



General Assembly

February Session, 2024

Raised Bill No. 124

LCO No. 1091



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT.

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

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 Section 36b-6 of the general statutes is repealed and the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

3 (a) [No] Except as provided in subsection (f) of this section, no person
4 shall transact business in this state as a broker-dealer unless such person
5 is registered under sections 36b-2 to 36b-34, inclusive. No person shall
6 transact business in this state as a broker-dealer in contravention of a
7 sanction that is currently effective imposed by the Securities and
8 Exchange Commission or by a self-regulatory organization of which
9 such person is a member if the sanction would prohibit such person
10 from effecting transactions in securities in this state. No individual shall
11 transact business as an agent in this state unless such individual is (1)
12 registered as an agent of the broker-dealer or issuer whom such
13 individual represents in transacting such business, or (2) an associated
14 person who represents a broker-dealer in effecting transactions
15 described in subdivisions (3) and (4) of Section 15(i) of the Securities

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

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

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

44 (2) No individual shall transact business in this state as an investment
45 adviser agent unless such individual is registered as an investment
46 adviser agent of the investment adviser for which such individual acts
47 in transacting such business. An investment adviser agent registered
48 under sections 36b-2 to 36b-34, inclusive, who refers advisory clients to

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

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

73 (d) [No] Except as provided in subsection (f) of this section, no
74 broker-dealer or investment adviser shall transact business from any
75 place of business located within this state unless that place of business
76 is registered as a branch office with the commissioner pursuant to this
77 subsection. An application for branch office registration shall be made
78 on forms prescribed by the commissioner and shall be filed with the
79 commissioner, together with a nonrefundable application fee of one
80 hundred twenty-five dollars per branch office. A broker-dealer or
81 investment adviser shall promptly notify the commissioner in writing if
82 such broker-dealer or investment adviser (1) engages a new manager at

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

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

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

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

121 (A) "Business combination related shell company" means a shell
122 company formed by a non-shell company solely for the purpose of
123 changing the corporate domicile of such non-shell company solely
124 within the United States or solely for the purpose of completing a
125 business combination transaction, as defined in 17 CFR 230.165(f), as
126 amended from time to time, among one or more entities other than the
127 non-shell company itself, none of which is a shell company.

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

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

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

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

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

147 (ii) In the fiscal year ending immediately prior to the fiscal year when
148 the services of the merger and acquisition broker-dealer are first
149 engaged with respect to the securities transaction, the company, as
150 determined in accordance with the historical financial accounting
151 records of such company, meets either or both of the following
152 conditions:

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

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

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

169 (i) The broker-dealer reasonably believes that, when the transaction
170 is consummated, any person acquiring securities or assets of the eligible
171 privately held company, acting alone or in concert, will control the
172 eligible privately held company or the business conducted with the
173 assets of the eligible privately held company and, directly or indirectly,
174 will be active in the management of the eligible privately held company
175 or the business conducted with the assets of the eligible privately held
176 company. A person shall be deemed active in the management of the
177 eligible privately held company or the business conducted with the
178 assets of the eligible privately held company when such person's

179 activities include, without limitation, electing executive officers,
180 approving the annual budget or serving as an executive or other
181 executive manager; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

243 (I) The merger and acquisition broker-dealer binds a party to a
244 transfer of ownership of an eligible privately held company; or

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

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

273 ~~[(g)]~~ (h) Any broker-dealer or investment adviser ceasing to transact
274 business at any branch office or main office in this state as a result of
275 executing an agreement and plan of merger or acquisition shall provide
276 written notice to the commissioner and to each customer or client
277 serviced by such office not later than the date such merger or acquisition
278 is completed. The notice provided to each customer or client shall
279 contain the information specified in subsection ~~[(f)]~~ (g) of this section.

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

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

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

306 is a material change in management, the broker-dealer or investment
307 adviser shall file a new application for registration. A predecessor
308 registered under sections 36b-2 to 36b-34, inclusive, shall stop
309 conducting its securities business or investment advisory business other
310 than winding down transactions and shall file for withdrawal of its
311 broker-dealer or investment adviser registration not later than forty-five
312 days after filing its amendment to effect succession.

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

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

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

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

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

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

337 investors and the purposes fairly intended by the policy and provisions
338 of this chapter.

339 Sec. 2. Subsection (d) of section 36b-21 of the general statutes is
340 repealed and the following is substituted in lieu thereof (*Effective from*
341 *passage*):

342 (d) (1) Any person who offers or sells a security that is a covered
343 security under Section 18(b)(3) of the Securities Act of 1933 shall file a
344 consent to service of process with the commissioner as required by
345 subsection (g) of section 36b-33 prior to the first offer or sale of such
346 security in this state.

347 (2) An issuer proposing to offer and sell securities that are covered
348 securities under Section 18(b)(3) of the Securities Act of 1933 in this state,
349 in a "Tier 2" offering exempt under Regulation A, 17 CFR 230.251 to 17
350 CFR 230.263, inclusive, as amended from time to time, shall, at least
351 twenty-one calendar days prior to the initial sale of securities in this
352 state, file the following: (A) A completed Regulation A - Tier 2 notice
353 filing form and, if the commissioner so requests, copies of all documents
354 filed with the Securities and Exchange Commission in connection with
355 such form; (B) a consent to service of process to the extent such consent
356 is not included on the notice filing form; and (C) a filing fee of two
357 hundred fifty dollars. The initial notice filing shall be effective for twelve
358 months from the date it is filed with the commissioner. For each
359 additional twelve-month period in which the same offering is
360 continued, an issuer conducting a Tier 2 offering under Regulation A,
361 17 CFR 230.251 to 17 CFR 230.263, inclusive, as amended from time to
362 time, may renew its notice filing on or before the expiration date of the
363 notice filing. An issuer renewing its notice shall file with the
364 commissioner a renewal Regulation A - Tier 2 notice filing form and a
365 renewal fee of two hundred fifty dollars.

366 Sec. 3. Subsection (a) of section 36b-15 of the general statutes is
367 repealed and the following is substituted in lieu thereof (*Effective from*
368 *passage*):

369 (a) The commissioner may, by order, deny, suspend or revoke any
370 registration, censure or impose a bar upon any registrant, any partner,
371 officer or director of any registrant or any other person directly or
372 indirectly controlling any registrant or, by order, restrict or impose
373 conditions on the securities or investment advisory activities that an
374 applicant or registrant may perform in this state if the commissioner
375 finds that (1) the order is in the public interest, and (2) the applicant or
376 registrant or, in the case of a broker-dealer or investment adviser, any
377 partner, officer, or director, any person occupying a similar status or
378 performing similar functions, or any person directly or indirectly
379 controlling the broker-dealer or investment adviser: (A) Has filed an
380 application for registration which as of its effective date, or as of any
381 date after filing in the case of an order denying effectiveness, was
382 incomplete in any material respect or contained any statement which
383 was, in light of the circumstances under which it was made, false or
384 misleading with respect to any material fact; (B) has wilfully violated or
385 wilfully failed to comply with any provision of sections 36b-2 to 36b-34,
386 inclusive, or a predecessor statute or any regulation or order under said
387 sections or a predecessor statute; (C) has been convicted, within the past
388 ten years, of any misdemeanor involving a security, any aspect of a
389 business involving securities, commodities, investments, franchises,
390 business opportunities, insurance, banking or finance, or any felony,
391 provided any denial, suspension or revocation of such registration shall
392 be in accordance with the provisions of section 46a-80; (D) is
393 permanently or temporarily enjoined by any court of competent
394 jurisdiction from engaging in or continuing any conduct or practice
395 involving any aspect of a business involving securities, commodities,
396 investments, franchises, business opportunities, insurance, banking or
397 finance; (E) is the subject of a cease and desist order of the commissioner
398 or an order of the commissioner denying, suspending, or revoking
399 registration as a broker-dealer, agent, investment adviser or investment
400 adviser agent; (F) is the subject of any of the following sanctions that are
401 currently effective or were imposed within the past ten years: (i) An
402 order issued by the securities administrator of any other state or by the
403 Securities and Exchange Commission or the Commodity Futures

404 Trading Commission denying, suspending or revoking registration as a
405 broker-dealer, agent, investment adviser, investment adviser agent or a
406 person required to be registered under the Commodity Exchange Act, 7
407 USC 1 et seq., as from time to time amended, and the rules and
408 regulations thereunder, or the substantial equivalent of those terms, as
409 defined in sections 36b-2 to 36b-34, inclusive, (ii) an order of the
410 Securities and Exchange Commission or Commodity Futures Trading
411 Commission suspending or expelling such applicant, registrant or
412 person from a national securities or commodities exchange or national
413 securities or commodities association registered under the Securities
414 Exchange Act of 1934 or the Commodity Exchange Act, 7 USC 1 et seq.,
415 as from time to time amended, or, in the case of an individual, an order
416 of the Securities and Exchange Commission or an equivalent order of
417 the Commodity Futures Trading Commission barring such individual
418 from association with a broker-dealer or an investment adviser, (iii) a
419 suspension, expulsion or other sanction issued by a national securities
420 exchange or other self-regulatory organization registered under federal
421 laws administered by the Securities and Exchange Commission or the
422 Commodity Futures Trading Commission if the effect of the sanction
423 has not been stayed or overturned by appeal or otherwise, (iv) a United
424 States Post Office fraud order, (v) a denial, suspension, revocation or
425 other sanction issued by the commissioner or any other state or federal
426 financial services regulator based upon nonsecurities violations of any
427 state or federal law under which a business involving investments,
428 franchises, business opportunities, insurance, banking or finance is
429 regulated, or (vi) a cease and desist order entered by the Securities and
430 Exchange Commission, a self-regulatory organization or the securities
431 agency or administrator of any other state or Canadian province or
432 territory; but the commissioner may not (I) institute a revocation or
433 suspension proceeding under this subparagraph more than five years
434 from the date of the sanction relied on, and (II) enter an order under this
435 subparagraph on the basis of an order under any other state act unless
436 that order was based on facts which would constitute a ground for an
437 order under this section; (G) may be denied registration under federal
438 law as a broker-dealer, agent, investment adviser, investment adviser

439 agent or as a person required to be registered under the Commodity
440 Exchange Act, 7 USC 1 et seq., as from time to time amended, and the
441 rules and regulations promulgated thereunder, or the substantial
442 equivalent of those terms as defined in sections 36b-2 to 36b-34,
443 inclusive; (H) has engaged in fraudulent, dishonest or unethical
444 practices in the securities, commodities, investment, franchise, business
445 opportunity, banking, finance or insurance business, including abusive
446 sales practices in the business dealings of such applicant, registrant or
447 person with current or prospective customers or clients; (I) is insolvent,
448 either in the sense that the liabilities of such applicant, registrant or
449 person exceed the assets of such applicant, registrant or person, or in the
450 sense that such applicant, registrant or person cannot meet the
451 obligations of such applicant, registrant or person as they mature; but
452 the commissioner may not enter an order against a broker-dealer or
453 investment adviser under this subparagraph without a finding of
454 insolvency as to the broker-dealer or investment adviser; (J) is not
455 qualified on the basis of such factors as training, experience, and
456 knowledge of the securities business, except as otherwise provided in
457 subsection (b) of this section; (K) has failed reasonably to supervise: (i)
458 The agents or investment adviser agents of such applicant or registrant,
459 if the applicant or registrant is a broker-dealer or investment adviser; or
460 (ii) the agents of a broker-dealer or investment adviser agents of an
461 investment adviser, if such applicant, registrant or other person is or
462 was an agent, investment adviser agent or other person charged with
463 exercising supervisory authority on behalf of a broker-dealer or
464 investment adviser; (L) in connection with any investigation conducted
465 pursuant to section 36b-26 or any examination under subsection (d) of
466 section 36b-14, has made any material misrepresentation to the
467 commissioner or upon request made by the commissioner, has withheld
468 or concealed material information from, or refused to furnish material
469 information to the commissioner, provided, there shall be a rebuttable
470 presumption that any records, including, but not limited to, written,
471 visual, audio, magnetic or electronic records, computer printouts and
472 software, and any other documents, that are withheld or concealed from
473 the commissioner in connection with any such investigation or

474 examination are material, unless such presumption is rebutted by
 475 substantial evidence; (M) has wilfully aided, abetted, counseled,
 476 commanded, induced or procured a violation of any provision of
 477 sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any
 478 regulation or order under such sections or a predecessor statute; (N)
 479 after notice and opportunity for a hearing, has been found within the
 480 previous ten years: (i) By a court of competent jurisdiction, to have
 481 wilfully violated the laws of a foreign jurisdiction under which the
 482 business of securities, commodities, investments, franchises, business
 483 opportunities, insurance, banking or finance is regulated; (ii) to have
 484 been the subject of an order of a securities regulator of a foreign
 485 jurisdiction denying, revoking or suspending the right to engage in the
 486 business of securities as a broker-dealer, agent, investment adviser,
 487 investment adviser agent or similar person; or (iii) to have been
 488 suspended or expelled from membership by or participation in a
 489 securities exchange or securities association operating under the
 490 securities laws of a foreign jurisdiction. As used in this subparagraph,
 491 "foreign" means a jurisdiction outside of the United States; or (O) has
 492 failed to pay the proper filing fee; but the commissioner may enter only
 493 a denial order under this subparagraph, and the commissioner shall
 494 vacate any such order when the deficiency has been corrected. The
 495 commissioner may not institute a suspension or revocation proceeding
 496 on the basis of a fact or transaction known to the commissioner when
 497 the registration became effective unless the proceeding is instituted
 498 within one hundred eighty days of the effective date of such
 499 registration.

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

Statement of Purpose:

To: (1) Exempt merger and acquisition broker-dealers and certain individuals representing such broker-dealers from certain registration

requirements; (2) establish various requirements for Tier 2 offerings; and (3) provide that the Banking Commissioner may censure or impose a bar upon any registrant, any partner, officer, director of any registrant or any other person directly or indirectly controlling any registrant.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]