



House of Representatives

General Assembly

File No. 177

February Session, 2010

Substitute House Bill No. 5114

House of Representatives, March 29, 2010

The Committee on Banks reported through REP. BARRY of the 12th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT APPLYING THE PROVISIONS OF THE CONNECTICUT
UNIFORM SECURITIES ACT TO THE REQUIREMENT THAT BROKER-
DEALERS COMPLY WITH THE CURRENCY AND FOREIGN
TRANSACTIONS REPORTING ACT.***

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

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 Section 36b-1 of the general statutes is repealed and the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

3 Sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act,
4 and 36b-40 to 36b-52, inclusive, and 36b-60 to 36b-80, inclusive, shall be
5 known as the "Securities and Business Investments Law of
6 Connecticut" and shall be applicable to all issuers of securities, broker-
7 dealers, agents, investment advisers, investment adviser agents, sellers
8 of business opportunities, and offerors in a tender offer, and to such
9 other corporations, unincorporated associations, partnerships, limited
10 liability companies and individuals who subject themselves to special
11 provisions in said sections, or who, by violating any of the provisions
12 of said sections become subject to the penalties provided in said

13 sections.

14 Sec. 2. Section 36b-2 of the general statutes is repealed and the
15 following is substituted in lieu thereof (*Effective from passage*):

16 Sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act,
17 may be cited as the "Connecticut Uniform Securities Act".

18 Sec. 3. Section 36b-3 of the general statutes is repealed and the
19 following is substituted in lieu thereof (*Effective from passage*):

20 As used in sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
21 by this act, unless the context otherwise requires:

22 (1) "Agent" means any individual, other than a broker-dealer, who
23 represents a broker-dealer or issuer in effecting or attempting to effect
24 purchases or sales of securities. "Agent" does not include an individual
25 who represents an issuer in (A) effecting transactions in a security
26 exempted by subdivision (1), (2), (3), (4), (6), (9), (10), (11) or (22) of
27 subsection (a) of section 36b-21, (B) effecting transactions exempted by
28 subsection (b) of section 36b-21, as amended by this act, except for
29 transactions exempted by subdivisions (10), (13) or (14) of said
30 subsection, (C) effecting transactions with existing employees, partners
31 or directors of the issuer if no commission or other remuneration is
32 paid or given directly or indirectly for soliciting any person in this
33 state, or (D) effecting transactions in any covered security, except for
34 covered securities within the meaning of Sections 18(b)(2) or
35 18(b)(4)(D) of the Securities Act of 1933. "Agent" does not include such
36 other persons not within the intent of this subdivision as the
37 commissioner may by regulation or order determine. A general
38 partner, officer or director of a broker-dealer or issuer, or a person
39 occupying a similar status or performing similar functions, is an agent
40 only if such person otherwise comes within this definition and any
41 compensation that such person receives is directly or indirectly related
42 to purchases or sales of securities.

43 (2) "Associated person" has the meaning given to that term in

44 Section 3(a)(21) of the Securities Exchange Act of 1934.

45 (3) "Blank check company" means any company that (A) devotes
46 substantially all of its efforts to establishing a new business in which
47 planned principal operations have not commenced or, that has
48 commenced planned principal operations, but has not derived
49 significant revenue from such operations; and (B) has no specific
50 business plan or purpose or has indicated that its business plan is to
51 engage in a merger or acquisition with an unidentified company or
52 companies, or other entity or person.

53 (4) "Branch office" means any location other than the main office at
54 which an agent or investment adviser agent regularly conducts
55 business on behalf of a broker-dealer or investment adviser, or any
56 location that is held out as such, excluding: (A) Any location that is
57 established solely for customer service or back-office-type functions
58 where no sales activities are conducted and that is not held out to the
59 public as a branch office, (B) any location that is the agent's or
60 investment adviser agent's primary residence, provided (i) only agents
61 or investment adviser agents who reside at the location and are
62 members of the same immediate family conduct business at the
63 location, (ii) the location is not held out to the public as an office and
64 the agent or investment adviser agent does not meet with customers at
65 the location, (iii) neither customer funds nor securities are handled at
66 that location, (iv) the agent or investment adviser agent is assigned to a
67 designated branch office, and such designated branch office is reflected
68 on all business cards, stationery, advertisements and other
69 communications to the public by such agent or investment adviser
70 agent, (v) the agent's or investment adviser agent's correspondence
71 and communications with the public are subject to the supervision of
72 the broker-dealer or investment adviser with which such agent or
73 investment adviser agent is associated, (vi) electronic communications,
74 including e-mail, are made through the electronic system of the broker-
75 dealer or investment adviser, (vii) all orders for securities are entered
76 through the designated branch office or an electronic system
77 established by a broker-dealer that is reviewable at the branch office,

78 (viii) written supervisory procedures pertaining to supervision of
79 activities conducted at the residence are maintained by the broker-
80 dealer or investment adviser, and (ix) a list of the residence locations is
81 maintained by the broker-dealer or investment adviser, (C) any
82 location, other than a primary residence, that is used for securities or
83 investment advisory business for less than thirty business days in any
84 one calendar year, provided the broker-dealer or investment adviser
85 complies with the provisions of subparagraph (B)(ii), (iii), (iv), (v), (vi),
86 (vii) and (viii) of this subdivision, (D) any office of convenience, where
87 associated persons occasionally and exclusively by appointment meet
88 with customers, which is not held out to the public as an office, (E) any
89 location that is used primarily to engage in nonsecurities activities and
90 from which the agent or investment adviser agent effects no more than
91 twenty-five securities transactions in any one calendar year, provided
92 any advertisement or sales literature identifying such location also sets
93 forth the address and telephone number of the location from which the
94 agent or investment adviser agent conducting business at the
95 nonbranch locations is directly supervised, (F) the floor of a registered
96 national securities exchange where a broker-dealer conducts a direct
97 access business with public customers, (G) a temporary location
98 established in response to the implementation of a business continuity
99 plan, or (H) any other location not within the intent of this subdivision
100 as the commissioner may determine. As used in this subdivision, the
101 term "business day" does not include any partial business day,
102 provided the agent or investment adviser agent spends at least four
103 hours on such day at the designated branch office of such agent or
104 investment adviser agent during the hours that such office is normally
105 open for business.

106 (5) "Broker-dealer" means any person engaged in the business of
107 effecting transactions in securities for the account of others or for such
108 person's own account. "Broker-dealer" does not include (A) an agent,
109 (B) an issuer, (C) a bank, as defined in Section 3(a)(6) of the Securities
110 Exchange Act of 1934, when conducting activities that would except it
111 from the definitions of "broker" or "dealer" under Sections 3(a)(4) or
112 3(a)(5) of the Securities Exchange Act of 1934, (D) a person who has no

113 place of business in this state if such person effects transactions in this
114 state exclusively with or through (i) the issuers of the securities
115 involved in the transactions, (ii) other broker-dealers, or (iii) a bank
116 and trust company, a national banking association, a savings bank, a
117 savings and loan association, a federal savings bank, a federal savings
118 and loan association, a credit union, a federal credit union, a trust
119 company, an insurance company, an investment company as defined
120 in the Investment Company Act of 1940, a pension or profit-sharing
121 trust, or other financial institution or institutional buyer, whether
122 acting for itself or as trustee, or (E) such other persons not within the
123 intent of this subdivision as the commissioner may by regulation or
124 order determine.

125 (6) "Commissioner" means the Banking Commissioner or any
126 person appointed or designated by the Banking Commissioner to
127 administer sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
128 this act.

129 (7) "Covered security" has the meaning given to that term in Section
130 18(b) of the Securities Act of 1933.

131 (8) "Fraud", "deceit" and "defraud" are not limited to common-law
132 deceit.

133 (9) "Guaranteed" means guaranteed as to payment of principal,
134 interest or dividends.

135 (10) "International banking institution" means an international
136 financial institution, as defined in 22 USC 262r, as from time to time
137 amended, of which the United States is a member and whose securities
138 are exempt from registration under the Securities Act of 1933.

139 (11) "Investment adviser" means any person who, for compensation,
140 engages in the business of advising others, either directly or through
141 publications or writings, as to the value of securities or as to the
142 advisability of investing in, purchasing or selling securities, or who, for
143 compensation and as a part of a regular business, issues or

144 promulgates analyses or reports concerning securities. "Investment
145 adviser" does not include (A) an investment adviser agent; (B) a bank,
146 as defined in Section 202(a)(2) of the Investment Advisers Act of 1940,
147 or a bank holding company, as defined in the Bank Holding Company
148 Act of 1956, that is excepted from the definition of "investment
149 adviser" in Section 202(a)(11) of the Investment Advisers Act of 1940;
150 (C) a lawyer, accountant, engineer, or teacher whose performance of
151 these services is solely incidental to the practice of such person's
152 profession; (D) a broker-dealer whose performance of these services is
153 solely incidental to the conduct of such person's business as a broker-
154 dealer and who receives no special compensation for them; (E) a
155 publisher of any bona fide newspaper, news magazine, or business or
156 financial publication of general, regular, and paid circulation; (F) a
157 person whose advice, analyses or reports relate only to securities
158 exempted by subdivision (1) of subsection (a) of section 36b-21; (G) any
159 insurance company under the supervision of the Insurance
160 Commissioner or any affiliate thereof, as defined in subsection (b) of
161 section 38a-129, when providing services to separate accounts of that
162 insurance company or registered investment companies all of whose
163 shares are owned by such insurance company or its insurance
164 company affiliates or by the separate accounts of that insurance
165 company or its insurance company affiliates; and (H) such other
166 persons not within the intent of this subdivision as the commissioner
167 may by regulation or order designate.

168 (12) (A) "Investment adviser agent" includes (i) any individual,
169 including an officer, partner or director of an investment adviser, or an
170 individual occupying a similar status or performing similar functions,
171 employed, appointed or authorized by or associated with an
172 investment adviser to solicit business from any person for such
173 investment adviser in this state and who receives compensation or
174 other remuneration, directly or indirectly, for such solicitation; or (ii)
175 any partner, officer, or director of an investment adviser, or an
176 individual occupying a similar status or performing similar functions,
177 or other individual employed, appointed, or authorized by or
178 associated with an investment adviser, who makes any

179 recommendation or otherwise renders advice regarding securities to
180 clients and who receives compensation or other remuneration, directly
181 or indirectly, for such advisory services.

182 (B) "Investment adviser agent" does not include an individual
183 employed, appointed or authorized by, associated with or acting on
184 behalf of an investment adviser exempt from registration under
185 subdivision (1) or (2) of subsection (e) of section 36b-6, who is a
186 "supervised person", as defined in Section 202(a)(25) of the Investment
187 Advisers Act of 1940, unless such supervised person is an "investment
188 adviser representative", as defined in Securities and Exchange
189 Commission Rule 203A-3, 17 CFR 275.203A-3.

190 (C) "Investment adviser agent" does not include such other
191 individuals not within the intent of this subdivision as the
192 commissioner may by regulation or order designate.

193 (13) "Issuer" means any person who issues or proposes to issue any
194 security; except that (A) with respect to a certificate of deposit, a
195 voting-trust certificate, or a collateral-trust certificate, or with respect
196 to a certificate of interest or a share in an unincorporated investment
197 trust not having a board of directors or persons performing similar
198 functions or of the fixed, restricted management, or unit type, "issuer"
199 means any person performing the acts and assuming the duties of
200 depositor or manager pursuant to the provisions of the trust or other
201 agreement or instrument under which the security is issued; (B) with
202 respect to an equipment trust certificate or similar security serving the
203 same purpose, "issuer" means any person who uses or will use the
204 property, any person to whom the property or equipment is or will be
205 leased or conditionally sold or any person who is otherwise
206 contractually responsible for assuring payment of the certificate; and
207 (C) with respect to a fractional undivided interest in oil, gas or other
208 mineral leases or in payments out of production under a lease, right or
209 royalty, "issuer" means any owner of an interest in the lease or in
210 payments out of production under a lease, right or royalty, whether
211 whole or fractional, who creates fractional interests for the purpose of

212 sale.

213 (14) "Nonissuer" means not directly or indirectly for the benefit of
214 the issuer.

215 (15) "Person" means an individual, a corporation, a limited liability
216 company, a partnership, a limited partnership, a limited liability
217 partnership, an association, a joint-stock company, a trust where the
218 interests of the beneficiaries are evidenced by a security, an
219 unincorporated organization, a government or a political subdivision
220 of a government.

221 (16) (A) "Sale" or "sell" includes every contract of sale of, contract to
222 sell, or disposition of, a security or interest in a security for value. (B)
223 "Offer" or "offer to sell" includes every attempt or offer to dispose of, or
224 solicitation of an offer to buy, a security or interest in a security for
225 value. (C) Any security given or delivered with, or as a bonus on
226 account of, any purchase of securities or any other thing shall be
227 conclusively presumed to constitute a part of the subject of such
228 purchase and to have been sold for value. (D) Nothing in this
229 subdivision shall limit or diminish the full meaning of the terms "sale",
230 "sell", "offer" or "offer to sell" as construed by the courts of this state.
231 (E) A purported gift of assessable stock is considered to involve an
232 offer and sale. (F) Every sale or offer of a warrant or right to purchase
233 or subscribe to another security of the same or another issuer, as well
234 as every sale or offer of a security which gives the holder a present or
235 future right or privilege to convert into another security of the same or
236 another issuer, is considered to include an offer of the other security.
237 (G) The terms defined in this subdivision do not include: (i) Any bona
238 fide pledge or loan; (ii) any stock dividend, whether the corporation
239 distributing the dividend is the issuer of the stock or not, if nothing of
240 value is given by stockholders for the dividend other than the
241 surrender of a right to a cash or property dividend when each
242 stockholder may elect to take the dividend in cash or property or in
243 stock; (iii) any act incident to a class vote by security holders on a
244 merger, exchange of securities for securities, consolidation,

245 reclassification of securities, or sale of assets in consideration of the
246 issuance of securities or securities and cash of another person other
247 than an individual; or (iv) any security which is issued in exchange for
248 one or more bona fide outstanding securities, claims or property
249 interests, or partly in such exchange and partly for cash, where the
250 terms and conditions of such issuance and exchange are approved by
251 any state or federal court.

252 (17) "Securities Act of 1933", "Securities Exchange Act of 1934",
253 "Public Utility Holding Company Act of 1935", "Investment Advisers
254 Act of 1940" and "Investment Company Act of 1940" mean the federal
255 statutes of those names, as from time to time amended.

256 (18) "Securities and Exchange Commission" means the United States
257 Securities and Exchange Commission.

258 (19) "Security" means any note, stock, treasury stock, security future,
259 bond, debenture, evidence of indebtedness, certificate of interest or
260 participation in any profit-sharing agreement, interests of limited
261 partners in a limited partnership, collateral-trust certificate,
262 preorganization certificate or subscription, transferable share,
263 investment contract, voting-trust certificate, certificate of deposit for a
264 security, fractional undivided interest in oil, gas or other mineral
265 rights, put, call, straddle, option, or privilege on any security or group
266 or index of securities, including any interest in or based on the value of
267 such security, group or index, put, call, straddle, option or privilege
268 entered into on a national securities exchange relating to foreign
269 currency, or, in general, any interest or instrument commonly known
270 as a "security", or any certificate of interest or participation in,
271 temporary or interim certificate for, receipt for, guarantee of, or
272 warrant or right to subscribe to or purchase, any of the foregoing.
273 "Security" includes (A) a certificated and an uncertificated security,
274 and (B) as an "investment contract", an interest in a limited liability
275 company or limited liability partnership, but does not include any
276 insurance or endowment policy or annuity contract issued by an
277 insurance company that is subject to regulation by the Insurance

278 Commissioner.

279 (20) "Self-regulatory organization" means a national securities
280 exchange, a national securities association of broker-dealers or a
281 clearing agency registered under the Securities Exchange Act of 1934
282 or the Municipal Securities Rulemaking Board established under the
283 Securities Exchange Act of 1934.

284 (21) "Shell company" or "dormant company" means any company
285 which does not pursue nor has the financial capacity to pursue a
286 business plan or purpose.

287 (22) "State" means any state, territory or possession of the United
288 States, the District of Columbia and Puerto Rico.

289 Sec. 4. Subsections (b) and (c) of section 36b-5 of the general statutes
290 are repealed and the following is substituted in lieu thereof (*Effective*
291 *from passage*):

292 (b) (1) It is unlawful for any investment adviser that is registered or
293 required to be registered under sections 36b-2 to [36b-33] 36b-34,
294 inclusive, as amended by this act, to have, enter into, extend or renew
295 any investment advisory contract, whether written or oral, unless it is
296 signed by the client or clients and discloses in writing: (A) That the
297 investment adviser shall not be compensated on the basis of a share of
298 capital gains upon or capital appreciation of the funds or any portion
299 of the funds of the client; (B) that an assignment of the contract may
300 not be made by the investment adviser without the consent of the
301 other party to the contract; (C) that the investment adviser, if a
302 partnership, shall notify the other party to the contract of any change
303 in the membership of the partnership within a reasonable time after
304 the change; (D) the fee arrangement between the investment adviser
305 and the client or clients; and (E) the services which the investment
306 adviser will render. (2) Subparagraph (A) of subdivision (1) of this
307 subsection does not prohibit an investment advisory contract which
308 provides for compensation based upon the total or net asset value of a
309 fund averaged over a definite period or as of definite dates or taken as

310 of a definite date. (3) "Assignment", as used in subparagraph (B) of
311 subdivision (1) of this subsection, includes any direct or indirect
312 transfer or hypothecation of an investment advisory contract by the
313 assignor or of the beneficial ownership of a controlling block of the
314 assignor's outstanding voting securities by a security holder of the
315 assignor, but, if the investment adviser is a partnership, an assignment
316 of an investment advisory contract is not considered to result from the
317 death or withdrawal of a minority of the members of the investment
318 adviser having only a minority interest in the business of the
319 investment adviser, or from the admission to the investment adviser of
320 one or more members who, after admission, will be only a minority of
321 the members and will have only a minority interest in the business.

322 (c) It is unlawful for any investment adviser that is registered or
323 required to be registered under sections 36b-2 to [36b-33] 36b-34,
324 inclusive, as amended by this act, to take or have custody of any
325 securities or funds of any client if: (1) The commissioner by regulation
326 prohibits custody; or (2) in the absence of a regulation, the investment
327 adviser fails to notify the commissioner that he has or may have
328 custody.

329 Sec. 5. Subsections (a) to (c), inclusive, of section 36b-6 of the general
330 statutes are repealed and the following is substituted in lieu thereof
331 (*Effective from passage*):

332 (a) No person shall transact business in this state as a broker-dealer
333 unless such person is registered under sections 36b-2 to [36b-33] 36b-
334 34, inclusive, as amended by this act. No person shall transact business
335 in this state as a broker-dealer in contravention of a sanction that is
336 currently effective imposed by the Securities and Exchange
337 Commission or by a self-regulatory organization of which such person
338 is a member if the sanction would prohibit such person from effecting
339 transactions in securities in this state. No individual shall transact
340 business as an agent in this state unless such individual is (1)
341 registered as an agent of the broker-dealer or issuer whom such
342 individual represents in transacting such business, or (2) an associated

343 person who represents a broker-dealer in effecting transactions
344 described in subdivisions (2) and (3) of Section 15(h) of the Securities
345 Exchange Act of 1934. No individual shall transact business in this
346 state as an agent of a broker-dealer in contravention of a sanction that
347 is currently effective imposed by the Securities and Exchange
348 Commission or a self-regulatory organization of which the employing
349 broker-dealer is a member if the sanction would prohibit the
350 individual employed by such broker-dealer from effecting transactions
351 in securities in this state.

352 (b) No issuer shall employ an agent unless such agent is registered
353 under sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this
354 act. No broker-dealer shall employ an agent unless such agent is (1)
355 registered under sections 36b-2 to [36b-33] 36b-34, inclusive, as
356 amended by this act, or (2) an associated person who represents a
357 broker-dealer in effecting transactions described in subdivisions (2)
358 and (3) of Section 15(h) of the Securities Exchange Act of 1934. The
359 registration of an agent is not effective during any period when such
360 agent is not associated with a particular broker-dealer registered under
361 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, or a
362 particular issuer. When an agent begins or terminates a connection
363 with a broker-dealer or issuer, or begins or terminates those activities
364 which make such individual an agent, both the agent and the broker-
365 dealer or issuer shall promptly notify the commissioner.

366 (c) (1) No person shall transact business in this state as an
367 investment adviser unless registered as such by the commissioner as
368 provided in sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
369 this act, or exempted pursuant to subsection (e) of this section. No
370 person shall transact business, directly or indirectly, in this state as an
371 investment adviser if the registration of such investment adviser is
372 suspended or revoked or, in the case of an investment adviser who is
373 an individual, the investment adviser is barred from employment or
374 association with an investment adviser or broker-dealer by order of the
375 commissioner, the Securities and Exchange Commission or a self-
376 regulatory organization.

377 (2) No individual shall transact business in this state as an
378 investment adviser agent unless such individual is registered as an
379 investment adviser agent of the investment adviser for which such
380 individual acts in transacting such business. An investment adviser
381 agent registered under sections 36b-2 to [36b-33] 36b-34, inclusive, as
382 amended by this act, who refers advisory clients to another investment
383 adviser registered under said sections 36b-2 to [36b-33] 36b-34,
384 inclusive, as amended by this act, or to an investment adviser
385 registered with the Securities and Exchange Commission that has filed
386 a notice under subsection (e) of this section, is not required to register
387 as an investment adviser agent of such investment adviser if the only
388 compensation paid for such referral services is paid to the investment
389 adviser with whom the individual is employed or associated. No
390 individual shall transact business, directly or indirectly, in this state as
391 an investment adviser agent on behalf of an investment adviser if the
392 registration of such individual as an investment adviser agent is
393 suspended or revoked or the individual is barred from employment or
394 association with an investment adviser by an order of the
395 commissioner, the Securities and Exchange Commission or a self-
396 regulatory organization.

397 (3) No investment adviser shall engage an investment adviser agent
398 unless such investment adviser agent is registered under sections 36b-2
399 to [36b-33] 36b-34, inclusive, as amended by this act. The registration
400 of an investment adviser agent is not effective during any period when
401 such investment adviser agent is not associated with a particular
402 investment adviser. When an investment adviser agent begins or
403 terminates a connection with an investment adviser, both the
404 investment adviser agent and the investment adviser shall promptly
405 notify the commissioner. If an investment adviser or investment
406 adviser agent provides such notice, such investment adviser or
407 investment adviser agent shall not be liable for the failure of the other
408 to give such notice.

409 Sec. 6. Subsection (i) of section 36b-6 of the general statutes is
410 repealed and the following is substituted in lieu thereof (*Effective from*

411 *passage*):

412 (i) (1) A broker-dealer or investment adviser may succeed to the
413 current registration of another broker-dealer or investment adviser or
414 to a notice filing of an investment adviser registered with the Securities
415 and Exchange Commission, and an investment adviser registered with
416 the Securities and Exchange Commission may succeed to the current
417 registration of an investment adviser or to a notice filing of another
418 investment adviser registered with the Securities and Exchange
419 Commission, by filing as a successor an application for registration
420 pursuant to section 36b-7 or a notice pursuant to subsection (e) of this
421 section for the unexpired portion of the current registration or notice
422 filing and paying the fee required by subsection (a) of section 36b-12.

423 (2) A broker-dealer or investment adviser that changes its form of
424 organization or state of incorporation or organization may continue its
425 registration by filing an amendment to its registration if the change
426 does not involve a material change in its management. The
427 amendment shall become effective when filed or on a date designated
428 by the registrant in its filing. The new organization shall be a successor
429 to the original registrant for the purposes of sections 36b-2 to [36b-33]
430 36b-34, inclusive, as amended by this act. If there is a material change
431 in management, the broker-dealer or investment adviser shall file a
432 new application for registration. A predecessor registered under
433 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act,
434 shall stop conducting its securities business or investment advisory
435 business other than winding down transactions and shall file for
436 withdrawal of its broker-dealer or investment adviser registration not
437 later than forty-five days after filing its amendment to effect
438 succession.

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

443 (4) The commissioner may, by regulation adopted, in accordance

444 with chapter 54, or order, prescribe the means by which a change of
445 control of a broker-dealer or investment adviser may be made.

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

449 Sec. 7. Section 36b-10 of the general statutes is repealed and the
450 following is substituted in lieu thereof (*Effective from passage*):

451 Each application for registration under sections 36b-2 to [36b-33]
452 36b-34, inclusive, as amended by this act, shall be sworn to, before a
453 person qualified to administer oaths, by the person making the same
454 and shall state that the alleged facts therein contained are true to his
455 own knowledge. If such person is a partnership, such oath shall be
456 made by a general partner thereof, and, if such person is a corporation
457 or other form of association, such oath shall be made by an executive
458 officer thereof.

459 Sec. 8. Section 36b-11 of the general statutes is repealed and the
460 following is substituted in lieu thereof (*Effective from passage*):

461 Each application for registration under sections 36b-2 to [36b-33]
462 36b-34, inclusive, as amended by this act, shall be accompanied by a
463 photograph as defined by the commissioner, unless the commissioner
464 waives the requirement of such photograph. If the applicant for
465 registration as a broker-dealer or investment adviser is a sole
466 proprietorship, the photograph shall be of the sole proprietor; if the
467 application is for a partnership, it shall be accompanied by a
468 photograph of each general partner; if the application is for a
469 corporation, it shall be accompanied by a photograph of each principal
470 officer or director as determined by the commissioner.

471 Sec. 9. Subsection (c) of section 36b-14 of the general statutes is
472 repealed and the following is substituted in lieu thereof (*Effective from*
473 *passage*):

474 (c) If the information contained in any document filed with the

475 commissioner under this section is or becomes inaccurate or
476 incomplete in any material respect, the person making the filing shall
477 promptly file a correcting amendment unless notification of the
478 correction has been given under sections 36b-2 to [36b-33] 36b-34,
479 inclusive, as amended by this act.

480 Sec. 10. Section 36b-15 of the 2010 supplement to the general statutes
481 is repealed and the following is substituted in lieu thereof (*Effective*
482 *from passage*):

483 (a) The commissioner may, by order, deny, suspend or revoke any
484 registration or, by order, restrict or impose conditions on the securities
485 or investment advisory activities that an applicant or registrant may
486 perform in this state if the commissioner finds that (1) the order is in
487 the public interest, and (2) the applicant or registrant or, in the case of a
488 broker-dealer or investment adviser, any partner, officer, or director,
489 any person occupying a similar status or performing similar functions,
490 or any person directly or indirectly controlling the broker-dealer or
491 investment adviser: (A) Has filed an application for registration which
492 as of its effective date, or as of any date after filing in the case of an
493 order denying effectiveness, was incomplete in any material respect or
494 contained any statement which was, in light of the circumstances
495 under which it was made, false or misleading with respect to any
496 material fact; (B) has wilfully violated or wilfully failed to comply with
497 any provision of sections 36b-2 to [36b-33] 36b-34, inclusive, as
498 amended by this act, or a predecessor statute or any regulation or
499 order under said sections or a predecessor statute; (C) has been
500 convicted, within the past ten years, of any misdemeanor involving a
501 security, any aspect of a business involving securities, commodities,
502 investments, franchises, business opportunities, insurance, banking or
503 finance, or any felony, provided any denial, suspension or revocation
504 of such registration shall be in accordance with the provisions of
505 section 46a-80; (D) is permanently or temporarily enjoined by any
506 court of competent jurisdiction from engaging in or continuing any
507 conduct or practice involving any aspect of a business involving
508 securities, commodities, investments, franchises, business

509 opportunities, insurance, banking or finance; (E) is the subject of a
510 cease and desist order of the commissioner or an order of the
511 commissioner denying, suspending, or revoking registration as a
512 broker-dealer, agent, investment adviser or investment adviser agent;
513 (F) is the subject of any of the following sanctions that are currently
514 effective or were imposed within the past ten years: (i) An order issued
515 by the securities administrator of any other state or by the Securities
516 and Exchange Commission or the Commodity Futures Trading
517 Commission denying, suspending or revoking registration as a
518 broker-dealer, agent, investment adviser, investment adviser agent or a
519 person required to be registered under the Commodity Exchange Act,
520 7 USC 1 et seq., as from time to time amended, and the rules and
521 regulations thereunder, or the substantial equivalent of those terms, as
522 defined in sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by
523 this act, (ii) an order of the Securities and Exchange Commission or
524 Commodity Futures Trading Commission suspending or expelling
525 such applicant, registrant or person from a national securities or
526 commodities exchange or national securities or commodities
527 association registered under the Securities Exchange Act of 1934 or the
528 Commodity Exchange Act, 7 USC 1 et seq., as from time to time
529 amended, or, in the case of an individual, an order of the Securities
530 and Exchange Commission or an equivalent order of the Commodity
531 Futures Trading Commission barring such individual from association
532 with a broker-dealer or an investment adviser, (iii) a suspension,
533 expulsion or other sanction issued by a national securities exchange or
534 other self-regulatory organization registered under federal laws
535 administered by the Securities and Exchange Commission or the
536 Commodity Futures Trading Commission if the effect of the sanction
537 has not been stayed or overturned by appeal or otherwise, (iv) a
538 United States Post Office fraud order, (v) a denial, suspension,
539 revocation or other sanction issued by the commissioner or any other
540 state or federal financial services regulator based upon nonsecurities
541 violations of any state or federal law under which a business involving
542 investments, franchises, business opportunities, insurance, banking or
543 finance is regulated, or (vi) a cease and desist order entered by the

544 Securities and Exchange Commission, a self-regulatory organization or
545 the securities agency or administrator of any other state or Canadian
546 province or territory; but the commissioner may not (I) institute a
547 revocation or suspension proceeding under this subparagraph more
548 than five years from the date of the sanction relied on, and (II) enter an
549 order under this subparagraph on the basis of an order under any
550 other state act unless that order was based on facts which would
551 constitute a ground for an order under this section; (G) may be denied
552 registration under federal law as a broker-dealer, agent, investment
553 adviser, investment adviser agent or as a person required to be
554 registered under the Commodity Exchange Act, 7 USC 1 et seq., as
555 from time to time amended, and the rules and regulations
556 promulgated thereunder, or the substantial equivalent of those terms
557 as defined in sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
558 by this act; (H) has engaged in fraudulent, dishonest or unethical
559 practices in the securities, commodities, investment, franchise,
560 business opportunity, banking, finance or insurance business,
561 including abusive sales practices in the business dealings of such
562 applicant, registrant or person with current or prospective customers
563 or clients; (I) is insolvent, either in the sense that the liabilities of such
564 applicant, registrant or person exceed the assets of such applicant,
565 registrant or person, or in the sense that such applicant, registrant or
566 person cannot meet the obligations of such applicant, registrant or
567 person as they mature; but the commissioner may not enter an order
568 against a broker-dealer or investment adviser under this subparagraph
569 without a finding of insolvency as to the broker-dealer or investment
570 adviser; (J) is not qualified on the basis of such factors as training,
571 experience, and knowledge of the securities business, except as
572 otherwise provided in subsection (b) of this section; (K) has failed
573 reasonably to supervise: (i) The agents or investment adviser agents of
574 such applicant or registrant, if the applicant or registrant is a
575 broker-dealer or investment adviser; or (ii) the agents of a broker-
576 dealer or investment adviser agents of an investment adviser, if such
577 applicant, registrant or other person is or was an agent, investment
578 adviser agent or other person charged with exercising supervisory

579 authority on behalf of a broker-dealer or investment adviser; (L) in
580 connection with any investigation conducted pursuant to section
581 36b-26, as amended by this act, or any examination under subsection
582 (d) of section 36b-14, has made any material misrepresentation to the
583 commissioner or upon request made by the commissioner, has
584 withheld or concealed material information from, or refused to furnish
585 material information to the commissioner, provided, there shall be a
586 rebuttable presumption that any records, including, but not limited to,
587 written, visual, audio, magnetic or electronic records, computer
588 printouts and software, and any other documents, that are withheld or
589 concealed from the commissioner in connection with any such
590 investigation or examination are material, unless such presumption is
591 rebutted by substantial evidence; (M) has wilfully aided, abetted,
592 counseled, commanded, induced or procured a violation of any
593 provision of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
594 this act, or a predecessor statute or any regulation or order under such
595 sections or a predecessor statute; (N) after notice and opportunity for a
596 hearing, has been found within the previous ten years: (i) By a court of
597 competent jurisdiction, to have wilfully violated the laws of a foreign
598 jurisdiction under which the business of securities, commodities,
599 investments, franchises, business opportunities, insurance, banking or
600 finance is regulated; (ii) to have been the subject of an order of a
601 securities regulator of a foreign jurisdiction denying, revoking or
602 suspending the right to engage in the business of securities as a broker-
603 dealer, agent, investment adviser, investment adviser agent or similar
604 person; or (iii) to have been suspended or expelled from membership
605 by or participation in a securities exchange or securities association
606 operating under the securities laws of a foreign jurisdiction. As used in
607 this subparagraph, "foreign" means a jurisdiction outside of the United
608 States; or (O) has failed to pay the proper filing fee; but the
609 commissioner may enter only a denial order under this subparagraph,
610 and the commissioner shall vacate any such order when the deficiency
611 has been corrected. The commissioner may not institute a suspension
612 or revocation proceeding on the basis of a fact or transaction known to
613 the commissioner when the registration became effective unless the

614 proceeding is instituted within one hundred eighty days of the
615 effective date of such registration.

616 (b) The following provisions govern the application of
617 subparagraph (J) of subdivision (2) of subsection (a) of this section: (1)
618 The commissioner may not enter an order against a broker-dealer on
619 the basis of the lack of qualification of any person other than (A) the
620 broker-dealer if the broker-dealer is an individual, or (B) an agent of
621 the broker-dealer; (2) the commissioner may not enter an order against
622 an investment adviser on the basis of the lack of qualification of any
623 person other than (A) the investment adviser if the investment adviser
624 is an individual, or (B) any other person who represents the
625 investment adviser in doing any of the acts which make the investment
626 adviser an investment adviser; (3) the commissioner may not enter an
627 order solely on the basis of lack of experience if the applicant or
628 registrant is qualified by training or knowledge or both; (4) the
629 commissioner shall consider that an agent who will work under the
630 supervision of a registered broker-dealer need not have the same
631 qualifications as a broker-dealer; (5) the commissioner shall consider
632 that an investment adviser is not necessarily qualified solely on the
633 basis of experience as a broker-dealer or agent. When the
634 commissioner finds that an applicant for initial or renewal registration
635 as a broker-dealer is not qualified as an investment adviser, the
636 commissioner may by order condition the applicant's registration as a
637 broker-dealer upon the applicant's not transacting business in this state
638 as an investment adviser; (6) the commissioner may by regulation
639 provide for an examination, which may be written or oral or both, to
640 be taken by any class of or all applicants, as well as persons who
641 represent or will represent an investment adviser in doing any of the
642 acts which make the investment adviser an investment adviser.

643 (c) The commissioner may by order summarily postpone or suspend
644 registration or require a registrant to take or refrain from taking such
645 action that in the opinion of the commissioner will effectuate the
646 purposes of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
647 this act, pending final determination of any proceeding under this

648 section. Upon the entry of the order, the commissioner shall promptly
649 notify the applicant or registrant, as well as the employer or
650 prospective employer if the applicant or registrant is an agent or an
651 investment adviser agent, that it has been entered and of the reasons
652 therefor and that within fifteen days after the receipt of a written
653 request the matter will be set down for hearing. If no hearing is
654 requested and none is ordered by the commissioner, the order will
655 remain in effect until it is modified or vacated by the commissioner. If
656 a hearing is requested or ordered, the commissioner, after notice of
657 and opportunity for hearing, may modify or vacate the order or extend
658 it until final determination.

659 (d) If the commissioner finds that any registrant or applicant for
660 registration is no longer in existence or has ceased to do business as a
661 broker-dealer, agent, investment adviser or investment adviser agent,
662 or is subject to an adjudication of mental incompetence or to the
663 control of a committee, conservator, or guardian, or cannot be located
664 after reasonable search, the commissioner may by order cancel the
665 registration or application.

666 (e) (1) Withdrawal from registration as a broker-dealer, agent,
667 investment adviser or investment adviser agent, or withdrawal of an
668 application for registration as a broker-dealer, agent, investment
669 adviser or investment adviser agent, becomes effective ninety days
670 after receipt of an application to withdraw such registration or a notice
671 of intent to withdraw such application for registration or within such
672 shorter period of time as the commissioner may determine, unless a
673 denial, revocation or suspension proceeding is pending when the
674 application or notice is filed or a proceeding to deny, revoke, suspend
675 or impose conditions upon the withdrawal is instituted within ninety
676 days after the application or notice is filed. If a proceeding is pending
677 or instituted, withdrawal becomes effective at such time and upon
678 such conditions as the commissioner by order determines. If no
679 proceeding is pending or instituted and withdrawal automatically
680 becomes effective, the commissioner may nevertheless institute a
681 denial, revocation or suspension proceeding under subsection (a) of

682 this section within one year after withdrawal became effective.

683 (2) If the registration of a broker-dealer, agent, investment adviser
684 or investment adviser agent expires due to the registrant's failure to
685 renew, within one year of such expiration, the commissioner may
686 nevertheless institute a revocation or suspension proceeding or issue
687 an order suspending or revoking the registration under subsection (a)
688 of this section.

689 (f) No order may be entered under this section except as provided in
690 subsection (c) of this section without (1) appropriate prior notice to the
691 applicant or registrant and to the employer or prospective employer if
692 such applicant or registrant is an agent or investment adviser agent, (2)
693 opportunity for hearing, and (3) written findings of fact and
694 conclusions of law.

695 (g) Notwithstanding the provisions of subsection (a) of this section,
696 the commissioner may deny an application for registration as a broker-
697 dealer, agent, investment adviser, investment adviser agent or branch
698 office if the applicant fails to respond to any request for information
699 required under sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
700 by this act, or the regulations adopted pursuant to said sections. The
701 commissioner shall notify the applicant in writing that if such
702 information is not submitted within sixty days the application shall be
703 deemed abandoned and denied. An application filing fee paid prior to
704 the date an application is denied pursuant to this subsection shall not
705 be refunded. Denial of an application pursuant to this subsection shall
706 not preclude the applicant from submitting a new application for
707 registration under said sections. The hearing requirement provided for
708 in subsection (f) of this section shall not apply to the denial of an
709 application issued pursuant to this subsection.

710 Sec. 11. Section 36b-16 of the general statutes is repealed and the
711 following is substituted in lieu thereof (*Effective from passage*):

712 No person shall offer or sell any security in this state unless (1) it is
713 registered under sections 36b-2 to [36b-33] 36b-34, inclusive, as

714 amended by this act, (2) the security or transaction is exempted under
715 section 36b-21, as amended by this act, or (3) the security is a covered
716 security provided such person complies with any applicable
717 requirements in subsections (c), (d) and (e) of section 36b-21.

718 Sec. 12. Subsections (c) and (d) of section 36b-19 of the general
719 statutes are repealed and the following is substituted in lieu thereof
720 (*Effective from passage*):

721 (c) Every registration statement shall specify (1) the amount of
722 securities to be offered; (2) the states in which a registration statement
723 or similar document in connection with the offering has been or is to
724 be filed; (3) the name of any broker-dealer or agent of issuer registered
725 to do business under sections 36b-2 to [36b-33] 36b-34, inclusive, as
726 amended by this act, who may offer the securities in this state; and (4)
727 any adverse order, judgment, or decree entered in connection with the
728 offering by the regulatory authorities in each state or by any court or
729 the Securities and Exchange Commission.

730 (d) Any document filed under sections 36b-2 to [36b-33] 36b-34,
731 inclusive, as amended by this act, or a predecessor act within five years
732 preceding the filing of a registration statement may be incorporated by
733 reference in the registration statement to the extent that the document
734 is currently accurate.

735 Sec. 13. Subsection (k) of section 36b-19 of the general statutes is
736 repealed and the following is substituted in lieu thereof (*Effective from*
737 *passage*):

738 (k) When any securities have been sold without compliance with the
739 provisions of section 36b-16, as amended by this act, any person may
740 apply in writing on forms designated by the commissioner for the
741 registration by qualification of such securities. If the commissioner
742 finds as the result of an investigation that no person has been
743 defrauded, prejudiced or damaged by the prior failure to effect a
744 registration, the commissioner may permit such securities to be
745 registered upon the payment of fifty dollars plus the fees prescribed in

746 this section. Such registration by qualification under this subsection
747 shall not relieve anyone who has violated any provision of sections
748 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, from
749 prosecution hereunder.

750 Sec. 14. Subsection (a) of section 36b-20 of the general statutes is
751 repealed and the following is substituted in lieu thereof (*Effective from*
752 *passage*):

753 (a) The commissioner may issue a stop order denying effectiveness
754 to, or suspending or revoking the effectiveness of, any registration
755 statement if he finds (1) that the order is in the public interest and (2)
756 that: (A) The registration statement as of its effective date or as of any
757 earlier date in the case of an order denying effectiveness, or any report
758 under subsection (j) of section 36b-19, is incomplete in any material
759 respect but is not abandoned pursuant to subsection (e) of this section
760 or contains any statement which was, in the light of the circumstances
761 under which it was made, false or misleading with respect to any
762 material fact; (B) any provision of sections 36b-2 to [36b-33] 36b-34,
763 inclusive, as amended by this act, or any regulation, order or condition
764 lawfully imposed under said sections has been wilfully violated, in
765 connection with the offering, by (i) the person filing the registration
766 statement, (ii) the issuer, any partner, officer or director of the issuer,
767 any person occupying a similar status or performing similar functions,
768 or any person directly or indirectly controlling or controlled by the
769 issuer, provided the person filing the registration statement is directly
770 or indirectly controlled by or acting for the issuer, or (iii) any
771 underwriter; (C) the security registered or sought to be registered is
772 the subject of an administrative stop order or similar order or a
773 permanent or temporary injunction of any court of competent
774 jurisdiction entered under any other federal or state act applicable to
775 the offering; except the commissioner (i) may not institute a
776 proceeding against an effective registration statement under this
777 subparagraph more than one year from the date of the order or
778 injunction relied on, and (ii) may not enter an order under this
779 subparagraph on the basis of an order or injunction entered under any

780 other state act unless that order or injunction was based on facts which
781 would currently constitute a ground for a stop order under this
782 section; (D) the issuer's enterprise or method of business includes or
783 would include activities which are illegal where performed; (E) the
784 offering has worked or tended to work a fraud upon purchasers or
785 would so operate; (F) the offering has been or would be made with
786 unreasonable amounts of underwriters' and sellers' discounts,
787 commissions or other compensation, or promoters' profits or
788 participation, or unreasonable amounts or kinds of options; (G) when a
789 security is sought to be registered by coordination, there has been a
790 failure to comply with the undertaking required by subdivision (4) of
791 subsection (b) of section 36b-17; (H) the applicant or registrant has
792 failed to pay the proper filing fee; but the commissioner may enter
793 only a denial order under this clause and he shall vacate any such
794 order when the deficiency has been corrected; or (I) the issuer is a
795 blank check company. The commissioner may not institute a stop
796 order proceeding against an effective registration statement on the
797 basis of a fact or transaction known to him when the registration
798 statement became effective unless the proceeding is instituted within
799 one hundred eighty days of the effective date of such registration
800 statement.

801 Sec. 15. Subsection (b) of section 36b-21 of the general statutes is
802 repealed and the following is substituted in lieu thereof (*Effective from*
803 *passage*):

804 (b) The following transactions are exempted from sections 36b-16
805 and 36b-22, as amended by this act: (1) Any isolated nonissuer
806 transaction, whether effected through a broker-dealer or not; (2) any
807 nonissuer transaction by a registered agent of a registered
808 broker-dealer in a security of a class that has been outstanding in the
809 hands of the public for at least ninety days provided, at the time of the
810 transaction: (A) The security is sold at a price reasonably related to the
811 current market price of the security; (B) the security does not constitute
812 the whole or part of an unsold allotment to, or a subscription or
813 participation by, the broker-dealer as an underwriter of the security;

814 (C) a nationally recognized securities manual contains (i) a description
815 of the business and operations of the issuer; (ii) the names of the
816 issuer's officers and directors or, in the case of a non-United States
817 issuer, the corporate equivalents of such persons in the issuer's country
818 of domicile; (iii) an audited balance sheet of the issuer as of a date
819 within eighteen months, or in the case of a reorganization or merger
820 where the parties to the reorganization or merger had such audited
821 balance sheet, a pro forma balance sheet; and (iv) an audited income
822 statement for each of the issuer's immediately preceding two fiscal
823 years, or for the period of existence of the issuer, if in existence for less
824 than two years, or in the case of a reorganization or merger where the
825 parties to the reorganization or merger had such audited income
826 statement, a pro forma income statement; and (D) the issuer of the
827 security has a class of equity securities listed on a national securities
828 exchange registered under the Securities Exchange Act of 1934, or
829 designated for trading on the National Association of Securities
830 Dealers Automated Quotation System, unless the issuer, including any
831 predecessors of the issuer (i) has been engaged in continuous business
832 for at least three years or (ii) has total assets of at least two million
833 dollars based on an audited balance sheet of the issuer as of a date
834 within eighteen months, or in the case of a reorganization or merger
835 where the parties to the reorganization or merger had such audited
836 balance sheet, a pro forma balance sheet. The exemption in this
837 subdivision shall not be available for any distribution of securities
838 issued by a blank check company, shell company, dormant company
839 or any issuer that has been merged or consolidated with or has bought
840 out a blank check company, shell company or dormant company
841 unless the issuer or any predecessor has continuously operated its
842 business for at least the preceding five years and has had gross
843 operating revenue in each of the preceding five years, including gross
844 operating revenue of at least five hundred thousand dollars per year in
845 three of the preceding five years; (3) any nonissuer distribution of an
846 outstanding security if the security has a fixed maturity or a fixed
847 interest or dividend provision and there has been no default during
848 the current fiscal year or within the three preceding fiscal years, or

849 during the existence of the issuer and any predecessors if less than
850 three years, in the payment of principal, interest or dividends on the
851 security; (4) any nonissuer transaction effected by or through a
852 registered broker-dealer pursuant to an unsolicited order or offer to
853 buy; but the commissioner may by regulation require that the
854 customer acknowledge upon a specified form that the sale was
855 unsolicited, and that a signed copy of each such form be preserved by
856 the broker-dealer for a specified period or that the confirmation
857 delivered to the purchaser or a memorandum delivered in connection
858 therewith shall confirm that such purchase was unsolicited by the
859 broker-dealer or any agent of the broker-dealer; (5) any transaction
860 between the issuer or other person on whose behalf the offering is
861 made and an underwriter, or among underwriters; (6) any transaction
862 in a bond or other evidence of indebtedness secured by a real or chattel
863 mortgage or deed of trust or by an agreement for the sale of real estate
864 or chattels, if the entire mortgage, deed of trust or agreement, together
865 with all the bonds or other evidences of indebtedness secured thereby,
866 is offered and sold as a unit; (7) any transaction by an executor,
867 administrator, state marshal, marshal, receiver, trustee in bankruptcy,
868 creditors' committee in a proceeding under the Bankruptcy Act,
869 guardian or conservator; (8) any transaction executed by a bona fide
870 pledgee without any purpose of evading sections 36b-2 to [36b-33] 36b-
871 34, inclusive, as amended by this act; (9) any offer or sale to a bank and
872 trust company, a national banking association, a savings bank, a
873 savings and loan association, a federal savings and loan association, a
874 federal savings bank, a credit union, a federal credit union, trust
875 company, insurance company, investment company as defined in the
876 Investment Company Act of 1940, pension or profit-sharing trust, or
877 other financial institution or institutional buyer, or to a broker-dealer,
878 whether the purchaser is acting for itself or in some fiduciary capacity;
879 (10) (A) subject to the provisions of this subdivision, any transaction
880 not involving a public offering within the meaning of Section 4(2) of
881 the Securities Act of 1933, but not including any transaction specified
882 in the rules and regulations thereunder. (B) Subject to the provisions of
883 this subdivision, any transaction made in accordance with the uniform

884 exemption from registration for small issuers authorized in Section
885 19(d)(3)(C) of the Securities Act of 1933. (C) The exemptions set forth in
886 subparagraphs (A) and (B) of this subdivision shall not be available for
887 transactions in securities issued by any blank check company, shell
888 company or dormant company. (D) The exemptions set forth in
889 subparagraphs (A) and (B) of this subdivision may, with respect to any
890 security or transaction or any type of security or transaction, be
891 modified, withdrawn, further conditioned or waived as to conditions,
892 in whole or in part, conditionally or unconditionally, by the
893 commissioner, acting by regulation, rule or order, on a finding that
894 such regulation, rule or order is necessary or appropriate in the public
895 interest or for the protection of investors. (E) A nonrefundable fee of
896 one hundred fifty dollars shall accompany any filing made with the
897 commissioner pursuant to this subdivision; (11) any offer or sale of a
898 preorganization certificate or subscription if (A) no commission or
899 other remuneration is paid or given directly or indirectly for soliciting
900 any prospective subscriber, (B) the number of subscribers does not
901 exceed ten, and (C) no payment is made by any subscriber; (12) any
902 transaction pursuant to an offer to existing security holders of the
903 issuer, including persons who at the time of the transaction are holders
904 of convertible securities, nontransferable warrants or transferable
905 warrants exercisable within not more than ninety days of their
906 issuance, if (A) no commission or other remuneration other than a
907 standby commission is paid or given directly or indirectly for soliciting
908 any security holder in this state, or (B) the issuer first files a notice, in
909 such form and containing such information as the commissioner may
910 by regulation prescribe, specifying the terms of the offer and the
911 commissioner does not by order disallow the exemption within the
912 next ten full business days; (13) any offer, but not a sale, of a security
913 for which registration statements have been filed under both sections
914 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, and the
915 Securities Act of 1933, if no stop order or refusal order is in effect and
916 no public proceeding or examination looking toward such an order is
917 pending under either said sections or the Securities Act of 1933; (14)
918 any transaction exempt under Section 4(6) of the Securities Act of 1933,

919 and the rules and regulations thereunder. The issuer shall, prior to the
920 first sale, file with the commissioner a notice, in such form and
921 containing such information as the commissioner may by regulation,
922 rule or order prescribe. A nonrefundable fee of one hundred fifty
923 dollars shall accompany any such filing made pursuant to this
924 subdivision; (15) any transaction if all the following conditions are
925 satisfied: (A) The offer and sale is effectuated by the issuer of the
926 security; (B) the total number of purchasers of all securities of the
927 issuer does not exceed ten. A subsequent sale of securities that (i) is
928 registered under sections 36b-2 to [36b-33] 36b-34, inclusive, as
929 amended by this act, (ii) is sold pursuant to an exemption under said
930 sections other than this subdivision, or (iii) involves covered securities,
931 shall not be integrated with a sale pursuant to this exemption in
932 computing the number of purchasers hereunder. For the purpose of
933 this subdivision, each of the following is deemed to be a single
934 purchaser of a security: A husband and wife, a child and the parent or
935 guardian of such child when the parent or guardian holds the security
936 for the benefit of the child, a corporation, a partnership, an association
937 or other unincorporated entity, a joint stock company or a trust, but
938 only if the corporation, partnership, association, unincorporated entity,
939 joint stock company or trust was not formed for the purpose of
940 purchasing the security; (C) no advertisement, article, notice or other
941 communication published in any newspaper, magazine or similar
942 medium, broadcast over television or radio or communicated by other
943 electronic means or any other general solicitation is used in connection
944 with the sale; and (D) no commission, discount or other remuneration
945 is paid or given directly or indirectly in connection with the offer and
946 sale, and the total expenses, excluding legal and accounting fees, in
947 connection with the offer and sale do not exceed one per cent of the
948 total sales price of the securities. For purposes of this subdivision, a
949 difference in the purchase price among the purchasers shall not, in and
950 of itself, be deemed to constitute indirect remuneration; (16) any
951 transaction exempt under Rule 701, 17 CFR Section 230.701
952 promulgated under Section 3(b) of the Securities Act of 1933; and (17)
953 any other transaction that the commissioner may exempt,

954 conditionally or unconditionally, on a finding that registration is not
955 necessary or appropriate in the public interest or for the protection of
956 investors.

957 Sec. 16. Subsection (g) of section 36b-21 of the general statutes is
958 repealed and the following is substituted in lieu thereof (*Effective from*
959 *passage*):

960 (g) In any proceeding under sections 36b-2 to [36b-33] 36b-34,
961 inclusive, as amended by this act, the burden of proving an exemption,
962 preemption, exclusion or an exception from a definition is upon the
963 person claiming it.

964 Sec. 17. Section 36b-22 of the general statutes is repealed and the
965 following is substituted in lieu thereof (*Effective from passage*):

966 The commissioner may, by regulation adopted, in accordance with
967 chapter 54, or order, require the filing of any prospectus, pamphlet,
968 circular, form letter, advertisement or other sales literature or
969 advertising communication addressed or intended for distribution to
970 prospective investors, including clients or prospective clients of an
971 investment adviser registered or required to be registered under
972 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act,
973 unless the security or transaction is (1) exempted by subsection (a) or
974 (b) of section 36b-21, as amended by this act, except for transactions
975 exempted by subdivision (13) of subsection (b) of said section 36b-21,
976 as amended by this act, or (2) a covered security.

977 Sec. 18. Section 36b-23 of the general statutes is repealed and the
978 following is substituted in lieu thereof (*Effective from passage*):

979 No person shall make or cause to be made orally or in any
980 document filed with the commissioner or in any proceeding,
981 investigation or examination under sections 36b-2 to [36b-33] 36b-34,
982 inclusive, as amended by this act, any statement that is, at the time and
983 in the light of the circumstances under which it is made, false or
984 misleading in any material respect or, in connection with the

985 statement, omit to state a material fact necessary to make the statement
986 made, in the light of the circumstances under which it was made, not
987 false or misleading.

988 Sec. 19. Subsection (a) of section 36b-24 of the general statutes is
989 repealed and the following is substituted in lieu thereof (*Effective from*
990 *passage*):

991 (a) Neither (1) the fact that an application for registration under
992 sections 36b-6 to 36b-15, inclusive, as amended by this act, or a
993 registration statement under sections 36b-16 to 36b-20, inclusive, as
994 amended by this act, has been filed, nor (2) the fact that a person or
995 security is effectively registered constitutes a finding by the
996 commissioner that any document filed under sections 36b-2 to [36b-33]
997 36b-34, inclusive, as amended by this act, is true, complete and not
998 misleading. Neither any such fact nor the fact that an exemption or
999 exception is available for security or a transaction means that the
1000 commissioner has passed in any way upon the merits or qualifications
1001 of, or recommended or given approval to, any person, security or
1002 transaction.

1003 Sec. 20. Section 36b-25 of the general statutes is repealed and the
1004 following is substituted in lieu thereof (*Effective from passage*):

1005 (a) Sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this
1006 act, shall be administered by the commissioner.

1007 (b) Neither the commissioner nor any of his officers or employees
1008 shall use for personal benefit any information which is filed with or
1009 obtained by the commissioner and which is not made public. No
1010 provision of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
1011 this act, authorizes the commissioner or any of his officers or
1012 employees to disclose any such information except among themselves
1013 or when necessary or appropriate in a proceeding or investigation
1014 under said sections. No provision of said sections either creates or
1015 derogates from any privilege which exists at common law or otherwise
1016 when documentary or other evidence is sought under a subpoena

1017 directed to the commissioner or any of his officers or employees.

1018 Sec. 21. Subsections (a) and (b) of section 36b-26 of the general
1019 statutes are repealed and the following is substituted in lieu thereof
1020 (*Effective from passage*):

1021 (a) The commissioner may, subject to the provisions of the Freedom
1022 of Information Act, as defined in section 1-200: (1) Make such public or
1023 private investigations within or outside of this state as the
1024 commissioner deems necessary to determine whether any person has
1025 violated, is violating or is about to violate any provision of sections
1026 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by this act, or any
1027 regulation or order thereunder, or to aid in the enforcement of said
1028 sections or in the prescribing of rules and forms thereunder, (2) require
1029 or permit any person to testify, produce a record or file a statement in
1030 writing, under oath or otherwise as the commissioner determines, as to
1031 all the facts and circumstances concerning the matter to be investigated
1032 or about which an action or proceeding is to be instituted, and (3)
1033 publish information concerning any violation of said sections or any
1034 regulation or order thereunder.

1035 (b) For the purpose of any investigation or proceeding under
1036 sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by this act, the
1037 commissioner or any officer designated by him may administer oaths
1038 and affirmations, subpoena witnesses, compel their attendance, take
1039 evidence, and require the production of any books, papers,
1040 correspondence, memoranda, agreements, or other documents or
1041 records which the commissioner deems relevant or material to the
1042 inquiry. The commissioner may also issue subpoenas and subpoenas
1043 duces tecum in this state at the request of another state if the activities
1044 concerning which the information is sought would constitute a basis
1045 for an investigation or proceeding under said sections had such
1046 activities occurred in this state.

1047 Sec. 22. Section 36b-27 of the 2010 supplement to the general statutes
1048 is repealed and the following is substituted in lieu thereof (*Effective*
1049 *from passage*):

1050 (a) Whenever it appears to the commissioner after an investigation
1051 that any person has violated, is violating or is about to violate any of
1052 the provisions of sections 36b-2 to [36b-33] 36b-34, inclusive, as
1053 amended by this act, or any regulation, rule or order adopted or issued
1054 under said sections, or that the further sale or offer to sell securities
1055 would constitute a violation of said sections or any such regulation,
1056 rule or order, or that any person has engaged in a dishonest or
1057 unethical practice in the securities or commodities business within the
1058 meaning of sections 36b-31-15a to 36b-31-15d, inclusive, of the
1059 regulations of Connecticut state agencies, the commissioner may, in
1060 the commissioner's discretion, order (1) the person, (2) any other
1061 person that directly or indirectly controls such person and that is, was
1062 or would be a cause of the violation of such sections or any such
1063 regulation, rule or order, due to an act or omission such other person
1064 knew or should have known would contribute to such violation, or (3)
1065 any other person that has materially aided, is materially aiding or is
1066 about to materially aid in such violation, to cease and desist from the
1067 violations or the causing of or aiding in the violations of the provisions
1068 of said sections or of the regulations, rules or orders thereunder, or
1069 from the further sale or offer to sell securities constituting or which
1070 would constitute a violation of the provisions of said sections or of the
1071 regulations, rules or orders thereunder, or from further engaging in
1072 such dishonest or unethical practice and to take or refrain from taking
1073 such action that in the opinion of the commissioner will effectuate the
1074 purposes of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
1075 this act. After such an order is issued, the person named in the order
1076 may, within fourteen days after receipt of the order, file a written
1077 request for a hearing. Any such hearing shall be held in accordance
1078 with the provisions of chapter 54.

1079 (b) Whenever it appears to the commissioner, after an investigation,
1080 that any person has violated any of the provisions of sections 36b-2 to
1081 [36b-33] 36b-34, inclusive, as amended by this act, or any regulation,
1082 rule or order adopted or issued under said sections, or that the further
1083 sale or offer to sell securities would constitute a violation of said
1084 sections or any such regulation, rule or order, or that such person has

1085 engaged in a dishonest or unethical practice in the securities or
1086 commodities business within the meaning of sections 36b-31-15a to
1087 36b-31-15d, inclusive, of the regulations of Connecticut state agencies,
1088 the commissioner may, in addition to any other remedy under this
1089 section, order the person to (1) make restitution of any sums shown to
1090 have been obtained in violation of any of the provisions of said
1091 sections or any such regulation, rule or order or as a result of such
1092 dishonest or unethical practice plus interest at the legal rate set forth in
1093 section 37-1, (2) provide disgorgement of any sums shown to have
1094 been obtained in violation of any of the provisions of said sections or
1095 any such regulation, rule or order or as a result of such dishonest or
1096 unethical practice, or (3) both make restitution and provide
1097 disgorgement. After such an order is issued, the person named in the
1098 order may, not later than fourteen days after receipt of the order, file a
1099 written request for a hearing. Any such hearing shall be held in
1100 accordance with the provisions of chapter 54.

1101 (c) The commissioner, in the commissioner's discretion, may order
1102 any person who directly or indirectly controls a person liable under
1103 subsection (b) of this section or who has materially aided a person
1104 liable under subsection (b) of this section in violation of any of the
1105 provisions of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
1106 by this act, or any regulation, rule or order adopted or issued under
1107 said sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this
1108 act, to make restitution, provide disgorgement, or both, of any sums
1109 shown to have been obtained as a result of a dishonest or unethical
1110 practice or in violation of any of the provisions of said sections 36b-2 to
1111 [36b-33] 36b-34, inclusive, as amended by this act, or any regulation,
1112 rule or order adopted or issued under said sections. Such controlling
1113 person or aider shall be liable jointly and severally with and to the
1114 same extent as the person liable under subsection (b) of this section,
1115 unless such controlling person or aider allegedly liable under this
1116 subsection sustains the burden of proof that such person did not know,
1117 and in the exercise of reasonable care could not have known, of the
1118 existence of facts by reason of which the liability is alleged to exist.
1119 After such an order is issued, the person named in the order may,

1120 within fourteen days after receipt of the order, file a written request for
1121 a hearing. Any such hearing shall be held in accordance with the
1122 provisions of chapter 54. There shall be contribution as in cases of
1123 contract among the several persons so liable.

1124 (d) (1) Whenever the commissioner finds as the result of an
1125 investigation that any person has violated any of the provisions of
1126 sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by this act, or
1127 any regulation, rule or order adopted or issued under said sections, the
1128 commissioner may send a notice to (A) such person, (B) any other
1129 person that directly or indirectly controls such person and that was a
1130 cause of the violation of said sections or any such regulation, rule or
1131 order, due to an act or omission such other person knew or should
1132 have known would contribute to such violation, or (C) any other
1133 person that has materially aided in such violation, by registered or
1134 certified mail, return receipt requested, or by any express delivery
1135 carrier that provides a dated delivery receipt. The notice shall be
1136 deemed received by the person on the earlier of the date of actual
1137 receipt or the date seven days after the date on which such notice was
1138 mailed or sent. Any such notice shall include: (i) A reference to the
1139 title, chapter, regulation, rule or order alleged to have been violated;
1140 (ii) a short and plain statement of the matter asserted or charged; (iii)
1141 the maximum fine that may be imposed for such violation; (iv) a
1142 statement indicating that such person may file a written request for a
1143 hearing on the matters asserted not later than fourteen days after
1144 receipt of the notice; and (v) the time and place for the hearing.

1145 (2) If a hearing is requested within the time specified in the notice,
1146 the commissioner shall hold a hearing upon the charges made unless
1147 such person fails to appear at the hearing. Any such hearing shall be
1148 held in accordance with the provisions of chapter 54. After the hearing
1149 if the commissioner finds that the person has violated, caused a
1150 violation or materially aided in the violation of any of the provisions of
1151 sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by this act, or
1152 any regulation, rule or order adopted or issued under said sections, the
1153 commissioner may, in the commissioner's discretion and in addition to

1154 any other remedy authorized by said sections, order that a fine not
1155 exceeding one hundred thousand dollars per violation be imposed
1156 upon such person. If such person fails to appear at the hearing, the
1157 commissioner may, as the facts require, order that a fine not exceeding
1158 one hundred thousand dollars per violation be imposed upon such
1159 person. The commissioner shall send a copy of any order issued
1160 pursuant to this subsection by registered or certified mail, return
1161 receipt requested, or by any express delivery carrier that provides a
1162 dated delivery receipt, to any person named in such order.

1163 (e) Whenever it appears to the commissioner that any person has
1164 violated, is violating or is about to violate any of the provisions of
1165 sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as amended by this act, or
1166 any regulation, rule or order adopted or issued under said sections, or
1167 that the further sale or offer to sell securities would constitute a
1168 violation of said sections or any such regulation, rule or order, the
1169 commissioner may, in the commissioner's discretion and in addition to
1170 any other remedy authorized by this section, bring an action in the
1171 superior court for the judicial district of Hartford to: (1) Enjoin the acts
1172 or practices and to enforce compliance with sections 36b-2 to [36b-33]
1173 ~~36b-34~~, inclusive, as amended by this act, or any such regulation, rule
1174 or order against (A) such person; (B) any other person who directly or
1175 indirectly controls such person and who is, was or would be a cause of
1176 the violation of said sections 36b-2 to [36b-33] ~~36b-34~~, inclusive, as
1177 amended by this act, or any such regulation, rule or order due to an act
1178 or omission such other person knew or should have known would
1179 contribute to such violation; or (C) any other person who has
1180 materially aided, is materially aiding or is about to materially aid in
1181 such violation. Upon a proper showing, the court may issue a
1182 permanent or temporary injunction, restraining order or writ of
1183 mandamus and may order other appropriate or ancillary relief, which
1184 may include: (i) An asset freeze, accounting, writ of attachment, writ of
1185 general or specific execution, and appointment of a receiver or
1186 conservator, who may be the commissioner or a person recommended
1187 by the commissioner, for the defendant or the defendant's assets. If a
1188 person other than the commissioner is appointed receiver or

1189 conservator, the commissioner shall be a party to the receivership
1190 proceeding or conservatorship with standing to initiate or contest any
1191 motion, and the views of the commissioner shall be entitled to
1192 deference unless they are inconsistent with the plain meaning of
1193 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act. The
1194 commissioner may appoint such employees and retain such
1195 consultants as the commissioner deems necessary for liquidating or
1196 administering the affairs of the defendant; (ii) an order directing the
1197 commissioner to take charge and control of a defendant's property,
1198 including investment accounts and accounts in a depository
1199 institution, rents, and profits; to collect debts; and to acquire and
1200 dispose of property; (iii) an order directing the payment of
1201 prejudgment and postjudgment interest; or (iv) an order covering such
1202 other relief as the court considers appropriate. The court shall not
1203 require the commissioner to post a bond; (2) seek a court order
1204 imposing a fine not to exceed one hundred thousand dollars per
1205 violation against the person found to have violated, caused a violation
1206 or materially aided in the violation of any provision of sections 36b-2
1207 to [36b-33] 36b-34, inclusive, as amended by this act, or any regulation,
1208 rule or order adopted or issued under said sections 36b-2 to [36b-33]
1209 36b-34, inclusive, as amended by this act; (3) apply for an order
1210 whereby the person that violated any of the provisions of said sections
1211 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, or any
1212 regulation, rule or order adopted or issued under said sections shall be
1213 ordered to: (A) Make restitution of those sums shown by the
1214 commissioner to have been obtained by such person in violation of any
1215 of the provisions of said sections or any such regulation, rule or order,
1216 plus interest at the rate set forth in section 37-3a; (B) provide
1217 disgorgement of any sums shown to have been obtained in violation of
1218 any of the provisions of said sections or any such regulation, rule or
1219 order; (C) both make restitution and provide disgorgement; or (4)
1220 apply for an order whereby any person who directly or indirectly
1221 controls a person liable under subdivision (3) of this subsection, or
1222 who has materially aided a person liable under subdivision (3) of this
1223 subsection in a violation of any of the provisions of sections 36b-2 to

1224 [36b-33] 36b-34, inclusive, as amended by this act, or any regulation,
1225 rule or order adopted or issued under said sections, to make
1226 restitution, provide disgorgement, or both, of any sums shown to have
1227 been obtained as a result of such violation. Such controlling person or
1228 aider shall be liable jointly and severally with and to the same extent as
1229 the person liable under subdivision (3) of this subsection, unless such
1230 controlling person or aider allegedly liable under this subdivision
1231 sustains the burden of proof that such person did not know, and in the
1232 exercise of reasonable care could not have known, of the existence of
1233 facts by reason of which the liability is alleged to exist. Such restitution
1234 or disgorgement shall, at the option of the court, be payable to the
1235 receiver or conservator appointed pursuant to this subsection, or
1236 directly to the persons whose assets were obtained in violation of any
1237 provision of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by
1238 this act, or any such regulation, rule or order.

1239 (f) Any time after the issuance of an order or notice provided for in
1240 subsection (a), (b) or (c) or subdivision (1) of subsection (d) of this
1241 section, the commissioner may accept an agreement by any respondent
1242 named in such order or notice to enter into a written consent order in
1243 lieu of an adjudicative hearing. The acceptance of a consent order shall
1244 be within the complete discretion of the commissioner. The consent
1245 order provided for in this subsection shall contain (1) an express
1246 waiver of the right to seek judicial review or otherwise challenge or
1247 contest the validity of the order or notice; (2) a provision that the order
1248 or notice may be used in construing the terms of the consent order; (3)
1249 a statement that the consent order shall become final when issued; (4) a
1250 specific assurance that none of the violations alleged in the order or
1251 notice shall occur in the future; (5) such other terms and conditions as
1252 are necessary to further the purposes and policies of sections 36b-2 to
1253 [36b-33] 36b-34, inclusive, as amended by this act; (6) the signature of
1254 each of the individual respondents evidencing such respondent's
1255 consent; and (7) the signature of the commissioner or of the
1256 commissioner's authorized representative.

1257 Sec. 23. Subsections (b) and (c) of section 36b-28 of the general

1258 statutes are repealed and the following is substituted in lieu thereof
1259 (*Effective from passage*):

1260 (b) Any person who wilfully violates any other provision of sections
1261 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, shall be
1262 fined not more than two thousand dollars or imprisoned for not more
1263 than two years, or both.

1264 (c) No information may be returned under sections 36b-2 to [36b-33]
1265 36b-34, inclusive, as amended by this act, more than five years after the
1266 alleged violation.

1267 Sec. 24. Subsection (e) of section 36b-29 of the general statutes is
1268 repealed and the following is substituted in lieu thereof (*Effective from*
1269 *passage*):

1270 (e) Every cause of action under sections 36b-2 to [36b-33] 36b-34,
1271 inclusive, as amended by this act, survives the death of any person
1272 who might have been a plaintiff or defendant.

1273 Sec. 25. Subsections (h) to (j), inclusive, of section 36b-29 of the
1274 general statutes are repealed and the following is substituted in lieu
1275 thereof (*Effective from passage*):

1276 (h) No person who has made or engaged in the performance of any
1277 contract in violation of any provision of sections 36b-2 to [36b-33] 36b-
1278 34, inclusive, as amended by this act, or any regulation or order
1279 thereunder, or who has acquired any purported right under any such
1280 contract with knowledge of the facts by reason of which its making or
1281 performance was in violation, may base any cause of action on the
1282 contract.

1283 (i) Any condition, stipulation or provision binding any person
1284 acquiring any security or receiving investment advice to waive
1285 compliance with any provision of sections 36b-2 to [36b-33] 36b-34,
1286 inclusive, as amended by this act, or any regulation or order
1287 thereunder is void.

1288 (j) The rights and remedies provided by sections 36b-2 to [36b-33]
1289 36b-34, inclusive, as amended by this act, are in addition to any other
1290 rights or remedies that may exist at law or in equity.

1291 Sec. 26. Section 36b-31 of the general statutes is repealed and the
1292 following is substituted in lieu thereof (*Effective from passage*):

1293 (a) The commissioner may from time to time make, amend and
1294 rescind such regulations, forms and orders as are necessary to carry
1295 out the provisions of sections 36b-2 to [36b-33] 36b-34, inclusive, as
1296 amended by this act, including regulations, forms and orders
1297 governing registration statements, notice filings, applications, and
1298 reports, and defining any terms, whether or not used in said sections,
1299 insofar as the definitions are not inconsistent with the provisions of
1300 said sections. For the purpose of regulations, forms and orders, the
1301 commissioner may classify securities, persons and matters within his
1302 or her jurisdiction, and prescribe different requirements for different
1303 classes.

1304 (b) No regulation, form or order may be made, amended or
1305 rescinded unless the commissioner finds that the action is necessary or
1306 appropriate in the public interest or for the protection of investors and
1307 consistent with the purposes fairly intended by the policy and
1308 provisions of sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
1309 by this act. In prescribing regulations, forms and orders, the
1310 commissioner may cooperate with the securities administrators of the
1311 other states and the Securities and Exchange Commission with a view
1312 to effectuating the policy of said sections to achieve maximum
1313 uniformity in the form and content of registration statements, notice
1314 filings, applications and reports wherever practicable.

1315 (c) To encourage uniform interpretation and administration of
1316 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, and
1317 effective securities regulation and enforcement, the commissioner may
1318 cooperate with the securities agencies or administrators of other states,
1319 Canadian provinces or territories, or other countries, the Securities and
1320 Exchange Commission, the Commodity Futures Trading Commission,

1321 the Securities Investor Protection Corporation, any self-regulatory
1322 organization, any national or international organization of securities
1323 officials or agencies, and any governmental law enforcement or
1324 regulatory agency. The cooperation authorized by this subsection
1325 includes, but is not limited to, the following actions: (1) Establishing
1326 central depositories for the registration of securities or securities
1327 industry personnel under sections 36b-2 to [36b-33] 36b-34, inclusive,
1328 as amended by this act, and for documents or records required or
1329 allowed to be filed with or maintained by the commissioner under
1330 sections 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act; (2)
1331 conducting joint examinations and investigations; (3) sharing and
1332 exchanging information and documents subject to the restrictions of
1333 chapter 3; (4) sharing and exchanging personnel; and (5) executing
1334 joint agreements, memoranda of understanding and orders.

1335 (d) Subject to Section 15(h) of the Securities Exchange Act of 1934
1336 and Section 222 of the Investment Advisers Act of 1940, the
1337 commissioner may, by regulation or order, prescribe: (1) The form and
1338 content of financial statements required under sections 36b-2 to
1339 [36b-33] 36b-34, inclusive, as amended by this act; (2) the
1340 circumstances under which consolidated financial statements shall be
1341 filed; and (3) whether any required financial statements shall be
1342 certified by independent certified public accountants. All financial
1343 statements shall be prepared in accordance with generally accepted
1344 accounting principles.

1345 (e) Any regulations issued pursuant to the provisions of sections
1346 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act, shall be
1347 adopted in accordance with the provisions of chapter 54.

1348 (f) The commissioner, or employees of the Department of Banking
1349 authorized by the commissioner, may, whether or not requested by
1350 any person, issue declaratory rulings pursuant to section 4-176 or
1351 written advisory interpretations of sections 36b-2 to [36b-33] 36b-34,
1352 inclusive, as amended by this act, including interpretation of the
1353 applicability of any provision of said sections, or may issue

1354 determinations that the commissioner will not institute a proceeding
1355 or an action under sections 36b-2 to [36b-33] 36b-34, inclusive, as
1356 amended by this act, against a specified person for engaging in a
1357 specified act, practice or course of business if the determination is
1358 consistent with the purposes fairly intended by the policy and
1359 provisions of said sections 36b-2 to [36b-33] 36b-34, inclusive, as
1360 amended by this act.

1361 (g) Every hearing in an administrative proceeding shall be public.

1362 (h) No provision of sections 36b-2 to [36b-33] 36b-34, inclusive, as
1363 amended by this act, imposing any liability applies to any act done or
1364 omitted in good faith in conformity with any regulation, form, order,
1365 advisory interpretation or no action determination of the
1366 commissioner, notwithstanding that the regulation, form, order,
1367 advisory interpretation or no action determination may later be
1368 amended or rescinded or be determined by judicial or other authority
1369 to be invalid for any reason.

1370 Sec. 27. Subsection (b) of section 36b-32 of the general statutes is
1371 repealed and the following is substituted in lieu thereof (*Effective from*
1372 *passage*):

1373 (b) The commissioner shall keep a register of all applications for
1374 registration and registration statements which are or have ever been
1375 effective under sections 36b-2 to [36b-33] 36b-34, inclusive, as amended
1376 by this act, and all denial, suspension or revocation orders which have
1377 ever been entered under said sections. Such register shall be open for
1378 public inspection.

1379 Sec. 28. Subsection (d) of section 36b-32 of the general statutes is
1380 repealed and the following is substituted in lieu thereof (*Effective from*
1381 *passage*):

1382 (d) Upon request and at such charges as provided for in the
1383 Freedom of Information Act, as defined in section 1-200, the
1384 commissioner shall furnish to any person photostatic or other copies,

1385 certified under the commissioner's seal of office if requested, of any
1386 entry in the register or any document which is a matter of public
1387 record or a certification that such public record does not exist. In any
1388 proceeding or prosecution under sections 36b-2 to [36b-33] 36b-34,
1389 inclusive, as amended by this act, any copy so certified is prima facie
1390 evidence of the contents of the entry or document certified and a
1391 certificate by the commissioner of a record's nonexistence is prima
1392 facie evidence of the nonexistence of such record.

1393 Sec. 29. Subsection (b) of section 36b-32a of the general statutes is
1394 repealed and the following is substituted in lieu thereof (*Effective from*
1395 *passage*):

1396 (b) The Philanthropy Protection Act of 1995, Public Law 104-62,
1397 shall not apply in any administrative or judicial action as a defense to
1398 any claim that any person, security, interest, or participation of the
1399 type described in said act and the amendments made by said act is
1400 subject to the provisions of sections 36b-2 to [36b-33] 36b-34, inclusive,
1401 as amended by this act.

1402 Sec. 30. Subsections (g) and (h) of section 36b-33 of the general
1403 statutes are repealed and the following is substituted in lieu thereof
1404 (*Effective from passage*):

1405 (g) Every applicant for registration under sections 36b-2 to [36b-33]
1406 36b-34, inclusive, as amended by this act, every investment adviser
1407 exempt under subsection (e) of section 36b-6, and every issuer, other
1408 than the United States, any state, Canada, any other foreign
1409 government with which the United States currently maintains
1410 diplomatic relations, or any issuer of covered securities under Section
1411 18(b)(1) of the Securities Act of 1933, which proposes to offer a security
1412 in this state through any person acting on an agency basis in the
1413 common-law sense shall file with the commissioner, in such form as
1414 the commissioner by regulation prescribes, an irrevocable consent
1415 appointing the commissioner or the commissioner's successor in office
1416 to be his or her attorney to receive service of any lawful process in any
1417 noncriminal suit, action, or proceeding against him or her or his or her

1418 successor executor or administrator which arises under sections 36b-2
1419 to [36b-33] 36b-34, inclusive, as amended by this act, or any regulation
1420 or order thereunder after the consent has been filed, with the same
1421 force and validity as if served personally on the person filing the
1422 consent. A person who has filed such a consent in connection with a
1423 previous registration need not file another. Service may be made by
1424 leaving a copy of the process in the office of the commissioner, but it is
1425 not effective unless (1) the plaintiff, who may be the commissioner in a
1426 suit, action, or proceeding instituted by the commissioner, forthwith
1427 sends notice of the service and a copy of the process by registered mail,
1428 return receipt requested, or by any express delivery carrier that
1429 provides a dated delivery receipt, to the defendant or respondent at
1430 the defendant's or respondent's last address on file with the
1431 commissioner, and (2) the plaintiff's affidavit of compliance with this
1432 subsection is filed in the case on or before the return day of the
1433 process, if any, or within such further time as the court allows.

1434 (h) When any person, including any nonresident of this state,
1435 engages in conduct prohibited or made actionable by sections 36b-2 to
1436 [36b-33] 36b-34, inclusive, as amended by this act, or any regulation or
1437 order thereunder, and such person has not filed a consent to service of
1438 process under subsection (g) of this section and personal jurisdiction
1439 over such person cannot otherwise be obtained in this state, that
1440 conduct shall be considered equivalent to such person's appointment
1441 of the commissioner or the commissioner's successor in office to be
1442 such person's attorney to receive service of any lawful process in any
1443 noncriminal suit, action, or proceeding against such person or such
1444 person's successor executor or administrator which grows out of that
1445 conduct and which is brought under said sections or any regulation or
1446 order thereunder, with the same force and validity as if served on such
1447 person personally. Service may be made by leaving a copy of the
1448 process in the office of the commissioner, and it is not effective unless
1449 (1) the plaintiff, who may be the commissioner in a suit, action, or
1450 proceeding instituted by the commissioner, forthwith sends notice of
1451 the service and a copy of the process by registered mail, return receipt
1452 requested, or by any express delivery carrier that provides a dated

1453 delivery receipt, to the defendant or respondent at the defendant's or
 1454 respondent's last known address or takes other steps which are
 1455 reasonably calculated to give actual notice, and (2) the plaintiff's
 1456 affidavit of compliance with this subsection is filed in the case on or
 1457 before the return day of the process, if any, or within such further time
 1458 as the court allows.

1459 Sec. 31. Subsection (b) of section 20-329bb of the general statutes is
 1460 repealed and the following is substituted in lieu thereof (*Effective from*
 1461 *passage*):

1462 (b) Any real property securities dealer who is required to be
 1463 licensed and to obtain a permit under the provisions of said sections
 1464 shall be exempt from the provisions of sections 36a-380 to 36a-386,
 1465 inclusive, 36a-395 to 36a-399, inclusive, 36a-535 to 36a-546, inclusive,
 1466 and 36b-2 to [36b-33] 36b-34, inclusive, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	36b-1
Sec. 2	<i>from passage</i>	36b-2
Sec. 3	<i>from passage</i>	36b-3
Sec. 4	<i>from passage</i>	36b-5(b) and (c)
Sec. 5	<i>from passage</i>	36b-6(a) to (c)
Sec. 6	<i>from passage</i>	36b-6(i)
Sec. 7	<i>from passage</i>	36b-10
Sec. 8	<i>from passage</i>	36b-11
Sec. 9	<i>from passage</i>	36b-14(c)
Sec. 10	<i>from passage</i>	36b-15
Sec. 11	<i>from passage</i>	36b-16
Sec. 12	<i>from passage</i>	36b-19(c) and (d)
Sec. 13	<i>from passage</i>	36b-19(k)
Sec. 14	<i>from passage</i>	36b-20(a)
Sec. 15	<i>from passage</i>	36b-21(b)
Sec. 16	<i>from passage</i>	36b-21(g)
Sec. 17	<i>from passage</i>	36b-22
Sec. 18	<i>from passage</i>	36b-23
Sec. 19	<i>from passage</i>	36b-24(a)

Sec. 20	<i>from passage</i>	36b-25
Sec. 21	<i>from passage</i>	36b-26(a) and (b)
Sec. 22	<i>from passage</i>	36b-27
Sec. 23	<i>from passage</i>	36b-28(b) and (c)
Sec. 24	<i>from passage</i>	36b-29(e)
Sec. 25	<i>from passage</i>	36b-29(h) to (j)
Sec. 26	<i>from passage</i>	36b-31
Sec. 27	<i>from passage</i>	36b-32(b)
Sec. 28	<i>from passage</i>	36b-32(d)
Sec. 29	<i>from passage</i>	36b-32a(b)
Sec. 30	<i>from passage</i>	36b-33(g) and (h)
Sec. 31	<i>from passage</i>	20-329bb(b)

Statement of Legislative Commissioners:

The title of the bill was changed for clarity.

BA *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill makes technical changes to the Connecticut Uniform Securities Act and results in no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis

sHB 5114

***AN ACT APPLYING THE PROVISIONS OF THE CONNECTICUT
UNIFORM SECURITIES ACT TO THE REQUIREMENT THAT
BROKER-DEALERS COMPLY WITH THE CURRENCY AND
FOREIGN TRANSACTIONS REPORTING ACT.***

SUMMARY:

This bill makes technical changes to the Connecticut Uniform Securities Act and a related statutory provision regarding real property securities dealers.

EFFECTIVE DATE: upon passage

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/11/2010)