

Legislative History for Connecticut Act

HB 7897

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PART 1  
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BANKS

MARCH 2, 1977

9:00 A.M.  
Room 409

COMMITTEE MEMBERS PRESENT:

SENATORS: Dinielli, 31st; Sullivan, 16th; Gawrych, 30th;

REPRESENTATIVES: Scully, 75th; Benvenuto, 151st; Durrell, 134th;  
Varis, 90th; Quinn, 132nd; Colucci, 71st; Morton 129th;  
Pawlak, 105th; Bordiere, 24th.

CHAIRMEN: Dinielli, Senate Chairman; Scully, House Chairman.

SENATOR DINIELLI: Good morning, I'd like to formally open this hearing and I want to assure those of you who are here that even though there is only one of us on the committee at this time, we will discuss all the bills before us with the whole committee and give them the consideration they deserve. As proper, I would like to ask the Commissioner if he would like to start off the day's events.

COMMISSIONER LAWRENCE CONNELL: Thank you Senator. I wish to testify before the Committee on a number of bills. My name is Lawrence Connell, Bank Commissioner. These are bills principally sponsored by the Department and we have submitted written statements on each of them so in order to move things along this morning I will just summarize our comments on the various bills.

The first bill, No. 7897, AN ACT CONCERNING THE REGISTRATION OF SECURITIES, is our attempt to bring in the basic elements of the Uniform Securities Act and in agreement with our present Securities Law. There are two public purposes for this particular request. The first is to improve the surveillance powers of the Department by enabling it to review the perspectives employed with the less widely traded securities in Connecticut. We are one of the few states that does not require registration of securities at all. Now we have tempered the bill to focus essentially on issues that are not widely traded and we provide for registration by coordination with anything that might be registered with Securities and Exchange information. We have an exemptions section in this bill that is very broad and goes actually beyond the Uniform Act to include securities on the federal reserve's margin list which are generally considered securities which are not listed on exchange but still widely traded. We are essentially trying to reach the more speculative issues such as the Schedule B offerings by the oil drill operators, and in that case we found in 2400 Connecticut citizens that had invested some three and one-half million dollars in this type of security, we had one or two cases in hearings where we pretty well had determined that the process of selling the securities did not

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provide for adequate disclosure by certain of the sellers of this type of security.

The second type of issue we are trying to reach is the Intra-State Offering. That is one within the borders of Connecticut where the Securities and Exchange Commission does not review the offering prospective. And we have one case in Connecticut where people who couldn't afford to would stand to lose several million dollars in a bankrupt situation.

SENATOR DINIELLI: Commissioner, before you continue is this pretty much the same bill that was approved by the Banks Committee last year?

COMMISSIONER CONNELL: Yes, it is Senator, and we have some changes we are recommending in it that didn't get in the last draft of it. We are recommending that Section 2 be deleted because it is sort of a redundancy of Section 1 and could cause certain troubles in trading.

SENATOR DINIELLI: Is this a position paper?

COMMISSIONER CONNELL: Yes it is. Certainly the changes in it look like quite a deal but there are only two subsidive changes I think or three and those are the ones deleting Section 2 and Section 9 which is the photograph section. We don't want to burden the brokers any more with that particular exercise.

SENATOR DINIELLI: As I recall, it was approved by the Banks Committee and it was referred to Finance where it died inadvertently I understand. I would like to probably try to assure you that it will get better treatment this time. Maybe it will go through two committees this time to get to the floor.

COMMISSIONER CONNELL: Well thank you but I think we are still welcoming any suggestions constructively on this and we don't regard our draft as the final one by any means. It is a very technical piece of legislation and we would welcome suggestions.

The second bill then, Senator, AN ACT CONCERNING THE CONNECTICUT STUDENT LOAN FOUNDATION, Bill 7899, and this essentially is a request to eliminate some duplication with the Auditors of Public Accounts and we don't see that it concerns any public purpose for us to continue to examine that state agency.

The third bill, No. 7900, would require the Banking Department to report any suspected violations of the Unfair Trade Practices Statute. We are doing this essentially under Section 36-16 as an administrative policy, but we feel that because of the increased activity in this area and the increased interests in the federal

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REPRESENTATIVE BENVENUTO: What type of information with respect to the Committee do you need?

COMMISSIONER HESLIN: Specifically the type of information that we requested under the investigating committee (inaudible) of a list of requests, but basically we want to try to discover whether or not as to payment of an appraisal fee where the client or the person who is involved in the appraisal was granted access to that particular appraisal, and this is essentially what the thrust of that investigative committee was.

SENATOR DINIELLI: Any questions? Thank you Commissioner. Any other state officials who have to get back to work to serve the public? Arthur Green

ARTHUR GREEN: Thank you sir. Good morning, my name is Arthur Green. I am Director of the State Commission on Human Rights & Opportunities. I wish to speak in support of Raised Committee Bill No. 7901, AN ACT CONCERNING CREDIT TRANSACTION DISCRIMINATIONS. As you know sir, the Commission on Human Rights & Opportunities wants to cooperate with the Banking Commissioner in enforcing this particular law. As the Banking Commissioner just said, it is a very simple matter to bring the Connecticut law in line with the federal line. We support that effort. Thank you.

SENATOR DINIELLI: Thank you. Before you start, is Mr. Ward here? I guess he stepped out. Okay fine.

JAMES RYBECK: My name is James Rybeck. I am President of the Connecticut Investment Bankers Association. We are an organization that represents the security brokers industry in Connecticut and would like to comment on the bill proposing the Uniform Securities Act.

SENATOR DINIELLI: Would you please spell your name. HB 7897

JAMES RYBECK: R-Y-B-E-C-K. I have some written comments. My own firm is a very small firm so we don't get too much involved in the symatics of underwriting and that kind of detailed work so my comments are more or less reflective by the large wirehouses to which this was referred to. Their comments come back to us and filter our group. I may comment that as a small broker we are one of the last ones left in the state and the reason why the combination of the stock market hasn't been what it used to be and regulations have killed the small brokers. We just aren't viable anymore. I am very proud to be still a small broker still in the business and as I read this bill and reading the comments that in days gone by, years gone by, we have never had a securities bill in the State of Connecticut, a written one, and yet the business has been done in

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an evenhanded, fair and I think equitable way. We like it that way. In our terms and our \_\_\_\_\_, the brokers themselves become the underwriters. They have to do their own due diligence before they put anything out to the public because it is their ultimate responsibility and in this responsibility is a great weapon because you do use extra care and it is very interesting how I don't think we have had any large problems. The Bank Commissioner refers to oil and gas deals which have been centered with the line so to speak and I think there have been a lot of fancy deals in that area but generally speaking the brokerage community doesn't know too much about them and I think we would encourage any kind of regulation in this area.

One thing we would be concerned with is that all our fees are being doubled by this bill. Now this is something that doesn't please anybody. The registraions in the State of Connecticut, the brokerage fee, to be a broker the fee is doubled, to be a salesman the fee is doubled, to be registered as a broker or a salesman is doubled - everything is doubled. And the only answer we have received so far is that we would now be average with the rest of the states around the country. I don't know if this is an adequate answer or not but we bring this to your attention because it is another add-on cost. It is one of those things that keeps putting the screws to you.

SENATOR DINIELLI: Do you mind if I interrupt?

JAMES RYBECK: Sure, go right ahead.

SENATOR DINIELLI: When was the last time the fees were increased?

JAMES RYBECK: I think about four years ago. I think in that range.

SENATOR DINIELLI: Four years. Okay, thank you.

JAMES RYBECK: I notice that something our firm just did as an intra-state offering. We put out an offering to the public, generally speaking to the public, it is going to a few individuals - \$90,000 and it was something that they could be proud of and the higher level post-graduate technical school, private technical school, and the gentleman of the State Department, Education Department, approved an SDA loan and needed some extra money, \$90,000. We did it quickly. It was done mostly with friends and family and I ended up doing it myself because we needed one more to make it go and as it \_\_\_ the \$90,000, we came along and we have a \_\_\_ to one of our regulatory bodies, the NBSD, we had to send the offering circular down to let them review the underwriting compensation, and the only underwriting compensation was 5% for myself as the underwriter. That is all they had to review and they charged \$1350 to read that one section. And now the State would come along

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and charge another \$200.00 and you wonder where any kind of a public offering would end up with any money in the pocket after everybody takes it off the top and this \$1350 would give no end because there is no justification to it other than increasing the fees of the NESD and they know it too as well as we do. These are the kinds of things we are concerned with. I have some written comments here but I just made a few off-the-cuff remarks and some proposals that have been transferred to our organization to be reflected to you to incorporate in the pilot bill and I think you would find the Commissioner would be happy with it.

I talked to him very briefly this morning coming in and he wants to make sure that there is all kinds of cooperation. We are willing to cooperate with him. We don't like the destructure bit. We don't really like the securities bill because we never had one before .

SENATOR DINIELLI: That is understandable because you had no regulation at all.

JAMES RYBECK: Right. I think that is the perfect kind of Adam-Smith regulation.

SENATOR DINIELLI: I understand Connecticut is the only state in that category.

JAMES RYBECK: There may be one or two others but -

SENATOR DINIELLI: That makes everybody else correct.

JAMES RYBECK: We are suppose to be the land of steady habits with all these gambling lotteries and everything else I don't think we are steadier --

SENATOR DINIELLI: So we might as well \_\_\_\_\_

JAMES RYBECK: I don't know. I won't comment on that. We aren't the state that we used to be. My written comments on the detailed part of it I don't think I'll read because it is too long and too lengthy. I will just leave it with you.

SENATOR DINIELLI: We would appreciate that because we will have to discuss this in depth.

JAMES RYBECK: Right, what I would like to leave with you more than anything else is before and if you do anything at all that you make sure that the Commissioner works with our organization. We are trying to be constructive about the whole thing to make sure that the wording is something that we can live with amiably. What we are talking about is a national uniform bill which is what we have now and we have no objections to a nationally uniform bill

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because we can all live within the framework of that. Where he goes off a little bit here and there we will probably object to them. Where he is doubling our fees, we reject him. It is just another add-on cost because he is going to create another department over there and we are going to have more bureaucracy really than what amounts to. With that in mind, I will just read my comments.

The Connecticut Investment Bankers Association is pleased to offer its comments on the proposed new securities bill. We are constructively in support of this measure, although we think some minor alterations should be made.

Until this date, Connecticut has not had a written act regulating our business. Our business ethics has kept us a State of which we all can be proud. There have been minor problems and because of this the whole industry has to pay the price. We do not object to regulations per se as we now are probably the most regulated business in the country. Along these lines, we would like to point out that there are national models of Blue Sky laws and this one seems to follow that model with exceptions so noted below.

We also notice that all fees to the investment community are being doubled. We are not happy with this, but the only explanation is that we would be average with the rest of the country. We all know that the Securities Department will now be a bureaucracy. Your committee must answer if this is for the public good or is it for a lot more people to push papers around. We all know what that answer will be.

If you have any questions concerning any of our comments, or would want to work with any of us, you will find us always available. Our group represents the investment field from a size diversification to a geographical representation. I have listed our various comments and you may have the comments.

SENATOR DINIELLI: Any questions?

JAMES RYBECK: I wish you would refer more to attitude than specifics.

REPRESENTATIVE BENVENUTO: Don't you feel though most of the \_\_\_\_\_ are 100% legitimate businesses. Those who want to come into Connecticut because of our lack of registration and what not, don't you think it would be an added protection for the businesses that are legitimate.

JAMES RYBECK: I can well see the point that you are talking about. In this area I would say yes we could cooperate with the committee. We just wonder, and it always happens, once you start something you neve stop. This commissioner will not be here another

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year or two years or four years from now another face will be in his place. How will he interpret it. It is subject to all kinds of interpretation and we can see this in various underwritings that go on around the country. This issue is not qualified for sale in California. It is not qualified for sale in Wisconsin and Michigan because the Securities Department has said no. Yet the FCC has approved it. The Federal Regulatory people have approved it after going through it very carefully and we just don't want Connecticut to be in a position of interpreting things in their own professionally unique way as against the national model. The national model would be the FCC out of hard intensive work and I can see what you are saying. You want to keep all the bad actors out. Can you do it? I think you probably can by written bill versus unwritten.

In our particular business, we are extremely regulated at the federal level. As a small broker, I am accountable to the State of Connecticut. I am accountable to the \_\_\_\_\_ Exchange. I am accountable to the National Association of Securities Dealers. I am accountable to the Securities and Exchange Commission. Four people for me, a small firm, and the larger firms have to come to all kinds of bases to do the same accountability. I just don't think they want to bite off something which may be bigger than they originally think it is. Does that answer your question?

REPRESENTATIVE BENVENUTO: Don't you think that in the five or six years a lot of people have been attracted to Connecticut and set up business overnight (inaudible) Don't you think that regulation would discourage people from doing this in Connecticut?

JAMES RYBECK: Very definitely. We have 28 pages of regulation here. I just raised a question - could it possibly be done in some other way? Last year, the commissioner came out with some interpretation of some rules and regulations which were radical changes from the national law. We had a heck of a fight on our hands in terms of the proposals he was trying to make and in doing it he was trying by written regulations, he was trying to prevent those kind of ventures coming into the State of Connecticut which we didn't object to, but what it was going to do to the whole business was revolutionary to put it that way. To the point that we had every major wire house in the country come into Connecticut, every major regulatory group - even the regulatory people were concerned about what was going to happen in Connecticut because it was so revolutionary. Even the State Congress Department was concerned because it would turn off the capitol flow of those firms coming to Connecticut, the companies coming into Connecticut - it was that kind of thing. Eventually it would be resolved. Nothing was done with it at all. And what was put through was our national law. I think I can safely say that whatever is written on national laws is fine because we live with it every day anyway. It is just these little written exceptions we take exception to or doubling the fees.

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rate ceiling are well documented: credit availability is reduced, cash prices are increased, and competition in the credit industry is generally reduced. Indeed, in recognition of these adverse consequences, most state, <sup>44</sup> to be exact, have a more reasonable cap for open end credit.

The obvious inadequacies, indeed the hodgepodge approach which characterizes existing law, make it clear that the committee's work in the area of consumer credit legislation requires a comprehensive revision of the State's consumer credit laws. In this connection, we believe it would be appropriate for the committee to develop legislation which incorporates the proposals embodied in bills such as HB 7905 and other bills which the committee has raised. Such legislation should adopt a comprehensive reform of existing law, which takes into account the interdependence of the various consumer credit provisions. Indeed, the desirability of comprehensive consumer credit legislation was recognized by the National Commission on Consumer Finance, the prestigious body of consumer credit experts assembled by Congress to appraise the structure and functioning of the consumer finance industry. In its heavily documented report, the Commission emphasized that rate provisions and remedies are "inextricably interwoven."

Moreover, we believe that such a comprehensive restructuring of the state's consumer credit laws is clearly consistent with the on-going consolidation effort being explored by the Advisory Committee to the Joint Standing Committee on Banks to study recodification of the Connecticut banking laws and related statutes.

In light of these considerations, we urge the Committee to focus its attention on legislation which would effect an overall reform of the State's consumer credit laws. In this connection, a total credit package such as that incorporated in SB 867 should be favored over the various bills which would effect piecemeal changes to the State's credit laws. The bill is substantially similar to HB 5662, which the Banks Committee, in its wisdom, reported favorably in 1976. The bill was also the subject of in-depth review by the Advisory Committee.

We note that SB 867, which the Committee will hear on March 11, and on which the Association will present detailed commentary, would accomplish many of the amendments proposed by the bills the Committee is considering today and in subsequent hearings. For example, SB 867 would establish maximum finance charge rates for closed end credit, would apply the provisions of the Retail Instalment Sales Act to services as well as goods, and would cover all transactions involving amounts up to \$25,000. Moreover, the bill would consolidate the provisions covering closed and open end credit and would establish a reasonable cap for the maximum rate for open end credit, which would be comparable to the rate established for closed end credit. The bill would

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ROGER WARREN: Finally, I'd just like to state that we would support the Commissioner in his efforts to pass legislation in 7901, 03 and 05 - with 05 we would of course like to \_\_\_\_ the savings banks comments. Thank you.

SENATOR DINIELLI: Thank you. David Beizer.

DAVID BEIZER: Members of the Committee, my name is David Beizer representing the Connecticut Bankers Association. I'd like to go down the list of bills. We to are happy at this time to support many of the Commissioner's bills. There are a few that we have some disagreement with. 7897, An Act Adopting the Uniform Securities Act, is a 40-page bill. We have looked at it and for the most part we see no problem with it. We think it is an admirable pursuit to register unlisted and unregistered securities and consequently to the extent that we understand what is going on in this bill we support it.

7899 concerning the Student Loan Foundation, we are pleased to support. 7900, An Act Concerning the Reporting of Suspected Violations Of the Connecticut Unfair Trade Practices Act, Here is where we part company. First of all, I might say that I heard Commissioner Heslin testify in support of this bill and one of the items that she submitted to the committee is a rather new development that I am not aware of and that is Judge Goldberg's decision which reportedly says, and I don't have any reason to doubt it, but I haven't seen it, but it reportedly says that banks are subject to the authority of the Commissioner of Consumer Protection and while this is very much at odds with the opinion of counsel for the CBA, and position of the CBA which I will get into in a minute, I might note that there is the opportunity for appeal of this decision or other avenues of approach on it and consequently my remarks are made without full knowledge of what that decision says. Secondly we weren't even aware that suit was brought or that there was non-compliance on the part of one Savings Banks that occasioned this suit so I think this area needs further exploration. Let me start off our comments on this by saying it is a very delicate area, delicate in the sense that it concerns how banking institutions are to be regulated, who is to oversee, what rules they are to live according to. The Unfair Trade Practices on a federal level have existed for some time with the Federal Trade Commission being the regulatory body that determines compliance with that body of law. Ever since its inception, the Federal Trade Commission has not had - or ever since that body of law - the Federal Trace Commission Act was enacted - it has not covered banks, financial institutions, and there is a sound reason for this. Banking institutions are severely regulated. At the federal level you have authority such as the Federal Reserve Board, the Comptroller of the Currency, the FDIC, the Justice Department, to some extent the Securities and Exchange Commission, all in the act of telling banks what they can

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and can not do. At the State level we have the Banking Department which has a broad authority at present. What would be contemplated by this bill as we see it would be to add another layer that of the Department of Consumer Protection in arguely different standards.

Now, there is a reason why banks are not within the FTC and as I see it that reason is that banks are already subject to a new shie of rules, specific requirements that you see in the statutes. Perhaps that is one reason we have and have had for some time a separate committee of the General Assembly to deal with banks because the nitty-gritty operation of banks have been regulated by legislation and by regulation and unlike other corporations you don't see a special committee on industries or on general corporations. You do on certain specified types of industries and public utilities being another example where there is a great deal of regulation into the exact operation of that type of business. So we feel that it would be not only duplicative but could recommict the industry to have two sets of requirements; one statutory and regulatory and under the supervision of the banking authorities. Another proceeding generally to the arena of business in corporations and other consumer protection. They all ought to be under the same authority that oversees banking today.

If the purpose of 7900 were simply to bring to the attention of the commissioner of consumer protection practices which may or may not be in the public interest, then we submit that that authority already exists. The Bank Commissioner has a very easy pipeline to the telephone, the mail service, person-to-person contact with the Commissioner to advise the Commissioner of what is going on in the banking industry. It doesn't read the mandate in the statute shall report so we say that probably just to inform the Commissioner of Consumer Protection what is going on, rather the attempt here is an indirect one to give that Commissioner some additional authority or some new authority over banks. We say at the outset that if the attempt is to give consumer protection authority over banks then this is an indirect way of doing it. The language will be shall report any suspected violation. Well if you really intend to do that, and I don't suggest you ought to, if you really intend to do that there should be language that says the Commissioner of Consumer Protection shall have authority over banks in the following respects. Let's take this language. We find this language very troublesome because it raises another cloud, another question really what does the Commissioner of Consumer Protection what authority does she have and by having this language in shall report any suspected violation to her - it seems to lend some argument, some credence to the argument that yes, she does have some authority over banking institutions insofar as unfair or deceptive practices are concerned. We think the law says otherwise. And that this will create real confusion. The law says otherwise because (1) on the day the FTC was enacted in this State several years ago the testimony on the record was that it was intended to

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Ordinarily - I haven't looked at the repossession laws of other states but usually repossession laws - the procedures for redeeming them are going to be the law of the place of repossession, at least in many places I believe that the creditor would be expected to leave the car in the state of repossession. As I said if the committee feels that by extending it from one day to three days, that would resolve that particular kind of problem, I don't see that as crucially undermining the debtor's rights. Of the two suggestions that Mr. Beizer made, my greater concern is with the suggestion at line 28 which I do think creates some very serious problems.

REPRESENTATIVE SCULLY: A further question, I believe in this case the mortgagee's right, the car let's say they own \$4,000 on, they repossess it. They find that the car has substantial damage to it which lowers the value. What are their rights?

RAPHAEL PODOLSKY: One of the most common kinds of damage that I am aware of may be a crack in the car with people who have really banged the car around. A mortgagee can ordinarily require the maintenance and it can be done through the retail sales contract which amounts to collision insurance for the protection of the mortgagee on the declining balance.

REPRESENTATIVE SCULLY: They haven't paid.

RAPHAEL PODOLSKY: They haven't paid the payments at all?

REPRESENTATIVE SCULLY: No.

RAPHAEL PODOLSKY: I believe it is possible as long as the insurance is disclosed under the Truth In Lending Act that the mortgagee can require the insurance to be as part of the payment made to the mortgagee so that the mortgagee is actually maintaining insurance. I suppose in non-payment the mortgagee is going to make the insurance payment anyway and preserve the coverage. That will be insurance for the protection of the mortgagee on the declining balance. It wouldn't do the customer himself any good if he cracks up the car. I think that is the way it is usually done.

REPRESENTATIVE SCULLY: Any other questions? Thank you.

RAPHAEL PODOLSKY: Thank you very much.

REPRESENTATIVE SCULLY: I don't see anybody else. Do you want to speak?

GILBERT GOODGION: My name is Gilbert Goodgion. I am the attorney for the Connecticut Credit Union League. I have just a few brief comments on a couple of bills. The first one I would like to speak about is the Securities Act, Raised Committee Bill 7897.

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I have gone through this about eight times and still don't understand everything it says. I did have some questions. One of the problems was in adopting a uniform statute as a term which means one thing in one state and may not necessarily mean the same thing in another state. I notice in the several places there are some definitions which are not available anywhere. For example, in the definition of Investment Advisor which is in line 638 on Page 22, it says "investment advisor does not include one, a bank, savings institution or trust company. What is a savings institution? The bank is clearly defined in the general statutes. Savings institution is not. Does it mean the credit union for example? Does it mean the savings and loan association? Does it mean savings bank? What other type thing? In line 372, page 13, it is talking about what needs to be disclosed in making registration by qualification, it refers to with respect to every promoter that the issuer was organized, etc. but at no place is the term promoter defined.

REPRESENTATIVE SCULLY: What number?

GILBERT GOODGION: Page 13. There is no definition for the word promoter contained within the definition section. Perhaps that should be. I don't know who would know whether they were a promoter or not.

Section 21 on Page 25, the first several lines of sub-section a, the following securities are exempted from Sections 15 and 22 of this Act and the provisions of Section 4 of this Act shall not apply to. Then it goes on to list a number of securities which are exempted. However in section 4 of the Act, the second page, it says that no person shall transact business in this state as a broker dealer or agent unless he is registered under the act. I felt that the intent of this section here is to exempt people who are the issuers of the securities listed whether it be a bank where it is deposited, a governmental agency or political subdivision of the state or the United States or a foreign country even would not have to be registered as a broker dealer.

REPRESENTATIVE SCULLY: Are savings banks considered \_\_\_\_\_?

GILBERT GOODGION: No, there is a specific exemption for them. So I feel that something has to be done in that area. I am not quite sure whether it should go in as an exemption or an exception of Section 4 up front or something, but there should be something that says Section 4 shall not apply and Section 4 obviously can not have the security registering as a --

REPRESENTATIVE SCULLY: Mr. Goodgion, (not speaking into mike) Any questions?

GILBERT GOODGION: That would be my comments on that. Okay on 7905 I would like to go on record as agreeing with Mr. Beizer

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Those absent and not voting . . . . . 7 efr

The bill is passed.

THE CLERK:

Calendar 1170, Substitute for H.B. 7897, File 1051, an Act adopting the Uniform Securities Act. Favorable report of the Committee on Finance.

WILLIAM J. SCULLY, JR.:

Mr. Speaker, I move for acceptance of the Joint Committee's favorable report and passage of the bill.

MR. SPEAKER:

The question's on acceptance of the Joint Committee's favorable report and passage of the bill. Will you remark, sir?

WILLIAM J. SCULLY, JR.:

Yes, Mr. Speaker. Raised Committee Bill No. 7897 will amend the Connecticut Securities Act by requiring certain types of securities to be registered with the State prior to sale to Connecticut investors. Connecticut is the only state presently not requiring registration of securities in some form. Consequently, the Securities Division of the Banking Department does not learn of speculative securities until after the damage has been done. Recently the Banking Department has noted a significant increase in the mail order sale of highly speculative securities. Securities laws generally contain three basic elements... registration of brokers and salesmen, anti-fraud provisions, and registration of securities. Connecticut investors are not afforded this certain vital enforcement tool. Before considering the

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specific types of securities that will be required to register, it is important to note that the greater percentage of securities would not be registered underneath this amendment. Those exempt would include all securities listed on the New York Stock Exchange, the American Stock Exchange, and some of the smaller stock exchanges in this country, such as Boston, Pacific Coast and Philadelphia. All over-the-counter securities listed by the Federal Reserve as eligible for margin are also exempt. In addition, this bill exempts a long list of types of securities, such as government bonds, Federally chartered securities, and those securities of insurance companies. The amendment to the Connecticut Securities Act attempts to concentrate the registration requirement where the need for State supervision is the greatest. We feel this bill will go a long way to help the people of the State to protect their interest, and also to allow smaller owners of manufacturing companies to float their own securities by registering with the Banking Department. We feel this bill will be very, very helpful to everyone in this State that deals with both their own brokers and with people who bring in very speculative types of securities, such as gold stocks and mining stocks.

MR. SPEAKER:

Will you remark further on the bill?

JOHN N. DEMERELL:

Mr. Speaker, I'd just like to add my voice in support of this bill. I think it's a major step to take. I think it's going to insure the investors in this State of better regulation, particularly in the field of the securities that do not have to register.

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I think this is a very major step, and I urge its support.

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MR. SPEAKER:

Remark further on the bill? If not...

JOHN A. BERMAN:

A question, through you, Mr. Speaker. A question, through you, sir.

MR. SPEAKER:

Please frame your question.

JOHN A. BERMAN:

Could you tell us what states, or how many, have the law presently in force, Mr. Scully?

MR. SPEAKER:

The gentleman care to respond?

WILLIAM J. SCULLY, JR.:

Mr. Speaker, through you, it's my understanding that all 49 states in the Union, outside of the State of Connecticut, presently have this law, or a similar law.

JOHN A. BERMAN:

Thank you, sir.

MR. SPEAKER:

Remark further on the bill? If not, the Members be seated; the staff come to the well. The machine will be opened. The machine is still open. Have all the Members voted? The machine is still open. Have all the Members voted? Is your vote properly recorded? Have all the Member voted? Is your vote properly recorded? If so, the machine will be locked, and the Clerk will take a tally. The Clerk please announce the tally.

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The following is the result of the vote:

Total number voting . . . . . 140

Necessary for passage . . . . . 71

PAUL A. LAROSA:

Mr. Speaker, in the affirmative, please.

MR. SPEAKER:

The Clerk please note. The Clerk please announce the tally.

The following is the result of the vote:

Total number voting . . . . . 141

Necessary for passage . . . . . 71

Those voting Yea. . . . . 141

Those voting Nay. . . . . 0

Those absent and not voting . . . . . 10

The bill is passed.

THE CLERK:

Calendar 1177, Substitute for H.B. 6258, File 1052, an Act concerning real property sales-assessment surveys for purposes of the Guaranteed Tax Base Program. Favorable report of the Committee on Finance.

DOROTHY C. GOODWIN:

Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill.

•MR. SPEAKER:

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THE CLERK:

Cal. 1056, File 1049. Favorable report of the joint standing Committee on Finance. House Bill 7824. AN ACT CONCERNING ACTIONS BY THE STATE PROPERTIES REVIEW BOARD IN RELATION TO STATE BONDING PROCEDURES.

THE PRESIDENT:

Senator Beck.

SENATOR BECK: (29th)

Mr. President, I move acceptance of the committee's favorable report and favorable action on the bill.

THE PRESIDENT:

Comment, Senator?

SENATOR BECK:

This permits the Properties Review Board to be excluded from the approval of properties which have been acted on for planning costs and other preliminary expenses before 1975. I move that if there is no objection it be placed on Consent.

THE PRESIDENT:

Hearing none, it is so ordered.

THE CLERK:

Cal. 1057, File 1051. Favorable report of the joint standing Committee on Finance. Substitute for House Bill 7897. AN ACT ADOPTING THE UNIFORM SECURITIES ACT.

THE PRESIDENT:

Senator Dinielli.

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SENATOR DINIELLI: (31st)

Mr. President, I move for acceptance of the committee's joint favorable report and passage of the bill.

THE PRESIDENT:

Will you remark on it, Senator?

SENATOR DINIELLI:

Yes, Mr. President. This bill pertaining to the Uniform Securities Act is quite an important step in the growing process in our securities regulation division which is part of the Banks Commission. This bill will amend the Connecticut Securities Act by requiring certain types of securities to be registered with the state prior to the sale to Connecticut investors. Connecticut now is the only state presently not requiring registration of securities in some form; consequently, the securities division of the Banking Department does not learn of speculative securities until after the damage is done. Securities laws generally contain three basic elements - registration of brokers and salesmen, anti-fraud provisions and registration of securities and in Connecticut the third is lacking and this would correct that lack. I would note to the circle that the greater percentage of securities would not be registered under this amendment. Those exempt include all securities now listed on the New York Stock Exchange, the American Stock Exchange, the Pacific, Post, Boston and Mid-West Exchanges. Also certain over-the-counter securities

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which are listed by the Federal Reserve as eligible for margin. This amendment attempts to concentrate, this amendment to the Securities Act attempts to concentrate the registration requirement where the need for state supervision is the greatest, and namely those are intra-state offerings which are regulated by no one at present. And recent revelations concerning a local investment vehicle which went into bankruptcy certainly highlights the need for this type of change. Also new issues of securities, those offerings generally of unseasoned speculative companies deserve closer scrutiny in Connecticut than they ever have before. Mr. President, I will ask that this be placed on the Consent Calendar.

THE PRESIDENT:

Without objection, so ordered.

THE CLERK:

Cal. 1058, File 1045. Favorable report of the joint standing Committee on Finance. House Bill 8027. AN ACT EXEMPTING FOREIGN MUNICIPAL ELECTRIC UTILITIES FROM THE CORPORATION BUSINESS TAX.

THE PRESIDENT:

Senator Putnam.

SENATOR PUTNAM: (5th)

Just a point of personal privilege. On that preceding bill, I would just like the record to show that I am a vice-president of Advest. I have been a stockbroker for like