State of Connecticut
Department of Banking

1837 to 2011
Supervising Connecticut
Financial Institutions
For 174 Years

Annual Report
Of the Banking Commissioner

To His Excellency
Dannel P. Malloy, Governor

For the Year Ending December 31, 2011
Hartford, Connecticut

To His Excellency, Dannel P. Malloy, Governor

I have the honor to submit the annual report of this department for the year 2011 pursuant to the requirements of Section 36a-14 of the Connecticut General Statutes.

Respectfully yours,

Howard F. Pitkin
Banking Commissioner

CONTENTS

BANKING COMMISSIONERS
(1900-2011)

BANKING COMMISSIONERS	FROM	TO
Charles H. Noble	1900	1906
George F. Kendall		
Charles H. Noble	1907	1911
Norris S. Lippitt		
Norris S. Lippitt	1911	1914
Fred P. Holt	1911	1915+
Everett J. Sturges	1915	1922
John K. Bissland	1922	1922
John B. Byrne	1922	1927
Lester E. Shippee	1927	1931
George J. Bassett	1931	1933
Walter Perry	1933	1943
Richard Rapport	1943	1951
Lynwood K. Elmore	1951	1955
Henry H. Pierce Jr.	1955	1960
Philip Hewes	1960	1970
Gerald A. Lamb	1970	1971
James E. Hagen	1971	1975
Lawrence Connell Jr.	1975	1977
David H. Neiditz	1977	1981
Brian J. Woolf *	1982	1985
Howard B. Brown Jr.**	1986	1991
Ralph M. Shulansky	1991	1995
John P. Burke	1995	2006
Howard F. Pitkin ***	2007	--

+Prior to 1915 two Banking Commissioners served concurrently as agency administrators.
** Served as Acting Banking Commissioner from December 31, 1981 to March 30, 1982.*
*** Served as Acting Banking Commissioner from September 13, 1985 to February 2, 1986.*
**** Served as Acting Banking Commissioner from October 1, 2006 to March 7, 2007.*

DEPUTY BANKING COMMISSIONERS
(1900-2011)

DEPUTY BANKING COMMISSIONERS	FROM	TO
John K. Bissland	1917	1921
Lester E. Shippee	1922	1927
R. Gordon Baldwin	1928	1937
Richard Rapport	1938	1942
Lynwood K. Elmore	1943	1950
Reinhard J. Bardeck	1951	1969
Maurice J. Ferland	1970	1971
Patsy J. Piscopo	1971	1974
Thomas E. Canfield	1974	1975
Kay V. Bergin	1975	1978
Linda J. Kelly	1979	1981
Howard B. Brown Jr.	1982	1985
Paul J. McDonough	1988	1991
Barbara S. McGrath	1991	1993
Robert B. Titus	1993	1995
Alan J. Cicchetti	1999	2011

ADMINISTRATION

Agency Mission

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

Organization

The Department of Banking is a state agency headed by the Banking Commissioner, who reports to the Governor. It is responsible for the regulation and examination of financial institutions and various related entities that are chartered, licensed or registered by the state. The Banking Commissioner is charged with administering the banking and credit union laws of the state as well as the laws regarding securities, tender offers and business opportunities. The Commissioner also administers the Truth-in-Lending Act and other consumer credit laws and a major portion of the law concerning rental security deposits.

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

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

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

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

The Government Relations and Consumer Affairs Division assists consumers with issues involving banks, credit unions, mortgage lending and other consumer credit matters, rental security deposits and matters relating to securities and business opportunity investments. The division also directs the agency's legislative program, manages media relations, coordinates financial and investor education outreach efforts and handles calls to the Foreclosure Assistance Hotline. Other divisions that support the agency are the Business Office, which is responsible for the accounting, budgeting, fiscal, payroll, purchasing and financial reporting functions of the agency; the Human Resources Office, which addresses day-to-day employee issues and is responsible for preparing the agency's affirmative action plan detailing the department's commitment to equal opportunity; and the MIS unit that provides data processing and office automation support.

As of December 31, 2011 there were 108 full-time permanent employees.

Equal Opportunity and Affirmative Action

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

Financial Statement

Receipts, expenditures and adjustments relating to the fiscal year ending June 30, 2011 were as follows:

Receipts

Examination of banks etc. assessed in accordance with Section 36a-65, as amended	$ 2,692,496
Examination of credit unions, assessed in accordance with Section 36a-65, as amended	165,455
Other license and examination fees	288,648
Registration, filing and transfer fees from securities brokers, etc.	19,874,200
Registration of securities and business opportunities	4,800,210
License and registration fees: mortgage brokers, loan originators, check cashers, money transmitters, sales finance companies, small loan companies, debt adjusters, debt negotiators, collection agencies	2,627,596
Penalties	10,272,927
Sales and miscellaneous receipts	194,537
Total Receipts	$ 40,916,069

Expenditures

Personnel services	$ 9,882,175
Fringe benefits	6,209,316
Travel expenses, including motor vehicle rentals	276,776
Other expenses	1,194,856
Indirect overhead and equipment	1,056,138
Total Expenditures	$ 18,619,261

Fund Adjustments

Transferred to the General Fund (per HB5545 & PA 10-179)	$ 20,600,000

CONSUMER CREDIT DIVISION

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

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

Activities

During 2011, the Consumer Credit Division continued to hold licensees accountable for accurately reporting disclosures and meeting the financial character, education and experience requirements needed to responsibly conduct business in our state. Enhancements to the Nationwide Mortgage Licensing System and Registry (NMLS) enabled the staff to establish fair and consistent standards for licensee compliance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"). These efforts resulted in the Division's refusal to renew 41 mortgage loan originator licenses and the denial of 16 applications for a mortgage loan originator license.

The Division remained focused on the debt negotiation industry, with the investigation of 166 entities. In addition to being unlicensed, a number of these companies charged consumers excessive fees with promises of debt settlement, loan modifications or the halting of foreclosure proceedings. Due to a number of complaints received involving law firms, the Division continued to work closely with the Office of Chief Disciplinary Counsel and the Office of the Attorney General. For all other entities and/or individuals subject to the Division's jurisdiction, the staff investigated 521 cases, resulting in $687,229 being refunded to consumers.

The Division conducted 151 examinations of licensees under its jurisdiction and issued 230 administrative actions, resulting in the imposition and collection of $727,600 in civil penalties. In addition, consumers received refunds in the amount of $127,423, as a result of the examination findings of improper conduct and/or calculations.

Enforcement Activities
Consumer Credit Division

	2011	2010
Investigations Opened *	222	456
Investigations Closed *	318	304
Investigations in Progress *	254	298
Subpoenas Issued	10	23
Consent Orders	55	1
Settlement Agreements	13	55
Notices of Intent to Refuse to Renew (Licensing)	14	13
Refusing to Renew Orders (Licensing)	41	8
Notices of Intent to Revoke (Licensing)	14	24
Denial Orders (Licensing)	16	37
Summary Suspension Orders (Licensing)	4	1
Automatic Suspension Orders (Licensing)	8	19
Revocation Orders (Licensing)	11	14
Notices of Intent to Impose Civil Penalty	36	12
Orders Imposing Civil Penalty	64	50
Notices of Intent to Issue Cease and Desist Orders	38	29
Temporary Cease and Desist Orders	23	21
Cease and Desist Orders	17	16
Findings of Fact Conclusions of Law and Order	0	2
Activity Restrictions/Bars	3	3
Repayment of Fees Ordered	$31,964	-
Repayment of Fees Collected	0	-
Monetary Sanctions Imposed	$1,924,350	$655,427
Monetary Sanctions Collected	$727,600	$497,927
Offered/Returned to Consumers Following Informal Division Intervention	$687,229	$294,363
Criminal Referrals	5	9
Referrals to Connecticut Attorney General	3	3
Other Agency Referrals	5	8

* Does not include MLO application investigations, also does not include multiple complaints involving same entity

Examinations / Investigations
Consumer Credit Division

	Examinations 2011	Investigations 2011	Examinations 2010	Investigations 2010
Mortgage Brokers, Mortgage Lenders, Mortgage Correspondent Lenders and Mortgage Loan Originators	87	438	112	462
Money Transmitters	0	7	0	6
Check Cashers	9	9	7	11
Consumer Collection Agencies	13	26	23	37
Debt Adjusters	1	3	0	5
Debt Negotiators	18	166	1	260
Small Loan Companies	2	25	3	16
Sales Finance Companies	18	1	9	0
Other	3	12	-	25

Consumer Credit Licensees
As of Year End

	2011	2010
Licensed Mortgage Companies	600	1,041
Mortgage Loan Originators	4,790	4,344
Money Transmitters	64	54
Check Cashers	147	152
Consumer Collection Agencies	921	950
Debt Adjusters	47	44
Debt Negotiators	10	13
Small Loan Companies	9	10
Sales Finance Companies	128	144

FINANCIAL INSTITUTIONS DIVISION

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

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

Connecticut-Chartered Banks' Consolidated Financial Condition & Operating Results

As of December 31, 2011, there were 15 Connecticut-chartered commercial banks (including one bankers' bank) and 21 Connecticut-chartered savings banks. There were no Connecticut-chartered savings & loan associations. All Connecticut-chartered commercial banks and savings institutions are insured by the Federal Deposit Insurance Corporation ("FDIC").

Connecticut-chartered commercial banks and savings institutions, collectively, reported total assets of $23.3 billion as of December 31, 2011, a 26.0% decrease from December 31, 2010. Total loans and total deposits for year-end 2011 were $16.7 billion and $18.1 billion, respectively. The values represent a 21.9% decrease in total loans and a 20.2% decrease in total deposits from year-end 2010. Total equity capital was $2.6 billion, a 29.0% decrease from the prior year-end. Overall, Connecticut-chartered commercial banks and savings institutions, collectively, remained well capitalized with a combined Equity Capital to Total Assets Ratio of 11.10% as of December 31, 2011.

In the aggregate, Connecticut-chartered banks' earnings performance for the year ending December 31, 2011 slightly decreased from the prior year level, generating a return on average assets ("ROA") and a return on average equity ("ROE") of 0.42% and 3.87%, respectively, compared to the ROA of 0.48% and ROE of 4.05% for the year ending December 31, 2010. The net interest margin ("NIM") for Connecticut-chartered institutions was 3.46% for year-end 2011 versus 3.39% for year-end 2010.

Overall, the year-to-year decreases for Connecticut-chartered institutions, collectively, were primarily attributable to the merger of NewAlliance Bank, New Haven, CT, a Connecticut savings bank with $9.0 billion in total assets, with and into First Niagara Bank, N.A., a national bank headquartered in Buffalo, NY. This transaction was consummated effective April 15, 2011.

Number of Connecticut-Chartered Institutions
(As of December 31, 2010 & December 31, 2011)

Institution Type	Institutions 12/31/2010	De Novo Opening	Closing	Merger/ Acquisition	Net Change	Institutions 12/31/2011
Commercial Banks	**15**					**15**
Savings Banks	**22**			**-1**		**21**
Savings&Loan Associations	**0**					**0**
Uninsured Banks	**1**					**1**
Limited Purpose Trust Cos.	**2**					**2**
Credit Unions	**34**			**-1**	**1**	**34**
Totals	**74**	**0**	**0**	**-2**	**1**	**73**

Connecticut-Chartered Commercial Banks

There were 15 Connecticut-chartered commercial banks operating in the State as of December 31, 2011, including one bankers' bank. Overall, there was no change in the number of commercial banks from year-end 2010.

As of June 30, 2011, the 15 Connecticut-chartered commercial banks collectively operated 56 offices with aggregate deposits of $2.6 billion. Within the Connecticut market, this group of institutions operated 52 offices with aggregate deposits of $2.5 billion.

Connecticut-Chartered Savings Banks

There were 21 Connecticut-chartered savings banks (14 mutual and 7 capital stock institutions) operating in the State as of December 31, 2011. Overall, there was one change from the prior year-end. On April 15, 2011, NewAlliance Bank, New Haven, CT, was merged with and into First Niagara Bank, N.A., Buffalo, NY, a national bank regulated by the Office of the Comptroller of the Currency ("OCC").

As of June 30, 2011, the 21 Connecticut-chartered savings banks collectively operated 280 offices with aggregate deposits of $15.4 billion. Within the Connecticut market, this group of institutions operated 279 offices with aggregate deposits of $15.4 billion.

Connecticut-Chartered Uninsured Bank

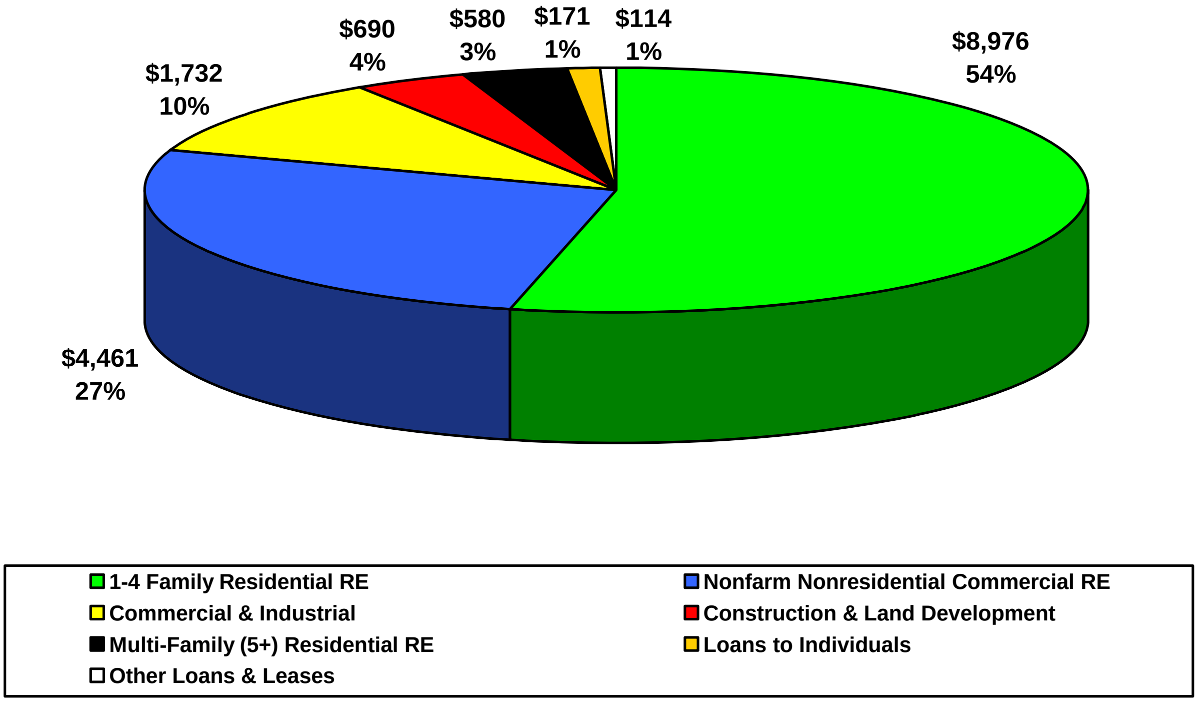
UPS Capital Business Credit ("UPSCBC"), a wholly-owned subsidiary of UPS Capital Corp., operates under an uninsured depository bank charter and does not accept retail deposits. UPSCBC focuses on originating, underwriting, and managing various small business and government guaranteed loan products.

Connecticut-Chartered Limited Purpose Trust Companies

There were two Connecticut-chartered limited purpose trust companies operating in the State as of December 31, 2011 with fiduciary and related trust assets of $46.0 billion. This total consisted of $26.4 billion in managed assets and $19.6 billion in non-managed assets.

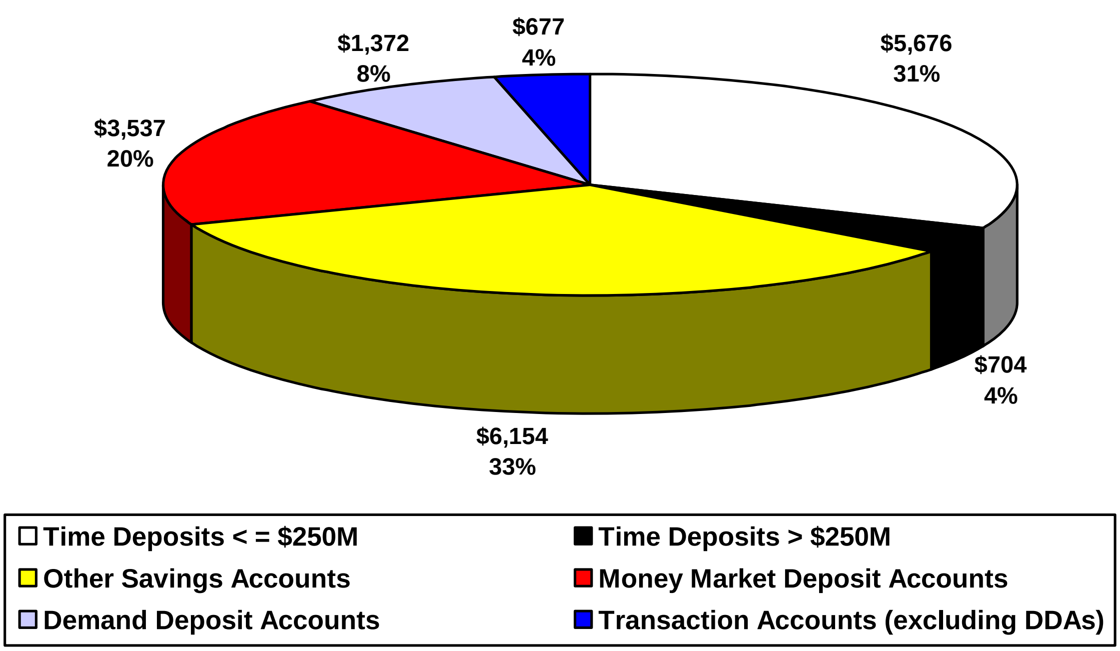
Connecticut-Chartered Banks' Gross Loans & Leases and Total Deposits Composition

Gross Loans & Leases of Connecticut-Chartered Banks
December 31, 2011
(millions & %)



The graph above does not include Farmland & Farm Loans totaling $15.2 million or 0.1% of loans.

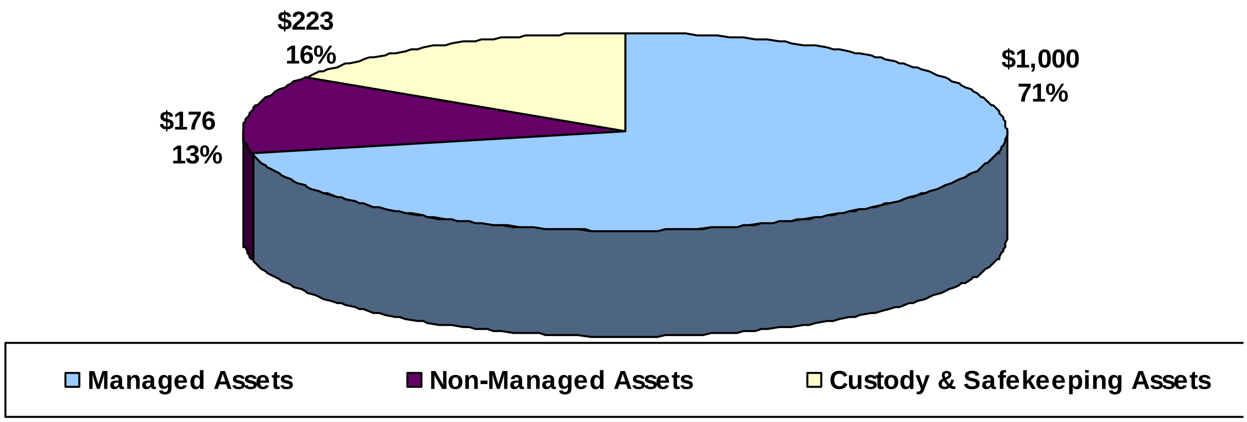
Total Deposits of Connecticut-Chartered Banks
December 31, 2011
(millions & %)



Connecticut-Chartered Banks' Fiduciary & Related Trust Assets

As of December 31, 2011, eight Connecticut-chartered banks operated trust departments with fiduciary and related trust assets of $1.2 billion, with an additional $223 million in custody and safekeeping assets.

Fiduciary & Related Trust Assets of Connecticut-Chartered Banks
December 31, 2011
(millions & %)



Connecticut-Chartered Credit Unions

As of December 31, 2011, there were 34 Connecticut-chartered credit unions operating in the State. While there was no net change in the aggregate number of Connecticut-chartered credit unions from year-end 2010, there was one merger and one conversion.

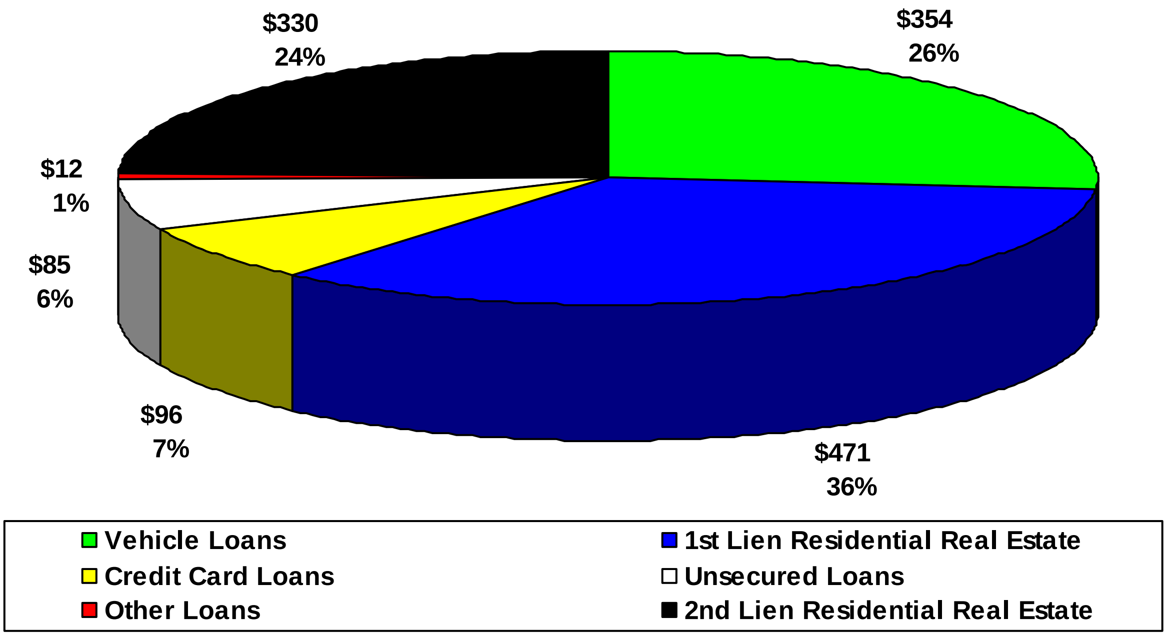
On September 23, 2011, C.H.H. Credit Union, Inc., merged with and into Northwest Hills Credit Union, Inc., both Connecticut credit unions, with Northwest Hills Credit Union, Inc. as the resulting credit union. In addition, on December 23, 2011, SoundView Federal Credit Union, converted from a federally-chartered institution to a Connecticut-chartered credit union to operate as SoundView Financial Credit Union, Inc.

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

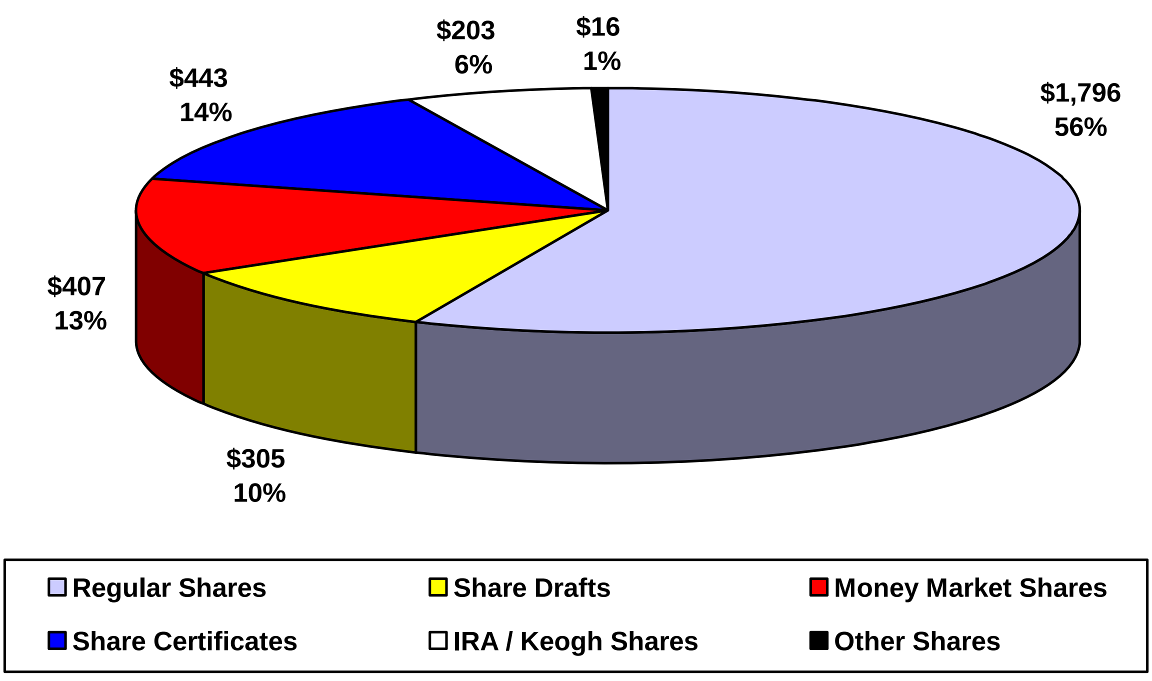
Connecticut-chartered credit unions reported total assets of $3.5 billion as of December 31, 2011, a 3.8% increase from December 31, 2010. Aggregate shares and deposits totaled $3.2 billion as of year-end 2011, a 3.6% increase from year-end 2010. Total loans were $1.3 billion as of December 31, 2011, a 1.4% increase from December 31, 2010. Total equity capital for Connecticut-chartered credit unions approximated $331.8 million for year-end 2011, a 6.4% increase from year-end 2010. Connecticut-chartered credit unions' earnings performance for year ending December 31, 2011 decreased slightly from the prior year level, generating a ROA of 0.37% versus 0.42% for year-end 2010. There was also a slight decrease in the NIM between years from 2.46% to 2.27%. The primary reason for the decline in earnings was lower interest income which outpaced a reduction in dividends paid on shares and deposits within a low interest rate environment.

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

Total Loans of Connecticut-Chartered Credit Unions
December 31, 2011
(millions & %)



Total Shares/Deposits of Connecticut-Chartered Credit Unions
December 31, 2011
(millions & %)



Community Reinvestment Act ("CRA")

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

CRA Ratings of Connecticut-Chartered Banks & Credit Unions
As of December 31, 2011

Institution Type	#	Outstanding	Satisfactory	Needs to Improve	Substantial Noncompliance	New Institution Not Rated
Connecticut-chartered Savings Banks	**21**	9	12	0	0	0
Connecticut-chartered Commercial Banks [1]	**15**	0	13	0	0	2
Connecticut-chartered Credit Unions [2]	**34**	1	9	0	0	24
Totals	**70**	**10**	**34**	**0**	**0**	**26**

[1] Bankers' Bank, Northeast is not rated for CRA purposes. Start Community Bank opened for business on December 20, 2010.
[2] CRA examinations are performed only for community credit unions with total assets over $10 million. As of December 31, 2011, ten Connecticut-chartered credit unions met this criteria.

Federal & Out-of-State Banks

In addition to the 36 Connecticut-chartered, insured depository institutions operating in the State as of December 31, 2011, there were 3 banks chartered by a state other than Connecticut, 18 national banks and 13 federal savings associations regulated by the OCC. Of the 18 national banks, 7 institutions are headquartered in Connecticut. Of the 14 federal savings associations, 10 institutions are headquartered in Connecticut.

Connecticut Deposit Market Share by Charter Type
As of June 30, 2011

Institution Type	Number of Institutions	Deposits in Market ($000s)	Number of Offices in Market	Deposit Market Share %
Connecticut-chartered Savings Banks	21	15,381,564	279	15.2%
Connecticut-chartered Commercial Banks	15	2,471,143	52	2.4%
Other State-chartered Banks [1]	2	214,650	3	0.2%
National Banks [2]	18	66,067,128	705	65.1%
Federal Savings Associations [3]	14	17,370,119	262	17.1%
Totals	**70**	**101,504,604**	**1,301**	**100.0%**

[1] Excludes one institution chartered by a state other than Connecticut which operates three loan production offices in Connecticut and does not accept deposits.
[2] As of June 30, 2011, seven national banks were headquartered in Connecticut.
[3] As of June 30, 2011, ten federal savings associations were headquartered in Connecticut, one of which operated as a trust company with one office.

Federal & Out-of-State Limited Purpose Trust Companies

In addition to the two Connecticut-chartered limited purpose trust companies operating in Connecticut as of December 31, 2011, there was one limited purpose trust company chartered by a state other than Connecticut; one federally-chartered savings association operating exclusively as a limited purpose trust company and headquartered in Connecticut; and, one national bank operating as a limited purpose trust company and headquartered out-of-state.

Federal & Out-of-State Credit Unions

In addition to the 34 Connecticut-chartered credit unions operating in the State as of December 31, 2011, there were 95 federally-chartered credit unions headquartered in Connecticut, 10 federally-chartered credit unions headquartered out-of-state, and one credit union chartered by a state other than Connecticut. All credit unions operating in Connecticut are insured by the NCUA.

Foreign Banking Organizations

As of December 31, 2011, there were four branch offices of foreign banking organizations operating in the State. Additionally, one foreign banking organization operated one representative office as of December 31, 2011.

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

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

Foreign Banking Organizations Operating In Connecticut

Institution Name	Office Type	CT Location	Approval/ License Date	Assets As of 12/31/2009 ($ millions)	Assets As of 12/31/2010 ($ millions)	Assets As of 12/31/2011 ($ millions)
Abbey National Treasury Services plc	Branch	Stamford	9/17/2001	15,895	13,131	11,490
Bank of Ireland	Branch	Stamford	6/15/2006	9,553	2,998	1,409
Royal Bank of Scotland N.V.	Rep. Office	Stamford	11/4/2010	NA	0	0
Royal Bank of Scotland plc	Branch	Stamford	5/3/2007	34,731	30,742	7,053
UBS AG	Branch	Stamford	6/23/1997	47,810	60,531	52,838

Business and Industrial Development Corporations

As of December 31, 2011, there was one business and industrial development corporation ("BIDCO"), Business Lenders, LLC, which was licensed by the Division and operating in the State.

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

SECURITIES AND BUSINESS INVESTMENTS DIVISION

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

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

Activities

On July 21, 2011, Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), Pub. L. No. 111-203, took effect. Dodd-Frank had a significant impact on state registration of investment advisers. Prior to Dodd-Frank, Congressional legislation dictated that the states could only register smaller investment advisers, i.e., those whose assets under management were $25 million or less. Larger investment advisers were generally required to register with the federal Securities and Exchange Commission (the "SEC"). Dodd-Frank increased the ceiling for state investment adviser registration from $25 million to $100 million in assets under management. The Division estimated that it would see an increase of approximately 25% in the number of investment advisers transitioning from SEC registration to state registration as a result of Dodd-Frank.

In July, 2011, Connecticut took a proactive stance regarding the changes wrought by Dodd-Frank. Three policy orders were issued to give the securities industry guidance on complying with state law requirements: 1) Order Establishing a State Registration Timetable for Certain Investment Advisers Affected by the Dodd-Frank Wall Street Reform and Consumer Protection Act; 2) Order Governing Certain Investment Advisers Exempt from Federal Registration Following Passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and 3) Amendment and Restatement of March 4, 1999 Order Defining the Term "Client" for Purposes of the Connecticut De Minimis Exemption for Investment Advisers.

The Division also held a free compliance workshop in Fairfield, Connecticut on December 9, 2011 to explain the workings of Dodd-Frank. Approximately 100 investment advisers and other interested parties signed up for the event. Sacred Heart University donated the seminar space as a public service.

During calendar year 2011, Securities and Business Investments Division intervention resulted in restitution and rescission offers to the investing public totaling $20,048,874. In addition, the Division imposed $2,157,601 in fines for violations of the state's securities and business opportunity laws.

Additional enforcement cases pursued by the Division involved fraudulent high yield investment programs, promissory notes and inadequate fee disclosure on customer account statements. The Division also settled several matters involving licensing, securities registration and supervisory lapses by brokerage firms and investment advisers.

The Division faced special challenges in 2011 stemming from staff attrition; the need to reallocate staff based on an increased investment adviser regulation workload post-Dodd-Frank; and an increase in the number of cases involving complex fact patterns or securities fraud.

In conjunction with the Division's enforcement program, a total of 93 securities and business opportunity investigations were opened in 2011, 137 investigations were closed and 133 investigations were in progress as of December 31, 2011. Eleven Cease and Desist Orders were entered.

Of all the securities and business opportunity-related complaints and investigations handled, most were resolved at the administrative level prior to being closed. Many administrative resolutions of enforcement matters took the form of remedial Stipulation and Agreements and Consent Orders wherein the Division sought corrective measures as well as monetary fines. Twenty seven Consent Orders and three Stipulation and Agreements were executed in calendar year 2011. Nine matters involved activity restrictions or the barring of affected individuals from securities-related activity in Connecticut. The Division found the use of Stipulation and Agreements and Consent Orders to be an effective supplement to its array of enforcement tools.

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

The Division is assisted by a Securities Advisory Council, comprised of industry representatives, academics and members of the bar, all of whom serve without compensation, that offers the Commissioner and staff insight on proposed regulatory initiatives. The Division obtained critical input from Advisory Council members in formulating the Division’s response to the Dodd-Frank legislation.

On October 4, 2011, Commissioner Howard F. Pitkin announced that he had named Eric Wilder as Director of the Securities and Business Investments Division of the Department of Banking. Mr. Wilder had been serving in an acting capacity since April of 2011.

Securities Industry Registrants and Notice Filers
As of Year End

	2007	2008	2009	2010	2011	5 Year % Change
Broker-dealer firms	2,586	2,566	2,498	2,430	2,385	(7.77)
Broker-dealer agents	129,715	131,788	130,796	144,376	152,071	17.23
Broker-dealer branch offices	2,787	2,757	2,733	2,713	2,699	(3.15)
Investment Adviser firms	441	448	460	474	472	7.02
SEC Registered Investment Advisory Firms Filing Notice*	1,728	1,831	1,781	1,880	1,900	9.95
Investment Adviser Agents	8,687	9,300	9,666	10,332	10,835	24.72

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

Registrations and Notice Filings
Securities and Business Opportunities

	2007	2008	2009	2010	2011	5 Year % Change
Offerings Reviewed	190	174	132	168	145	(23.68)
Investment Company Notice Filings*	8,380	8,597	7,811	8,749	8,769	4.64
Exemptions and Exemptive Notices†	3,510	3,130	2,500	2,548	2,813	(19.85)

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

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

Examinations
Broker-dealers and Investment Advisers

	2011	2010
Broker-dealers	80	78
Investment Advisers	97	40

Enforcement Activities
Securities and Business Opportunities

	2011	2010
Investigations Opened	93	152
Investigations Closed	137	183
Investigations in Progress	133	128
Subpoenas Issued	74	57
Administrative Actions	21	29
Consent Orders	27	31
Stipulation and Agreements	3	11
Notices of Intent to Deny (Licensing)	1	1
Notices of Intent to Revoke (Licensing)	3	6
Denial Orders (Licensing)	1	0
Suspension Orders (Licensing)	0	0
Revocation Orders (Licensing)	2	1
Notices of Intent to Fine	10	15
Orders Imposing Fine	10	16
Cease and Desist Orders	11	16
Activity Restrictions/Bars	9	8
Monetary Sanctions Imposed	$2,157,601	$12,468,983
Offered/Returned to Investors Following Informal Division Intervention	$20,048,874	$3,412,584,390
Criminal Referrals	7	1
Referrals to Connecticut Attorney General	2	4
Other Agency Referrals	3	9

GOVERNMENT RELATIONS AND CONSUMER AFFAIRS

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

Consumer Assistance

As a fundamental part of its mission, the department is committed to protecting Connecticut citizens in transactions with financial institutions, as directed by state law, and in assisting with consumer complaints and dispute resolution. In 2011, examiners in the department's Government Relations and Consumer Affairs Division handled approximately 12,270 telephone inquiries and 2,681 written complaints from the public. As a result of their efforts, the department obtained $1,237,332.85 million in adjustments or reimbursements on behalf of consumers during the period. In addition, the Division handled 4,075 calls to its Foreclosure Assistance Hotline in 2011 and responded to 868 emailed inquires. During 2011, the Division received approximately 298 complaints related to rental security deposits and recovered $104,096.39 for tenants.

Outreach

The primary focus of the agency's educational outreach program is to inform and educate Connecticut's consumers and investors to help them make informed financial decisions and avoid fraud and scams. More recently, helping Connecticut homeowners prevent foreclosure has become a major component of the department's outreach initiatives.

The Government Relations and Consumer Affairs Division led the agency's outreach efforts and took part in more than 65 events, including 40 speaking engagements, in 2011. Agency staff gave numerous presentations during the year to audiences that included veterans, students, seniors, social workers and job seekers. Topics included credit and debt management, identity theft, investment fraud, money management and reverse mortgages. To assist homeowners having mortgage problems, division personnel continued to participate in monthly foreclosure prevention clinics during the year, conducting presentations and providing one-on-one counseling to troubled borrowers.

To supplement and enhance our outreach program, the Division obtained a grant from the Investor Protection Trust to design and print investor education materials. These publications help teach Connecticut consumers how to make wise investment decisions, be alert to financial frauds and avoid abusive sales practices. They also raise public awareness of the agency as a resource for consumers in Connecticut. The four booklets that were developed offer timely information to investors and potential investors, including one specifically for seniors and a saving and investing guide for newlyweds. Booklets were delivered to each library in the state, and nearly 75 percent of town clerks hand out copies of the newlywed guide to couples applying for a marriage license. Protecting the public from investment fraud and empowering consumers to be knowledgeable about their finances is an important part of our outreach program.

In 2011, the department joined the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program. The EIFFE program, created by the Baylor College of Medicine, trains medical professionals about how to spot seniors who may be particularly vulnerable to financial abuse and to refer suspected fraud to state securities regulators or to local Adult Protective Services professionals. The department partnered with the Connecticut Area Health Education Center and the Connecticut Center for Primary Care to hold a training course in October 2011.

On November 15, 2011, the Department of Banking, in coordination with Governor Dannel P. Malloy and Attorney General George Jepsen, sponsored a *Homeowners Mortgage Assistance Event* at the Connecticut Convention Center in Hartford. The event provided an opportunity for troubled borrowers to meet face to face with their mortgage company to discuss their options and find appropriate workout solutions. Twelve loan servicers, including Bank of America, Wells Fargo Bank and JPMorgan Chase, participated and worked one-on-one with homeowners. Housing counseling agencies, Fannie Mae, Freddie Mac, the Connecticut Housing Finance Authority, judicial mediators and pro bono attorneys also provided assistance to homeowners. Over 1,500 people attended this free event. Additional mortgage assistance events of this nature are planned for 2012.

Legislation

Each year the department, with the coordination of the Government Relations and Consumer Affairs Division, conducts an active legislative program. During the 2011 legislative session, three department proposals were enacted into law.

Public Act 11-50, An Act Concerning Banks, was necessary to clarify the fees for out-of-state branch relocations and to delete a redundant and confusing provision. The act allows the agency to grant investors conditional preliminary approval to organize more than one bank to acquire failed banks. It is unnecessary and unduly burdensome to have investors file another application for preliminary conditional approval in order to organize additional banks to acquire failed banks.

Public Act 11-216, An Act Concerning Consumer Credit Licenses and the Connecticut Uniform Securities Act, impacts, in different ways, all of the industries licensed by the Consumer Credit Division. With regard to mortgage licensees, the proposal addresses the following: 1) it requires certain individuals engaged in loan processing or underwriting to obtain a loan processor or underwriter license; 2) it creates an ability for entities exempt from licensing requirements as mortgage lenders, correspondent lenders, or mortgage brokers to register as exempt registrants on the Nationwide Mortgage Licensing System for purposes of sponsoring and bonding individuals required to hold mortgage loan originator licenses; and 3) it clarifies bonding requirements for mortgage loan originators and their sponsoring entities.

With regard to debt negotiator licenses, the proposal requires certain individuals who are engaged in such activity in connection with residential mortgage loans to obtain mortgage loan originator licenses under the mortgage chapter. The proposal further addresses attendant bonding requirements and exempt entity registration capability for debt negotiators, as applicable.

Another agency proposal, House Bill 6285, was merged into this act. It conforms Connecticut law with federal law exempting all investment advisors from the requirement that investment advisers are exempted from the registration requirements set forth in the Connecticut General Statutes. The legislation would put the agency in conformity with federal definitions.

Public Act 11-110, An Act Concerning Revisions to the Banking Statutes to Reflect Changes Made Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, adds references to the federal Bureau of Consumer Financial Protection to various provisions of the banking laws and Uniform Commercial Code, as well as certain other sections of the general statutes concerning consumer credit transactions. The addition of these references reflects the transfer of consumer financial protection functions from several federal entities to the bureau.

The act also allows the banking commissioner to exempt any person or class of people from registration requirements and related provisions of the Uniform Securities Act, upon finding that the exemption is in the public interest and consistent with investor protection and the act.