

**State of Connecticut
Department of Banking**

**Annual Report
Of the Banking Commissioner**

To His Excellency
Dannel P. Malloy, Governor

For the Year Ending December 31, 2013
Hartford, Connecticut



To His Excellency, Dannel P. Malloy, Governor

I have the honor to submit the annual report of this department for the year 2013 pursuant to the requirements of Section 36a-14 of the Connecticut General Statutes.

Respectfully yours,

Howard F. Pitkin
Banking Commissioner

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**BANKING COMMISSIONERS
(1900-2013)**

BANKING COMMISSIONERS	FROM	TO
Charles H. Noble	1900	1906
George F. Kendall		
Charles H. Noble	1907	1911
Norris S. Lippitt		
Norris S. Lippitt	1911	1914
Fred P. Holt	1911	1915+
Everett J. Sturges	1915	1922
John K. Bissland	1922	1922
John B. Byrne	1922	1927
Lester E. Shippee	1927	1931
George J. Bassett	1931	1933
Walter Perry	1933	1943
Richard Rapport	1943	1951
Lynwood K. Elmore	1951	1955
Henry H. Pierce Jr.	1955	1960
Philip Hewes	1960	1970
Gerald A. Lamb	1970	1971
James E. Hagen	1971	1975
Lawrence Connell Jr.	1975	1977
David H. Neiditz	1977	1981
Brian J. Woolf *	1982	1985
Howard B. Brown Jr. **	1986	1991
Ralph M. Shulansky	1991	1995
John P. Burke	1995	2006
Howard F. Pitkin ***	2007	--
<p><i>+From 1837 to 1915 two Banking Commissioners served concurrently.</i></p> <p><i>* Served as Acting Banking Commissioner from December 31, 1981 to March 30, 1982.</i></p> <p><i>** Served as Acting Banking Commissioner from September 13, 1985 to February 2, 1986.</i></p> <p><i>*** Served as Acting Banking Commissioner from October 1, 2006 to March 7, 2007.</i></p>		

For a more complete history of the Department of Banking please visit
www.ctstatelibrary.org/agencies/banking.htm.

**DEPUTY BANKING COMMISSIONERS
(1900-2013)**

DEPUTY BANKING COMMISSIONERS	FROM	TO
John K. Bissland	1917	1921
Lester E. Shippee	1922	1927
R. Gordon Baldwin	1928	1937
Richard Rapport	1938	1942
Lynwood K. Elmore	1943	1950
Reinhard J. Bardeck	1951	1969
Maurice J. Ferland	1970	1971
Patsy J. Piscopo	1971	1974
Thomas E. Canfield	1974	1975
Kay V. Bergin	1975	1978
Linda J. Kelly	1979	1981
Howard B. Brown Jr.	1982	1985
NONE	1986	1987
Paul J. McDonough	1988	1991
Barbara S. McGrath	1991	1993
Robert B. Titus	1993	1995
NONE	1996	1998
Alan J. Cicchetti	1999	2011
NONE	2012	--

ADMINISTRATION

Agency Mission

The mission of the Department of Banking is to protect users of financial services from unlawful or improper practices by requiring that regulated entities and individuals adhere to the law, assuring the safety and soundness of state chartered banks and credit unions, educating and communicating with the public and other stakeholders, and promoting cost-efficient and effective regulation.

Organization

The Department of Banking is a state agency headed by the Banking Commissioner who reports to the Governor. The Department regulates and examines financial institutions and various related entities that are chartered, licensed or registered by the state; the Banking Commissioner administers state banking and credit union laws, securities laws, consumer credit laws, and a major portion of the law concerning rental security deposits.

The agency is divided into three line divisions responsible for specific types of financial institutions or types of transactions, as well as other divisions that support the department functions.

The **Consumer Credit Division** licenses and regulates mortgage brokers, lenders, originators and loan processors/underwriters; consumer collection agencies; debt adjusters; debt negotiators; sales finance companies; small loan companies; check cashing services and money transmitters.

The **Financial Institutions Division** regulates state-chartered bank and trust companies, credit unions, savings banks and savings and loan associations. It also supervises foreign bank agencies, branches and representative offices; licenses certain entities; and reviews applications for new banks and credit unions, mergers, branches, field of membership expansions and other matters.

The **Securities and Business Investments Division** is responsible for the registration of securities and business opportunity offerings for sale in Connecticut; the registration of broker-dealers and investment advisers, along with their agents and branch offices; the examination of broker-dealer, investment adviser and branch office registrants; and the enforcement of the state's securities and business opportunity laws.

The **Government Relations and Consumer Affairs Division** assists consumers with issues involving banks, credit unions, mortgage lending and other consumer credit matters, securities and business opportunity investments, and oversees the administration of the rental security deposit laws. The division also directs the agency's legislative program, manages media relations, coordinates financial and investor education outreach efforts and handles calls to the Foreclosure Assistance Hotline.

There are three support divisions at the Department of Banking: the Business Office, which is responsible for the accounting, budgeting, fiscal, payroll, purchasing and financial reporting functions; Human Resources, which addresses day-to-day employee issues and prepares the agency's affirmative action plan; and the MIS unit that provides information technology and office automation support.

As of December 31, 2013, there were 110 full-time permanent employees.

Equal Opportunity and Affirmative Action

The Department of Banking renews its longstanding commitment to providing equal employment opportunity on the basis of merit, assuring nondiscrimination, and implementing affirmative action and contract compliance programs, as required by law. The department's affirmative action plan, filed with the Commission on Human Rights and Opportunities, reflects the agency's commitment to achieving workforce balance and fairness in all terms and conditions of employment.

Financial Statement

Receipts, expenditures and adjustments relating to the fiscal year ending June 30, 2013 were as follows:

Receipts
(Banking Fund)

Examination of banks etc. assessed in accordance with Section 36a-65, as amended	\$ 2,400,390
Examination of credit unions, assessed in accordance with Section 36a-65, as amended	177,307
Other license and examination fees	236,265
Registration, filing and transfer fees from securities brokers, etc.	20,370,090
License and registration fees: mortgage brokers, loan originators, check cashers, money transmitters, sales finance companies, small loan companies, debt adjusters, debt negotiators, collection agencies	2,636,400
Sales and miscellaneous receipts	<u>963</u>
Total Banking Fund Receipts	\$ 25,821,415

Receipts
(General Fund)

Registration of securities and business opportunities*	\$ 5,010,120
Penalties*	<u>1,920,016</u>
Total General Fund receipts	\$ 6,930,136

Expenditures
(Operating)

Personnel services	\$ 9,580,020
Fringe benefits	6,596,495
Travel expenses, including motor vehicle rentals, fuel, repairs	298,933
Other expenses	1,117,022
Indirect overhead and equipment	<u>289,392</u>
Total Expenditures	\$ 17,881,862

Expenditures
(Recognized by other Agencies)

Judicial Branch	\$ 5,112,273
Department of Economic and Community Development	168,639
Department of Labor	<u>1,100,000</u>
Total Expenditures	\$ 6,380,912

Fund Adjustments

Transferred to the General Fund (Deficit Fund Mitigation)	\$ 1,200,000
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*Deposited directly in the General Fund

CONSUMER CREDIT DIVISION

Subject to the general supervision of the Banking Commissioner, the Consumer Credit Division is charged with administering Chapter 668 of the Connecticut General Statutes, Nondepository Financial Institutions, and Chapter 669 of the Connecticut General Statutes, Regulated Activities.

The Division is responsible for the licensing and examination of the following nondepository financial institutions: mortgage lenders, brokers and originators; loan processors and underwriters; sales finance companies; small loan lenders; check cashing services; payment instrument providers; money transmitters; debt adjusters; debt negotiators; and consumer collection agencies. The Division is also responsible for the enforcement of the state's banking laws related to these entities and for regulating certain activities regarding collection practices of creditors; interest and finance charge rebates; consumer credit reporting; mortgage processing; mortgage servicing; mortgage insurance; Connecticut abusive home loan lending practices; other mortgage and loan practices; retail installment sales financing; and the Truth-in-Lending Act.

Activities

During 2013, the Consumer Credit Division began monitoring compliance with the filing requirements for the mortgage industry on the Nationwide Mortgage Licensing System and Registry (NMLS). As a result, over 47 administrative actions were issued against licensees for their failure to file timely and accurate reports. After recent years of decline, due in part to the changes required by the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"), it appears that mortgage loan originators are returning to our state with licensees currently standing at 6,059. This number reflects an increase of almost one thousand more mortgage loan originators than in 2012. We have also seen an increase in licensing applications for Loan Processor/Underwriters which currently stand at 52. This number reflects a significant increase over last year which saw the issuance of just 8 licenses.

The Division remained focused on the debt negotiation industry, with the investigation of 108 entities. In addition to being unlicensed, a number of these companies charged consumers excessive fees with promises of debt settlement, loan modifications or the halting of foreclosure proceedings. Due to a number of complaints received involving law firms, most if not all of which were located outside of Connecticut, the Division continued to work closely with the Office of Chief Disciplinary Counsel and the Office of the Attorney General. The vast majority of these cases resulted in the issuance of administrative orders for the repayment of fees. A total of \$134,406 was collected and returned to our residents. For all other entities and/or individuals subject to the Division's jurisdiction, the staff investigated approximately 160 cases, resulting in \$446,224 being refunded to consumers.

The Division conducted just under 100 examinations, with more than half of those examined holding a consumer collection agency license. A total of 263 administrative actions were issued across all license types, resulting in the imposition and collection of \$731,400 in civil penalties. In addition, consumers received refunds in the amount of \$4,503,060, as a result

of the examination findings of improper conduct and/or calculations with the largest rebate issued by a single consumer collection agency in the amount of \$4.3 million.

**Enforcement Activities
Consumer Credit Division**

	2013
Investigations Opened	221
Investigations Closed	244
Investigations in Progress	147
Subpoenas Issued	32
Consent Orders	88
Settlement Agreements	1
Notices of Intent to Refuse to Renew (Licensing)	6
Refusing to Renew Orders (Licensing)	1
Notices of Intent to Revoke (Licensing)	20
Denial Orders (Licensing)	3
Summary Suspension Orders (Licensing)	1
Automatic Suspension Orders (Licensing)	12
Revocation Orders (Licensing)	14
Notices of Intent to Impose Civil Penalty	95
Orders Imposing Civil Penalty	99
Notices of Intent to Issue Cease and Desist Orders	109
Temporary Cease and Desist Orders	49
Cease and Desist Orders	44
Findings of Fact Conclusions of Law and Order	0
Activity Restrictions/Bars	2
Repayment of Fees Ordered	\$446,549.39
Repayment of Fees Collected	\$134,406.00
Monetary Sanctions Imposed	\$4,441,400.00
Monetary Sanctions Collected	\$731,400.00
Offered/Returned to Consumers Following Informal Division Intervention *	\$4,949,284.51
Criminal Referrals	2
Referrals to Connecticut Attorney General	2
Other Agency Referrals	11

* Total reflects \$4.3 million in rebates or adjustments from one company

**Examinations / Investigations
Consumer Credit Division**

	Examinations 2013	Investigations 2013
Mortgage Brokers, Mortgage Lenders, Mortgage Correspondent Lenders and Mortgage Loan Originators	19	64
Money Transmitters	2	8
Check Cashers	2	9
Consumer Collection Agencies	60	58
Debt Adjusters	1	0
Debt Negotiators	1	108
Small Loan Companies	0	24
Sales Finance Companies	12	2
Other	2	4

**Consumer Credit Licensees
As of Year End**

	2013
Licensed Mortgage Companies	575
Mortgage Loan Originators	6,059
Loan Processor/Underwriter	52
Money Transmitters	77
Check Cashers	135
Consumer Collection Agencies	936
Debt Adjusters	55
Debt Negotiators	10
Small Loan Companies	7
Sales Finance Companies	146

FINANCIAL INSTITUTIONS DIVISION

The Financial Institutions Division (“Division”) is responsible for the supervision and regulation of Connecticut-chartered commercial banks, savings banks, savings and loan associations, limited-purpose trust companies and credit unions. The Division also regulates one Connecticut-chartered bankers’ bank, as well as one uninsured bank which does not accept retail deposits. In addition, the Division supervises the activities of state-licensed foreign banking organizations with branches, agencies, and representative offices located in Connecticut.

Through a combination of continuous off-site reviews and periodic on-site examinations, the Division monitors these institutions for compliance with Connecticut banking law, as well as applicable rules and regulations of the institutions’ respective federal regulators. The Division, in conjunction with federal regulatory agencies, conducts examinations of one bankers’ bank and several information technology service providers whose services substantially impact the operations of Connecticut banks and credit unions. The Division reviews and processes applications for new banks and credit unions, branches, acquisitions, mergers and consolidations, bank holding company formations, and requests for credit union field of membership expansions. The Division also licenses business and industrial development corporations and certain non-banking corporations exercising fiduciary powers in the State.

Connecticut-Chartered Banks’ Consolidated Financial Condition & Operating Results

As of December 31, 2013, there were 9 Connecticut-chartered commercial banks (including one bankers’ bank) and 22 Connecticut-chartered savings banks. There were no Connecticut-chartered savings & loan associations. All Connecticut-chartered commercial banks and savings institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”).

Connecticut-chartered commercial banks and savings institutions, collectively, remained well capitalized with a combined Equity Capital to Total Assets Ratio of 11.40% as of December 31, 2013 compared to 11.18% as of December 31, 2012. These entities reported total assets of \$24.4 billion as of December 31, 2013, a 4.7% increase from December 31, 2012. Total loans and total deposits for year-end 2013 were \$18.0 billion and \$19.1 billion, respectively. The values represent a 7.0% increase in total loans and a 4.0% increase in total deposits from year-end 2012. Total equity capital was \$2.8 billion, a 6.7% increase from the prior year-end.

In the aggregate, Connecticut-chartered banks’ earnings performance for year-end 2013 slightly increased from the prior year level, generating a return on average assets (“ROA”) and a return on average equity (“ROE”) of 0.49% and 4.38%, respectively, compared to the ROA of 0.45% and ROE of 4.02% for the year ending December 31, 2012. The net interest margin (“NIM”) for Connecticut-chartered institutions was 3.25% for year-end 2013 versus 3.41% for year-end 2012.

**Number of Connecticut-Chartered Institutions
(As of December 31, 2012 & December 31, 2013)**

Institution Type	Institutions 12/31/2012	Conversion	Closing	Merger	Net Change	Institutions 12/31/2013
Commercial Banks	13		(1)	(3)	(4)	9
Savings Banks	21	1			1	22
Uninsured Banks	1					1
Limited Purpose Trust Cos.	2					2
Credit Unions	30			(1)	(1)	29
Totals	67	1	(1)	(4)	(4)	63

Connecticut-Chartered Commercial Banks

There were 9 Connecticut-chartered commercial banks operating in the State as of December 31, 2013, including one bankers' bank. Overall, there was a reduction of four in the number of commercial banks from year-end 2012 due to mergers and a bank closing. On June 21, 2013, The Bank of Southern Connecticut merged with and into Liberty Bank, which resulted in Liberty Bank being the sole surviving entity. On September 9, 2013, The Bank of Fairfield merged with and into The Bank of New Canaan, a Connecticut-chartered bank and trust company and wholly-owned subsidiary of BNC Financial Group, Inc., the resulting bank is to operate under the name "Bankwell Bank." On November 5, 2013, The Wilton Bank, a Connecticut-chartered bank and trust company, merged with and into Bankwell Bank (formerly The Bank of New Canaan), a Connecticut-chartered bank and trust company and wholly-owned subsidiary of Bankwell Financial Group, Inc. (formerly BNC Financial Group, Inc.). Also, on September 13, 2013, The Community's Bank was closed by the Department of Banking with the Federal Deposit Insurance Corporation named as receiver.

As of June 30, 2013, the 12 Connecticut-chartered commercial banks collectively operated 29 offices with aggregate deposits of \$2.0 billion. Within the Connecticut market, this group of institutions operated 25 offices with aggregate deposits of \$1.9 billion.

Connecticut-Chartered Savings Banks

Connecticut added one state-chartered savings bank in 2013, bringing the total to 22 operating in the State as of December 31, 2013 (15 mutual and 7 capital stock institutions). Eastern Savings Bank converted to a state-chartered mutual savings bank from a federal chartered bank, and changed its name from Eastern Federal Bank, on January 7, 2013.

As of June 30, 2013, the 22 Connecticut-chartered savings banks collectively operated 296 offices with aggregate deposits of \$16.8 billion. Within the Connecticut market, this group of institutions operated 295 offices with aggregate deposits of \$16.8 billion.

Connecticut-Chartered Uninsured Bank

UPS Capital Business Credit (“UPSCBC”), a wholly-owned subsidiary of UPS Capital Corp., operates under an uninsured depository bank charter and does not accept retail deposits. UPSCBC focuses on originating, underwriting, and managing various small business and government guaranteed loan products.

Connecticut-Chartered Limited Purpose Trust Companies

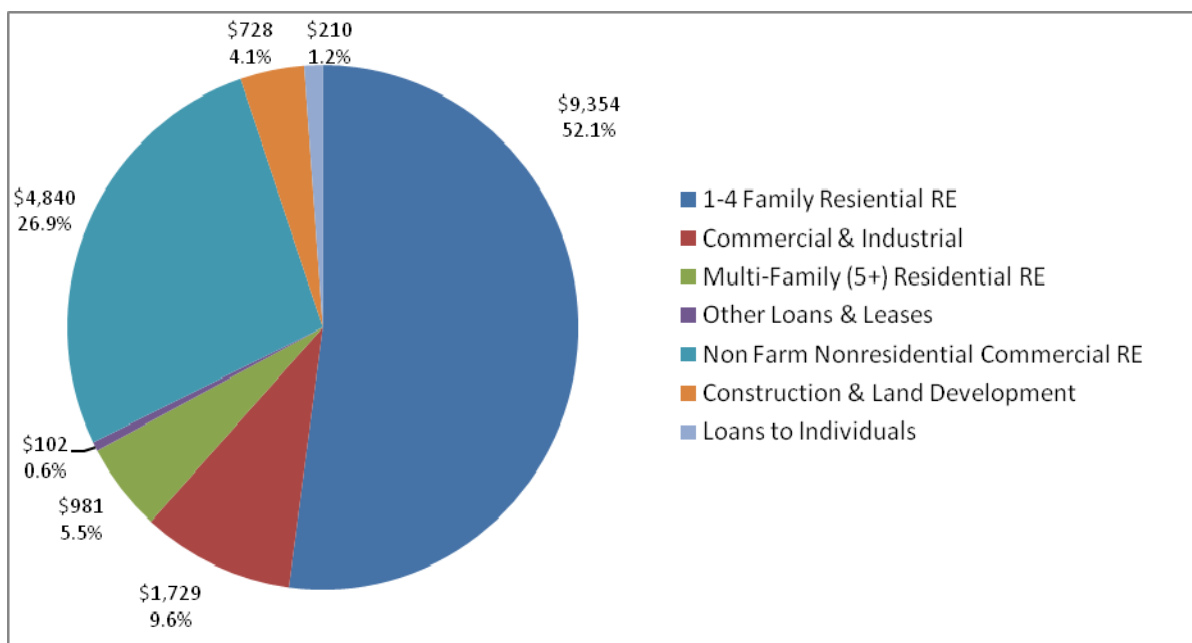
There were two Connecticut-chartered limited purpose trust companies operating in the State as of December 31, 2013 with fiduciary and related trust assets of \$88.7 billion. This total consisted of \$42.1 billion in managed assets and \$46.6 billion in non-managed assets.

Connecticut-Chartered Bank Name Changes

Two state-chartered banks changed their names in 2013. The Bank of New Canaan changed its name to Bankwell Bank on September 9, 2013. Also, on October 18, 2013, Naugatuck Savings Bank changed its name to Ion Bank.

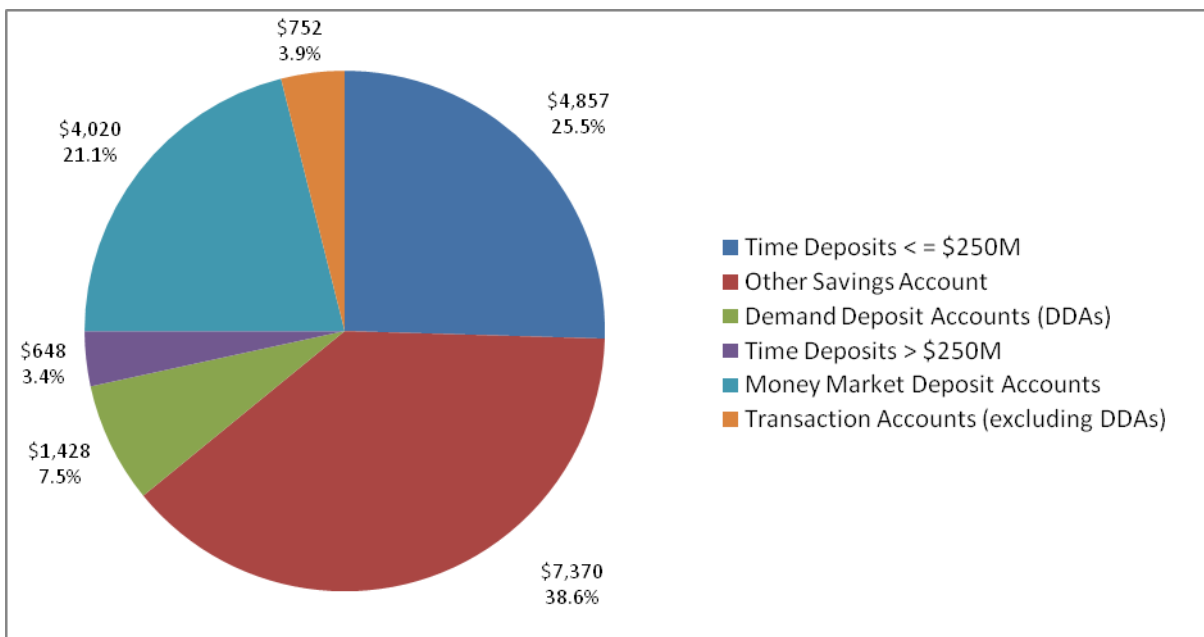
Connecticut-Chartered Banks’ Gross Loans & Leases and Total Deposits Composition

**Gross Loans & Leases of Connecticut-Chartered Banks
December 31, 2013
(millions & %)**



The graph above does not include Farmland & Farm Loans totaling \$18.6 million or 0.10% of gross loans.

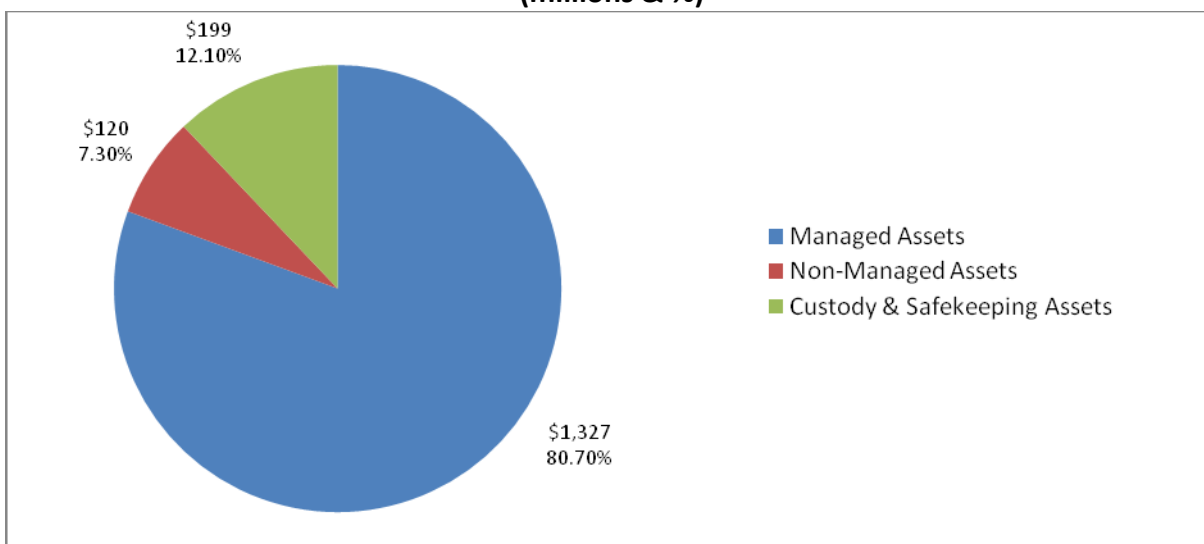
**Total Deposits of Connecticut-Chartered Banks
December 31, 2013
(millions & %)**



Connecticut-Chartered Banks' Fiduciary & Related Trust Assets

As of December 31, 2013 Seven Connecticut-chartered banks operated trust departments with fiduciary and related trust assets of \$1.6 billion, consisting of \$1.3 billion in managed assets and \$120 million in non-managed assets, with an additional \$199 million in custody and safekeeping assets.

**Fiduciary & Related Trust Assets of Connecticut-Chartered Banks
December 31, 2013
(millions & %)**



Connecticut-Chartered Credit Unions

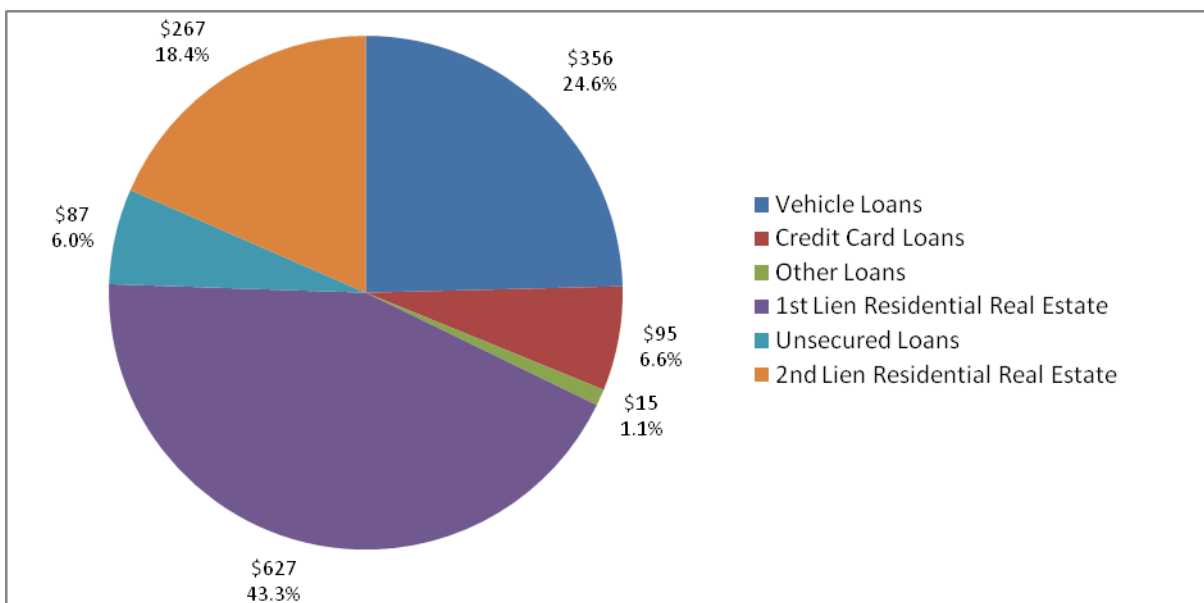
As of December 31, 2013, there were 29 Connecticut-chartered credit unions operating in the State. Overall, there was a reduction of one in the number of credit unions from year-end 2012 due to a merger. On June 30, 2013, Quiet Corner Community Credit Union, Inc. of Putnam, merged with and into Charter Oak Federal Credit Union, with Charter Oak Federal Credit Union as the resulting credit union.

Connecticut-Chartered Credit Unions' Consolidated Financial Condition & Operating Results

Connecticut-chartered credit unions reported total assets of \$3.7 billion as of December 31, 2013, a 1.3% increase from December 31, 2012. Aggregate shares and deposits totaled \$3.3 billion as of year-end 2013, a 1.9% increase from year-end 2012. Total loans were \$1.4 billion as of December 31, 2013, a 4.8% increase from December 31, 2012. Total equity capital for Connecticut-chartered credit unions was \$333 million for 2013, a 1.5% decrease versus 2012. Connecticut-chartered credit unions' earnings performance for 2013 decreased from the prior year level, generating a ROA of 0.16% versus 0.30% for 2012. The net interest margin also declined from 2.03% to 1.84% over the same timeframe.

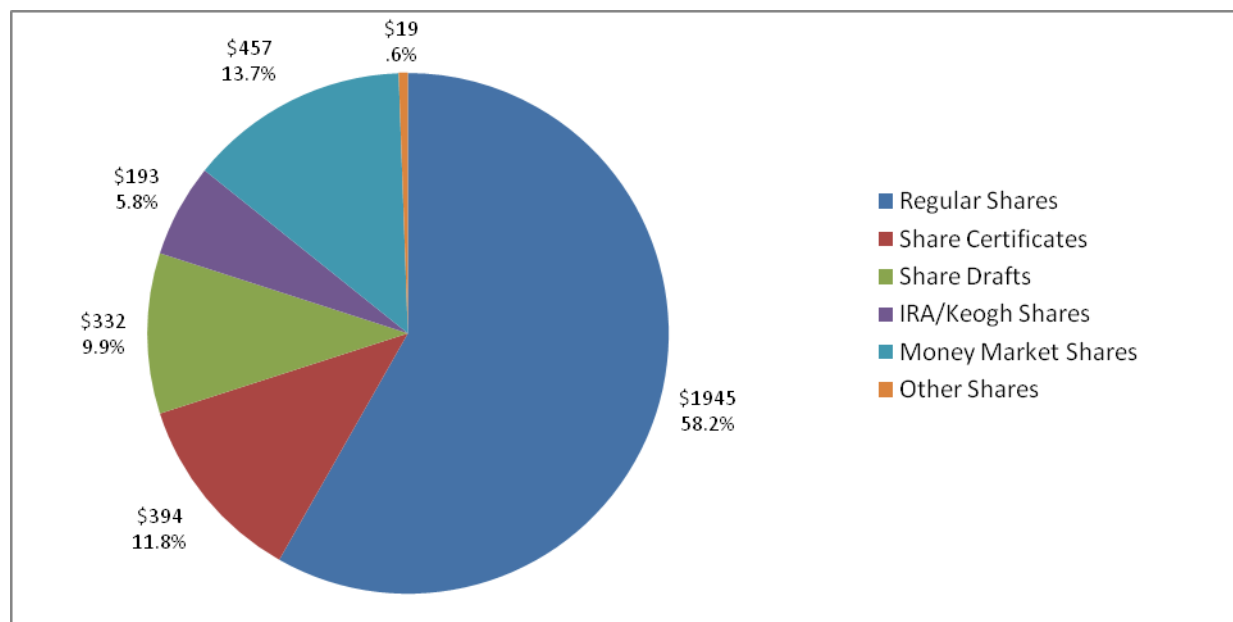
Connecticut-Chartered Credit Unions' Total Loans and Total Shares/Deposits Composition

**Total Loans of Connecticut-Chartered Credit Unions
December 31, 2013
(millions & %)**



The graph above does not include Loans Held For Sale totaling \$302 thousand or 0.02% of total loans.

**Total Shares/Deposits of Connecticut-Chartered Credit Unions
December 31, 2013
(millions & %)**



Federal & Out-of-State Banks

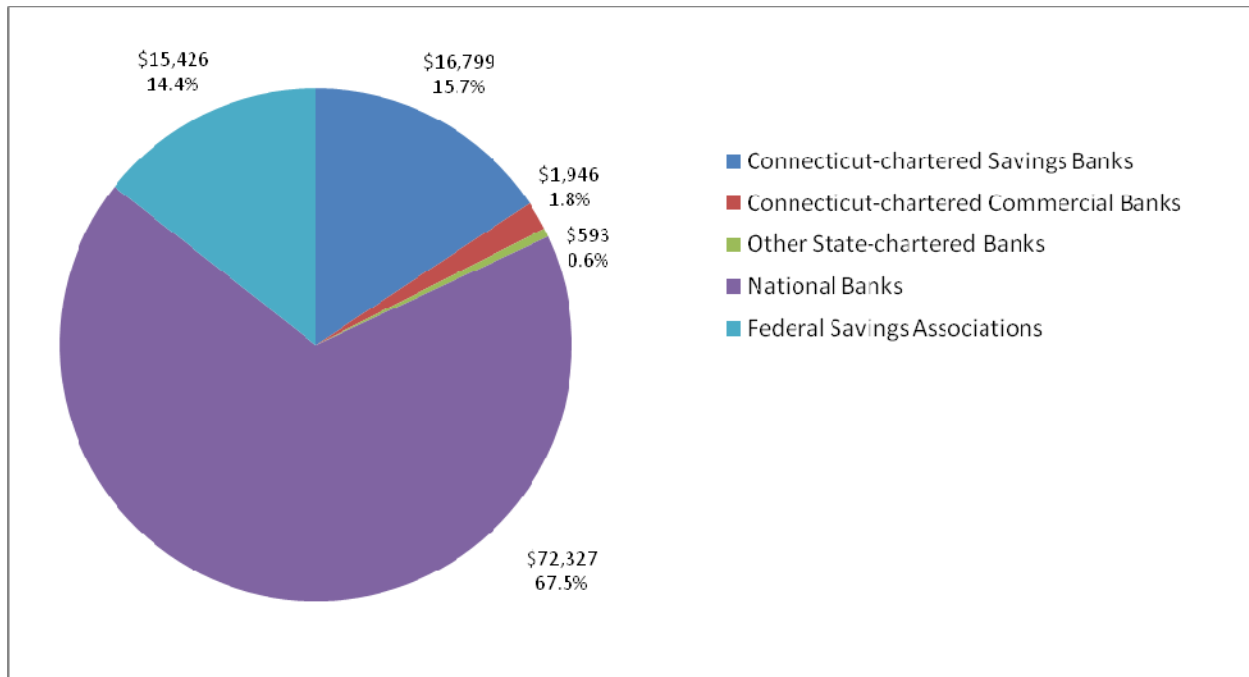
In addition to the 31 Connecticut-chartered, insured depository institutions operating in the state as of December 31, 2013, there were five banks chartered by a state other than Connecticut, 19 national banks and 12 federal savings associations regulated by the OCC. Of the 19 national banks, six institutions are headquartered in Connecticut. Of the 12 federal savings banks, eight institutions are headquartered in Connecticut.

**Connecticut Deposit Market Share by Charter Type
As of June 30, 2013**

Institution Type	Number of Institutions	Deposits in Market (\$000s)	Offices in Market	Deposit Market Share %
Connecticut-chartered Savings Banks	22	16,799,013	295	15.69%
Connecticut-chartered Commercial Banks	12	1,945,994	26	1.82%
Other State-chartered Banks [1]	5	593,160	12	0.55%
National Banks	19	72,326,935	710	67.54%
Federal Savings Associations	12	15,425,993	235	14.40%
Totals	70	107,091,095	1,278	100%

[1] Excludes one institution chartered by a state other than Connecticut which operates three loan production offices in Connecticut and does not accept deposits.

**Connecticut Deposit Market Share by Charter Type
June 30, 2013
(millions & %)**



Community Reinvestment Act ("CRA")

Since 1990, the Banking Commissioner has been required to assess the community reinvestment performances of state-chartered financial institutions and to consider their reinvestment efforts as a basis for approving or denying bank expansion.

**CRA Ratings of Connecticut-Chartered Banks & Credit Unions
As of December 31, 2013**

Institution Type	#	Outstanding	Satisfactory	Not Rated
Connecticut-chartered Savings Banks	22	4	18	0
Connecticut-chartered Commercial Banks ¹	9	0	8	1
Connecticut-chartered Credit Unions ²	29	1	8	0
Totals	60	6	33	1

¹ Bankers' Bank, Northeast is not rated for CRA purposes.

² CRA examinations are performed only for community credit unions with total assets over \$10 million. As of December 31, 2013, 9 Connecticut-chartered credit unions met this criteria. Total assets for Community Credit Union of New Milford, which has been evaluated for CRA, was marginally under \$10 million. The CRA examination for Soundview Credit Union has not been completed.

No institutions were rated Needs to Improve or Substantial Noncompliance

Federal & Out-of-State Trust Entities

In addition to the two Connecticut-chartered limited purpose trust companies operating in Connecticut as of December 31, 2013, there were two limited purpose trust companies chartered by a state other than Connecticut; one federally-chartered savings bank operating exclusively as a limited purpose trust company and headquartered in Connecticut; one national bank limited to trust activities in Connecticut, and one national bank operating as a limited purpose trust company and headquartered out-of-state.

Federal & Out-of-State Credit Unions

In addition to the 29 Connecticut-chartered credit unions operating in the State as of December 31, 2013, there were 90 federally-chartered credit unions headquartered in Connecticut, 11 federally-chartered credit unions headquartered out-of-state, and one credit union chartered by a state other than Connecticut. All credit unions operating in Connecticut are insured by the NCUA.

Foreign Banking Organizations

As of December 31, 2013, there were four branch offices of foreign banking organizations operating in the State. Additionally, one foreign banking organization operated one representative office as of December 31, 2013.

A branch of a foreign banking organization is a legal and operational extension of its parent organization and, as such, may conduct a full range of banking activities including: trading and investment activities; accepting wholesale and foreign deposits, but not retail deposits; granting credit; and acting as a fiduciary.

A representative office, the simplest form of organization for foreign banking organizations to establish, may only engage in representational and administrative functions and may not make any business decisions on behalf of the foreign bank. A representative office serves as a liaison between the head office of the foreign banking organization and its customers and correspondent banks in the United States, often soliciting business for the account of the head office.

Foreign Banking Organizations Operating In Connecticut

Institution Name	Office Type	CT Location	Approval/ License Date	Assets As of 12/31/2011 (\$ millions)	Assets As of 12/31/2012 (\$ millions)	Assets As of 12/31/2013 (\$ millions)
Abbey National Treasury Services plc	Branch	Stamford	9/17/2001	11,490	7,793	13,908
Bank of Ireland	Branch	Stamford	6/15/2006	1,409	1,006	1,552
Royal Bank of Scotland N.V.	Rep. Office	Stamford	11/4/2010	0	0	0
Royal Bank of Scotland plc	Branch	Stamford	5/3/2007	7,053	8,421	39,547
UBS AG	Branch	Stamford	6/23/1997	52,838	39,871	47,113

Business and Industrial Development Corporations

As of December 31, 2013, there was one business and industrial development corporation (“BIDCO”), Business Lenders, LLC, which was licensed by the Division and operating in the State.

Persons engaged in the business of a BIDCO as a participating lender under the loan guarantee programs of the federal Small Business Administration (“SBA”) in Connecticut must be licensed by the Banking Commissioner. Any person licensed by the SBA as a small business investment company or a small business lending company, banks or credit unions, and any person not approved or not seeking approval by the SBA as a participating lender under one or more of its loan guarantee programs is exempt from the provisions of the Connecticut Business and Industrial Development Corporation Act.

SECURITIES AND BUSINESS INVESTMENTS DIVISION

Subject to the general supervision of the Banking Commissioner, the Securities and Business Investments Division is charged with administering Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act; Chapter 672c of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act; and Chapter 672b of the Connecticut General Statutes, the Connecticut Tender Offer Act.

The Division is responsible for 1) the registration of securities and business opportunity offerings for sale in Connecticut; 2) the registration of broker-dealers, agents, investment advisers and investment adviser agents as well as the registration of broker-dealer and investment adviser branch offices; 3) the examination of broker-dealer, investment adviser and branch office registrants; and 4) enforcement of the state's securities, business opportunity and tender offer laws.

Activities

During 2013, the Division initiated a comprehensive review of the Regulations promulgated under the Connecticut Uniform Securities Act to ensure that they were up to date and reflective of legislative changes occurring since the Regulations were last amended. Preliminary draft amendments were circulated internally and to members of the Commissioner's Securities Advisory Council (which consists of members of the bar, academia and the securities industry) for feedback and discussion before the formal Uniform Administrative Procedure Act amendment process began. In the fall of 2013, the Division publicized the project on the agency's website and invited other members of the Connecticut bar to add their recommendations for change, drawing on their specialized expertise in the area of securities law.

The Division also continued to monitor the progress of the Jumpstart Our Business Startups Act (the "JOBS Act") and other federal legislation enacted to foster capital formation, as well as federal regulation amendments impacting private offerings. Although the JOBS Act preempted state regulation of crowdfunding, the Division joined other states in voicing concerns over a possible increase in fraud if the provisions were not carefully implemented.

During calendar year 2013, Securities and Business Investments Division intervention resulted in restitution and rescission offers to the investing public totaling \$5,559,747. In addition, the Division imposed \$3,756,166 in fines for violations of the state's securities and business opportunity laws. Of this amount, \$241,166 was attributable to Division settlements, \$200,000 was attributable to court-ordered penalties and the balance was due to formal agency orders imposing fines.

The Division also pursued a greater number of enforcement cases featuring promises of exorbitant investment returns and the misappropriation of investor funds. The Division also settled several matters involving licensing, securities registration and supervisory lapses by brokerage firms and investment advisers.

The Division continued to face special challenges stemming from staff attrition; the need to reallocate staff based on an increased investment adviser regulation workload following passage of the Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and an increase in the number of cases involving complex fact patterns or securities fraud.

In conjunction with the Division's enforcement program, a total of 69 securities and business opportunity investigations were opened in 2013, 78 investigations were closed and 77 investigations were in progress as of December 31, 2013. Eleven Cease and Desist Orders were entered.

Forty-one formal enforcement proceedings were initiated at the administrative level during calendar year 2013.

Of all the securities and business opportunity-related complaints and investigations handled, many were resolved at the administrative level prior to being closed. Administrative resolutions of enforcement matters typically took the form of remedial Stipulation and Agreements and Consent Orders wherein the Division sought corrective measures as well as monetary fines. Thirteen Consent Orders and two Stipulation and Agreements were executed in calendar year 2013. Five matters involved activity restrictions or the barring of affected individuals from securities-related activity in Connecticut. The Division found the use of Stipulation and Agreements and Consent Orders to be an effective supplement to its array of enforcement tools.

The Securities and Business Investments Division also continued online publication of its quarterly Securities Bulletin, now delivered via listserv, to advise the industry of new regulatory developments.

The Division is assisted by a Securities Advisory Council, comprised of industry representatives, academics and members of the bar, all of whom serve without compensation, that offers the Commissioner and staff insight on proposed regulatory initiatives. The Division obtained critical input from Advisory Council members in formulating the Division's response to federal legislative changes and the need to update the agency's securities regulations.

**Securities Industry Registrants and Notice Filers
As of Year End**

	2009	2010	2011	2012	2013	5 Year % Change
Broker-dealer firms	2,498	2,430	2,385	2,294	2,239	(10.36)
Broker-dealer agents	130,796	144,376	152,071	145,877	151,123	15.54
Broker-dealer branch offices	2,733	2,713	2,699	2,690	2,716	(.62)
Investment Adviser firms	460	474	472	545	530	15.21
SEC Registered Investment Advisory Firms Filing Notice*	1,781	1,880	1,900	1,865	1,946	9.26
Investment Adviser Agents	9,666	10,332	10,835	10,863	11,413	18.07

* Investment advisers subject to exclusive Securities and Exchange Commission registration pursuant to the National Securities Markets Improvement Act of 1996, Public Law 104-290.

**Registrations and Notice Filings
Securities and Business Opportunities**

	2009	2010	2011	2012	2013	5 Year % Change
Offerings Reviewed	132	168	145	151	128	(3.03)
Investment Company Notice Filings*	7,811	8,749	8,769	8,879	9,102	16.52
Exemptions and Exemptive Notices†	2,500	2,548	2,813	2,703	2,562	2.48

*Effective October 11, 1996, the National Securities Markets Improvement Act of 1996 (NSMIA), Public Law 104-290, preempted the states from registering securities offerings by investment companies subject to Securities and Exchange Commission oversight. State authority to require notice filings was preserved by the federal legislation.

†NSMIA also preempted the states from substantively reviewing private offerings under Rule 506 of federal Regulation D. State authority to require notice filings was preserved by the federal legislation.

**Examinations
Broker-dealers and Investment Advisers**

	2013	2012
Broker-dealers	83	64
Investment Advisers	177	91

**Enforcement Activities
Securities and Business Opportunities**

	2013	2012
Investigations Opened	69	79
Investigations Closed	78	74
Investigations in Progress	77	86
Subpoenas Issued	75	43
Administrative Actions	41	19
Consent Orders	13	13
Stipulation and Agreements	2	6
Notices of Intent to Deny (Licensing)	0	0
Notices of Intent to Revoke (Licensing)	2	1
Denial Orders (Licensing)	0	0
Suspension Orders (Licensing)	1	1
Revocation Orders (Licensing)	4	3
Notices of Intent to Fine	12	9
Orders Imposing Fine	36	11
Cease and Desist Orders	11	11
Activity Restrictions/Bars	5	5
Monetary Sanctions Imposed	\$3,756,166	\$2,291,481
Offered/Returned to Investors Following Informal Division Intervention	\$5,559,747	\$7,216,934
Criminal Referrals	5	5
Referrals to Connecticut Attorney General	1	2
Other Agency Referrals	5	3

GOVERNMENT RELATIONS AND CONSUMER AFFAIRS

The Government Relations and Consumer Affairs Division (“Division”) provides assistance to the public with inquiries and complaints regarding banking, mortgage lending and other consumer credit matters, rental security deposits, and securities and business opportunity issues. The Division directs the agency's legislative program, manages media relations, and coordinates financial and investor education. It also performs community outreach efforts.

Consumer Assistance

The department protects Connecticut citizens and consumers in transactions with financial institutions and other financial service providers, and assists them with complaints and dispute resolution. In 2013, examiners in the Division handled approximately 11,436 telephone inquiries and 2,346 written complaints from the public. As a result of their efforts, the department obtained \$1,344,536.62 in adjustments or reimbursements on behalf of consumers during the period. In addition, the Division handled 3,426 calls to its Foreclosure Assistance Hotline in 2013 and responded to 1,181 email inquiries. The received approximately 217 complaints related to rental security deposits. Following an investigation into each complaint, the Department recovered \$35,777.55 for tenants during this same time period.

Outreach

The primary focus of the Department’s educational outreach program is to help Connecticut's consumers and investors make informed financial decisions and also to learn how to avoid fraud and scams. Helping Connecticut homeowners prevent and navigate foreclosure remains a major component of the department’s outreach initiatives.

In 2013, Division staff took part in approximately 70 events, including 45 speaking engagements. Consumers received relevant information and training regarding credit and debt management, avoidance of fraud and identity theft, reverse mortgages, banking basics, and personal financial management such as individual and family budgeting. The Division participated in monthly foreclosure prevention clinics during the year, conducting presentations and providing one-on-one counseling to homeowners.

In 2013 the Department continued its successful Mortgage Assistance Event Program which began in 2011. The Department sponsored two additional events together with the Governor and Attorney General. These events provide a unique opportunity for troubled borrowers to meet directly with their mortgage company or a housing counselor to discuss options and explore appropriate workout solutions. The 2013 conferences were held on April 17, in New Haven, and on October 22, in Hartford. Approximately 1,700 people attended these events which, as of December 31, 2013, brings to the total number of borrowers assisted to approximately 6,000.

In February, 2013 the Department hosted an America Saves/Military Saves Week Expo at the Legislative Office Building and recruited 11 other entities to participate in this important program. The general public, legislative staff, and military personnel learned about smart saving, investing, and new ways to protect their finances.

In the first half of 2013, the Department purchased an innovative online financial education initiative called Investor Education in Your Workplace® (IEiYW), an online training program which focuses on personal finances, investing and retirement planning. What makes this program unique is that an employee can complete the training in the workplace with minimal disruption on the work day. The Department made IEiYW available to employees at the Insurance Department as well as to local banks, credit unions, and businesses. In total, 617 people participated and were educated about retirement plans, long-term savings and investment options.

The Department of Banking joined in several important collaborations to promote financial literacy and fraud prevention throughout 2013. The Banking Education Coordinator was invited to serve on the Board of Directors of *Connecticut Jump\$tart Coalition for Financial Literacy*, an organization that seeks to improve financial literacy of Connecticut residents by promoting the teaching of personal finance and the increased understanding of saving, investing, and credit choices. The Department joined *Connecticut Saves*, (a social marketing initiative promoting saving and wealth building) as a founding member. The Department of Banking joined the *Connecticut Elder Justice Coalition*, a network of public and private agencies whose goal is to protect the rights of older persons and combat elder fraud and abuse. The Department is also an active member of the statewide Coordinating Council, to help develop potential solutions to elder justice issues.

Legislation

Each year the Government Relations and Consumer Affairs Division, spearheads an active legislative program. During the 2013 legislative session, three agency proposals were enacted into law. *Public Act 13-106, An Act Concerning the Connecticut Uniform Securities Act*, updates Connecticut statutes related to the Uniform Securities Act.

Public Act 13-135, An Act Concerning Banks and the Economic Development of Loan Production Offices began as an agency proposal that became a vehicle for a number of other bills. The agency proposal portion of the act amends the public deposit laws based on the recommendations of a task force composed of the Connecticut Bankers Association, the Connecticut Credit Union League, the Office of the State Treasurer, the Office of Policy and Management and other interested parties. The legislation will afford greater security to state and municipal deposits.

In addition, Public Act 13-135 requires the party to whom a municipality has assigned a tax lien, or any subsequent assignee, to provide written notice to the mortgage holder within 30 days after the assignment; establishes conditions under which Connecticut banks may invest in certain debt securities; makes changes in the exchange facilitator laws and allows the

banking commissioner to adopt implementing regulations; and decreases the time within which an appraisal management company must pay an appraiser for an appraisal or valuation assignment.

Public Act 13-253, An Act Concerning Money Transmission and Consumer Collection Agencies makes numerous changes to the consumer credit statutes in an effort to better protect the consumer. Most notably, it strengthens regulatory requirements of money transmission licensees and makes other conforming changes consistent with industry standards.

The Department of Banking actively supported the passage of Public Act 13-136, a Governor's bill that revised and restructured Connecticut's Foreclosure Mediation Programs to achieve faster and better resolutions of foreclosures in this state.