider whether:
486 (A) The investment and lending policies of the bank referred to in the
487 acquisition statement are consistent with safe and sound banking
488 practices and will benefit the economy of this state; (B) the services or
489 proposed services of the bank referred to in the acquisition statement
490 are consistent with safe and sound banking practices and will benefit
491 the economy of this state; (C) the proposed acquisition will not
492 substantially lessen competition in the banking industry of this state;
493 and (D) the acquiring person, if such person would be the beneficial
494 owner of twenty-five per cent or more of any class of voting securities
495 of the bank or holding company referred to in the acquisition
496 statement, (i) has sufficient capital to ensure, and agrees to ensure, that
497 the bank referred to in the acquisition statement will comply with
498 applicable minimum capital requirements, and (ii) has sufficient
499 managerial resources to operate the bank or holding company referred
500 to in the acquisition statement in a safe and sound manner. [The
501 commissioner shall disapprove such offer, invitation, request,
502 agreement or acquisition unless the commissioner can make the
503 findings required by section 36a-34.]

504 Sec. 16. Section 36a-210 of the general statutes is repealed and the
505 following is substituted in lieu thereof (*Effective October 1, 2003*):

506 (a) With the approval of the commissioner, (1) a Connecticut bank
507 or a Connecticut credit union may sell all or a significant part of its
508 assets and business to a bank, and (2) a Connecticut credit union may
509 sell all or a significant part of its assets and business to a Connecticut
510 credit union or a federal credit union. The selling Connecticut bank
511 must have been in existence and continuously operating for at least

512 five years unless the commissioner waives this requirement. The
513 commissioner shall not approve such sale if (A) the purchasing
514 institution, including all insured depository institutions which are
515 affiliates of such institution, upon consummation of the sale, would
516 control thirty per cent or more of the total amount of deposits of
517 insured depository institutions in this state, unless the commissioner
518 permits a greater percentage of such deposits, or (B) the programs,
519 policies and procedures relating to anti-money laundering activities of
520 the purchasing institution are inadequate, or the purchasing institution
521 does not have a record of compliance with anti-money laundering laws
522 and regulations. The selling and purchasing institutions shall file with
523 the commissioner a written agreement approved and executed by a
524 majority of the governing board of each institution prescribing the
525 terms and conditions of the transaction. In the case of a sale of all of the
526 assets and business of the selling institution, the terms of the
527 agreement shall at least provide for full payment of the amounts due
528 depositors, share account holders and creditors of the selling
529 institution. Payment for all or part of the assets of the selling institution
530 may be made in cash or by making available on demand to depositors,
531 share account holders and other creditors thereof funds on deposit
532 with the purchasing institution. Prior to the sale of all or substantially
533 all of the assets and business of an institution pursuant to this section,
534 the selling institution shall obtain authorization for the sale by the
535 affirmative vote of at least: [(A)] (i) Two-thirds of the voting power of
536 the outstanding shares of each class of stock, whether or not otherwise
537 entitled to vote, in the case of a capital stock Connecticut bank; [(B)] (ii)
538 two-thirds of the voting power of the members or depositors, in the
539 case of a mutual savings and loan association or a Connecticut credit
540 union; and [(C)] (iii) two-thirds of the governing board and two-thirds
541 of the voting power of the corporators, in the case of mutual savings
542 bank, which voting power shall, in any event, be no less than twenty-
543 five corporators.

544 (b) In lieu of the vote required by subsection (a) of this section, the
545 commissioner may certify in writing that the protection of depositors,

546 share account holders, members or creditors of the selling institution
547 requires that the sale proceed without delay.

548 (c) When a Connecticut bank or Connecticut credit union has sold
549 and conveyed or arranged to sell and convey all of its assets in
550 accordance with this section, the governing board of the selling
551 institution shall, after receiving the approval of the commissioner as
552 provided in subsection (a), send a written notice of such sale or
553 proposed sale to each of its depositors, share account holders and
554 other known creditors and shall cause a copy of such notice to be
555 published in a newspaper published in this state and having a
556 circulation in the town in which the main office of such institution is
557 located. Such notice shall inform the depositors, share account holders
558 and creditors of the selling institution of the sale and of the terms
559 thereof with reference to payment of depositors, share account holders
560 and creditors. Such notice may provide that creditors other than
561 depositors and share account holders who fail to present their claims
562 to the selling institution within four months of the date of the notice
563 shall be forever barred, and that creditors whose claims are presented
564 within the time limited but which are disallowed by the selling
565 institution shall commence an action to enforce their claims within
566 three months of receipt of written notice disallowing their claims or be
567 forever barred. Depositors or share account holders shall not be
568 required to present claims for deposits or share accounts as shown by
569 the records of the selling institution.

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

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

577 (f) Any surplus remaining in the hands of the selling institution,

578 after it has sold all its assets and business, shall, after payment of the
579 expenses of liquidation, be distributed to those entitled by law to
580 receive such surplus in the manner provided in the agreement of sale.
581 Thereupon the governing board shall file a certificate with the
582 commissioner stating that the affairs of the institution have been fully
583 liquidated. Upon verifying the certificate as to the facts stated therein,
584 the commissioner shall endorse the certificate "approved" and shall file
585 a copy in the office of the Secretary of the State. Upon the finding by
586 the Secretary of the State that the certificate complies with law, the
587 secretary shall endorse the same "approved" and record the certificate.
588 Thereupon the corporate existence of the institution shall cease.

589 (g) No Connecticut bank may purchase all or a significant part of
590 the assets and business of a federal bank, a federal credit union or an
591 out-of-state bank, and no Connecticut credit union may purchase all or
592 a significant part of the assets and business of a federal credit union,
593 without the approval of the commissioner. Such Connecticut bank or
594 Connecticut credit union shall file with the commissioner an
595 application that includes a copy of any notice, application and other
596 information filed with any federal or state banking or credit union
597 regulator in connection with such purchase and such additional
598 information as may be required by the commissioner. The
599 commissioner shall not approve such purchase if: (1) It involves the
600 acquisition of a federal bank or out-of-state bank that has not been in
601 existence and continuously operating for at least five years, unless the
602 commissioner waives this requirement; [or] (2) the purchasing
603 institution, including all insured depository institutions which are
604 affiliates of such institution, upon consummation of the purchase,
605 would control thirty per cent or more of the total amount of deposits of
606 insured depository institutions in this state, unless the commissioner
607 permits a greater percentage of such deposits; or (3) the programs,
608 policies and procedures relating to anti-money laundering activities of
609 the purchasing institution are inadequate, or the purchasing institution
610 does not have a record of compliance with anti-money laundering laws
611 and regulations.

612 (h) No bank or out-of-state bank may purchase or otherwise acquire
613 the assets and business of a Connecticut bank or Connecticut credit
614 union from the receiver of such bank or credit union without the
615 approval of the commissioner.

616 Sec. 17. Section 36a-260 of the general statutes is repealed and the
617 following is substituted in lieu thereof (*Effective October 1, 2003*):

618 (a) A Connecticut bank may make secured and unsecured loans,
619 except as otherwise expressly limited by sections 36a-261 to [36a-265]
620 36a-266, inclusive.

621 (b) At least once a year, the governing board of each Connecticut
622 bank shall adopt a loan policy governing loans made pursuant to
623 sections 36a-260 to 36a-266, inclusive. No Connecticut bank shall make
624 any secured or unsecured loan unless the making of such loan is
625 consistent with such loan policy. The policy shall require written
626 applications for all loans, and address the categories and types of
627 secured and unsecured loans offered by the bank, the manner in which
628 loans will be made and approved, underwriting guidelines and
629 collateral requirements, and, in accordance with safety and soundness,
630 acceptable standards for title review, title insurance and appraiser
631 qualifications, procedures for the approval and selection of appraisers,
632 appraisal and evaluation standards, and the bank's administration of
633 the appraisal and evaluation process. The loan policy and any loan
634 made pursuant to the policy shall be subject to the examination of the
635 commissioner concerning safe and sound banking practices.

636 (c) At least semiannually, the governing board of each Connecticut
637 bank shall review loans made by the Connecticut bank pursuant to
638 sections 36a-260 to 36a-266, inclusive. The minutes of the meetings of
639 such governing board shall recite the results of each such review. The
640 governing board shall cause the Connecticut bank to use reasonable
641 efforts to divest as expeditiously as possible any loan which the
642 governing board, upon its semiannual review, no longer deems
643 prudent or consistent with the Connecticut bank's loan policy.

644 Sec. 18. Section 36a-262 of the general statutes is repealed and the
645 following is substituted in lieu thereof (*Effective October 1, 2003*):

646 (a) Except as otherwise provided in this section, the total direct or
647 indirect liabilities of any one obligor that are not fully secured,
648 however incurred, to any Connecticut bank, exclusive of such bank's
649 investment in the investment securities of such obligor, shall not
650 exceed at the time incurred fifteen per cent of the equity capital and
651 reserves for loan and lease losses of such bank. The total direct or
652 indirect liabilities of any one obligor that are fully secured, however
653 incurred, to any Connecticut bank, exclusive of such bank's investment
654 in the investment securities of such obligor, shall not exceed at the time
655 incurred ten per cent of the equity capital and reserves for loan and
656 lease losses of such bank, provided this limitation shall be separate
657 from and in addition to the limitation on liabilities that are not fully
658 secured. For purposes of this section, a liability shall be considered to
659 be fully secured if it is secured by readily marketable collateral having
660 a market value, as determined by reliable and continuously available
661 price quotations, at least equal to the amount of the liability. For
662 purposes of determining the limitations of this section, in computing
663 the liabilities of an obligor, a liability is incurred at the time of the
664 closing of the transaction, unless such closing is preceded by a legally
665 binding written commitment to enter into the transaction, in which
666 case such liability is incurred at the time of commitment and is net of
667 any liabilities of the obligor to such bank that will be paid with the
668 proceeds of the commitment at the time of closing. The limitations
669 provided for in this subsection may be exceeded for a period of time
670 not to exceed six hours if at the closing of any transaction at which
671 such obligor incurs such liabilities to a Connecticut bank in excess of
672 such limitations, such bank immediately assigns or participates out to
673 one or more other persons an amount that constitutes not less than the
674 excess over the applicable limitation. [For purposes of this section, in
675 computing the liabilities of a partnership the individual liabilities of
676 the general partners shall be included; and in computing the
677 individual liabilities of a general partner, the liabilities of the

678 partnership shall be included.] Obligations as endorser or guarantor of
679 negotiable or nonnegotiable installment consumer paper which carry
680 an agreement to repurchase on default, unless the bank's sole recourse
681 is to an agreed reserve held by it, in which case the liability shall be
682 excluded, a full recourse endorsement or an unconditional guarantee
683 by the person, partnership, association or corporation transferring the
684 same, shall be subject under this section to a limitation of fifteen per
685 cent of the bank's equity capital and reserves for loan and lease losses
686 in addition to the applicable limitations of this section with respect to
687 the makers of such obligations; provided, upon certification by an
688 officer of the bank designated for that purpose by the governing board
689 that the responsibility of each maker of such obligations has been
690 evaluated and the bank is relying primarily upon each such maker for
691 the payment of such obligations, the limitations of this section as to the
692 obligations of each maker shall be the sole applicable loan limitation;
693 and provided such certification shall be in writing and shall be
694 retained as part of the records of such bank.

695 (b) Liabilities of one obligor shall be attributed to another person
696 and each such person shall be deemed to be an obligor when proceeds
697 of a loan are to be used for the direct benefit of the other person, to the
698 extent of the proceeds to be so used, or a common enterprise is deemed
699 to exist between such persons. For purposes of this section, the
700 proceeds of a loan to an obligor shall be deemed to be used for the
701 direct benefit of another person and shall be attributed to the person
702 when the proceeds, or assets purchased with the proceeds, are
703 transferred to another person, other than in a bona fide arm's length
704 transaction where the proceeds are used to acquire property, goods or
705 services. For purposes of this section, a common enterprise shall be
706 deemed to exist and liabilities of separate obligors shall be aggregated:

707 (1) When the expected source of repayment for each liability is the
708 same for each obligor and neither obligor has another source of income
709 from which the liability, together with the obligor's other liabilities,
710 may be fully repaid. An employer shall not be treated as a source of
711 repayment under this subdivision because of wages and salaries paid

712 to an employee, unless the standards of subdivision (2) of this section
713 are met;

714 (2) When loans are made (A) to obligors who are related directly or
715 indirectly through common control, including where one obligor is
716 directly or indirectly controlled by another obligor; and (B) substantial
717 financial interdependence exists between or among the obligors.
718 Substantial financial interdependence is deemed to exist when fifty per
719 cent or more of one obligor's gross receipts or gross expenditures, on
720 an annual basis, are derived from transactions with the other obligor.
721 Gross receipts and expenditures include gross revenues, expenses,
722 intercompany loans, dividends, capital contributions, and similar
723 receipts or payments;

724 (3) When separate persons borrow from a Connecticut bank to
725 acquire a business enterprise of which such obligors will own more
726 than fifty per cent of the voting securities or voting interests, in which
727 case a common enterprise is deemed to exist between the obligors for
728 purposes of combining the acquisition loans; or

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

732 (c) Loans to an obligor and its subsidiary, or to different subsidiaries
733 of an obligor shall not be aggregated unless either the direct benefit or
734 the common enterprise test is met. For purposes of this subsection, a
735 corporation or a limited liability company is a subsidiary of an obligor
736 if the obligor owns or beneficially owns directly or indirectly more
737 than fifty per cent of the voting securities or voting interests of the
738 corporation or company.

739 (d) Loans to a partnership, joint venture, limited liability company
740 or association shall be deemed to be loans to each member of the
741 partnership, joint venture, limited liability company or association.
742 This provision shall not apply to limited partners in limited
743 partnerships or to members of joint ventures, limited liability

744 companies or associations unless the partners or members, by the
745 terms of the partnership or membership agreement, are held generally
746 liable for the debts or actions of the partnership, joint venture, limited
747 liability company or association, and such terms are valid under
748 applicable law. Loans to partners or members of a partnership, joint
749 venture, limited liability company or association are not attributed to
750 the partnership, joint venture, limited liability company or association
751 unless either the direct benefit or the common enterprise test is met.
752 Both the direct benefit and common enterprise tests are met between a
753 partner or member of a partnership, joint venture, limited liability
754 company or association and such partnership, joint venture, limited
755 liability company or association, when loans are made to the partner or
756 member to purchase an interest in the partnership, joint venture,
757 limited liability company or association. Loans to partners or members
758 of a partnership, joint venture, limited liability company or association
759 are not attributed to other members of the partnership, joint venture,
760 limited liability company or association unless either the direct benefit
761 or the common enterprise test is met.

762 (e) Loans to foreign governments and their agencies and
763 instrumentalities shall be aggregated only if the loans fail to meet
764 either the means test or the purpose test at the time the loan is made.
765 The means test is met if the obligor has resources or revenue of its own
766 sufficient to service its debt obligations. If the government's support,
767 excluding guarantees by a central government of the obligor's debt,
768 exceeds the obligor's annual revenues from other sources, it shall be
769 presumed that the means test has not been satisfied. The purpose test
770 is met if the purpose of the loan is consistent with the purposes of the
771 obligor's general business. In order to show that the means test or the
772 purpose test has been satisfied, a Connecticut bank shall, at a
773 minimum, retain in its files the following items:

774 (1) A statement, accompanied by supporting documentation,
775 describing the legal status and the degree of financial and operational
776 autonomy of the borrowing entity;

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

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

782 (4) The bank's assessment of the obligor's means of servicing the
783 loan, including specific reasons in support of that assessment. The
784 assessment shall include an analysis of the obligor's financial history,
785 its present and projected economic and financial performance, and the
786 significance of any financial support provided to the obligor by third
787 parties, including the obligor's central government; and

788 (5) A loan agreement or other written statement from the obligor
789 which clearly describes the purpose of the loan. The written
790 representation shall ordinarily constitute sufficient evidence that the
791 purpose test has been satisfied. However, when, at the time the funds
792 are disbursed, the bank knows or has reason to know of other
793 information suggesting the obligor will use the proceeds in a manner
794 inconsistent with the written representation, it may not, without
795 further inquiry, accept the representation.

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

801 ~~[(c)]~~ (g) Obligations of any one obligor, with the exception of loans
802 secured by mortgage of real estate and insured by the Federal Housing
803 Administrator, which are secured or covered by guaranties, or by
804 commitments or agreements to take over or to purchase, made by the
805 United States or the Federal Reserve Bank or by any department,
806 bureau, board, commission or establishment of the United States,
807 including any corporation wholly owned, directly or indirectly by the
808 United States, which, at the time of making such guaranty or

809 commitment or agreement to take over or purchase, is authorized by
810 law to enter into contracts with any financing institution guaranteeing
811 such financing institution against loss of principal and interest on
812 loans, taxes or advances or agreeing to take over or purchase the same,
813 shall not be subject to any limitation based upon such equity capital
814 and reserves for loan and lease losses.

815 [(d)] (h) Obligations of any one obligor secured by the pledge of
816 direct or fully guaranteed obligations of the United States shall be
817 limited to fifty per cent of such equity capital and reserves for loan and
818 lease losses; except that obligations secured by the pledge of direct or
819 fully guaranteed obligations of the United States which will mature in
820 not more than eighteen months shall not be subject under this section
821 to any limitation based upon such equity capital and reserves for loan
822 and lease losses.

823 [(e)] (i) Any Connecticut bank may accept drafts or bills of exchange
824 drawn upon it having not more than six months' sight to run, exclusive
825 of days of grace, which grow out of transactions involving the
826 importation or exportation of goods, or which grow out of transactions
827 involving the domestic shipment of goods, provided shipping
828 documents conveying or securing title are attached at the time of
829 acceptance, or which are secured at the time of acceptance by a
830 warehouse receipt or other such document conveying or securing title
831 covering readily marketable staples. No Connecticut bank shall accept
832 such bills to an amount equal at any time in the aggregate to more than
833 one-half of its equity capital and reserves for loan and lease losses;
834 provided the commissioner may authorize any Connecticut bank to
835 accept such bills to an amount not exceeding at any time in the
836 aggregate one hundred per cent of its equity capital and reserves for
837 loan and lease losses; provided further, the aggregate of acceptances
838 growing out of domestic transactions shall in no event exceed fifty per
839 cent of such equity capital and reserves for loan and lease losses.

840 [(f)] (j) The following shall not be subject under this section to any
841 limitation based upon such equity capital and reserves for loan and

842 lease losses: (1) Obligations in the form of bankers' acceptances of other
843 banks, provided such acceptances have at the time of discount not
844 more than six months' sight, exclusive of days of grace, and are
845 endorsed by at least one other bank; (2) obligations resulting from the
846 purchase of securities subject to a resale agreement; and (3) the rental
847 obligation of a lessee of real or personal property under a lease made
848 or held by such bank.

849 [(g)] (k) Obligations of any one obligor which are secured by a first
850 mortgage on real estate shall be limited to fifty per cent of such equity
851 capital and reserves for loan and lease losses, provided the total
852 obligations to any one obligor to which this subsection and subsection
853 (a) of this section apply shall not exceed fifty per cent of such equity
854 capital and reserves for loan and lease losses. Loans made to
855 manufacturing, industrial or commercial borrowers when the bank
856 looks for repayment out of the operations of the borrowers' business,
857 relying primarily on the borrowers' general credit standing and
858 forecast of operation, shall not be considered to be secured by a
859 mortgage on real estate for purposes of this subsection, even though
860 such loan may be secured by a mortgage on real estate.

861 Sec. 19. Subsection (a) of section 36a-263 of the general statutes is
862 repealed and the following is substituted in lieu thereof (*Effective*
863 *October 1, 2003*):

864 (a) As used in this section, "executive officer" has the meaning given
865 to such term in 12 CFR 215.2 of Subpart A of Federal Reserve Board
866 Regulation O, 12 CFR Part 215, as from time to time amended. With
867 the exception of Sections 215.7 and 215.13 of Subpart A of Federal
868 Reserve Board Regulation O, 12 CFR Part 215, as from time to time
869 amended, Connecticut banks are subject to and shall comply with the
870 restrictions contained in 12 CFR Sections 337.3 and 349, as from time to
871 time amended, and no executive officer, director or principal
872 shareholder of a Connecticut bank or any of its affiliates shall
873 knowingly receive, or knowingly permit any of such person's related
874 interests to receive, from a Connecticut bank, directly or indirectly, any

875 extension of credit that violates such restrictions. No executive officer,
876 director, employee, agent or other person shall participate in any
877 conduct of the affairs of the bank that violates this subsection.

878 Sec. 20. Section 36b-6 of the general statutes is repealed and the
879 following is substituted in lieu thereof (*Effective October 1, 2003*):

880 (a) No person shall transact business in this state as a broker-dealer
881 unless [he] such person is registered under sections 36b-2 to 36b-33,
882 inclusive. No person shall transact business in this state as a broker-
883 dealer in contravention of a currently effective sanction imposed by the
884 Securities and Exchange Commission or by a self-regulatory
885 organization registered under the federal laws administered by the
886 Securities and Exchange Commission of which such person is a
887 member, if the sanction would prohibit such person from effecting
888 transactions in securities in this state. No individual shall transact
889 business as an agent in this state unless [he] such individual is (1)
890 registered as an agent of the broker-dealer or issuer whom [he] such
891 individual represents in transacting such business, or (2) an associated
892 person who represents a broker-dealer in effecting transactions
893 described in subdivisions (2) and (3) of [section] Section 15(h) of the
894 Securities Exchange Act of 1934. No individual shall transact business
895 in this state as an agent of a broker-dealer in contravention of a
896 currently effective sanction imposed by the Securities and Exchange
897 Commission or a self-regulatory organization registered under the
898 federal laws administered by the Securities and Exchange Commission
899 of which the employing broker-dealer of such individual is a member,
900 if the sanction would prohibit such individual from effecting
901 transactions in securities in this state.

902 (b) No issuer shall employ an agent unless such agent is registered
903 under sections 36b-2 to 36b-33, inclusive. No broker-dealer shall
904 employ an agent unless such agent is (1) registered under sections 36b-
905 2 to 36b-33, inclusive, or (2) an associated person who represents a
906 broker-dealer in effecting transactions described in subdivisions (2)
907 and (3) of section 15(h) of the Securities Exchange Act of 1934. The

908 registration of an agent is not effective during any period when [he]
909 such agent is not associated with a particular broker-dealer registered
910 under [said] sections 36b-2 to 36b-33, inclusive, or a particular issuer.
911 When an agent begins or terminates a connection with a broker-dealer
912 or issuer, or begins or terminates those activities which make [him]
913 such individual an agent, both the agent and the broker-dealer or
914 issuer shall promptly notify the commissioner.

915 (c) No person shall transact business as an investment adviser,
916 within or from this state, unless registered as such by the
917 commissioner as provided in sections 36b-2 to 36b-33, inclusive, or
918 exempted pursuant to subsection (e) of this section. No individual
919 shall transact business as an investment adviser agent, within or from
920 this state, unless [he] such individual is registered as an investment
921 adviser agent of the investment adviser for whom [he] such individual
922 acts in transacting such business. No investment adviser shall engage
923 an investment adviser agent unless such investment adviser agent is
924 registered under said sections. The registration of an investment
925 adviser agent is not effective during any period when [he] such
926 investment adviser agent is not associated with a particular investment
927 adviser. When an investment adviser agent begins or terminates a
928 connection with an investment adviser, both the investment adviser
929 agent and the investment adviser shall promptly notify the
930 commissioner. If an investment adviser or investment adviser agent
931 provides such notice, such investment adviser or investment adviser
932 agent shall not be liable for the failure of the other to give such notice.

933 (d) No broker-dealer or investment adviser shall transact business
934 from any place of business located within this state unless that place of
935 business is registered as a branch office with the commissioner
936 pursuant to this subsection, [provided an investment adviser that is
937 registered with the Securities and Exchange Commission may, in lieu
938 of filing an application for branch office registration, file a notice with
939 the commissioner for each branch office of the adviser located within
940 this state together with a nonrefundable notice fee of one hundred
941 dollars per branch office.] An application for branch office registration

942 shall be made on forms prescribed by the commissioner and shall be
943 filed with the commissioner, together with a nonrefundable
944 application fee of one hundred dollars per branch office. A broker-
945 dealer or investment adviser [, other than an investment adviser that is
946 registered with the Securities and Exchange Commission,] shall
947 promptly notify the commissioner in writing if such broker-dealer or
948 investment adviser (1) engages a new manager at a branch office in
949 this state, (2) acquires a branch office of another broker-dealer or
950 investment adviser in this state, or (3) relocates a branch office in this
951 state. In the case of a branch office acquisition or relocation, such
952 broker-dealer or investment adviser shall pay to the commissioner a
953 nonrefundable fee of one hundred dollars. [An investment adviser that
954 is registered with the Securities and Exchange Commission shall notify
955 the commissioner of an acquisition or relocation of any branch office of
956 the investment adviser in this state in the same manner as and
957 concurrently with the notification of such information to the Securities
958 and Exchange Commission and shall pay to the commissioner a
959 nonrefundable fee of one hundred dollars.] Each registrant or
960 applicant for branch office registration [, and each investment adviser
961 with a branch office in this state that is registered with the Securities
962 and Exchange Commission,] shall pay the actual cost, as determined
963 by the commissioner, of any reasonable investigation or examination
964 made of such registrant [,] or applicant [or investment adviser] by or
965 on behalf of the commissioner.

966 (e) The following investment advisers are exempted from the
967 registration requirements under subsection (c) of this section: Any
968 investment adviser that (1) is registered or required to be registered
969 under Section 203 of the Investment Advisers Act of 1940; (2) is
970 excepted from the definition of investment adviser under Section
971 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of
972 business in this state and, during the preceding twelve months, has
973 had no more than five clients who are residents of this state. Any
974 investment adviser claiming an exemption pursuant to subdivision (1)
975 or (2) of this subsection that is not otherwise excluded under

976 subsection (10) of section 36b-3, shall first file with the commissioner a
977 notice of exemption together with a consent to service of process as
978 required by subsection (g) of section 36b-33. The notice of exemption
979 shall contain such information as the commissioner may require and
980 shall be accompanied by a nonrefundable fee of two hundred fifty
981 dollars. Such notice of exemption shall be valid until December thirty-
982 first of the calendar year in which it was first filed and may be
983 renewed annually thereafter upon submission of such information as
984 the commissioner may require together with a nonrefundable fee of
985 one hundred fifty dollars. If any investment adviser that is exempted
986 from registration pursuant to subdivision (1) or (2) of this subsection
987 fails or refuses to pay any fee required by this subsection, the
988 commissioner may require such investment adviser to register
989 pursuant to subsection (c) of this section. For purposes of this
990 subsection, a delay in the payment of a fee or an underpayment of a
991 fee which is promptly remedied shall not constitute a failure or refusal
992 to pay such fee.

993 (f) Any broker-dealer or investment adviser ceasing to transact
994 business at any office in this state shall, in addition to providing
995 written notice to the commissioner prior to the termination of business
996 activity at that office, (1) provide written notice to each customer or
997 client serviced by such office at least ten business days prior to the
998 termination of business activity at that office, or (2) demonstrate to the
999 commissioner, in writing, the reasons why such notice to customers or
1000 clients cannot be provided within the time prescribed. If the
1001 commissioner finds that the broker-dealer or investment adviser
1002 cannot provide notice to customers or clients at least ten business days
1003 prior to the termination of business activity, the commissioner may
1004 exempt the broker-dealer or investment adviser from giving such
1005 notice. The commissioner shall act upon a request for such exemption
1006 within five business days following [his] receipt by the commissioner
1007 of the written request for such an exemption. The notice to customers
1008 or clients shall contain the following information: The date and reasons
1009 why business activity will terminate at the office; if applicable, a

1010 description of the procedure the customer or client may follow to
1011 maintain the customer's account at any other office of the broker-
1012 dealer or investment adviser; the procedure for transferring the
1013 customer's or client's account to another broker-dealer or investment
1014 adviser; and the procedure for making delivery to the customer or
1015 client of any funds or securities held by the broker-dealer or
1016 investment adviser.

1017 (g) Any broker-dealer or investment adviser ceasing to transact
1018 business at any office in this state as a result of executing an agreement
1019 and plan of merger or acquisition shall provide written notice to the
1020 commissioner and to each customer or client serviced by such office
1021 not later than the date such merger or acquisition is completed. The
1022 notice provided to each customer or client shall contain the
1023 information specified in subsection (f) of this section.

1024 (h) Any broker-dealer or investment adviser ceasing to transact
1025 business at any office in this state as a result of the commencement of a
1026 bankruptcy proceeding by such broker-dealer or investment adviser or
1027 by a creditor or creditors of such broker-dealer or investment adviser
1028 shall immediately upon the filing of a petition with the bankruptcy
1029 court, provide written notice to the commissioner. The commissioner
1030 shall determine the time and manner in which notice shall be provided
1031 to each customer or client serviced by such office.

1032 (i) For purposes of subsections (d), (f), (g) and (h) of this section,
1033 "investment adviser" means an investment adviser registered or
1034 required to be registered with the commissioner.

1035 Sec. 21. Section 36b-12 of the general statutes is repealed and the
1036 following is substituted in lieu thereof (*Effective October 1, 2003*):

1037 (a) Each person applying for registration as a broker-dealer or
1038 investment adviser shall pay to the commissioner, or to any person
1039 designated by the commissioner in writing to collect such fee on [his
1040 behalf a] behalf of the commissioner, a nonrefundable fee of two
1041 hundred fifty dollars, [which shall not be refunded.]

1042 (b) Each person applying for registration as an agent or investment
1043 adviser agent shall pay to the commissioner, or to any person
1044 designated by the commissioner to collect such fee on [his behalf a]
1045 behalf of the commissioner, a nonrefundable fee of fifty dollars. [which
1046 shall not be refunded.]

1047 (c) Each registration issued pursuant to this section shall expire at
1048 the close of business on December thirty-first of [each calendar year
1049 unless renewed] the year of its issuance.

1050 (d) [Each] (1) Except as provided in subdivision (2) of this
1051 subsection, each person registered as an agent or investment adviser
1052 agent, requesting transfer of [his] the registration of such agent or
1053 investment adviser agent to another registered broker-dealer or
1054 investment adviser, shall pay to the commissioner, or to any person
1055 designated by the commissioner in writing to collect such fee on [his]
1056 behalf of the commissioner, a fee of fifty dollars for each transfer
1057 requested.

1058 (2) Each broker-dealer or investment adviser receiving a mass
1059 transfer shall pay to the commissioner, or to any person designated by
1060 the commissioner in writing to collect such fee on behalf of the
1061 commissioner, a fee of fifty dollars for each agent or investment
1062 adviser agent whose registration is transferred. For purposes of this
1063 subsection, "mass transfer" means a transfer of multiple agents of a
1064 broker-dealer or investment adviser agents of an investment adviser
1065 from a transferring broker-dealer or investment adviser to a receiving
1066 broker-dealer or investment adviser due to a cessation of business
1067 activity, succession, acquisition, merger, consolidation or other
1068 reorganization affecting the transferring broker-dealer or investment
1069 adviser.

1070 (e) Each person [so] applying for registration under subsection (a) or
1071 (b) of this section, or both of said subsections, and any registrant
1072 applying for renewal of such registration under section 36b-13 shall
1073 pay the actual cost, as determined by the commissioner, of any

1074 reasonable investigation or examination made of such applicant or
1075 registrant by or on behalf of the commissioner.

1076 Sec. 22. Subsection (a) of section 36b-15 of the general statutes is
1077 repealed and the following is substituted in lieu thereof (*Effective*
1078 *October 1, 2003*):

1079 (a) The commissioner may by order deny, suspend or revoke any
1080 registration or by order restrict or impose conditions on the securities
1081 or investment advisory activities that an applicant or registrant may
1082 perform in this state if [he] the commissioner finds that (1) [that] the
1083 order is in the public interest, and (2) [that] the applicant or registrant
1084 or, in the case of a broker-dealer or investment adviser, any partner,
1085 officer, or director, any person occupying a similar status or
1086 performing similar functions, or any person directly or indirectly
1087 controlling the broker-dealer or investment adviser: (A) Has filed an
1088 application for registration which as of its effective date, or as of any
1089 date after filing in the case of an order denying effectiveness, was
1090 incomplete in any material respect or contained any statement which
1091 was, in light of the circumstances under which it was made, false or
1092 misleading with respect to any material fact; (B) has wilfully violated
1093 or wilfully failed to comply with any provision of sections 36b-2 to
1094 36b-33, inclusive, or a predecessor statute or any regulation or order
1095 under said sections or a predecessor statute; (C) has been convicted,
1096 within the past ten years, of any misdemeanor involving a security,
1097 any aspect of the securities business, or any felony, provided any
1098 denial, suspension or revocation of such registration shall be in
1099 accordance with the provisions of section 46a-80; (D) is permanently or
1100 temporarily enjoined by any court of competent jurisdiction from
1101 engaging in or continuing any conduct or practice involving any
1102 aspect of the securities or commodities business; (E) is the subject of a
1103 cease and desist order of the commissioner or an order of the
1104 commissioner denying, suspending, or revoking registration as a
1105 broker-dealer, agent, investment adviser or investment adviser agent;
1106 (F) is the subject of any of the following sanctions that are currently
1107 effective or were imposed within the past [five] ten years: (i) An order

1108 issued by the securities administrator of any other state, Canadian
1109 province or territory, or by the Securities and Exchange Commission or
1110 the Commodity Futures Trading Commission denying, suspending or
1111 revoking registration as a broker-dealer, agent, investment adviser,
1112 investment adviser agent or a person required to be registered under
1113 the Commodity Exchange Act, [as amended,] 7 USC 1 et seq., as from
1114 time to time amended, and the rules and regulations thereunder, or the
1115 substantial equivalent of those terms as defined in sections 36b-2 to
1116 36b-33, inclusive, (ii) an order of the Securities and Exchange
1117 Commission or Commodity Futures Trading Commission suspending
1118 or expelling [him] such applicant, registrant or person from a national
1119 securities or commodities exchange or national securities or
1120 commodities association registered under the Securities Exchange Act
1121 of 1934 or the Commodity Exchange Act, [as amended,] 7 USC 1 et
1122 seq., as from time to time amended, or, in the case of an individual, an
1123 order of the Securities and Exchange Commission or an equivalent
1124 order of the commodity futures trading commission barring [the] such
1125 individual from association with a broker-dealer or an investment
1126 adviser, (iii) a suspension, expulsion or other sanction issued by a
1127 national securities exchange or other self-regulatory organization
1128 registered under federal laws administered by the Securities and
1129 Exchange Commission or the Commodity Futures Trading
1130 Commission if the effect of the sanction has not been stayed or
1131 overturned by appeal or otherwise, (iv) a United States Post Office
1132 fraud order, or (v) a cease and desist order entered by the Securities
1133 and Exchange Commission or the securities agency or administrator of
1134 [another] any other state or Canadian province or territory; but [(aa)
1135 the commissioner may not] the commissioner may not (I) institute a
1136 revocation or suspension proceeding under this subparagraph more
1137 than [one year] five years from the date of the sanction relied on, and
1138 [(bb) he may not] (II) enter an order under this subparagraph on the
1139 basis of an order under [another] any other state act unless that order
1140 was based on facts which would constitute a ground for an order
1141 under this section; (G) may [under federal law] be denied registration
1142 under federal law as a broker-dealer, agent, investment adviser,

1143 investment adviser agent or as a person required to be registered
1144 under the Commodity Exchange Act, as amended, 7 USC 1 et seq., and
1145 the rules and regulations promulgated thereunder, or the substantial
1146 equivalent of those terms as defined in sections 36b-2 to 36b-33,
1147 inclusive; (H) has engaged in fraudulent, dishonest or unethical
1148 practices in the securities or commodities business, including abusive
1149 sales practices in the business dealings of such applicant, registrant or
1150 person with current or prospective customers or clients; (I) is insolvent,
1151 either in the sense that [his] the liabilities of such applicant, registrant
1152 or person exceed [his assets] the assets of such applicant, registrant or
1153 person, or in the sense that [he] such applicant, registrant or person
1154 cannot meet [his] the obligations of such applicant, registrant or person
1155 as they mature; but the commissioner may not enter an order against a
1156 broker-dealer or investment adviser under this subparagraph without
1157 a finding of insolvency as to the broker-dealer or investment adviser;
1158 (J) is not qualified on the basis of such factors as training, experience,
1159 and knowledge of the securities business, except as otherwise
1160 provided in subsection (b) of this section; (K) has failed reasonably to
1161 supervise [his] the agents of such applicant or registrant if [he] the
1162 applicant, registrant or person is a broker-dealer or an agent charged
1163 with exercising supervisory authority on behalf of the broker-dealer, or
1164 [his] such applicant's or registrant's investment adviser agents if [he]
1165 the applicant or registrant is an investment adviser; (L) in connection
1166 with any investigation conducted pursuant to section 36b-26 or any
1167 examination under subsection (d) of section 36b-14, has made any
1168 material misrepresentation to the commissioner or upon request made
1169 by the commissioner, has withheld or concealed material information
1170 from, or refused to furnish material information to the commissioner,
1171 provided, there shall be a rebuttable presumption that any records,
1172 including, but not limited to, written, visual, audio, magnetic or
1173 electronic records, computer printouts and software, and any other
1174 documents, that are withheld or concealed from the commissioner in
1175 connection with any such investigation or examination are material,
1176 unless such presumption is rebutted by substantial evidence; or (M)
1177 has failed to pay the proper filing fee; but the commissioner may enter

1178 only a denial order under this subparagraph, and [he] the
1179 commissioner shall vacate any such order when the deficiency has
1180 been corrected. The commissioner may not institute a suspension or
1181 revocation proceeding on the basis of a fact or transaction known to
1182 [him] the commissioner when the registration became effective unless
1183 the proceeding is instituted within one hundred eighty days of the
1184 effective date of such registration.

1185 Sec. 23. Section 36b-27 of the general statutes is repealed and the
1186 following is substituted in lieu thereof (*Effective October 1, 2003*):

1187 (a) Whenever it appears to the commissioner after an investigation
1188 that any person or persons have violated, are violating or are about to
1189 violate any of the provisions of sections 36b-2 to 36b-33, inclusive, or
1190 any regulation, rule or order adopted or issued under said sections, or
1191 that the further sale or offer to sell securities would constitute a
1192 violation of said sections or any such regulation, rule or order, or that
1193 any person or persons have engaged in a dishonest or unethical
1194 practice in the securities or commodities business within the meaning
1195 of sections 36b-31-15a to 36b-31-15d, inclusive, of the regulations of
1196 Connecticut state agencies, the commissioner may in the
1197 commissioner's discretion order the person or persons or any other
1198 person that is, was or would be a cause of the violation of such sections
1199 or any such regulation, rule or order, due to an act or omission such
1200 other person knew or should have known would contribute to such
1201 violation, to cease and desist from the violations or the causing of the
1202 violations of the provisions of said sections or of the regulations, rules
1203 or orders thereunder, or from the further sale or offer to sell securities
1204 constituting or which would constitute a violation of the provisions of
1205 said sections or of the regulations, rules or orders thereunder, or from
1206 further engaging in such dishonest or unethical practice. After such an
1207 order is issued, the person or persons named [therein] in the order
1208 may, within fourteen days after receipt of the order, file a written
1209 request for a hearing. [Said] Any such hearing shall be held in
1210 accordance with the provisions of chapter 54.

1211 (b) Whenever it appears to the commissioner, after an investigation,
1212 that any person or persons have violated any of the provisions of
1213 sections 36b-2 to 36b-33, inclusive, or any regulation, rule or order
1214 adopted or issued under said sections, or that the further sale or offer
1215 to sell securities would constitute a violation of said sections or any
1216 such regulation, rule or order, or that such person or persons have
1217 engaged in a dishonest or unethical practice in the securities or
1218 commodities business within the meaning of sections 36b-31-15a to
1219 36b-31-15d, inclusive, of the regulations of Connecticut state agencies,
1220 the commissioner may, in addition to any other remedy under this
1221 section, ~~[(1)]~~ order the person or persons to (1) make restitution of any
1222 sums shown to have been obtained in violation of any of the
1223 provisions of said sections or any such regulation, rule or order or as a
1224 result of such dishonest or unethical practice plus interest at the legal
1225 rate set forth in section 37-1, ~~[and (2) order the person or persons to]~~ (2)
1226 provide disgorgement of any sums shown to have been obtained in
1227 violation of any of the provisions of said sections or any such
1228 regulation, rule or order or as a result of such dishonest or unethical
1229 practice, or (3) both make restitution and provide disgorgement. After
1230 such an order is issued, the person or persons named ~~[therein]~~ in the
1231 order may, within fourteen days after receipt of the order, file a written
1232 request for a hearing. ~~[Said]~~ Any such hearing shall be held in
1233 accordance with the provisions of chapter 54.

1234 (c) The commissioner, in the commissioner's discretion, may order
1235 any person who directly or indirectly controls a person liable under
1236 subsection (b) of this section to make restitution, ~~[or to]~~ provide
1237 disgorgement, or both, of any sums shown to have been obtained as a
1238 result of a dishonest or unethical practice or in violation of any of the
1239 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule
1240 or order adopted or issued under said sections. Such controlling
1241 person shall be liable jointly and severally with and to the same extent
1242 as the person liable under subsection (b) of this section, unless such
1243 controlling person allegedly liable under this subsection sustains the
1244 burden of proof that such person did not know, and in the exercise of

1245 reasonable care could not have known, of the existence of facts by
1246 reason of which the liability is alleged to exist. After such an order is
1247 issued, the person or persons named [therein] in the order may, within
1248 fourteen days after receipt of the order, file a written request for a
1249 hearing. [Said] Any such hearing shall be held in accordance with the
1250 provisions of chapter 54. There shall be contribution as in cases of
1251 contract among the several persons so liable under this subsection.

1252 (d) (1) Whenever the commissioner finds as the result of an
1253 investigation that any person or persons have violated any of the
1254 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule
1255 or order adopted or issued under said sections, the commissioner may
1256 send a notice to such person or persons by registered mail, return
1257 receipt requested, or by any express delivery carrier that provides a
1258 dated delivery receipt. Any such notice shall include: (A) A reference
1259 to the title, chapter, regulation, rule or order alleged to have been
1260 violated; (B) a short and plain statement of the matter asserted or
1261 charged; (C) the maximum fine that may be imposed for such
1262 violation; and (D) the time and place for the hearing. [Such] Any such
1263 hearing shall be fixed for a date not earlier than fourteen days after the
1264 notice is mailed.

1265 (2) The commissioner shall hold a hearing upon the charges made
1266 unless such person or persons fail to appear at the hearing. [Said] Any
1267 such hearing shall be held in accordance with the provisions of chapter
1268 54. After the hearing if the commissioner finds that the person or
1269 persons have violated any of the provisions of sections 36b-2 to 36b-33,
1270 inclusive, or any regulation, rule or order adopted or issued under said
1271 sections, the commissioner may, in the commissioner's discretion and
1272 in addition to any other remedy authorized by said sections, order that
1273 a fine not exceeding [ten] one hundred thousand dollars per violation
1274 be imposed upon such person or persons. If such person or persons fail
1275 to appear at the hearing, the commissioner may, as the facts require,
1276 order that a fine not exceeding [ten] one hundred thousand dollars per
1277 violation be imposed upon such person or persons. The commissioner
1278 shall send a copy of any order issued pursuant to this subsection by

1279 registered mail, return receipt requested, or by any express delivery
1280 carrier that provides a dated delivery receipt, to any person or persons
1281 named in such order.

1282 (e) Whenever it appears to the commissioner that any person or
1283 persons have violated, are violating or are about to violate any of the
1284 provisions of sections 36b-2 to 36b-33, inclusive, or any regulation, rule
1285 or order adopted or issued under said sections, or that the further sale
1286 or offer to sell securities would constitute a violation of said sections or
1287 any such regulation, rule or order, the commissioner may, in the
1288 commissioner's discretion and in addition to any other remedy
1289 authorized by this section: (1) Bring an action in the superior court for
1290 the judicial district of Hartford to enjoin the acts or practices and to
1291 enforce compliance with sections 36b-2 to 36b-33, inclusive, or any
1292 such regulation, rule or order. Upon a proper showing a permanent or
1293 temporary injunction, restraining order or writ of mandamus shall be
1294 granted and a receiver or conservator may be appointed for the
1295 defendant or the defendant's assets. The court shall not require the
1296 commissioner to post a bond; (2) seek a court order imposing a fine not
1297 to exceed [ten] one hundred thousand dollars per violation against any
1298 person found to have violated any order issued by the commissioner;
1299 or (3) apply to the superior court for the judicial district of Hartford for
1300 an order of restitution whereby the defendants in such action shall be
1301 ordered to make restitution of those sums shown by the commissioner
1302 to have been obtained by them in violation of any of the provisions of
1303 sections 36b-2 to 36b-33, inclusive, or any such regulation, rule or
1304 order, plus interest at the rate set forth in section 37-3a. Such
1305 restitution shall, at the option of the court, be payable to the receiver or
1306 conservator appointed pursuant to this subsection, or directly to the
1307 persons whose assets were obtained in violation of any provision of
1308 sections 36b-2 to 36b-33, inclusive, or any such regulation, rule or
1309 order.

1310 (f) Any time after the issuance of an order or notice provided for in
1311 subsection (a), (b) or (c) or subdivision (1) of subsection (d) of this
1312 section, the commissioner may accept an agreement by any respondent

1313 named in such order or notice to enter into a written consent order in
1314 lieu of an adjudicative hearing. The acceptance of a consent order shall
1315 be within the complete discretion of the commissioner. The consent
1316 order provided for in this subsection shall contain (1) an express
1317 waiver of the right to seek judicial review or otherwise challenge or
1318 contest the validity of the order or notice; (2) a provision that the order
1319 or notice may be used in construing the terms of the consent order; (3)
1320 a statement that the consent order shall become final when issued; (4) a
1321 specific assurance that none of the violations or dishonest or unethical
1322 practices alleged in the order or notice shall occur in the future; (5)
1323 such other terms and conditions as are necessary to further the
1324 purposes and policies of sections 36b-2 to 36b-33, inclusive; (6) the
1325 signature of each of the individual respondents evidencing such
1326 respondent's consent; and (7) the signature of the commissioner or of
1327 the commissioner's authorized representative.

1328 Sec. 24. Subsection (f) of section 36b-29 of the general statutes is
1329 repealed and the following is substituted in lieu thereof (*Effective*
1330 *October 1, 2003*):

1331 (f) No person may bring an action under this section more than two
1332 years after the date of the contract of sale or of the contract for
1333 investment advisory services, except that (1) with respect to actions
1334 arising out of intentional misrepresentation or fraud in the purchase or
1335 sale of any interest in any limited partnership not required to be
1336 registered under the Securities Act of 1933, no person may bring an
1337 action more than one year from the date when the misrepresentation
1338 or fraud is discovered, except that no such action may be brought more
1339 than five years from the date of such misrepresentation or fraud,
1340 [provided, with respect to an action pending on July 1, 1993, that
1341 asserts facts upon which a claim could be asserted under this section
1342 on and after July 1, 1993, and which claim is asserted prior to January
1343 1, 1994, no such action may be brought for intentional
1344 misrepresentation or fraud that occurred more than five years prior to
1345 the date of the filing of the complaint in such action,] and (2) with
1346 respect to actions arising out of intentional misrepresentation or fraud

1347 in the purchase or sale of securities other than securities described in
1348 subdivision (1) of this subsection, no person may bring an action more
1349 than one year from the date when the misrepresentation or fraud is
1350 discovered or in the exercise of reasonable care should have been
1351 discovered, except that no such action may be brought more than three
1352 years from the date of such misrepresentation or fraud.

1353 Sec. 25. Subsection (d) of section 36a-448a of the general statutes is
1354 repealed and the following is substituted in lieu thereof (*Effective*
1355 *October 1, 2003*):

1356 (d) Each director, upon such director's election, shall take and
1357 subscribe to an oath or affirmation that the director (1) will diligently
1358 and honestly perform the duties of director in administering the affairs
1359 of the Connecticut credit union; (2) will remain responsible for the
1360 performance of the duties of director even if the director delegates the
1361 performance of such duties; and (3) will not knowingly or wilfully
1362 permit the violation of any law or regulation applicable to credit
1363 unions. Each such oath or affirmation shall be recorded in the minutes
1364 of the governing board, and the Connecticut credit union shall
1365 promptly file a copy of such minutes with the commissioner.

1366 Sec. 26. Subdivision (1) of subsection (b) of section 36a-468a of the
1367 general statutes is repealed and the following is substituted in lieu
1368 thereof (*Effective October 1, 2003*):

1369 (b) (1) The Commissioner of Banking shall not approve a merger
1370 pursuant to this section unless the Commissioner of Banking considers
1371 whether (A) the merging credit unions have engaged in any unsafe or
1372 unsound practice during the one-year period preceding the date on
1373 which the merger application is filed with the Commissioner of
1374 Banking; (B) the resulting credit union will be adequately capitalized;
1375 (C) the resulting credit union will have the managerial capability and
1376 the financial resources to serve the proposed membership; (D) the
1377 proposed merger will substantially lessen competition in the
1378 Connecticut credit union industry; [and] (E) the proposed merger will

1379 have a beneficial effect in meeting the convenience and needs of the
1380 proposed membership; and (F) the programs, policies and procedures
1381 of the merging credit unions or the resulting credit union relating to
1382 anti-money laundering activity are adequate, and the merging credit
1383 unions have a record of compliance with anti-money laundering laws
1384 and regulations.

1385 Sec. 27. Subsection (e) of section 36a-468b of the general statutes is
1386 repealed and the following is substituted in lieu thereof (*Effective*
1387 *October 1, 2003*):

1388 (e) The Commissioner of Banking shall approve a conversion under
1389 this section if the Commissioner of Banking determines that (1) the
1390 converting credit union has complied with the requirements of
1391 sections 36a-435a to 36a-472a, inclusive, and (2) the programs, policies
1392 and procedures of the converting credit union relating to anti-money
1393 laundering activity are adequate, and the converting credit union has a
1394 record of compliance with anti-money laundering laws and
1395 regulations.

1396 Sec. 28. Subsection (b) of section 36a-469b of the general statutes is
1397 repealed and the following is substituted in lieu thereof (*Effective*
1398 *October 1, 2003*):

1399 (b) When the Commissioner of Banking has been satisfied that all of
1400 the requirements of subsection (a) of this section, and all other
1401 requirements of sections 36a-435a to 36a-472a, inclusive, have been
1402 complied with, and the Commissioner of Banking determines that (1)
1403 the conversion would serve the economic needs of the proposed field
1404 of membership and is in accordance with sound credit union practices,
1405 (2) the converting credit union will have the managerial capacity and
1406 the financial resources to serve the proposed membership group, [and]
1407 (3) the converting credit union has adequate net worth to meet all
1408 applicable regulatory requirements, and (4) the programs, policies and
1409 procedures of the converting credit union relating to anti-money
1410 laundering activity are adequate, and the converting credit union has a

1411 record of compliance with anti-money laundering laws and
1412 regulations, the Commissioner of Banking shall (A) issue an approval
1413 of the conversion, which may contain such conditions as the
1414 Commissioner of Banking may require, and (B) issue a certificate of
1415 authority to engage in the business of a Connecticut credit union.

1416 Sec. 29. Subsection (d) of section 36a-469c of the general statutes is
1417 repealed and the following is substituted in lieu thereof (*Effective*
1418 *October 1, 2003*):

1419 (d) The Commissioner of Banking shall not approve the conversion
1420 unless the commissioner determines that: (1) The converting credit
1421 union has complied with all applicable provisions of law; (2) the
1422 converting credit union has equity capital at least equal to the
1423 minimum equity capital required for the organization of the type of
1424 mutual Connecticut bank to which it is converting; (3) the proposed
1425 conversion will serve the public necessity and convenience; (4)
1426 conditions in the locality in which the proposed mutual Connecticut
1427 bank will transact business afford reasonable promise of successful
1428 operation; [and] (5) the proposed directors and executive officers
1429 possess capacity and fitness for the duties and responsibilities with
1430 which they will be charged; and (6) the programs, policies and
1431 procedures of the converting credit union relating to anti-money
1432 laundering activity are adequate, and the converting credit union has a
1433 record of compliance with anti-money laundering laws and
1434 regulations. If the commissioner cannot make such determination with
1435 respect to any such proposed director or proposed executive officer,
1436 the commissioner may refuse to allow such proposed director or
1437 proposed executive officer to serve in such capacity in the proposed
1438 mutual Connecticut bank. As used in this subsection, "executive
1439 officer" means every officer of the proposed mutual Connecticut bank
1440 who participates or has authority to participate, other than in the
1441 capacity of a director, in major policy-making functions of the
1442 proposed mutual Connecticut bank, regardless of whether such officer
1443 has an official title or whether such officer's title contains a designation
1444 of assistant or whether such officer serves without salary or other

1445 compensation. The vice president, the chief financial officer, secretary
1446 and treasurer of the proposed mutual Connecticut bank are presumed
1447 to be executive officers, unless, by resolution of the governing board or
1448 by the proposed mutual Connecticut bank's bylaws, any such officer is
1449 excluded from participation in major policy-making functions, other
1450 than in the capacity of a director of the proposed mutual Connecticut
1451 bank, and such officer does not actually participate in major policy-
1452 making functions.

1453 Sec. 30. (NEW) (*Effective October 1, 2003*) Each director of a
1454 Connecticut bank, upon such director's election, shall take and
1455 subscribe to an oath or affirmation that the director: (1) Will diligently
1456 and honestly perform the duties of director in administering the affairs
1457 of the Connecticut bank; (2) will remain responsible for the
1458 performance of the duties of director even if the director delegates the
1459 performance of such duties; and (3) will not knowingly or wilfully
1460 permit the violation of any law or regulation applicable to Connecticut
1461 banks. Each such oath or affirmation shall be recorded in the minutes
1462 of the Connecticut bank, and the Connecticut bank shall promptly file
1463 a copy of such minutes with the Commissioner of Banking.

1464 Sec. 31. (NEW) (*Effective October 1, 2003*) Each Connecticut bank
1465 shall comply with the applicable provisions of the Currency and
1466 Foreign Transactions Reporting Act, 31 USC Section 5311 et seq., as
1467 from time to time amended, and any regulations adopted thereunder,
1468 as from time to time amended.

1469 Sec. 32. (NEW) (*Effective October 1, 2003*) Each Connecticut credit
1470 union shall comply with the applicable provisions of the Currency and
1471 Foreign Transactions Reporting Act, 31 USC Section 5311 et seq., as
1472 from time to time amended, and any regulations adopted thereunder,
1473 as from time to time amended.

1474 Sec. 33. (NEW) (*Effective October 1, 2003*) Each broker-dealer shall
1475 comply with the applicable provisions of the Currency and Foreign
1476 Transactions Reporting Act, 31 USC Section 5311 et seq., as from time

1477 to time amended, and any regulations adopted thereunder, as from
1478 time to time amended.

1479 Sec. 34. (NEW) (*Effective October 1, 2003*) The Commissioner of
1480 Banking, in the commissioner's discretion and in accordance with
1481 section 29-17a of the general statutes, may arrange for the
1482 fingerprinting or for conducting any other method of positive
1483 identification required by the State Police Bureau of Investigation of
1484 each director of a Connecticut bank upon such director's re-election
1485 and each new officer of a Connecticut bank upon such officer's
1486 employment, to be used in conducting a criminal history records
1487 check.

1488 Sec. 35. (NEW) (*Effective October 1, 2003*) After the inception of an
1489 investigation by the state, or after reasonable knowledge by a person of
1490 the fact that a state investigation is likely to begin, no individual or
1491 publicly held corporation shall alter, falsify, destroy or conceal any
1492 record, document or tangible object for the purposes of impeding,
1493 obstructing or influencing an investigation by the state pertaining to
1494 publicly held securities.

1495 Sec. 36. (NEW) (*Effective October 1, 2003*) (a) No publicly held
1496 corporation or officer, employee, contractor, subcontractor, or agent of
1497 a publicly held corporation may discharge, demote, suspend, threaten,
1498 harass, or in any manner discriminate against an employee in the
1499 terms and conditions of employment because of any lawful act done
1500 by the employee (1) to provide information, cause information to be
1501 provided, or otherwise assist in an investigation regarding any
1502 conduct that the employee reasonably believes constitutes a violation
1503 of 18 USC Section 1341, 1343, 1344 or 1348, any rule or regulation of the
1504 Securities and Exchange Commission, or any provision of federal or
1505 state law relating to fraud against shareholders, when the information
1506 or assistance is provided to or the investigation is conducted by (A) a
1507 federal or state regulatory or law enforcement agency, (B) a member or
1508 committee of Congress or the General Assembly, or (C) a person with
1509 supervisory authority over the employee, or such other person

1510 working for the employer who has the authority to investigate,
1511 discover or terminate misconduct, or (2) to file, cause to be filed,
1512 testify, participate in, or otherwise assist in a proceeding filed or about
1513 to be filed, with any knowledge of the employer, relating to an alleged
1514 violation of 18 USC Section 1341, 1343, 1344 or 1348, any rule or
1515 regulation of the Securities and Exchange Commission, or any
1516 provision of federal or state law relating to fraud against shareholders.

1517 (b) An employee who alleges discharge or other discrimination by
1518 any person in violation of subsection (a) of this section may bring an
1519 action in the Superior Court for damages and injunctive relief against
1520 such person, not later than one year after knowledge of the specific
1521 incident giving rise to such claim.

1522 Sec. 37. (NEW) (*Effective October 1, 2003*) No accountant who
1523 conducts an audit of a publicly held corporation shall alter, destroy or
1524 conceal any documents sent, received or created in connection with
1525 such audit for a period of seven years after the end of the fiscal period
1526 in which the audit was concluded.

1527 Sec. 38. (NEW) (*Effective October 1, 2003*) (a) Each publicly held
1528 corporation organized under the laws of this state or authorized to
1529 transact business in this state shall require its chief executive officer
1530 and chief financial officer to certify that the financial statements of the
1531 corporation fairly and accurately represent the financial condition of
1532 the corporation.

1533 (b) (1) Any chief executive officer or chief financial officer under
1534 subsection (a) of this section who certifies a financial statement of the
1535 corporation knowing that the statement does not fairly and accurately
1536 represent the financial condition of the corporation shall be fined not
1537 more than one million dollars or imprisoned not more than ten years,
1538 or both.

1539 (2) Any chief executive officer or chief financial officer under
1540 subsection (a) of this section who wilfully certifies a financial statement
1541 of the corporation knowing that the statement does not fairly and

1542 accurately represent the financial condition of the corporation shall be
1543 fined not more than five million dollars or imprisoned not more than
1544 twenty years, or both.

1545 Sec. 39. (NEW) (*Effective October 1, 2003*) (a) It shall be unlawful for a
1546 registered public accounting firm to violate the provisions of Section
1547 10a(g) of the Securities Exchange Act of 1934.

1548 (b) Any registered public accounting firm that violates subsection
1549 (a) of this section shall be subject to the penalties that the State Board of
1550 Accountancy may impose under subsection (a) of section 20-281a of
1551 the general statutes for conduct described in subdivision (10) of
1552 subsection (a) of section 20-281a of the general statutes.

1553 Sec. 40. (NEW) (*Effective October 1, 2003*) (a) A violation of section 35
1554 or 37 to 39, inclusive, of this act shall be deemed an unfair or deceptive
1555 trade practice under subsection (a) of section 42-110b of the general
1556 statutes.

1557 (b) There shall exist a private cause of action pursuant to section 42-
1558 110g of the general statutes for injury sustained due to a violation of
1559 section 35 or 37 to 39, inclusive, of this act. Any person or entity
1560 seeking to pursue a private cause of action as provided in this
1561 subsection shall first obtain the written approval of the Commissioner
1562 of Consumer Protection.

1563 Sec. 41. (NEW) (*Effective October 1, 2003*) A person is guilty of filing a
1564 fraudulent report if the person (1) knowingly or recklessly files a
1565 report, as defined in section 20-279b of the general statutes, which the
1566 person knows contains an untrue statement of a material fact, or (2)
1567 knowingly or recklessly omits a material fact in a report, as defined in
1568 section 20-279b of the general statutes.

1569 Sec. 42. (*Effective from passage*) The State Board of Accountancy shall
1570 conduct a study and make recommendations for strengthening its
1571 oversight of licensees, as defined in section 20-279b of the general
1572 statutes, that audit publicly held corporations. The board shall submit

1573 a report on its findings and recommendations to the Governor and the
1574 General Assembly no later than January 1, 2004, in accordance with the
1575 provisions of section 11-4a of the general statutes.

1576 Sec. 43. Subsection (a) of section 20-280 of the general statutes is
1577 repealed and the following is substituted in lieu thereof (*Effective*
1578 *October 1, 2003*):

1579 (a) [On and after October 1, 1992, there] There shall be a State Board
1580 of Accountancy which shall consist of [seven] nine members, to be
1581 appointed by the Governor, all of whom shall be residents of this state,
1582 [four] five of whom shall hold current, valid licenses to practice public
1583 accountancy and [three] four of whom shall be public members. Any
1584 persons serving on the board prior to October 1, 1992, shall continue to
1585 serve until a successor is appointed. Whenever an appointment of a
1586 licensee to the state board is to be made, the Connecticut Society of
1587 Certified Public Accountants shall submit to the Governor the names
1588 of five persons qualified for membership on the board and the
1589 Governor shall appoint one of such persons to said board, subject to
1590 the provisions of section 4-10. The Governor shall select a chairperson
1591 pursuant to section 4-9a. The term of each member of the board shall
1592 be coterminous with that of the Governor. Vacancies occurring during
1593 a term shall be filled by appointment by the Governor for the
1594 unexpired portion of the term. Upon the expiration of a member's term
1595 of office, such member shall continue to serve until his successor has
1596 been appointed. Any member of the board whose license under section
1597 20-281d is revoked or suspended shall automatically cease to be a
1598 member of the board. No person who has served two successive
1599 complete terms shall be eligible for reappointment to the board.
1600 Appointment to fill an unexpired term shall not be considered to be a
1601 complete term. Any member who, without just cause, fails to attend
1602 fifty per cent of all meetings held during any calendar year shall not be
1603 eligible for reappointment.

1604 Sec. 44. Subsection (b) of section 20-280b of the general statutes is
1605 repealed and the following is substituted in lieu thereof (*Effective*

1606 October 1, 2003):

1607 (b) The board may, in its discretion, issue an appropriate order to
1608 any person found to be in violation of an applicable statute or
1609 regulation, providing for the immediate discontinuance of the
1610 violation. The board may, through the Attorney General, petition the
1611 superior court for the judicial district in which the violation occurred,
1612 or in which the person committing the violation resides or does
1613 business, for the enforcement of any order issued by it and for
1614 appropriate temporary relief or a restraining order and shall certify
1615 and file in the court a transcript of the entire record of the hearing or
1616 hearings, including all testimony upon which such order was made
1617 and the findings and orders made by the board. The court may grant
1618 such relief by injunction or otherwise, including temporary relief, as it
1619 deems equitable and may make and enter a decree enforcing,
1620 modifying or enforcing as so modified, or setting aside, in whole or in
1621 part, any order of the board. The board, in its discretion, in lieu of or in
1622 addition to any other action authorized by law, may assess a civil
1623 penalty of up to [one] fifty thousand dollars against any person found
1624 to have violated any provision of the general statutes or any
1625 regulations adopted thereunder relating to the profession of public
1626 accountancy.

1627 Sec. 45. Subsection (a) of section 20-281a of the general statutes is
1628 repealed and the following is substituted in lieu thereof (*Effective*
1629 *October 1, 2003*):

1630 (a) After notice and hearing pursuant to section 20-280c, the board
1631 may revoke any certificate, license or permit issued under section 20-
1632 281c, 20-281d or 20-281e; suspend any such certificate, registration,
1633 license or permit or refuse to renew any such certificate, license or
1634 permit; reprimand, censure, or limit the scope of practice of any
1635 licensee; impose a civil penalty not exceeding [one] fifty thousand
1636 dollars upon licensees or others violating provisions of section 20-281g
1637 or place any licensee on probation, all with or without terms,
1638 conditions and limitations, for any one or more of the following

1639 reasons:

1640 (1) Fraud or deceit in obtaining a certificate, registration, license or
1641 permit;

1642 (2) Cancellation, revocation, suspension or refusal to renew
1643 authority to engage in the practice of public accountancy in any other
1644 state for any cause;

1645 (3) Failure, on the part of a holder of a license or permit under
1646 section 20-281d or 20-281e, to maintain compliance with the
1647 requirements for issuance or renewal of such license or permit or to
1648 report changes to the board under subsection (g) of section 20-281d or
1649 subsection (f) of section 20-281e;

1650 (4) Revocation or suspension of the right to practice before any state
1651 or federal agency;

1652 (5) Dishonesty, fraud or negligence in the practice of public
1653 accountancy or in the filing or failure to file his own income tax
1654 returns;

1655 (6) Violation of any provision of sections 20-279b to 20-281m,
1656 inclusive, or regulation adopted by the board under said sections;

1657 (7) Violation of any rule of professional conduct adopted by the
1658 board under subdivision (4) of subsection (g) of section 20-280;

1659 (8) Conviction of a felony, or of any crime an element of which is
1660 dishonesty or fraud, under the laws of the United States, of this state,
1661 or of any other state if the acts involved would have constituted a
1662 crime under the laws of this state, subject to the provisions of section
1663 46a-80;

1664 (9) Performance of any fraudulent act while holding a registration,
1665 certificate, license or permit issued under sections 20-279b to 20-281m,
1666 inclusive, or prior law;

1667 (10) Any conduct reflecting adversely upon the licensee's fitness to
1668 engage in the practice of public accountancy; and

1669 (11) Violation by anyone of any provision of section 20-281g.

1670 Sec. 46. Subsection (c) of section 20-281k of the general statutes is
1671 repealed and the following is substituted in lieu thereof (*Effective*
1672 *October 1, 2003*):

1673 (c) Nothing herein shall require a licensee to keep any workpaper
1674 beyond the period prescribed in any other applicable statute, except
1675 that any workpaper prepared by a licensee in the course of an audit of
1676 a publicly held corporation shall be retained for seven years.

1677 Sec. 47. Subsection (b) of section 53a-160 of the general statutes is
1678 repealed and the following is substituted in lieu thereof (*Effective*
1679 *October 1, 2003*):

1680 (b) Commercial bribery is a class [A misdemeanor] D felony.

1681 Sec. 48. Subsection (b) of section 53a-161 of the general statutes is
1682 repealed and the following is substituted in lieu thereof (*Effective*
1683 *October 1, 2003*):

1684 (b) Receiving a commercial bribe is a class [A misdemeanor] D
1685 felony.

1686 Sec. 49. Subsection (b) of section 53a-147 of the general statutes is
1687 repealed and the following is substituted in lieu thereof (*Effective*
1688 *October 1, 2003*):

1689 (b) Bribery is a class [D] C felony.

1690 Sec. 50. Subsection (b) of section 53a-148 of the general statutes is
1691 repealed and the following is substituted in lieu thereof (*Effective*
1692 *October 1, 2003*):

1693 (b) Bribe receiving is a class [D] C felony.

1694 Sec. 51. Subsection (b) of section 53a-149 of the general statutes is
1695 repealed and the following is substituted in lieu thereof (*Effective*
1696 *October 1, 2003*):

1697 (b) Bribery of a witness is a class [D] C felony.

1698 Sec. 52. Subsection (b) of section 53a-166 of the general statutes is
1699 repealed and the following is substituted in lieu thereof (*Effective*
1700 *October 1, 2003*):

1701 (b) Hindering prosecution in the second degree is a class [D] C
1702 felony.

1703 Sec. 53. Subsection (b) of section 53a-167 of the general statutes is
1704 repealed and the following is substituted in lieu thereof (*Effective*
1705 *October 1, 2003*):

1706 (b) Hindering prosecution in the third degree is a class [A
1707 misdemeanor] D felony.

1708 Sec. 54. Subsection (b) of section 53a-150 of the general statutes is
1709 repealed and the following is substituted in lieu thereof (*Effective*
1710 *October 1, 2003*):

1711 (b) Bribe receiving by a witness is a class [D] C felony.

1712 Sec. 55. Subsection (b) of section 53a-151 of the general statutes is
1713 repealed and the following is substituted in lieu thereof (*Effective*
1714 *October 1, 2003*):

1715 (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>
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>October 1, 2003</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>from passage</i>
Sec. 43	<i>October 1, 2003</i>
Sec. 44	<i>October 1, 2003</i>
Sec. 45	<i>October 1, 2003</i>

