



2013 ASSEMBLY BILL 58

March 7, 2013 – Introduced by Representatives CRAIG, MARKLEIN, CZAJA, GENRICH, JACQUE, KAHL, OHNSTAD, SANFELIPPO, ZEPNICK and WEININGER, cosponsored by Senators SCHULTZ, LASEE, GROTHMAN and PETROWSKI. Referred to Committee on Financial Institutions.

1 **AN ACT** *to repeal* 221.1101 (3); *to amend* 221.1101 (1) (b); and *to create*
2 221.1101 (6) and 227.01 (13) (yw) and (yy) of the statutes; **relating to:** bank
3 service corporations and credit union service organizations.

Analysis by the Legislative Reference Bureau

Under current law, two or more banks may organize a corporation to perform bank services (bank service corporation) by investing not more than 10 percent of each bank's capital in the bank service corporation and holding the capital stock of the bank service corporation. A bank service corporation may perform bank services for banks, but may not engage in any other activity. "Bank services" are defined to mean check and deposit sorting and posting; computation and posting of interest and other credits and charges; preparation and mailing of checks, statements, notices, and similar items; or any other clerical, bookkeeping, accounting, statistical, or other similar functions performed for a bank. In addition to using a bank service corporation, a bank may contract to have performed for the bank any bank service if both the bank and the contractor assure the Division of Banking (division) in the Department of Financial Institutions (DFI) that the performance of the service will be subject to regulation and examination by the division to the same extent as if the service were performed by the bank.

Also under current law, a bank that has not organized a bank service corporation (nonparticipant bank) and that is competitive with banks that have organized a bank service corporation may obtain bank services from the bank service corporation by, at the nonparticipant bank's option, either: 1) acquiring an

ASSEMBLY BILL 58

ownership interest in the bank service corporation, or 2) obtaining the bank service at a rate no higher than necessary to fairly reflect the cost of the service, including the cost of capital contributions of the bank service corporation owners. However, the bank service corporation may deny a bank service to the nonparticipant bank if the bank service is available from another source at a competitive cost or if providing the bank service to the nonparticipant bank would be beyond the practical capacity of the bank service corporation.

This bill expands the definition of “bank services” to specifically include auditing, compliance, loan documentation, administrative, and technology functions performed for a bank, as well as any other service established by the division. The bill allows the division to establish additional services as “bank services” if the services are related to the routine daily operations of banks. The division is not required to engage in rule-making to establish additional services as “bank services.” If a bank files a written request with the division to establish additional services as “bank services,” the division must approve or disapprove the request within 60 days after receiving the request.

The bill also repeals the requirement that a bank service corporation provide bank services to nonparticipant banks.

Current law allows credit unions to invest in credit union service organizations (CUSOs), which may provide specified services related to the routine daily operations of credit unions. The Office of Credit Unions (OCU) in DFI may expand this list of permissible services provided by CUSOs. This bill specifies that OCU is not required to engage in rule-making to expand this list of permissible services.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 221.1101 (1) (b) of the statutes is amended to read:

2 221.1101 (1) (b) “Bank services” means check and deposit sorting and posting,
3 computation and posting of interest and other credits and charges, preparation and
4 mailing of checks, statements, notices and similar items, ~~or any other clerical,~~
5 bookkeeping, accounting, statistical, auditing, compliance, loan documentation,
6 administrative, technology, or other similar functions performed for a bank, ~~or any~~
7 other service established under sub. (6).

8 **SECTION 2.** 221.1101 (3) of the statutes is repealed.

