
OLR Bill Analysis

HB 6340 (as amended by House "A")*

AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT.

SUMMARY:

This bill:

1. alters which securities are exempt from registration with the banking commissioner under the Uniform Securities Act,
2. specifies the notice and fee closed-end companies must provide the commissioner when offering securities in the state, and
3. makes technical changes.

*House Amendment "A" (1) adds the provision on American depositary receipts (ADR) and (2) specifies that the bill exempts from registration margin securities and ADRs that are over-the-counter securities or securities issued by foreign issuers, rather than securities that are margin securities, over-the-counter securities, or securities issued by foreign issuers.

EFFECTIVE DATE: October 1, 2013

SECURITIES EXEMPT FROM REGISTRATION

The law, with exceptions, requires securities to be registered before they may be sold in Connecticut.

Current law exempts securities appearing on the list of over-the-counter and foreign securities approved for margin by the Federal Reserve System's Board of Governors that are not otherwise covered securities under federal law. The board no longer publishes this list, and the bill instead exempts a security if it is:

1. an over-the-counter security or security issued by a foreign issuer regardless of whether they are covered securities and
2. either (a) a margin security, as defined by the board's regulations or rules, or (b) ADR, as defined in the regulations or rules, that represents such a margin security (see BACKGROUND).

The bill adds an exemption for a warrant or right to purchase or subscribe to a foreign security that is a covered security.

NOTICE FROM CLOSED END COMPANIES

The bill requires closed-end companies (see BACKGROUND) to file a notice with the banking commissioner when they offer a security in the state. It requires them to pay a nonrefundable fee of .1% of the maximum aggregate offering price of the securities to be offered in the state, but the fee must be between \$300 and \$1,500. This conforms to current practice.

The bill specifies that the notice is valid for one year from its receipt by the commissioner or the date the federal Securities and Exchange Commission declares the security effective, whichever is later. The bill requires the company to file any information required by the commissioner and again pay the required fee if the securities will continue to be offered after the one-year period.

BACKGROUND

ADR

An ADR is a security representing the security of a non-U.S. company that trades in the U.S. financial markets. The stocks of most foreign companies that trade in the U.S. markets are traded as ADRs. U.S. depository banks issue these stocks.

Closed-End Management Company

A closed-end management company is a type of investment management company that sells a limited number of shares to investors on an exchange by way of an initial public offering. For investors to sell the shares, there must be buyers willing to buy the

shares at a price determined by the market. The most common type of closed-end management company is a closed-end mutual fund.

Margin Security

Generally, a margin security is one that an investor buys or sells using an account where the brokerage lends the account holder money to buy securities.

Under Federal Reserve Regulation T, a margin security is a:

1. security registered or having unlisted trading privileges on a national securities exchange,
2. security listed on the Nasdaq Stock Market,
3. non-equity security,
4. security issued by an open-end investment company or unit investment trust registered under federal law (15 USC § 80a-8),
5. foreign margin stock, or
6. debt security convertible into a margin security (12 CFR § 220.2).

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/14/2013)