



State of Connecticut
DEPARTMENT OF BANKING
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SECURITIES AND BUSINESS INVESTMENTS DIVISION

BULLETIN

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A WORD FROM THE BANKING COMMISSIONER

A number of years ago, various corporations sought to position themselves as "financial supermarkets" or comprehensive providers of financial services. While that strategic vision perhaps hasn't been fully realized, financial service products such as mutual funds are today literally being sold in grocery supermarkets as firms seek customers. With the total amount of assets held by mutual funds rapidly approaching \$2 trillion, investment brokerage and other financial services businesses are being viewed as increasingly attractive.

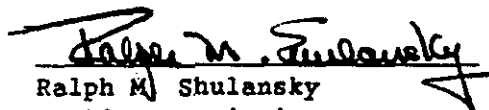
The present competition between and among financial services firms and financial intermediaries for markets and market shares will be an area that the Banking Department intends to closely study in the future. We will particularly be looking at whether the current regulatory framework and existing laws will satisfactorily address issues raised as the financial marketplace evolves over the coming decade. What effect will the blending of product lines and services by financial institutions have on the institutions, and ultimately, what will the impact be on investors and consumers?

The department would welcome your thoughts and comments on these issues. Correspondence may be directed to Ralph Lambiase, Director of the Securities and Business Investments Division.

The financial services marketplace of the future will be the principal focus this year of the department's annual conference, Securities Forum '93, scheduled for November 10, 1993 at the Stamford Marriott Hotel. The Forum is presented each year in conjunction with the Securities Advisory Council to the Connecticut Department of Banking. I am pleased to announce that Lieutenant Governor Eunice S. Groark will be the Forum keynote speaker.

The Forum's featured topic, the financial services marketplace of the future, will be addressed in a general session panel from the point of view of regulators and the securities, banking and insurance industries. Additional panels will break out during the day to discuss capital formation issues, the topic of banks' involvement in securities/annuities, and regulatory issues. A reception is planned following the conference to afford attendees an opportunity to meet regulators, speakers and Securities Advisory Council members. For your convenience, a conference program and registration form may be found in this Securities Bulletin issue.

The department's first revision in over a decade of the state's blue sky regulations will be published for comment this fall. The revisions will, I hope, address many of the changes which have occurred over this period and also present a new format which will be simpler to understand and use. I would also note that the revised regulations will be a subject of discussion at Securities Forum '93 in the break-out panel on regulatory issues.


Ralph M. Shulansky
Banking Commissioner

PAYMENT OF SECURITIES-RELATED REFERRAL FEES TO STATE BANK PERSONNEL

TRIGGERS REGISTRATION REQUIREMENTS

Letter of Inquiry

This letter is being sent to request approval from your office of a brokerage program in which Linsco/Private Ledger Corp. ("LPL"), a registered broker-dealer, enters into an agreement with a financial institution ("FI") such as a state chartered commercial or savings bank, or a wholly-owned service corporation of an FI to provide brokerage services on the premises of the FI

LPL is a broker-dealer registered with the Securities and Exchange Commission ... and a member of the National Association of Securities Dealers, Inc. ... and Boston Stock Exchange. In providing brokerage services on the premises of an FI, LPL will function in a supervisory and operational capacity on behalf of its representatives assigned to the FI. All LPL representatives are properly licensed with the NASD and appropriate state(s).

LPL and its representatives transact business for FI customers in the following product areas: Equity Securities, Debt Securities, Open-end/Closed-end Mutual Funds, Public Limited Partnerships [and] Insurance. Option transactions are effected on a limited and infrequent basis only at a customer's request. Additionally, commodity futures, commodity options and other high risk transactions are prohibited when dealing with FI customers. The majority of business transacted on FI premises involves the sale of conservative products (e.g. mutual funds, fixed and variable annuities and unit trusts). LPL conducts the required due diligence on all products offered to FI customers and provides its representatives with a list of approved products available for sale to FI customers. LPL acts as an introducing broker-dealer. Neither LPL nor its representatives maintains customer accounts, holds funds and/or securities for customers or owes funds and/or securities to customers. These functions are performed by LPL's clearing agent, the Pershing division of Donaldson, Lufkin & Jenrette ("Pershing"). The general securities accounts of LPL's customers are carried on a fully disclosed basis by Pershing.

In most cases, whenever a customer wishes to purchase securities, he/she will place the order with the LPL representative and deposit the requisite funds directly with Pershing. If the customer wishes to take delivery of the securities, Pershing will forward them directly to the customer. Conversely, whenever a customer wishes to sell securities, he/she will place those securities in a "mailer" for shipment to Pershing, after placing the order with the LPL representative. All margin loans will be made by Pershing. FI customers will receive confirmations of each transaction and monthly account statements.

In certain instances, mutual fund investments may be held directly at the

mutual fund company rather than at Pershing. Under these circumstances, the customer's application and check made payable to the mutual fund company will be forwarded directly to the fund. A copy of these documents will be kept within the customer's file at the FI and a copy will be sent to the LPL home office for review.

All brokerage business conducted on the premises of the FI will take place in a clearly defined area in the building so as to prominently distinguish the brokerage activities from other FI activities.

LPL will establish a branch office on site at each designated FI. The branch office may be designated by LPL as an Office of Supervisory Jurisdiction ("OSJ") and managed by an NASD Series 24 licensed registered principal acting as the branch manager responsible for managing the program at that FI. The branch office, with the assistance of the LPL home office, will be responsible for complying with all SEC, NASD, federal and state rules and regulations.

In the case of an FI which is not of sufficient size to accommodate a full-time representative, LPL has developed a referral program through which the branch manager will service FI customers on either a scheduled part-time or appointment basis. Under the former arrangement, the branch manager will provide FI employees with a schedule of when he/she will be available on the premises of the FI. Under the latter arrangement, the branch manager would not visit the FI at scheduled times, but would meet with the customers by appointment. Employees of the FI would either furnish interested customers with the branch manager's telephone number or make appointments for those customers with the branch manager. The books and records concerning the securities business conducted by representatives on the premises of the FI on less than a full-time basis would be kept at the corresponding branch office of LPL designated as the OSJ branch office. All other previously stated branch office requirements will remain in effect.

All advertising and other customer communications will clearly indicate that any and all brokerage services are being performed by LPL and its representatives and not the FI. Advertising and sales literature must receive LPL approval prior to be used. The FI will not be permitted to offer any other brokerage service without the express written consent of LPL.

The FI will bear a portion of the cost of the program and will receive from LPL a portion of the commissions and fees generated by the business conducted on the premises to cover costs and salaries.

In addition to being a representative of LPL, the individual may be an employee of the FI and his/her salary will be paid by the FI. In some cases, however, the representative may not be an employee of the FI, and consequently, will be paid directly by LPL.

An agreement will be entered into between LPL and the FI ("FIS Agreement"). Additionally, an agreement will be entered into between LPL and the representative. These agreements specify the responsibilities and sharing

arrangements of each ... The Securities and Exchange Commission has issued several no-action positions on the LPL FIS program ... I would appreciate your response as to whether or not a program of this type would be allowed in a state chartered FI in Connecticut.

Department Advisory Interpretation

In your letter, you ask whether the brokerage program you describe would be allowed in a state chartered financial institution such as a commercial or savings bank located in Connecticut. ... Many of the issues raised in your letter have been previously addressed by the Department from both the securities and banking viewpoints. ... While, with one main exception, the laws under the jurisdiction of the Department with respect to these bank networking questions have not changed substantially over the past few years, the nature and extent of the networking relationships have. For this reason, the Department is currently in the process of developing an integrated regulatory approach to its treatment of bank networking arrangements.

Until such time as the Department publishes its findings, however, each financial institution, broker-dealer, investment adviser or other entity under the general supervision of the Banking Commissioner is encouraged to familiarize themselves with the ... advisory interpretations and the policy reasons underlying them [See, e.g., Blue Sky L. Rep. ¶ 14,516, ¶ 14,516A, ¶ 14,516B]. For example, the advisory interpretation issued February 7, 1985 [Blue Sky L. Rep. ¶ 14,516] provides guidance as to when personnel of the financial institution or one of its affiliated entities acts as an "agent" as defined by Section 36-471(2) of the Connecticut Uniform Securities Act (the "Act"). The advisory interpretation specifically lists six functions which, if performed by such personnel, would bring them within the definition of "agent", requiring registration pursuant to Section 36-474 of the Act. It further gives examples of "clerical or ministerial functions" which, when performed by non-registered personnel, do not bring them within the definition of "agent".

A relatively new issue where banks provide brokerage services on premises concerns whether paying referral fees to non-registered personnel of the financial institution for sending its clients to the broker-dealer or investment adviser triggers the registration provisions of the Act. The department takes the position in this instance that such person who refers clients to a broker-dealer or investment adviser is an agent or investment advisor agent as defined by the Act since such person either represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or is employed, authorized or appointed by an investment adviser to solicit business for the investment adviser, as the case may be.

This payment of referral fees presents other regulatory problems since the February 7, 1985 advisory interpretation also requires the area occupied by a broker-dealer to be conspicuously identified as the place of business of the broker-dealer, readily distinguishable from the operations of the surrounding financial institution and staffed by persons whose affiliation with the broker-dealer is conspicuously identified. Where bank employees are making referrals from areas where bank business is transacted, persons appear to be

representing the broker-dealer from an area outside the physical boundaries of the broker-dealer's office and the safeguards which the advisory interpretations seek to promote to insure proper disclosure to broker-dealer customers have become obfuscated, contrary to the purposes advanced in the advisory interpretations (note that although the advisory interpretation refers only to broker-dealers, the Department applies a similar analysis to investment advisory business).

Finally, you should be aware that subsequent to the publishing of the advisory interpretations, legislation was enacted to define "branch offices" of broker-dealers and investment advisers (Section 36-471(16) of the Act) and to require that such branch offices be registered in accordance with Section 36-474(d) of the Act.

Ralph M. Shulansky
Banking Commissioner
September 9, 1993

FILING INVESTMENT ADVISER AMENDMENTS

Section 36-482(c) of The Connecticut Uniform Securities Act provides, in part, that "[i]f the information contained in any document filed with the commissioner is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment" Section 36-500-13(d) of the Regulations under the Act states that "[i]f the information contained in any application for registration as ... [an] investment adviser ... or in any amendment thereto, is or becomes inaccurate or incomplete in any respect for any reason, the applicant shall promptly file a correcting amendment with the commissioner."

Amendments to investment advisory filings should be made on Form ADV (Uniform Application for Investment Adviser Registration) wherever possible. Following are the Securities and Business Investments Division's reminders concerning the filing of amendments:

1. Make sure the Execution Page (page one of Form ADV) is manually signed, notarized and dated to reflect the date of the amendment. In addition, check off the box marked "amendment" at the top of the page;
2. Although an original Execution Page is required, there is no need to refile Form ADV in its entirety. Instead, submit only the pages to be amended. In addition, note that the Division does not require that a new Form ADV be refiled annually at the time of renewal. Instead, renewal is effected upon the payment of the renewal fee following receipt of an invoice from the Division;
3. Be sure to circle all amended items; and
4. Do not include amendments that have been submitted previously.

By encouraging investment advisory firms to follow these recommendations, the Division hopes to reduce the time involved in processing amendments.

REGISTRATION REQUIREMENTS FOR INDEPENDENT INVESTMENT ADVISERS

PARTICIPATING IN BROKER-DEALER SPONSORED WRAP FEE PROGRAMS

The Securities and Business Investments Division (the "Division") is issuing this policy statement to clarify the licensing requirements in Connecticut for independent investment advisers who become affiliated with broker-dealers in connection with wrap fee programs. A wrap fee program is an investment service in which a broker-dealer provides comprehensive research, brokerage and investment advisory services in consideration for a flat fee. The flat fee is generally based upon a percentage of assets under management. Typically, the investment advisory services that are provided in connection with wrap fee programs originate from either the investment advisory arm of the sponsoring broker-dealer, or an independent investment adviser whose services are offered, by the broker-dealer, as an alternative to the proprietary investment adviser. Upon opening a wrap fee account, clients are required to choose an investment adviser to manager their account from among a list of investment advisers that are affiliated with the particular wrap fee program.

Section 36-474(c) of The Connecticut Uniform Securities Act (the "Act") states that, "[n]o person shall transact business as an investment adviser, within or from this state, unless registered as such by the commissioner as provided in this chapter." Hence, it follows that any independent investment adviser, affiliated with a broker-dealer in connection with a wrap fee program which is offered or sold in Connecticut, must be registered pursuant to Section 36-474(c) of the Act. Section 36-471(6)(G)(ii) of the Act, however, provides an exclusion from the definition of "investment adviser" for "a person ... who during the course of the preceding twelve months has had no more than five clients in this state other than those specified in subparagraph (i), whether or not he or any of the persons to whom business communications are directed is then present in this state, and who does not hold himself out generally to the public in this state as an investment adviser."

It has come to the attention of the Division that, in connection with wrap fee programs, broker-dealers are engaging independent investment advisers who claim they (1) have had fewer than five non-institutional clients located in Connecticut during the preceding twelve months, and (2) do not hold themselves out generally to the public as investment advisers. Sponsoring broker-dealers have taken the position, therefore, that these independent investment advisers are excluded from the scope of the Act, and consequently, are not required to register as such pursuant to Section 36-474(c) of the Act.

The Division, however, is of the opinion that if such an independent investment adviser wishes to participate in a wrap fee program offered by a broker-dealer, it cannot rely upon the exclusion from the definition of investment adviser contained in Section 36-471(6)(G)(ii) of the Act, regardless of the number of non-institutional clients that it has had in Connecticut during the course of the preceding twelve months. The Division

concludes that because participation in a wrap fee program results in the integration of the independent investment adviser's services into the entire marketing and sales plan of the sponsoring broker-dealer, the participating independent investment adviser cannot properly claim that it does not hold itself out generally to the public as an investment adviser in Connecticut.

When an independent investment adviser agrees to participate in a wrap fee program it is essentially authorizing the sponsoring broker-dealer to hold its investment advisory services out generally to the public in Connecticut. Once an investment adviser becomes listed in a sponsoring broker-dealer's marketing materials as a participant in a wrap fee program, it may no longer invoke the exclusion contained within Section 36-471(6)(G)(ii) of the Act.

In light of the above-stated position, the Division recommends that broker-dealer who market wrap fee program utilizing independent investment advisers have sufficient compliance procedures in place to ensure that such participating independent investment advisers have satisfied the registration requirements contained within the Act. As a general rule, sponsoring broker-dealers should assume that the exclusion contained within Section 36-471(6)(G)(ii) of the Act is unavailable to investment advisers who participate in wrap fee programs. In addition, investment advisers themselves should be aware that they may not participate in wrap fee programs and avoid registration in Connecticut in reliance upon the foregoing exclusion.

Broker-dealers should not that they subject themselves to serious liability by affiliating with an unregistered investment adviser. First, Section 36-498(c) of the Act provides, in part, that "every broker-dealer ... who materially aids in the act or transaction constituting ... [a] violation ... [is] also liable jointly and severally with and to the same extent as such person [who violates the Act], unless the person who is so liable sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by reason of which the liability is alleged to exist." The broker-dealer's role in engaging an unregistered investment adviser as part of its wrap fee program may constitute material assistance for purposes of Section 36-498(c) should liability become an issue. Second, if a broker-dealer engages an unregistered independent investment adviser, the Division may institute proceedings to suspend or revoke such broker-dealer's registration pursuant to Section 36-484 of the Act for failing to establish a system for applying its supervisory procedures which may reasonably be expected to prevent and detect any violation of the Act.

Finally, an investment adviser who participates in a wrap fee program and relies on the exclusion contained within Section 36-471(6)(G)(ii) of the Act as the basis for deciding not to register will be deemed to be transacting business as an unregistered investment adviser in Connecticut and will be subject to all administrative, civil and/or criminal remedies available to the Banking Commissioner under the Act.

ENFORCEMENT HIGHLIGHTS

ADMINISTRATIVE SANCTIONS

CEASE AND DESIST ORDERS

Kestral Trust Limited (CRD # 33245)

On August 19, 1993, following a Securities and Business Investments Division investigation, the Banking Commissioner issued a cease and desist order (CD-93-2419-S) against Kestral Trust Limited ("KTL") of P.O. Box 369-K, Madoc, Ontario Canada KOK 2K0.

The Order alleged that from at least April 1993 to May 1993, KTL offered to Connecticut residents interests in an investment vehicle known as the "KTL Program." The KTL Program featured three components characterized by investments in the international financial community, the international currency markets and the international commodities markets. KTL also purportedly represented that all funds placed into accounts for use in the KTL Program would be guaranteed as to principal and interest for up to \$100,000 at no cost to the investor and that Certificates of Financial Guarantee would be issued for each account. The Order to Cease and Desist claimed that interests in the KTL Program were not registered under Section 36-485 of the Act nor did the agency receive notice of reliance on an exemption with respect to the interests. In addition, the Order alleged that KTL violated the antifraud provisions in Section 36-472 of the Act by failing to disclose the unregistered status of the KTL Program interests, the risks involved in the investment and the basis for the associated guarantee. The Order also alleged that KTL failed to disclose that its subsidiary, First Equity International, was the subject of cease and desist orders issued by the states of North Dakota and Montana on April 14, 1992 and December 16, 1992, respectively.

Since the respondent did not request a hearing within the prescribed time period, the Order became permanent as to it on September 16, 1993.

CONSENT ORDERS

Woodrow W. Gorbach and Gorbach Properties, Inc.

On August 12, 1993, the Banking Commissioner entered a Consent Order with respect to Woodrow W. Gorbach. Gorbach, president of Gorbach Properties, Inc. ("Properties"), now or formerly of 500 Clinton Avenue, Bridgeport, Connecticut, had been the subject of a December 29, 1992 Order to Cease and Desist and Notice of Intent to Fine (Docket numbers CD-92-2181-S; NF-92-2181-S). Both the Order to Cease and Desist and the Notice of

Intent to Fine were predicated upon alleged violations of The Connecticut Uniform Securities Act.

The cease and desist order and the Notice of Intent to Fine had alleged that, from at least March 1985 through August 1990, Gorbach financed Properties' secondary mortgage lending business by offering and selling "Guarantee Agreements" and notes to Connecticut residents, instruments which were not registered under Section 36-485 of The Connecticut Uniform Securities Act. In addition, the agency alleged that the respondents violated the antifraud provisions in Section 36-472 of the Act by engaging in the following conduct: 1) falsely representing to purchasers of the "Guarantee Agreements" that a particular mortgage had been legally assigned to them; 2) failing to disclose Properties' financial deficits to purchasers of the "Guarantee Agreements" or the notes; 3) failing to disclose to purchasers of the "Guarantee Agreements" or the notes that the instruments were not registered under Connecticut's securities laws; 4) failing to provide "Guarantee Agreement" purchasers with information concerning the investment's risks or the basis for Properties' guarantee that the investment would be secured against loss; 5) failing to disclose to note purchasers that offering proceeds would be used to pay Properties' operating expenses; and 6) failing to disclose to 1990 note purchasers that Properties was not then capable of meeting its obligations under the notes.

Pursuant to the Consent Order, Gorbach, without admitting or denying the veracity of the allegations in the cease and desist order and the Notice of Intent to Fine, agreed to be permanently barred from directly or indirectly 1) soliciting or accepting funds for investment purposes from private or public investors within or from Connecticut; and 2) exercising control over any person engaged in the business of selling instruments to public or private investors when the proceeds of such sales were used to fund the business of a first or secondary mortgage lender or broker. Gorbach also agreed to pay \$1,000 as a civil penalty and \$3,000 to the agency's Investor Education Fund.

STIPULATION AND AGREEMENTS

Ambrose Kai Chung Chan (CRD # 2353053)

On July 12, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2430-S) with Ambrose Kai Chung Chan of 30 Olympic Drive, Danbury, Connecticut. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that from May 1990 through July 1992, Chan transacted business as an investment adviser absent registration under The Connecticut Uniform Securities Act.

Pursuant to the Stipulation and Agreement, Chan agreed to 1) review his compliance procedures to detect and prevent regulatory violations; 2) pay

a \$500 fine to the state; and 3) offer clients the opportunity to receive a refund of those fees collected prior to registration plus interest at six percent.

The Principal/Eppler, Guerin & Turner, Inc. (CRD # 260)

On July 21, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2437-S) with The Principal/Eppler, Guerin & Turner, Inc. of The Fountain Place, 1445 Ross Avenue, Suite 2300, Dallas, Texas. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that between September 1975 and February 1989 the firm transacted business as a broker-dealer absent registration under The Connecticut Uniform Securities Act and employed unregistered agents.

Pursuant to the Stipulation and Agreement, the firm acknowledged that it had, in connection with its broker-dealer application, reviewed and modified written supervisory and compliance procedures reasonably designed to detect and prevent regulatory violations. The firm also agreed to pay \$11,500 to the state, \$4,000 of which represented a civil penalty; \$1,500 of which represented a contribution to the agency's Investor Education Fund; \$5,000 of which represented back uncollected registration fees during the period of unregistered activity; and \$1,000 of which represented reimbursement to the Division for its investigative costs.

Wolff Investment Group Incorporated (CRD # 21930)

On July 30, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2420-S) with Wolff Investment Group Incorporated of 26 Broadway, Room 206, New York, New York. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that between March 1991 and January 1993 the firm transacted business as a broker-dealer absent registration under The Connecticut Uniform Securities Act and employed unregistered agents.

Pursuant to the Stipulation and Agreement, the firm agreed to 1) review and modify its supervisory and compliance procedures to prevent and detect regulatory violations; and 2) pay \$1,790 to the state, \$1000 of which represented a civil penalty and \$790 of which represented back uncollected registration fees during the period of unregistered activity.

Investment Advisors, Inc. (CRD # 26467)

On August 13, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2452-S) with Investment Advisors, Inc. of 1100 Louisiana, Suite 2600, Houston, Texas. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that from April 1990 through March 1993, the firm transacted business as an investment adviser absent registration under The Connecticut Uniform Securities Act.

Pursuant to the Stipulation and Agreement, the firm agreed to 1) review

its supervisory and compliance procedures to prevent and detect regulatory violations; and 2) pay a \$1,000 fine to the state.

Bidwell & Company (CRD # 10215)

On August 17, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2457-S) with Bidwell & Company of 209 S.W. Oak Street, Portland, Oregon. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which indicated that from January 1990 on, the firm transacted business as a broker-dealer absent registration under The Connecticut Uniform Securities Act and employed unregistered agents.

Pursuant to the Stipulation and Agreement, the firm agreed to 1) review and modify its supervisory procedures to prevent and detect regulatory violations; and 2) pay \$5,850 to the state, \$4000 of which represented a civil penalty, \$850 of which represented back uncollected registration fees during the period of unregistered activity and \$1,000 of which represented a contribution to the agency's Investor Education Fund.

Midland Walwyn Capital, Inc.

On August 25, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2302-S) with Midland Walwyn Capital, Inc. of Scotia Plaza, 40 King Street West, Toronto, Ontario Canada M5H 4A1. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that during 1992 and prior years, the firm effected securities transactions as a broker-dealer absent registration under Section 36-474(a) of The Connecticut Uniform Securities Act. As a precondition to resolving the matter informally with Midland, the agency required that the firm pay out \$7,270.30 as reimbursement for investor losses.

Pursuant to the Stipulation and Agreement, the firm agreed to refrain from violating The Connecticut Uniform Securities Act and the Regulations thereunder and from the offer or sale of securities constituting or which would constitute a regulatory violation. In addition, the firm, its affiliates, agents, employees and representatives agreed to refrain from soliciting or accepting funds for investment purposes from public or private investors within or from Connecticut without (1) consulting with United States legal counsel prior to such solicitation or acceptance of funds, whichever occurred first, as to the applicability of, and compliance with, the securities laws of the state; and (2) for an eighteen month period, filing with the Division through its United States legal counsel a written report every six months summarizing its securities-related activities within or from Connecticut and setting forth the exclusion(s) in Section 36-471(3) of the Act upon which the firm relied or had relied in effecting such transactions. Finally, the firm agreed for two years to notify the Division in writing on a quarterly basis of any written complaints, including their disposition, received from Connecticut residents.

J. & W. Seligman & Co., Inc. (CRD # 20077)

On September 1, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-07-2454-S) with J. & W. Seligman & Co., Inc. ("Seligman") of 100 Park Avenue, New York, New York. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which uncovered evidence that from at least December 29, 1988, Seligman, an investment adviser registered under The Connecticut Uniform Securities Act, failed to meet the capitalization requirements of Section 36-500-8(c) of the Regulations promulgated under the Act.

Without admitting or denying that it had engaged in regulatory violations, the firm agreed, directly and through its subsidiary, Seligman Financial Services, Inc. ("Seligman Financial") (CRD # 840) of 130 Liberty Street, New York, New York to abide by certain terms and conditions as long as its tangible assets failed to meet regulatory requirements. Those conditions included a mandate that Seligman Financial 1) maintain tangible assets in excess of liabilities of at least \$35,000; 2) immediately notify the Division in writing of any failure to meet the \$35,000 requirement; 3) submit with Seligman's investment adviser renewal registration annual financial statements demonstrating compliance with the foregoing capitalization conditions; and 4) guarantee all of Seligman's obligations to Seligman's Connecticut investment advisory clients and creditors. In addition, Seligman would 1) maintain a current ratio of at least 1:1 and maintain net annual income, after taxes, of not less than \$10,000 and 2) pay a \$500 annual fee to the agency to defray expenses associated with the Division's monitoring of Seligman's and Seligman Financial's compliance with the above conditions. Finally, the Stipulation and Agreement provided that Seligman pay \$5,000 to the agency, \$3,000 of which represented a civil penalty and \$2,000 of which represented reimbursement for investigative costs incurred by the Division.

Portfolio Advisory Services, Inc. (CRD # 31843)

On September 20, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2446-S) with Portfolio Advisory Services, Inc. of 811 Wilshire Boulevard, Suite 810, Los Angeles, California. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that from January 1992 through October 1992, the firm transacted business as an investment adviser absent registration under Section 36-474 of The Connecticut Uniform Securities Act.

Pursuant to the Stipulation and Agreement, the firm agreed to 1) review its supervisory and compliance procedures to detect and prevent regulatory violations; and 2) pay \$680 to the state, \$500 of which represented a civil penalty and reimbursement for agency investigative costs and \$180 of which represented back uncollected registration fees during the period of unregistered activity.

Edgar M. Norris & Co. Inc. (CRD # 2928)

On September 27, 1993, the Banking Commissioner entered into a Stipulation and Agreement (No. ST-93-2464-S) with Edgar M. Norris & Co. Inc. which maintains its principal office at South Carolina National Bank Building, Post Office Box 247, Greenville, South Carolina. The Stipulation and Agreement followed a Securities and Business Investments Division investigation which revealed indications that from approximately 1984 to April 1993, the firm effected transactions in securities for the account of a Connecticut customer at a time when the firm was not registered as a broker-dealer under The Connecticut Uniform Securities Act. The Division's investigation also uncovered evidence that the transactions were effected through an unregistered agent employed by the firm.

In furtherance of its desire to resolve the matter informally, the firm furnished to the Division proof that it had offered to the Connecticut customer the opportunity to rescind securities transactions effected since August 23, 1991. Pursuant to the Stipulation and Agreement, the firm also agreed to 1) cease and desist from regulatory violations; 2) review its supervisory and compliance procedures, and implement revised procedures designed to prevent and detect regulatory violations; and 3) pay \$1,330 to the agency representing uncollected registration fees during the period of unregistered activity.

QUARTERLY STATISTICAL SUMMARY

July 1, 1993 through September 30, 1993

<u>REGISTRATION</u>	<u>Securities</u>	<u>Business Opportunities</u>	<u>YTD</u>
Total Coordination (Initial & Renewal)	1,634	n/a	4,588
- (Investment Co. Renewals	852)		
- (All Other Coordinations	782)		
Qualification (Initial)	6	n/a	16
Qualification (Renewal)	0	n/a	2
Regulation D Filings	372	n/a	1,063
Other Exemption or Exclusion Notices	75	17	227 (SE) 62 (BO)
Business Opportunity (Initial)	n/a	9	38
Business Opportunity (Renewal)	n/a	3	26

LICENSING & BRANCH OFFICEREGISTRATION

	<u>Broker- Dealers</u>	<u>Investment Advisers</u>	<u>Issuers</u>	<u>YTD</u>
Firm Initial Registrations Processed	66	26	n/a	195 (BD) 122 (IA)
Firms Registered as of 9/30/93	1,712	884	n/a	n/a
Agent Initial Registrations Processed	5,713	556	6	18,174 (BD) 1,583 (IA) 75 (IS)
Agents Registered as of 9/30/93	61,971	6,812	180	n/a
Branch Office Registrations Processed	50	19	n/a	126 (BD) 37 (IA)
Branch Offices Registered as of 9/30/93	687	163	n/a	n/a
Examinations Conducted	10	7	0	44 (BD) 52 (IA) 0 (IS)

INVESTIGATIONS

	<u>Securities</u>	<u>Business Opportunities</u>	<u>YTD</u>
Investigations Opened	42	27	122 (SE) 86 (BO)
- Referred from Attorney General	0	0	3 (SE); 2 (BO)
- Referred from Other Agencies	4	0	7 (SE); 0 (BO)
Investigations Closed	38	31	133 (SE) 83 (BO)
Investigations in Progress as of 9/30/93	62	24	n/a
Subpoenas Issued	6	0	22 (SE) 2 (BO)

ADMINISTRATIVE ENFORCEMENT ACTIONS

	<u>Number</u>	<u>Parties</u>	<u>YTD (#/Parties)</u>
<u>Securities</u>			
Stipulation and Agreements	9	9	24/24
Cease and Desist Orders	1	1	5/8
Denial, Suspension & Revocation Orders	0	0	2/2
Other Notices and Orders	1	1	2/2
Referrals (Civil)	0	0	0
Referrals (Criminal)	1	0	3/3

Business Opportunities

Cease and Desist Orders	0	0	1/2
Other Notices and Orders	0	0	0
Stipulation and Agreements	0	0	0
Referrals (Civil)	0	0	0
Referrals (Criminal)	0	0	0

MONETARY SANCTIONS

	<u>\$ Assessed</u>	<u>YTD</u>
Stipulation and Agreements		
- Securities	31,650	90,980
- Business Opportunities	0	0
Totals	31,650	\$ 90,980

PUBLIC REIMBURSEMENT FOLLOWING INFORMAL DIVISION INTERVENTION

Voluntary Restitution Offers: Other Monetary Relief

		<u>YTD</u>
<u>Securities:</u>	322,842	1,114,927
<u>Business Opportunities:</u>	28,950	110,100
Totals	351,792	1,225,027

NOTICE

In the September 1992 issue of the Securities Bulletin the department announced that it would limit its mailing of the Bulletin to broker-dealer and investment adviser main offices. Broker-dealers and investment advisers wishing to receive copies of the Bulletin at their branch offices were advised to contact Louise Hanson, Subscription Coordinator, in writing, providing the specific branch office and contact person to whom the Bulletin should be directed.

The above policy has worked well in eliminating duplicate mailings. If you would like to receive copies of the Bulletin at your branch offices, please do not hesitate to contact Ms. Hanson using the data change form found at the end of this Bulletin for your convenience.

Louise Hanson
Subscription Coordinator
State of Connecticut Department of Banking
Securities and Business Investments Division
44 Capitol Avenue
Hartford, CT 06106

Securities Forum '93

Wednesday, November 10, 1993

1:00 to 5:00 p.m.

Stamford Marriott Hotel

Sponsored by the
Connecticut Department of Banking, Securities and Business Investments Division
and
the Securities Advisory Council to the Department of Banking

The financial services marketplace is rapidly changing as this decade proceeds. Securities Forum '93 will focus on what the future may hold for securities dealers, banks and other financial institutions. Businesses will also benefit from a practical discussion of capital formation issues.

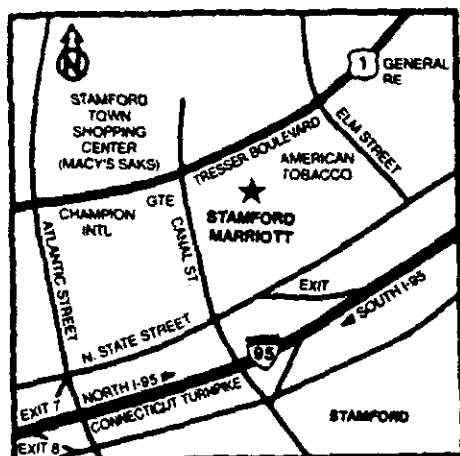
Lieutenant Governor Eunice S. Groark will present the Forum's keynote address. A number of distinguished panelists will complete the program. A main panel will address the regulatory challenges posed by competition between and among financial intermediaries and financial services firms for markets and market shares. Capital formation, banks' activity with new products and services, and regulatory developments will be emphasized in three break-out panels to allow audience participation in a frank discussion of issues. Individual panels will welcome and encourage open dialogue on the following subjects:

- Raising capital through securities offerings, including Small Corporate Offering Registration (SCOR), and venture capitalists.
- Compliance challenges facing securities professionals in the banking and securities industries.
- Regulators' report - an update on revisions to the state's blue sky regulations.
- Banks' involvement with annuities.
- Regulatory concerns in a changing environment.
- Legislative update.

At the program's conclusion, an informal reception will be held to provide you with an opportunity to meet with the day's panelists, including state regulatory officials and members of the Securities Advisory Council.

Directions to the Stamford Marriott Hotel
Tresser Boulevard and Canal Street, Stamford, CT
Telephone: (203) 357-9555

Free parking is available in the hotel garage.



From I-95 southbound:

Take exit 8. Continue through first light. Right at the fourth garage entrance - hotel entrance is on your immediate left.

From I-95 northbound:

Take exit 8. Continue through first light. Left at the second light (Canal St.). Right at the second light (Tresser Blvd). First right to hotel.

From Merritt Parkway - Rt. 15 (north or south):

Take exit 35. Follow Rt. 137 (High Ridge Road) south for appx. 2.7 miles. Name will change to Summer St. Left onto Broad St. Right at the second light (Greyrock Place). Left at the third light - garage entrance will be on your right.

Amtrak/Metro North passengers:

The hotel is a short walk or quick cab ride from the train station.

Securities Forum '93 Program Schedule

12:30 - 1:00

Registration

1:00

Welcome and Introduction

Ralph M. Shulansky
Banking Commissioner

Keynote Address

Eunice S. Groark
Lieutenant Governor
State of Connecticut

1:30 - 3:20

Round Table Panel on Financial Marketplace of the Future

Moderator:

Ralph M. Shulansky
Banking Commissioner

Thomas H. O'Brien, Jr.
President, Union Trust Co.

Richard H. Booth
President & Chief Operating Officer
Travelers Insurance Co.

Allen Weintraub
President and CEO
Advest Group, Inc.

Eileen S. Kraus
President
Shawmut Bank, N. A.

3:20 - 3:35

Break

3:35 - 4:45

Concurrent Panel Sessions

Panel A:

Capital Formation Issues

Moderator:

Willard F. Pinney, Jr., Esq. *
Chairman, Advisory Council
Partner, Murtha, Cullina
Richter and Pinney

Frank J. Marco, Esq. *
Partner,
Shipman & Goodwin

Cynthia Antanaitis, Esq.
Assistant Director
Securities Division

William E. Olesky
Banking Principal Examiner
Securities Division

Thomas M. Griffin
Senior Vice President
Coburn & Meredith, Inc.

(Continued)

Securities Forum '93 Program Schedule

(continued)

3:35 - 4:45

Concurrent Panel Sessions

Panel B:

Banks' Involvement In Securities/Annuities

Moderator:

Harold B. Finn, III, Esq. *
Vice Chair, Advisory Council
Partner; Finn, Dixon and Herling

Gerald M. Noonan
President and CEO
Connecticut Banker's Association

William E. Bartol, Esq.
Administrative Attorney
Connecticut Banking Department

William R. Turner
Senior Vice President
Invest Financial Corporation

William H. Cuddy, Esq. *
Partner; Day, Berry and Howard

Panel C:

Regulatory Issues

Moderator:

Ralph A. Lambiase
Director
Securities Division

Stephen H. Solomson, Esq. *
Partner;
O'Connell, Flaherty & Attmore

Edward Moulin, Esq.
Vice President, Director of Governmental
Affairs & Legal Counsel
Dean Witter, Discover & Co.

Eric J. Wilder
Assistant Director
Securities Division

Robert S. Rosenthal, Esq.
Senior Administrative Attorney
Connecticut Banking Department

4:45 - 5:00

General Session - Summary of Concurrent Panels

Moderator:

Ralph M. Shulansky

Panel B:

Harold B. Finn, III, Esq. *

Panel A:

Willard F. Pinney, Jr., Esq. *

Panel C:

Ralph A. Lambiase

5:00

Reception (Cash Bar)

* denotes Member, Securities Advisory Council to the Banking Department

Registration Information

Registration for Securities Forum '93 may be limited. Early registration is advisable.

Registration Fee (includes course material) :

- \$45 for individual registrations
- \$40 per person, 2 - 4 registrants per firm
- \$35 per person, 5 or more registrants per firm

Checks should be made payable to Murtha, Cullina, Richter and Pinney.

Deadline:

Please complete and mail the registration form below and your registration fee by *November 5, 1993* to:

Murtha, Cullina, Richter and Pinney, Attention: Kathy Perkins
CityPlace I, 185 Asylum Street, Hartford, CT 06103-3469

For further registration information and for disability accommodation needs, please call:



Kathy Perkins, Murtha, Cullina, Richter and Pinney (203) 240-6084 or
Gregory Futoma, Connecticut Department of Banking (203) 566-4560 ext. 8103



Registration Form

Securities Forum '93

Stamford Marriott Hotel, November 10, 1993

NAME _____ FIRM _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____ PHONE _____

I WILL ATTEND BREAK-OUT PANEL: *(Please check one)*

- A. Capital Formation Issues _____
- B. Banks' Involvement In Securities/Annuities _____
- C. Regulatory Issues _____

I plan to bring the following associate(s) with me:

NAME(S) AND PANEL PREFERENCE(S)

FEE AMOUNT ENCLOSED: \$ _____

SECURITIES BULLETIN DATA CHANGE FORM

ARE OUR RECORDS CORRECT?

Address or name changes may be made by using this form or by forwarding notice of the change to the Division. Be sure to include both old and new information as well as zip code number. Allow approximately four weeks for the change to be processed.

Data changes should be directed to the attention of Louise Hanson, State of Connecticut Department of Banking, Securities and Business Investments Division, 44 Capitol Avenue, Hartford, Connecticut 06106 (tel: 203-566-4560).

Check whichever applies: Add Delete
 Name change Address change

Please check: Broker-dealer
 Broker-dealer agent
 Investment adviser (including financial planners)
 Investment adviser agent
 Other

NEW OR REVISED NAME AND/OR ADDRESS

Name of contact person _____
Firm or entity _____
Street address _____
City/Town _____
State and Zip _____
Telephone () _____

PREVIOUS NAME AND/OR ADDRESS

Former contact person _____
Former firm or entity _____
Old street address _____
Former city/town _____
Former state and zip _____
Telephone () _____

CAUTIONARY NOTE: Filing a name/address change may also require the filing of an amendment to your registration as a broker-dealer, investment adviser or branch office. This form ~~CANNOT~~ be used to meet your obligation to file the appropriate amendment.