OLR Bill Analysis
HB 5608

AN ACT REQUIRING INVESTMENT ADVISERS TO INFORM CLIENTS OF THEIR ABILITY TO NAME BENEFICIARIES OR CONTINGENT BENEFICIARIES FOR THEIR ASSETS.

SUMMARY

This bill prohibits state-registered investment advisers (see below) from entering, extending, or renewing investment advisory contracts (either orally or in writing) unless they disclose in writing that the clients may choose one or more beneficiaries or contingent beneficiaries for their assets. (Presumably, this requirement applies to contracts executed on and after the bill’s effective date.)

By law, investment advisory contracts must also disclose certain other information, such as any fee arrangement and that the adviser cannot be compensated based on capital gains or capital appreciation.

EFFECTIVE DATE: October 1, 2021

STATE REGISTERED INVESTMENT ADVISERS

State law requires investment advisers to register with the state department of banking, but exempts from this requirement advisers that:

1. are registered with the U.S. Securities and Exchange Commission (SEC) under the federal Investment Advisers Act of 1940 (IAA),

2. are excluded from the IAA’s definition of “investment adviser,” or

3. had five or fewer Connecticut clients in the previous year and do not have a place of business in the state (CGS § 36b-6(e)).

The IAA generally (1) allows investment advisers to register with
the SEC once their assets under management (AUM) reach $100 million, but requires registration once their AUM reach $110 million, and (2) excludes from the definition of “investment adviser” certain banks and brokers, lawyers, and other individuals who may incidentally perform investment adviser services (15 U.S.C. §§ 80b-2(11) & 80b-3a(2)).

COMMITTEE ACTION

Banking Committee

Joint Favorable
Yea 18 Nay 0 (03/17/2021)