



House of Representatives

General Assembly

File No. 188

January Session, 2025

Substitute House Bill No. 6875

House of Representatives, March 24, 2025

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT.

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

1 Section 1. Section 36b-6 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) [No] Except as provided in subsection (f) of this section, no person
4 shall transact business in this state as a broker-dealer unless such person
5 is registered under sections 36b-2 to 36b-34, inclusive. No person shall
6 transact business in this state as a broker-dealer in contravention of a
7 sanction that is currently effective imposed by the Securities and
8 Exchange Commission or by a self-regulatory organization of which
9 such person is a member if the sanction would prohibit such person
10 from effecting transactions in securities in this state. No individual shall
11 transact business as an agent in this state unless such individual is (1)
12 registered as an agent of the broker-dealer or issuer whom such
13 individual represents in transacting such business, or (2) an associated
14 person who represents a broker-dealer in effecting transactions

15 described in subdivisions (3) and (4) of Section 15(i) of the Securities
16 Exchange Act of 1934. No individual shall transact business in this state
17 as an agent of a broker-dealer in contravention of a sanction that is
18 currently effective imposed by the Securities and Exchange Commission
19 or a self-regulatory organization of which the employing broker-dealer
20 is a member if the sanction would prohibit the individual employed by
21 such broker-dealer from effecting transactions in securities in this state.

22 (b) No issuer shall employ an agent unless such agent is registered
23 under sections 36b-2 to 36b-34, inclusive. No broker-dealer shall employ
24 an agent unless such agent is (1) registered under sections 36b-2 to 36b-
25 34, inclusive, or (2) an associated person who represents a broker-dealer
26 in effecting transactions described in subdivisions (2) and (3) of Section
27 15(h) of the Securities Exchange Act of 1934. The registration of an agent
28 is not effective during any period when such agent is not associated with
29 a particular broker-dealer registered under sections 36b-2 to 36b-34,
30 inclusive, or a particular issuer. When an agent begins or terminates a
31 connection with a broker-dealer or issuer, or begins or terminates those
32 activities which make such individual an agent, both the agent and the
33 broker-dealer or issuer shall promptly notify the commissioner.

34 (c) (1) No person shall transact business in this state as an investment
35 adviser unless registered as such by the commissioner as provided in
36 sections 36b-2 to 36b-34, inclusive, or exempted pursuant to subsection
37 (e) of this section. No person shall transact business, directly or
38 indirectly, in this state as an investment adviser if the registration of
39 such investment adviser is suspended or revoked or, in the case of an
40 investment adviser who is an individual, the investment adviser is
41 barred from employment or association with an investment adviser or
42 broker-dealer by order of the commissioner, the Securities and
43 Exchange Commission or a self-regulatory organization.

44 (2) No individual shall transact business in this state as an investment
45 adviser agent unless such individual is registered as an investment
46 adviser agent of the investment adviser for which such individual acts
47 in transacting such business. An investment adviser agent registered

48 under sections 36b-2 to 36b-34, inclusive, who refers advisory clients to
49 another investment adviser registered under said sections 36b-2 to 36b-
50 34, inclusive, or to an investment adviser registered with the Securities
51 and Exchange Commission that has filed a notice under subsection (e)
52 of this section, is not required to register as an investment adviser agent
53 of such investment adviser if the only compensation paid for such
54 referral services is paid to the investment adviser with whom the
55 individual is employed or associated. No individual shall transact
56 business, directly or indirectly, in this state as an investment adviser
57 agent on behalf of an investment adviser if the registration of such
58 individual as an investment adviser agent is suspended or revoked or
59 the individual is barred from employment or association with an
60 investment adviser by an order of the commissioner, the Securities and
61 Exchange Commission or a self-regulatory organization.

62 (3) No investment adviser shall engage an investment adviser agent
63 unless such investment adviser agent is registered under sections 36b-2
64 to 36b-34, inclusive. The registration of an investment adviser agent is
65 not effective during any period when such investment adviser agent is
66 not associated with a particular investment adviser. When an
67 investment adviser agent begins or terminates a connection with an
68 investment adviser, both the investment adviser agent and the
69 investment adviser shall promptly notify the commissioner. If an
70 investment adviser or investment adviser agent provides such notice,
71 such investment adviser or investment adviser agent shall not be liable
72 for the failure of the other to give such notice.

73 (d) [No] Except as provided in subsection (f) of this section, no
74 broker-dealer or investment adviser shall transact business from any
75 place of business located within this state unless that place of business
76 is registered as a branch office with the commissioner pursuant to this
77 subsection. An application for branch office registration shall be made
78 on forms prescribed by the commissioner and shall be filed with the
79 commissioner, together with a nonrefundable application fee of one
80 hundred twenty-five dollars per branch office. A broker-dealer or
81 investment adviser shall promptly notify the commissioner in writing if

82 such broker-dealer or investment adviser (1) engages a new manager at
83 a branch office in this state, (2) acquires a branch office of another
84 broker-dealer or investment adviser in this state, or (3) relocates a
85 branch office in this state. In the case of a branch office acquisition or
86 relocation, such broker-dealer or investment adviser shall pay to the
87 commissioner a nonrefundable fee of one hundred twenty-five dollars.
88 Each registrant or applicant for branch office registration shall pay the
89 actual cost, as determined by the commissioner, of any reasonable
90 investigation or examination made of such registrant or applicant by or
91 on behalf of the commissioner.

92 (e) The following investment advisers are exempted from the
93 registration requirements under subsection (c) of this section: Any
94 investment adviser that (1) is registered or required to be registered
95 under Section 203 of the Investment Advisers Act of 1940, [;] (2) is
96 excepted from the definition of investment adviser under Section
97 202(a)(11) of the Investment Advisers Act of 1940, [;] or (3) has no place
98 of business in this state and, during the preceding twelve months, has
99 had no more than five clients who are residents of this state. Any
100 investment adviser claiming an exemption pursuant to subdivision (1)
101 of this subsection that is not otherwise excluded under subsection (11)
102 of section 36b-3 [;] shall first file with the commissioner a notice of
103 exemption together with a consent to service of process as required by
104 subsection (g) of section 36b-33, and shall pay to the commissioner or to
105 any person designated by the commissioner, in writing, to collect such
106 fee on behalf of the commissioner a nonrefundable fee of two hundred
107 seventy-five dollars. The notice of exemption shall contain such
108 information as the commissioner may require. Such notice of exemption
109 shall be valid until December thirty-first of the calendar year in which it
110 was first filed and may be renewed annually thereafter upon submission
111 of such information as the commissioner may require together with a
112 nonrefundable fee of one hundred seventy-five dollars. If any
113 investment adviser that is exempted from registration pursuant to
114 subdivision (1) of this subsection fails or refuses to pay any fee required
115 by this subsection, the commissioner may require such investment
116 adviser to register pursuant to subsection (c) of this section. For

117 purposes of this subsection, a delay in the payment of a fee or an
118 underpayment of a fee which is promptly remedied shall not constitute
119 a failure or refusal to pay such fee.

120 (f) (1) For the purposes of this subsection:

121 (A) "Business combination related shell company" means a shell
122 company that is formed by a nonshell company solely for the purpose
123 of (i) changing the corporate domicile of such nonshell company solely
124 within the United States, or (ii) completing a business combination
125 transaction, as defined in 17 CFR 230.165(f), as amended from time to
126 time, among one or more entities that do not include (I) the nonshell
127 company itself, or (II) any shell company.

128 (B) "Control" means the power, directly or indirectly, to direct the
129 management or policies of a company, whether through ownership of
130 securities, by contract or otherwise. There shall be a presumption of
131 control if, upon completion of a transaction, a buyer or group of buyers:

132 (i) Has the right to vote at least twenty-five per cent of any class of
133 voting securities or the power to sell or direct the sale of at least twenty-
134 five per cent of any class of voting securities; or

135 (ii) In the case of a partnership or limited liability company, has the
136 right to receive upon dissolution, or has contributed, at least twenty-five
137 per cent of the capital of the partnership or limited liability company.

138 (C) "Eligible privately held company" means a company that:

139 (i) Does not have any class of securities registered, or required to be
140 registered, with the Securities and Exchange Commission under Section
141 12 of the Securities Exchange Act of 1934, 15 USC 78l, as amended from
142 time to time, or with respect to which the company files, or is required
143 to file, periodic information, documents and reports under Section 15(d)
144 of the Securities Exchange Act of 1934, 15 USC 78o(d), as amended from
145 time to time; and

146 (ii) In the fiscal year ending immediately prior to the fiscal year when

147 the services of a merger and acquisition broker-dealer are first engaged
148 with respect to a securities transaction, the company, as determined in
149 accordance with the historical financial accounting records of such
150 company, meets either or both of the following conditions:

151 (I) Company earnings before interest, taxes, depreciation and
152 amortization are less than twenty-five million dollars or such other
153 amount as the Securities and Exchange Commission by rule determines;
154 and

155 (II) Company gross revenues are less than two hundred fifty million
156 dollars or such other amount as the Securities and Exchange
157 Commission by rule determines.

158 (D) "Merger and acquisition broker-dealer" means a broker-dealer,
159 and any person associated with such broker-dealer, who, on behalf of a
160 seller or buyer, engages in the business of effecting securities
161 transactions solely in connection with the transfer of ownership of an
162 eligible privately held company, through the purchase, sale, exchange,
163 issuance, repurchase or redemption of, or a business combination
164 involving the purchase, sale, exchange, issuance, repurchase or
165 redemption of, securities or assets of the eligible privately held
166 company, and:

167 (i) The broker-dealer reasonably believes that, when the transaction
168 is consummated, any person acquiring securities or assets of the eligible
169 privately held company, acting alone or in concert, will control the
170 eligible privately held company or the business conducted with the
171 assets of the eligible privately held company and, directly or indirectly,
172 will be active in the management of the eligible privately held company
173 or the business conducted with the assets of the eligible privately held
174 company. A person shall be deemed active in the management of the
175 eligible privately held company or the business conducted with the
176 assets of the eligible privately held company when such person's
177 activities include, without limitation, electing executive officers,
178 approving the annual budget or serving as an executive or other
179 executive manager; and

180 (ii) If any person is offered securities in exchange for securities or
181 assets of the eligible privately held company, such person, prior to
182 becoming legally bound to consummate the transaction, receives or will
183 have reasonable access to:

184 (I) The most recent fiscal year-end financial statements of the issuer
185 of the securities as customarily prepared by its management in the
186 normal course of operations and, if the financial statements of the issuer
187 are audited, reviewed or compiled, any related statement by the
188 independent accountant;

189 (II) A balance sheet dated not more than one hundred twenty days
190 before the date of the exchange offer; and

191 (III) Information pertaining to the management, business, results of
192 operations for the period covered by the foregoing financial statements
193 and any material loss contingencies of the issuer.

194 (E) "Shell company" means a company that, at the time of a
195 transaction with an eligible privately held company, has no or nominal
196 operations and has no or nominal assets, assets consisting solely of cash
197 and cash equivalents or assets consisting of any amount of cash and cash
198 equivalents and nominal other assets.

199 (2) A merger and acquisition broker-dealer and those individuals
200 representing the merger and acquisition broker-dealer solely in
201 performing the services described in this subsection shall be exempt
202 from the registration requirements in subsections (a) and (d) of this
203 section unless the merger and acquisition broker-dealer is disqualified
204 under subdivision (3) of this subsection.

205 (3) A merger and acquisition broker-dealer shall be ineligible to claim
206 an exemption from registration under this subsection if:

207 (A) The merger and acquisition broker-dealer, directly or indirectly
208 and in connection with the transfer of ownership of an eligible privately
209 held company, receives, holds, transmits or has custody of the funds or
210 securities to be exchanged by the parties to the transaction;

211 (B) The merger and acquisition broker-dealer engages, on behalf of
212 an issuer, in a public offering of any class of securities that is registered,
213 or is required to be registered, with the Securities and Exchange
214 Commission under Section 12 of the Securities Exchange Act of 1934, 15
215 USC 78l, as amended from time to time, or with respect to which the
216 issuer files, or is required to file, periodic information, documents and
217 reports under Section 15(d) of the Securities Exchange Act of 1934, 15
218 USC 78o(d), as amended from time to time;

219 (C) The merger and acquisition broker-dealer engages, on behalf of
220 any party, in a transaction involving a shell company, other than a
221 business combination related shell company;

222 (D) The merger and acquisition broker-dealer directly, or indirectly
223 through any of its affiliates, provides financing related to the transfer of
224 ownership of an eligible privately held company;

225 (E) The merger and acquisition broker-dealer helps any party to
226 obtain financing from an unaffiliated third party without complying
227 with all other applicable laws in connection with such assistance,
228 including, but not limited to, Regulation T, 12 CFR Part 220, as amended
229 from time to time, if applicable, and disclosing any compensation in
230 writing to the party;

231 (F) The merger and acquisition broker-dealer represents both the
232 buyer and the seller in the same transaction without providing clear
233 written disclosure as to the parties the broker-dealer represents and
234 obtaining written consent from both parties to the joint representation;

235 (G) The merger and acquisition broker-dealer facilitates a transaction
236 with a group of buyers formed with the assistance of the merger and
237 acquisition broker-dealer to acquire the eligible privately held company;

238 (H) The merger and acquisition broker-dealer engages in a
239 transaction involving the transfer of ownership of an eligible privately
240 held company to a passive buyer or group of passive buyers;

241 (I) The merger and acquisition broker-dealer binds a party to a

242 transfer of ownership of an eligible privately held company; or

243 (J) The merger and acquisition broker-dealer, or any of the merger
244 and acquisition broker-dealer's officers, directors, members, managers,
245 partners, control persons or employees, is subject to a sanction described
246 in subparagraph (C), (D), (E) or (F) of subdivision (2) of subsection (a)
247 of section 36b-15, as amended by this act.

248 ~~[(f)]~~ (g) Any broker-dealer or investment adviser ceasing to transact
249 business at any branch office or main office in this state shall, in addition
250 to providing written notice to the commissioner prior to the termination
251 of business activity at that office, (1) provide written notice to each
252 customer or client serviced by such office at least ten business days prior
253 to the termination of business activity at that office, or (2) demonstrate
254 to the commissioner, in writing, the reasons why such notice to
255 customers or clients cannot be provided within the time prescribed. If
256 the commissioner finds that the broker-dealer or investment adviser
257 cannot provide notice to customers or clients at least ten business days
258 prior to the termination of business activity, the commissioner may
259 exempt the broker-dealer or investment adviser from giving such notice.
260 The commissioner shall act upon a request for such exemption within
261 five business days following receipt by the commissioner of the written
262 request for such an exemption. The notice to customers or clients shall
263 contain the following information: The date and reasons why business
264 activity will terminate at the office; if applicable, a description of the
265 procedure the customer or client may follow to maintain the customer's
266 account at any other office of the broker-dealer or investment adviser;
267 the procedure for transferring the customer's or client's account to
268 another broker-dealer or investment adviser; and the procedure for
269 making delivery to the customer or client of any funds or securities held
270 by the broker-dealer or investment adviser.

271 ~~[(g)]~~ (h) Any broker-dealer or investment adviser ceasing to transact
272 business at any branch office or main office in this state as a result of
273 executing an agreement and plan of merger or acquisition shall provide
274 written notice to the commissioner and to each customer or client

275 serviced by such office not later than the date such merger or acquisition
276 is completed. The notice provided to each customer or client shall
277 contain the information specified in subsection [(f)] (g) of this section.

278 [(h)] (i) Any broker-dealer or investment adviser ceasing to transact
279 business at any branch office or main office in this state as a result of the
280 commencement of a bankruptcy proceeding by such broker-dealer or
281 investment adviser or by a creditor or creditors of such broker-dealer or
282 investment adviser shall, immediately upon the filing of a petition with
283 the bankruptcy court, provide written notice to the commissioner. The
284 commissioner shall determine the time and manner in which notice
285 shall be provided to each customer or client serviced by such office.

286 [(i)] (j) (1) A broker-dealer or investment adviser may succeed to the
287 current registration of another broker-dealer or investment adviser or to
288 a notice filing of an investment adviser registered with the Securities
289 and Exchange Commission, and an investment adviser registered with
290 the Securities and Exchange Commission may succeed to the current
291 registration of an investment adviser or to a notice filing of another
292 investment adviser registered with the Securities and Exchange
293 Commission, by filing as a successor an application for registration
294 pursuant to section 36b-7 or a notice pursuant to subsection (e) of this
295 section for the unexpired portion of the current registration or notice
296 filing and paying the fee required by subsection (a) of section 36b-12.

297 (2) A broker-dealer or investment adviser that changes its form of
298 organization or state of incorporation or organization may continue its
299 registration by filing an amendment to its registration if the change does
300 not involve a material change in its management. The amendment shall
301 become effective when filed or on a date designated by the registrant in
302 its filing. The new organization shall be a successor to the original
303 registrant for the purposes of sections 36b-2 to 36b-34, inclusive. If there
304 is a material change in management, the broker-dealer or investment
305 adviser shall file a new application for registration. A predecessor
306 registered under sections 36b-2 to 36b-34, inclusive, shall stop
307 conducting its securities business or investment advisory business other

308 than winding down transactions and shall file for withdrawal of its
309 broker-dealer or investment adviser registration not later than forty-five
310 days after filing its amendment to effect succession.

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

315 (4) The commissioner may, by regulation adopted [] in accordance
316 with chapter 54 [] or order, prescribe the means by which a change of
317 control of a broker-dealer or investment adviser may be made.

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

321 [(j)] (k) The commissioner may, by regulation adopted [] in
322 accordance with chapter 54 [] or order, require an agent or investment
323 adviser agent to participate in a continuing education program
324 approved by the Securities and Exchange Commission and
325 administered by a self-regulatory organization or, in the absence of such
326 a program, the commissioner may require continuing education for
327 registered investment adviser agents by regulation or order.

328 [(k)] (l) For purposes of subsections (d), [(f)], (g), [and] (h) and (i) of
329 this section, "investment adviser" means an investment adviser
330 registered or required to be registered with the commissioner.

331 [(l)] (m) The commissioner may by rule, regulation or order,
332 conditionally or unconditionally, exempt from the requirements of this
333 section any person or class of persons upon a finding that such
334 exemption is in the public interest and consistent with the protection of
335 investors and the purposes fairly intended by the policy and provisions
336 of this chapter.

337 Sec. 2. Subsection (a) of section 36b-15 of the general statutes is
338 repealed and the following is substituted in lieu thereof (*Effective from*

339 *passage*):

340 (a) The commissioner may, by order, deny, suspend or revoke any
341 registration, censure or impose a bar upon any registrant, any partner,
342 officer or director of any registrant or any other person directly or
343 indirectly controlling any registrant or, by order, restrict or impose
344 conditions on the securities or investment advisory activities that an
345 applicant or registrant may perform in this state if the commissioner
346 finds that (1) the order is in the public interest, and (2) the applicant or
347 registrant or, in the case of a broker-dealer or investment adviser, any
348 partner, officer [,] or director, any person occupying a similar status or
349 performing similar functions, or any person directly or indirectly
350 controlling the broker-dealer or investment adviser: (A) Has filed an
351 application for registration which as of its effective date, or as of any
352 date after filing in the case of an order denying effectiveness, was
353 incomplete in any material respect or contained any statement which
354 was, in light of the circumstances under which it was made, false or
355 misleading with respect to any material fact; (B) has wilfully violated or
356 wilfully failed to comply with any provision of sections 36b-2 to 36b-34,
357 inclusive, or a predecessor statute or any regulation or order under said
358 sections or a predecessor statute; (C) has been convicted, within the past
359 ten years, of any misdemeanor involving a security, any aspect of a
360 business involving securities, commodities, investments, franchises,
361 business opportunities, insurance, banking or finance, or any felony,
362 provided any denial, suspension or revocation of such registration shall
363 be in accordance with the provisions of section 46a-80; (D) is
364 permanently or temporarily enjoined by any court of competent
365 jurisdiction from engaging in or continuing any conduct or practice
366 involving any aspect of a business involving securities, commodities,
367 investments, franchises, business opportunities, insurance, banking or
368 finance; (E) is the subject of a cease and desist order of the commissioner
369 or an order of the commissioner denying, suspending [,] or revoking
370 registration as a broker-dealer, agent, investment adviser or investment
371 adviser agent; (F) is the subject of any of the following sanctions that are
372 currently effective or were imposed within the past ten years: (i) An
373 order issued by the securities administrator of any other state or by the

374 Securities and Exchange Commission or the Commodity Futures
375 Trading Commission denying, suspending or revoking registration as a
376 broker-dealer, agent, investment adviser, investment adviser agent or a
377 person required to be registered under the Commodity Exchange Act, 7
378 USC 1 et seq., as from time to time amended, and the rules and
379 regulations thereunder, or the substantial equivalent of those terms, as
380 defined in sections 36b-2 to 36b-34, inclusive, (ii) an order of the
381 Securities and Exchange Commission or Commodity Futures Trading
382 Commission suspending or expelling such applicant, registrant or
383 person from a national securities or commodities exchange or national
384 securities or commodities association registered under the Securities
385 Exchange Act of 1934 or the Commodity Exchange Act, 7 USC 1 et seq.,
386 as from time to time amended, or, in the case of an individual, an order
387 of the Securities and Exchange Commission or an equivalent order of
388 the Commodity Futures Trading Commission barring such individual
389 from association with a broker-dealer or an investment adviser, (iii) a
390 suspension, expulsion or other sanction issued by a national securities
391 exchange or other self-regulatory organization registered under federal
392 laws administered by the Securities and Exchange Commission or the
393 Commodity Futures Trading Commission if the effect of the sanction
394 has not been stayed or overturned by appeal or otherwise, (iv) a United
395 States Post Office fraud order, (v) a denial, suspension, revocation or
396 other sanction issued by the commissioner or any other state or federal
397 financial services regulator based upon nonsecurities violations of any
398 state or federal law under which a business involving investments,
399 franchises, business opportunities, insurance, banking or finance is
400 regulated, or (vi) a cease and desist order entered by the Securities and
401 Exchange Commission, a self-regulatory organization or the securities
402 agency or administrator of any other state or Canadian province or
403 territory; but the commissioner may not (I) institute a revocation or
404 suspension proceeding under this subparagraph more than five years
405 from the date of the sanction relied on, and (II) enter an order under this
406 subparagraph on the basis of an order under any other state act unless
407 that order was based on facts which would constitute a ground for an
408 order under this section; (G) may be denied registration under federal

409 law as a broker-dealer, agent, investment adviser, investment adviser
410 agent or as a person required to be registered under the Commodity
411 Exchange Act, 7 USC 1 et seq., as from time to time amended, and the
412 rules and regulations promulgated thereunder, or the substantial
413 equivalent of those terms as defined in sections 36b-2 to 36b-34,
414 inclusive; (H) has engaged in fraudulent, dishonest or unethical
415 practices in the securities, commodities, investment, franchise, business
416 opportunity, banking, finance or insurance business, including abusive
417 sales practices in the business dealings of such applicant, registrant or
418 person with current or prospective customers or clients; (I) is insolvent,
419 either in the sense that the liabilities of such applicant, registrant or
420 person exceed the assets of such applicant, registrant or person, or in the
421 sense that such applicant, registrant or person cannot meet the
422 obligations of such applicant, registrant or person as they mature; but
423 the commissioner may not enter an order against a broker-dealer or
424 investment adviser under this subparagraph without a finding of
425 insolvency as to the broker-dealer or investment adviser; (J) is not
426 qualified on the basis of such factors as training, experience, and
427 knowledge of the securities business, except as otherwise provided in
428 subsection (b) of this section; (K) has failed reasonably to supervise: (i)
429 The agents or investment adviser agents of such applicant or registrant,
430 if the applicant or registrant is a broker-dealer or investment adviser; or
431 (ii) the agents of a broker-dealer or investment adviser agents of an
432 investment adviser, if such applicant, registrant or other person is or
433 was an agent, investment adviser agent or other person charged with
434 exercising supervisory authority on behalf of a broker-dealer or
435 investment adviser; (L) in connection with any investigation conducted
436 pursuant to section 36b-26 or any examination under subsection (d) of
437 section 36b-14, has made any material misrepresentation to the
438 commissioner or upon request made by the commissioner, has withheld
439 or concealed material information from, or refused to furnish material
440 information to the commissioner, provided, there shall be a rebuttable
441 presumption that any records, including, but not limited to, written,
442 visual, audio, magnetic or electronic records, computer printouts and
443 software, and any other documents, that are withheld or concealed from

444 the commissioner in connection with any such investigation or
445 examination are material, unless such presumption is rebutted by
446 substantial evidence; (M) has wilfully aided, abetted, counseled,
447 commanded, induced or procured a violation of any provision of
448 sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any
449 regulation or order under such sections or a predecessor statute; (N)
450 after notice and opportunity for a hearing, has been found within the
451 previous ten years: (i) By a court of competent jurisdiction, to have
452 wilfully violated the laws of a foreign jurisdiction under which the
453 business of securities, commodities, investments, franchises, business
454 opportunities, insurance, banking or finance is regulated; (ii) to have
455 been the subject of an order of a securities regulator of a foreign
456 jurisdiction denying, revoking or suspending the right to engage in the
457 business of securities as a broker-dealer, agent, investment adviser,
458 investment adviser agent or similar person; or (iii) to have been
459 suspended or expelled from membership by or participation in a
460 securities exchange or securities association operating under the
461 securities laws of a foreign jurisdiction. As used in this subparagraph,
462 "foreign" means a jurisdiction outside of the United States; or (O) has
463 failed to pay the proper filing fee; but the commissioner may enter only
464 a denial order under this subparagraph, and the commissioner shall
465 vacate any such order when the deficiency has been corrected. The
466 commissioner may not institute a suspension or revocation proceeding
467 on the basis of a fact or transaction known to the commissioner when
468 the registration became effective unless the proceeding is instituted
469 within one hundred eighty days of the effective date of such
470 registration.

471 Sec. 3. Subsection (d) of section 36b-21 of the general statutes is
472 repealed and the following is substituted in lieu thereof (*Effective from*
473 *passage*):

474 (d) (1) Any person who offers or sells a security that is a covered
475 security under Section 18(b)(3) of the Securities Act of 1933 shall file a
476 consent to service of process with the commissioner as required by
477 subsection (g) of section 36b-33 prior to the first offer or sale of such

478 security in this state.

479 (2) An issuer proposing to offer and sell in this state securities that
 480 are covered securities under Section 18(b)(3) of the Securities Act of 1933
 481 in a Tier 2 offering exempt under Regulation A, 17 CFR 230.251 to 17
 482 CFR 230.263, inclusive, as amended from time to time, shall, at least
 483 twenty-one calendar days prior to the initial sale of securities in this
 484 state, (A) file with the commissioner (i) a completed Regulation A - Tier
 485 2 notice filing form and, if the commissioner so requests, copies of all
 486 documents filed with the Securities and Exchange Commission in
 487 connection with such form, and (ii) a consent to service of process to the
 488 extent such consent is not included on the notice filing form, and (B) pay
 489 to the commissioner a filing fee of two hundred fifty dollars. The initial
 490 notice filing form shall be effective for twelve months from the date such
 491 form is filed with the commissioner. For each additional twelve-month
 492 period in which the same offering is continued, an issuer conducting a
 493 Tier 2 offering under Regulation A, 17 CFR 230.251 to 17 CFR 230.263,
 494 inclusive, as amended from time to time, may renew its notice filing
 495 form on or before the expiration date of the notice filing form. An issuer
 496 renewing its notice filing form shall file with the commissioner a
 497 renewal Regulation A - Tier 2 notice filing form and pay to the
 498 commissioner a renewal fee of two hundred fifty dollars.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	36b-6
Sec. 2	<i>from passage</i>	36b-15(a)
Sec. 3	<i>from passage</i>	36b-21(d)

Statement of Legislative Commissioners:

In Section 1(f)(1)(A), the definition of "business combination related shell company" was rewritten for clarity; and in Sec. 3(d)(2), a subparagraph designator was inserted after "sale of securities in this state," for clarity, "file with the commissioner the following" was changed to "file with the commissioner" for conciseness, Subparas. (A) to (C), inclusive, were redesignated for clarity, "a filing fee" was changed

to "pay to the commissioner a filing fee" for accuracy, "notice filing" and "notice" were changed to "notice filing form" for consistency with other provisions of the Subdiv., "date it is filed" was changed to "date such form is filed" for clarity and consistency with standard drafting conventions and "and a renewal fee" was changed to "and pay to the commissioner a renewal fee" for accuracy.

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:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Banking Dept.	BF - Revenue Gain	7,500	7,500
Banking Dept.	BF - Potential Revenue Loss	Minimal	Minimal

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill, which requires securities issuers that propose to offer or sell in a Tier 2 offering to pay a \$250 filing fee to the Department of Banking (DOB), results in a revenue gain of approximately \$7,500 to the Banking Fund in FY 26 and FY 27. DOB is expected to receive about 30 such notice filing fees each year.

The bill also creates a state broker-dealer registration exemption for merger and acquisition broker-dealers, resulting in a minimal potential revenue loss to the Banking Fund in FY 26 and FY 27, to the extent that the department receives less broker-dealer registration fees.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of Tier 2 securities offerings.

OLR Bill Analysis**sHB 6875*****AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT.*****SUMMARY**

This bill makes three changes to the state's securities laws.

First, the bill expands the Department of Banking (DOB) commissioner's enforcement authority over registered securities broker-dealers, broker-dealer agents, investment advisors, and investment advisor agents by allowing him to censure or impose a bar for the same reasons existing law allows him to deny, suspend, or revoke a registration or restrict or condition securities or investment advisory activities (e.g., certain statutory noncompliance or criminal convictions, subject to certain federal orders, insolvency, or supervision failure). The commissioner's expanded authority also covers the registrants' partners, officers, or directors, or any person who directly or indirectly controls them. By law, these enforcement actions are subject to prior notice, an opportunity for a hearing, and written findings of fact and conclusions of law.

The bill requires securities issuers that propose to offer or sell in a Tier 2 offering, within 21 days before the initial sale of securities in Connecticut, to file a notice of filing and certain related documents with DOB and pay a \$250 filing fee.

Lastly, the bill creates a state broker-dealer registration exemption for merger and acquisition (M & A) broker-dealers, which parallels a federal exemption under the Securities Exchange Act.

EFFECTIVE DATE: Upon passage

M & A BROKER-DEALER EXEMPTION

The bill codifies in Connecticut law a federal registration exemption for M & A broker-dealers (see 15 U.S.C. § 78o). These broker-dealers work for sellers or buyers in securities transactions only as part of an ownership transfer of an eligible privately held company (generally a company that meets specified registration, filing, and size requirements) under certain conditions. For example, the broker-dealer must reasonably believe that the person acquiring the assets will control the company or its business (such as having the right to vote or direct the sale of 25% of its voting shares) and be active in its management. Currently, they must be registered in Connecticut as regular broker-dealers.

Under the bill, the exemption does not apply to an M & A broker-dealer that does the following:

1. receives, holds, transmits, or has custody of the funds or securities to be exchanged by the parties to the transaction;
2. on an issuer's behalf, engages in a public offering of any class of securities that is registered, or should be, with the Securities and Exchange Commission (SEC) or files, or is required to file, certain periodic information, documents, and reports;
3. engages on behalf of any party in a transaction involving a shell company (i.e. one with no or nominal operations and no or nominal assets, only cash or cash equivalent assets, or a combination of cash or cash equivalents and nominal other assets) but not a business combination related shell company (i.e. a shell company only used to change the nonshell company's domicile in the United States or to complete certain business combinations);
4. provides financing related to an eligible privately held company's ownership transfer;
5. helps any party get financing from an unaffiliated third party

- without complying with associated laws and disclosing compensation in writing to the party;
6. represents both the buyer and seller in the same transaction without giving clear, written disclosure as to the parties the broker-dealer represents and having written consent from both parties;
 7. facilitates a transaction with a group of buyers that the broker-dealer helped form to acquire the eligible privately held company;
 8. engages in a transaction that involves the transfer of ownership of an eligible privately held company to a passive buyer or group of them;
 9. binds a party to an eligible privately held company's ownership transfer; or
 10. was subject to certain court or regulatory actions such as a securities- or finance-related criminal conviction or court injunction, a DOB or SEC cease and desist order, a registration revocation, or certain other sanctions (which also applies to the actions of the broker-dealer's officers, directors, members, managers, partners, control persons, or employees).

TIER 2 NOTICE FILING FORM AND FEE

The bill requires securities issuers that propose to offer or sell in a Tier 2 offering, within 21 days before the initial sale of securities in Connecticut, to file the following with the DOB and pay a \$250 filing fee:

1. completed Regulation A - Tier 2 notice filing form and copies of all documents filed with the SEC related to the form if the DOB commissioner requests the copies and
2. consent to service of process if the consent is not on the notice filing form.

Under the bill, the initial notice filing is effective for 12 months after its filing with the DOB. For each additional 12-month period that continues the same offering, the issuer may renew its notice by filing a renewal notice filing form and paying a \$250 renewal fee by the notice filing expiration date.

Federal securities laws require security offerings or sales to be registered with the SEC or meet an exception. Regulation A is an exception that applies to public offerings, which includes two tiers. A “Tier 2” offering is one of up to \$75 million in a 12-month period.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/06/2025)