

FISCAL ESTIMATE WORKSHEET

1997 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
DFI—Bkg 4

Amendment No.

Subject
Relating to deposits in other financial institutions.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

A. State Costs by Category

State Operations - Salaries and Fringes

(FTE Position Changes)

State Operations - Other Costs

Local Assistance

Aids to Individuals or Organizations

TOTAL State Costs by Category

B. State Costs by Source of Funds

GPR

FED

PRO/PRS

SEG/SEG-S

III. State Revenues -

Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

GPR Taxes

GPR Earned

FED

PRO/PRS

SEG/SEG-S

TOTAL State Revenues

Annualized Fiscal Impact on State funds from:

Increased Costs

Decreased Costs

\$

\$

(FTE)

(- FTE)

\$ 0

\$ -0

Increased Costs

Decreased Costs

\$

\$

Increased Rev.

Decreased Rev.

\$

\$

\$ 0

\$ -0

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS

\$0

\$0

NET CHANGE IN REVENUES

\$0

\$0

Agency/Prepared by: (Name & Phone No.)

Michael J. Mach, 266-0451

Authorized Signature/Telephone No.

Michael J. Mach

266-0451

Date

3/18/99

CORRESPONDENCE / MEMORANDUM

STATE OF WISCONSIN
Department of Financial Institutions
Division of Banking

DATE: May 4, 1999

TO: Senator Fred Risser
President
Wisconsin State Senate

Representative Scott Jensen
Speaker
Wisconsin State Assembly

FROM: Michael J. Mach
Administrator
Division of Banking

SUBJECT: Notice regarding CR 99-059

Pursuant to s. 227.19 (2), Stats., notice is hereby given that CR 99-059 (proposed rule DFI—Bkg 6) is hereby submitted to the presiding officer of each house of the legislature that CR 99-059 (proposed rule DFI—Bkg 6) is in final draft form. Pursuant to s. 227.19 (3), Stats., the following documentation accompanies this notice: departmental report, analysis and rule, Legislative Council report and fiscal estimate. If you have any questions regarding this matter or the enclosed, please do not hesitate to contact me at tel. 266-0451.

DATE: May 4, 1999

TO: Senator Fred Risser
President
Wisconsin State Senate

Representative Scott Jensen
Speaker
Wisconsin State Assembly

FROM: Michael J. Mach
Administrator
Division of Banking

SUBJECT: Report on CR 99-059

This report is submitted pursuant to s. 227.19, Stats., regarding CR 99-059 (proposed rule ch. DFI—Bkg 6).

1. STATEMENT EXPLAINING THE NEED FOR THE PROPOSED RULE

1995 Wisconsin Act 336 was enacted May 2, 1996 and became effective July 1, 1996. This act repealed and recreated ch. 221, Stats. This represents a total modernization and streamlining of Wisconsin's banking statutes. 1995 Wisconsin Act 336 incorporated the provisions of ch. DFI—Bkg 6 into recreated ch. 221, Stats. under s. 221.0320(4) and 221.0320(5), Stats. Ch. DFI—Bkg 6 is, therefore, redundant.

2. MODIFICATIONS MADE AS A RESULT OF TESTIMONY RECEIVED AT THE PUBLIC HEARING

No hearing was held pursuant to s. 227.16(2)(b), Stats.

3. PERSONS APPEARING OR REGISTERING FOR OR AGAINST THE PROPOSED RULE AT THE PUBLIC HEARING

No hearing was held pursuant to s. 227.16(2)(b), Stats.

4. RESPONSE TO LEGISLATIVE COUNCIL RECOMMENDATIONS

No recommendations were made by the Legislative Council.

5. FINAL REGULATORY FLEXIBILITY ANALYSIS

Pursuant to s. 227.19(3m), Stats., a final regulatory flexibility analysis is not required.

PROPOSED RULE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF BANKING

Analysis: To repeal DFI—Bkg 6. Statutory authority: Ss. 220.02(2) and 227.11(2), Stats. Summary: Ch. DFI—Bkg 6 limits the aggregate amount a state bank, trust company bank or mutual savings bank may invest in bonds or any other security issued by the international bank for reconstruction and development or the inter-American development bank to 10% of its capital and surplus of such bank. Ch. DFI—Bkg 6 limits the aggregate amount a state bank, trust company bank or mutual savings bank may invest in general obligation bonds issued by any foreign national government provided such bonds are payable in American funds to 3% of the capital and surplus of such bank. Ch. DFI—Bkg 6 does not apply to bonds and securities of the Canadian government and Canadian provinces, which are payable in American funds. 1995 Wisconsin Act 336 was enacted May 2, 1996 and became effective July 1, 1996. This act repealed and recreated ch. 221, Stats. This represents a total modernization and streamlining of Wisconsin's banking statutes. 1995 Wisconsin Act 336 incorporated the provisions of ch. DFI—Bkg 6 into recreated ch. 221, Stats. under s. 221.0320(4) and 221.0320(5), Stats. Agency person to be contacted for substantive questions and responsible for agency's internal processing: Michael J. Mach, Administrator, Division of Banking, tel. 266-0451.

Section 1. Ch. DFI—Bkg 6 is repealed.

WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 99-059

AN ORDER to repeal chapter Bkg 6, relating to aggregate investments in bonds and certain other securities.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

03-18-99 RECEIVED BY LEGISLATIVE COUNCIL.
04-15-99 REPORT SENT TO AGENCY.

RS:RW:jal

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO

1997 Session

FISCAL ESTIMATE
DOA-2048 N(R10/94)

- ORIGINAL
- CORRECTED
- UPDATED
- SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
DFI—Bkg 6

Amendment No. if Applicable

Subject

Relating to deposits investment in bonds issued by the international bank for reconstrction and development, the inter-American bank development bank, and foreign governments.

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation
- Decrease Existing Appropriation
- Create New Appropriation
- Increase Existing Revenues
- Decrease Existing Revenues

- Increase Costs - May be possible to Absorb Within Agency's Budget Yes No
- Decrease Costs

Local: No local government costs

- 1. Increase Costs
 - Permissive
 - Mandatory
- 2. Decrease Costs
 - Permissive
 - Mandatory

- 3. Increase Revenues
 - Permissive
 - Mandatory
- 4. Decrease Revenues
 - Permissive
 - Mandatory

5. Types of Local Governmental Units Affected:
- Towns
 - Villages
 - Cities
 - Counties
 - Others _____
 - School Districts
 - WTCS Districts

Fund Sources Affected

- GPR
- FED
- PRO
- PRS
- SEG
- SEG-S

Affected Ch. 20 Appropriations
None

Assumptions Used in Arriving at Fiscal Estimate

Ch. DFI-Bkg 6 limits the aggregate amount a state bank, trust company bank or mutual savings bank may invest in bonds or any other security issued by the international bank for reconstruction and development or the inter-American development bank to 10% of its capital and surplus of such bank. Ch. DFI-Bkg 6 limits the aggregate amount a state bank, trust company bank or mutual savings bank may invest in general obligation bonds issued by any foreign national government provided such bonds are payable in American funds to 3% of the capital and surplus of such bank. Ch. DFI-Bkg 6 does not apply to bonds and securities of the Canadian government and Canadian provinces, which are payable in American funds. 1995 Wisconsin Act 336 was enacted May 2, 1996 and became effective July 1, 1996. This act repealed and recreated ch. 221, Stats. This represents a total modernization and streamlining of Wisconsin's banking statutes. 1995 Wisconsin Act 336 incorporated the provisions of ch. DFI-Bkg 6 into recreated ch. 221, Stats. under s. 221.0320(4) and 221.0320(5), Stats. DFI-Bkg 6 is, therefore, redundant.

Long-Range Fiscal Implications
None

Agency/Prepared by: (Name & Phone No.)
Michael J. Mach
266-0451

Authorized Signature/Telephone No.

Michael J. Mach

266-0451

Date

3/18/98

FISCAL ESTIMATE WORKSHEET

1997 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
DFI—Bkg 6

Amendment No.

Subject

Relating to investment in goods issued by the international bank for reconstruction and development, the inter-American development bank, and foreign governments.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

A. State Costs by Category

State Operations - Salaries and Fringes

Annualized Fiscal impact on State funds from:

Increased Costs

Decreased Costs

\$

\$

(FTE Position Changes)

(

FTE)

(-

FTE)

State Operations - Other Costs

-

Local Assistance

-

Aids to Individuals or Organizations

-

TOTAL State Costs by Category

\$

0

\$

-0

B. State Costs by Source of Funds

Increased Costs

Decreased Costs

GPR

\$

\$

FED

PRO/PRS

SEG/SEG-S

III. State Revenues -

Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

Increased Rev.

Decreased Rev.

GPR Taxes

\$

\$

GPR Earned

FED

PRO/PRS

SEG/SEG-S

TOTAL State Revenues

\$0

\$

-0

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS

\$0

\$0

NET CHANGE IN REVENUES

\$0

\$0

Agency/Prepared by: (Name & Phone No.)

Michael J. Mach, 266-0451

Authorized Signature/Telephone No.

Michael J. Mach

266-0451

Date

3/18/99

CORRESPONDENCE / MEMORANDUM

STATE OF WISCONSIN
Department of Financial Institutions
Division of Banking

DATE: May 4, 1999

TO: Senator Fred Risser
President
Wisconsin State Senate

Representative Scott Jensen
Speaker
Wisconsin State Assembly

FROM: Michael J. Mach
Administrator
Division of Banking

SUBJECT: Notice regarding CR 99-060

Pursuant to s. 227.19 (2), Stats., notice is hereby given that CR 99-060 (proposed rule ch. DFI—Bkg 7) is hereby submitted to the presiding officer of each house of the legislature that CR 99-060 (proposed rule ch. DFI—Bkg 7) is in final draft form. Pursuant to s. 227.19 (3), Stats., the following documentation accompanies this notice: departmental report, analysis and rule, Legislative Council report and fiscal estimate. If you have any questions regarding this matter or the enclosed, please do not hesitate to contact me at tel. 266-0451.

CORRESPONDENCE / MEMORANDUM

STATE OF WISCONSIN
Department of Financial Institutions
Division of Banking

DATE: May 4, 1999

TO: Senator Fred Risser
President
Wisconsin State Senate

Representative Scott Jensen
Speaker
Wisconsin State Assembly

FROM: Michael J. Mach
Administrator
Division of Banking

SUBJECT: Report on CR 99-060

This report is submitted pursuant to s. 227.19, Stats., regarding CR 99-012 (proposed rule DFI—Bkg 41).

1. STATEMENT EXPLAINING THE NEED FOR THE PROPOSED RULE

Ch. DFI—Bkg 7 provides a definition for real estate mortgage loans and also establishes the documentation that a state-chartered bank must obtain for each real estate mortgage loan that it makes. It is the intention to repeal Ch DFI—Bkg 7 in its entirety. State-chartered banks compete with other financial institutions and non-financial institution lenders for real estate mortgage loans. The Office of Comptroller of the Currency ("OCC") regulates national banks. The OCC has no regulations regarding the required documentation of real estate mortgage loans. Likewise, no regulator establishes documentation requirements for non-financial institution lenders. In addition to real estate mortgage loans, state-chartered banks make commercial loans, installment loans, agricultural loans, and other types of loans. There are no regulations establishing documentation requirements for these other categories of loans. A one-size-fits-all approach to the documentation of real estate mortgage loans does not recognize the variety of real estate mortgage loan products available in the market, and does not allow state-chartered banks to compete on a level playing field with other lenders. Examiners of the Division of Banking will review that proper documentation is maintained for real estate mortgage loans, in accordance with the principles of safety and soundness, in the same manner that they do for other categories of loans. A specific requirement requiring this review is not needed. This review falls under the powers of the division under s. 220.04, Stats., as it relates to the examination of banks. Furthermore, under the provisions of s. 220.04(9), Stats., the division has the power to issue the

appropriate orders if it finds that the bank is operating in an unsafe and unsound manner. The repeal of ch. DFI—Bkg 7 has, therefore, no impact on this review process.

2. MODIFICATIONS MADE AS A RESULT OF TESTIMONY RECEIVED AT THE PUBLIC HEARING

No testimony was received at the public hearing held on this rule on May 3, 1999 regarding modification to the proposed rule. Therefore no modifications have been made to the proposed rule as a result of testimony received at the public hearing.

3. PERSONS APPEARING OR REGISTERING FOR OR AGAINST THE PROPOSED RULE AT THE PUBLIC HEARING

The following individuals testified in support of CR 99-060:

Daryll Lund, President, Community Bankers of Wisconsin

The following individuals submitted written comments in support of CR 99-060:

Helge S. Christensen, President, Banker's Bank, Madison, WI

No individuals registered in favor of CR 99-060 but did not testify.

No individuals spoke, registered or submitted written comments opposed to CR 99-060.

The following individuals attended for informational purposes only:

Peggy Partenfelder-Essie, Wisconsin Association of Mortgage Brokers

4. RESPONSE TO LEGISLATIVE COUNCIL RECOMMENDATIONS

All recommendations of the Legislative Council have been incorporated into the analysis of the proposed rule.

5. FINAL REGULATORY FLEXIBILITY ANALYSIS

Pursuant to s. 227.19(3m), Stats., a final regulatory flexibility analysis is not required.

PROPOSED RULE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF BANKING

Analysis: To repeal DFI—Bkg 7. Statutory authority: Ss. 220.02(2) and 227.11(2), Stats. Summary: Ch. DFI—Bkg 7 provides a definition for real estate mortgage loans and also establishes the documentation that a state-chartered bank must obtain for each real estate mortgage loan that it makes. It is the intention to repeal Ch DFI—Bkg 7 in its entirety. State-chartered banks compete with other financial institutions and non-financial institution lenders for real estate mortgage loans. The Office of Comptroller of the Currency ("OCC") regulates national banks. The OCC has no regulations regarding the required documentation of real estate mortgage loans. Likewise, no regulator establishes documentation requirements for non-financial institution lenders. In addition to real estate mortgage loans, state-chartered banks make commercial loans, installment loans, agricultural loans, and other types of loans. There are no regulations establishing documentation requirements for these other categories of loans. A one-size-fits-all approach to the documentation of real estate mortgage loans does not recognize the variety of real estate mortgage loan products available in the market, and does not allow state-chartered banks to compete on a level playing field with other lenders. Examiners of the Division of Banking will review that proper documentation is maintained for real estate mortgage loans, in accordance with the principles of safety and soundness, in the same manner that they do for other categories of loans. A specific requirement requiring this review is not needed. This review falls under the powers of the division under s. 220.04, Stats., as it relates to the examination of banks. Furthermore, under the provisions of s. 220.04(9), Stats., the division has the power to issue the appropriate orders if it finds that the bank is operating in an unsafe and unsound manner. Agency person to be contacted for substantive questions and responsible for agency's internal processing: Michael J. Mach, Administrator, Division of Banking, tel. 266-0451.

Section 1. Ch. DFI—Bkg 7 is repealed.

WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 99-060

AN ORDER to repeal chapter Bkg 7, relating to real estate mortgage loans.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

03-19-99 RECEIVED BY LEGISLATIVE COUNCIL.

04-15-99 REPORT SENT TO AGENCY.

RNS:RW:kjf;rv

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE RULE 99-060

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

2. Form, Style and Placement in Administrative Code

In the second sentence of the analysis, the agency should correct the typographical error by replacing "it" with "its." In the next-to-last sentence, "mortgages" should be replaced with "mortgage."

5. Clarity, Grammar, Punctuation and Use of Plain Language

The agency, in its analysis, states that examiners of the Division of Banking "will review that proper documentation is maintained" for real estate mortgage loans in accordance with the principles of safety and soundness, in the same manner that they do for other categories of loans. Is a specific requirement requiring this review needed? What sanctions are available if appropriate documentation is not kept?

1997 Session

FISCAL ESTIMATE
DOA-2048 N(R10/94)

- ORIGINAL
- CORRECTED
- UPDATED
- SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
DFI—Bkg 7

Amendment No. If Applicable

Subject
Relating to real estate mortgage loans.

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation
- Decrease Existing Appropriation
- Create New Appropriation
- Increase Existing Revenues
- Decrease Existing Revenues

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No local government costs

- 1. Increase Costs
 - Permissive Mandatory
- 2. Decrease Costs
 - Permissive Mandatory

- 3. Increase Revenues
 - Permissive Mandatory
- 4. Decrease Revenues
 - Permissive Mandatory

5. Types of Local Governmental Units Affected:
- Towns Villages Cities
 - Counties Others _____
 - School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

None

Assumptions Used in Arriving at Fiscal Estimate

Ch. DFI-Bkg 7 provides a definition for real estate mortgage loans and also establishes the documentation that a state-chartered bank must obtain for each real estate mortgage loan that it makes. It is the intention to repeal Ch DFI-Bkg 7 in its entirety. State-chartered banks compete with other financial institutions and non-financial institution lenders for real estate mortgage loans. The Office of Comptroller of the Currency ("OCC") regulates national banks. The OCC has no regulations regarding the required documentation of real estate mortgage loans. Likewise, no regulator establishes documentation requirements for non-financial institution lenders. In addition to real estate mortgage loans, state-chartered banks make commercial loans, installment loans, agricultural loans, and other types of loans. There are no regulations establishing documentation requirements for these other categories of loans. A one-size-fits-all approach to the documentation of real estate mortgage loans does not recognize the variety of real estate mortgage loan products available in the market, and does not allow state-chartered banks to compete on a level playing field with other lenders. Examiners of the Division of Banking will review that proper documentation is maintained for real estate mortgages loans, in accordance with the principles of safety and soundness, in the same manner that they do for other categories of loans. The repeal of DFI-Bkg 7 has, therefore no impact on this review process.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)
Michael J. Mach
266-0451

Authorized Signature/Telephone No.

Michael J. Mach

266-0451

Date

3/18/99

FISCAL ESTIMATE WORKSHEET

1997 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
DFI—Bkg 7

Amendment No.

Subject
Relating to real estate mortgage loans.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

A. State Costs by Category

State Operations - Salaries and Fringes

Annualized Fiscal impact on State funds from:

Increased Costs

Decreased Costs

\$

\$

(FTE Position Changes)

(

FTE)

(-

FTE)

State Operations - Other Costs

-

Local Assistance

-

Aids to Individuals or Organizations

-

TOTAL State Costs by Category

\$0

\$ -0

B. State Costs by Source of Funds

Increased Costs

Decreased Costs

GPR

\$

\$

FED

-

PRO/PRS

-

SEG/SEG-S

-

III. State Revenues -

Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

Increased Rev.

Decreased Rev.

GPR Taxes

\$

\$

GPR Earned

-

FED

-

PRO/PRS

-

SEG/SEG-S

-

TOTAL State Revenues

\$0

\$ -0

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS

\$0 _____

\$0 _____

NET CHANGE IN REVENUES

\$0 _____

\$0 _____

Agency/Prepared by: (Name & Phone No.)
Michael J. Mach, 266-0451

Authorized Signature/Telephone No.

Michael J. Mach

266-0451

Date

3/18/99

Senate

Record of Committee Proceedings

**Committee on Privacy, Electronic Commerce and Financial
Institutions**

Clearinghouse Rule 99-058

Relating to investments in time deposits and certificates of deposit.
Submitted by the Department of Financial Institutions.

May 5, 1999 Referred to committee on Privacy, Electronic Commerce and
Financial Institutions.

July 5, 1999 **NO ACTION TAKEN**

Julie A Laudrie
Committee Clerk

Senate

Record of Committee Proceedings

Committee on Privacy, Electronic Commerce and Financial Institutions

Clearinghouse Rule 99-058

Relating to investments in time deposits and certificates of deposit.
Submitted by the Department of Financial Institutions.

May 5, 1999 Referred to committee on Privacy, Electronic Commerce and
Financial Institutions.

July 5, 1999 **NO ACTION TAKEN**

Julie A Laundrie
Committee Clerk

Senate

Record of Committee Proceedings

**Committee on Privacy, Electronic Commerce and Financial
Institutions**

Clearinghouse Rule 99-059

Relating to aggregate investments in bonds and certain other securities.
Submitted by the Department of Financial Institutions.

May 5, 1999	Referred to committee on Privacy, Electronic Commerce and Financial Institutions.
July 5, 1999	NO ACTION TAKEN

Julie A Laundrie
Committee Clerk

Senate

Record of Committee Proceedings

Committee on Privacy, Electronic Commerce and Financial Institutions

Clearinghouse Rule 99-060

Relating to real estate mortgage loans.

Submitted by the Department of Financial Institutions.

May 5, 1999	Referred to committee on Privacy, Electronic Commerce and Financial Institutions.
July 5, 1999	NO ACTION TAKEN

Julie A Laundrie
Committee Clerk

Senate

Record of Committee Proceedings

Committee on Privacy, Electronic Commerce and Financial Institutions

Clearinghouse Rule 99-061

Relating to designating an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in s. 551.22 (1) (a), Stats.

Submitted by the Department of Financial Institutions.

May 11, 1999 Referred to committee on Privacy, Electronic Commerce and Financial Institutions.

July 5, 1999 **NO ACTION TAKEN**

Julie A Laundrie
Committee Clerk

Senate

Committee Report

The committee on **Privacy, Electronic Commerce and Financial Institutions**, reports and recommends:

Clearinghouse Rule 99-058

Relating to investments in time deposits and certificates of deposit.
Submitted by the Department of Financial Institutions.

July 5, 1999 - NO ACTION TAKEN

Clearinghouse Rule 99-059

Relating to aggregate investments in bonds and certain other securities.
Submitted by the Department of Financial Institutions.

July 5, 1999 - NO ACTION TAKEN

Clearinghouse Rule 99-060

Relating to real estate mortgage loans.
Submitted by the Department of Financial Institutions.

July 5, 1999 - NO ACTION TAKEN

Clearinghouse Rule 99-061

Relating to designating an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in s. 551.22 (1) (a), Stats.

Submitted by the Department of Financial Institutions.

July 5, 1999 - NO ACTION TAKEN

Senator Jon Erpenbach
Chair

Senate

EXECUTIVE SESSIONS

Committee on Privacy, Electronic Commerce and Financial Institutions

The committee will hold an Executive session on the following items at the time specified below:

Tuesday, August 24, 1999
10:00am
201 SE
State Capitol

MARTIN, ROGER F., of Mequon, as a member of the Savings Bank Review Board, to serve for the term ending May 1, 2003.

Senate Bill 97

Relating to: increasing the membership of the employe trust funds board.

By Senators Wirch and Erpenbach; cosponsored by Representatives Musser, Ryba, Meyer, Schneider, Boyle and Pocan.

Senate Bill 140

Relating to: use of caller identification blocking services by telephone solicitors.

By Senators Erpenbach, Baumgart, Clausing, Darling, Drzewiecki, Grobschmidt, Plache and Roessler; cosponsored by Representatives Schneider, Berceau, Black, Brandemuehl, Cullen, Goetsch, Gronemus, Gunderson, Hasenohrl, Kreuser, Montgomery, Musser, Petrowski, Pocan, Sykora, Turner, Wood and Powers.

Senator Jon Erpenbach
Chair

Senate

COMMITTEE HEARINGS

Committee on Privacy, Electronic Commerce and Financial Institutions

The committee will hold an **informational hearing** on the following items at the time specified below:

Wednesday, September 8th 1999

10:00am

201 SE

State Capitol

State Government Data Collection and Distribution*

The Committee will meet for an informational briefing relating to state government data collection, privacy policies, and the sale of data.

** Testimony from invited speakers only.*

Senator Jon Erpenbach
Chair

Senate

COMMITTEE HEARINGS

Committee on Privacy, Electronic Commerce and Financial Institutions

The committee will hold a public hearing on the following items at the time specified below:

Tuesday, September 14, 1999
10:00am
201 SE
State Capitol

State Government Data Collection and Distribution*

The Committee will meet for an informational briefing relating to state government data collection, privacy policies, and the sale of data.

** Testimony from invited speakers only.*

Senator Jon Erpenbach
Chair



State of Wisconsin
Department of Financial Institutions

cc: Chairperson
Senate Finance
Institutions
Committee

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

June 28, 1999

The Honorable Judith Robson, Co-Chair
Wisconsin Senate
Joint Committee for Review of Administrative Rules
Room 15 South, State Capitol
Madison, WI 53707

The Honorable Glenn Grothman, Co-Chair
Wisconsin Assembly
Joint Committee for Review of Administrative Rules
Room 15 North, State Capitol
State Capitol
Madison, WI 53707

Re: Division of Securities Request for 34-day Extension
(Until September 1, 1999) of Emergency Rule Effectiveness

Dear Senator Robson and Representative Grothman:

Pursuant to sec. 227.24(2), Wis. Stats., The Division of Securities of the Department of Financial Institutions ("DFI") hereby requests that the Joint Committee For Review of Administrative Rules take action to extend for 34 days the effectiveness of the emergency rules adopted effective March 1, 1999 by the Division under the Wisconsin Uniform Securities Law relating to relating to designating an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in sec. 551.22(1)(a), Wis. Stats.

The Division has instituted and proceeded with the permanent rule-making process to adopt permanent rules in this matter, including: (1) filing a 30-day Notice for adopting permanent rules without the need for a public hearing, which published Notice resulted in no petitions or requests for a public hearing regarding the proposed permanent rules; (2) filing the rules (as Clearinghouse Rule 99-061) in their proposed final form on May 10, 1999 with each of the Division's legislative oversight committees [referred to the Senate Committee on Privacy, Electronic Commerce and Financial Institutions on May 11, 1999, and the Assembly Financial Institutions Committee on May 19, 1999]; (3) during the 30-day Committee review periods, the Senate Committee by letter dated June 3, 1999 requested a meeting regarding Clearinghouse Rule 99-061, as well as regarding 3 other separate, pending, Clearinghouse Rules (99-058, 99-059, 99-060) proposed by other Divisions of DFI, thus tolling the Senate Committee's review period. [The Assembly Committee did not take any action regarding any of the pending DFI rules, including 99-061, and that review



June 28, 1999
Joint Committee for Review
of Administrative Rules
Page 2

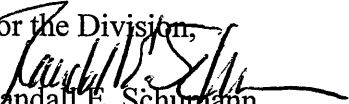
period has expired]; (4) representatives of DFI met with the Chairperson and staff of the Senate Committee on June 23, 1999 to answer questions and provide information, and at the conclusion of the meeting, the Committee chairperson stated that no Committee hearing would be called during the remainder of the Committee review period with regard to any of the pending DFI rules, including 99-061.

However, although the Division will take action immediately after what will be the July 3, 1999 expiration of the Senate Committee review period to issue an Order to adopt the permanent rules, the printing and publication process necessary for effectiveness of the permanent rules cannot be completed until, at the earliest, a targeted effective date of September 1, 1999 -- which is 34 days after the July 29, 1999 expiration of the 150-day effectiveness period of the emergency rules.

An emergency continues to exist which necessitated the March 1, 1999 adoption of the rules for the preservation of the public peace, health, safety or welfare, because the facts constituting the emergency as set forth in the attached copy of the Finding of Emergency remain the same as at the time of the emergency rule adoption, and adverse consequences can be avoided only by extending the emergency rules for a 34-day period until September 1, 1999, so that the proposed permanent rules in Clearinghouse Rule 99-061 can become effective.

Copies are attached of the original emergency rules text with the Finding of Emergency, and pursuant to sec. 227.24(2)(am), Wis. Stats., a copy of this extension request is being provided to: (i) the presiding officer of each house of the legislature; and (ii) the Senate Privacy, Electronic Commerce and Financial Institutions Committee, as well as the Assembly Financial Institutions Committee, where the permanent rules in their proposed final form were filed. Also attached for your information and files is a copy of the Division's Proposed Final Order to adopt the rules in permanent form as previously filed with each the legislative oversight committees.

Any questions with regard to this request may be directed to me at my direct dial telephone number 266-3414.

For the Division,

Randall E. Schumann
Legal Counsel for the Division

cc: Patricia D. Struck, Administrator, Division of Securities, Department of Financial Institutions
David Anderson, Executive Assistant, Department of Financial Institutions
President, Wisconsin State Senate
Speaker of the Assembly
[Chairperson, Senate Privacy, Electronic Commerce and Financial Institutions Committee]
[Chairperson, Assembly Financial Institutions Committee]

Enclosures (2)



State of Wisconsin
Department of Financial Institutions

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

February 25, 1999

Office of the Secretary of State
30 West Mifflin Street
Madison WI 53703

Revisor of Statutes Bureau
131 West Wilson Street, Suite 800
Madison WI 53703

Re: Filing of Certified Copy of Order Adopting Emergency Rules/
DFI-Sec 2.01(1)(c)6 and 2.01(1)(d)6/ Rules of the Division of Securities

Gentlemen and Mesdames:

Pursuant to the requirements of sec. 227.24(3), Wis. Stats., a certified copy is herewith filed of emergency rules in the form prescribed, adopted by the Department of Financial Institutions, Division of Securities, as published in the official state newspaper on this date, February 25, 1999, for effectiveness on March 1, 1999. Also, enclosed for use by the Revisor in connection with publication of the emergency rules in the Wisconsin Administrative Register is a diskette in Word 7.0 containing the text of the Order and the rules therein.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Randall E. Schumann".

Randall E. Schumann
Legal Counsel for the Division

RES
Enclosures

cc: Patricia D. Struck, Division Administrator
David Anderson, DFI Executive Assistant

**ORDER OF THE
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES
STATE OF WISCONSIN
ADOPTING EMERGENCY RULES**

To create DFI-Sec 2.01(1)(c)6 and DFI-Sec 2.01(1)(d)6 of the Rules of the Division of Securities relating to designating alternative accounting guidelines for the preparation of financial statements for certain governmental issuers of securities.

Statutory Authority: Sections 551.63(1) and (2), and 551.22(1)(a), Wis. Stats.

Statute Interpreted: Section 551.22(1)(a), Wis. Stats.

FINDING OF EMERGENCY AND ANALYSIS

The Division of Securities of the Department of Financial Institutions for the State of Wisconsin finds that an emergency exists and that the attached rules are necessary for the immediate preservation of the public peace, health, safety or welfare. A statement of the facts constituting the emergency follows.

These emergency rules are necessitated by a new accounting guideline relating to disclosures about Year 2000* issues applicable to the preparation of financial statements for governmental issuers of securities as required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues* ("GASB TB 98-1", or "Guideline"). The existence of this issue and the need for emergency rule treatment to assist governmental issuers was brought to the attention of the Division by representatives of Wisconsin public accounting groups and Wisconsin bond attorneys who recently learned about a Report by the American Institute of Certified Public Accountants regarding GASB TB 98-1.

As a result of that Report (and as particularized below) many Wisconsin governmental issuers would have the audit opinions for their financial statements for years ending after October, 1998, qualified with respect to disclosures about Year 2000 issues. Thus beginning in approximately March and April of 1999 and continuing through the accounting period ending 12/31/99, that new accounting Guideline will adversely impact the ability of Wisconsin and other state and local governmental securities issuers to continue to use on an "automatic"/self-executing basis, the existing securities registration exemption in s. 551.22(1)(a) of the Wisconsin Securities Law to offer and sell their debt securities to public investors in Wisconsin.

Over the years and to date, Wisconsin and other state and local governmental securities issuers having "full-GAAP" financial statements (e.g. prepared in accordance with generally accepted accounting principles) have been able to sell their debt securities to Wisconsin public investors in reliance on automatic use of the registration exemption in s. 551.22(1)(a), Wis. Stats., without the need for any exemption or other filing with the Division.

GASB TB 98-1 requires footnote disclosure of Year 2000 information regarding a governmental issuer's preparedness in terms of making its systems and equipment Year 2000 compliant. GASB TB 98-1 applies to financial statements dated October 31, 1998, and terminates for financial statements issued for purposes of the accounting period ending December 31, 1999, unless systems and equipment are not Year 2000 compliant as of the balance sheet date. In response to GASB TB 98-1, members of the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) issued a Report under the title "AICPA Illustrative Reporting Guidance on Year 2000 Disclosures Made Under GASB TB 98-1, Issued October 22, 1998." That Report raised the concern that in light of the unprecedented nature of the Year 2000 issue, the required disclosures will be neither ascertainable by management nor verifiable by auditors. As a result, the AICPA strongly recommended that auditors issue qualified opinions (scope limitations) with respect to such Year 2000 issue disclosures.

Consequently, all Wisconsin and other governmental securities issuers whose financial statements would contain such qualified opinions, would not meet (in the absence of the emergency rules) the "full-GAAP" financial statement requirement for automatic use of the registration exemption in 551.22(1)(a), Wis. Stats. Thus, such issuers would either have to go through a regulatory filing and review procedure with the Division prior to each offering, or would have to restrict the initial offering to securities law provisions that would preclude underwriters from reoffering those securities to investors in the primary and secondary markets.

In the absence of the emergency rules, governmental securities issuers would be adversely affected by the costs of making securities filings with their attendant delays. Also, even though Year 2000 issues equivalently affect private corporate issuers of securities, because there is no counterpart to GASB TB 98-1 within the standards promulgated by the Financial Accounting Standards Board applicable to private corporate securities issuers, the additional costs and filing delays would be singularly borne by *governmental* securities issuers (if the emergency rules were not adopted).

Finally, having a filing requirement under the Wisconsin Securities Law be triggered for Wisconsin and other state and local governmental securities offerings solely because of an auditor's qualification in an audit report on the Year 2000 issue, would result in added regulatory filing and review processes and procedures under the Wisconsin Securities Law that would not provide any "value added" investor protection benefits.

Therefore, in similar fashion to emergency rule-making action taken by the Division in 1994 and 1996 regarding specific accounting issues which occurred at those times, and for the purpose of alleviating the disruption that would occur in the borrowing/bonding plans of Wisconsin and other state and local governmental issuers that regularly claim exemption status under sec. 551.22(1)(a), Wis. Stats., for the offer and sale of their debt securities in Wisconsin, the Division, in consultation with representatives of Wisconsin accounting groups and Wisconsin bond attorneys, is adopting these emergency rules designating an alternative-to-full-GAAP financial statement requirement (when the governmental issuer's financial statements are full-GAAP)

where the auditor's opinion is qualified in accordance with GASB TB 98-1 with respect to disclosures concerning Year 2000 issues. As a result of such emergency rules, those Wisconsin and other state and local governmental securities issuers affected by GASB TB 98-1 will be able to continue to rely on the "automatic" registration exemption under 551.22(1)(a), Wis. Stats., for their securities offerings.

[Because this issue which has been triggered by GASB TB 98-1 has a limited "shelf life" such that no permanent rules relating to it will be needed after December 31, 2000, when action is taken by the Division to promulgate identical permanent rules to become effective upon expiration of the emergency rules, the permanent rules will provide for a December 31, 2000 "sunset" date, after which the permanent rules on the issue will no longer be effective.]

*The Year 2000 problem is the result of shortcomings in electronic data-processing systems and equipment that may adversely affect operations in the year 2000 and beyond. The problem stems from the use within electronic systems and equipment of two-digit storage for calendar years. Affected and uncorrected systems and equipment may be unable to distinguish the year 2000 from the year 1900; as a result, such systems may process inaccurately or stop processing altogether.

Pursuant to secs. 551.63(1) and (2) and 551.22(1)(a), Wis. Stats., the Division of Securities of the Department of Financial Institutions adopts emergency rules interpreting sec. 551.22(1)(a) of the Wisconsin Uniform Securities Law as follows:

SECTION 1. DFI-Sec 2.01(1)(c)6 is created to read:

DFI-Sec 2.01(1)(c)6. The issuer's annual general purpose financial statements are prepared according to generally accepted accounting principles as provided in subd. 1., except that the auditor's opinion is qualified in accordance with governmental accounting standards board technical bulletin 98-1 concerning Year 2000 issues.

SECTION 2. DFI-Sec 2.01(1)(d)6 is created to read:


DFI-Sec 2.01(1)(d)6. With respect to par. (c)6., the financial statements are prepared according to generally accepted accounting principles, except that the auditor's opinion is qualified in accordance with governmental accounting standards board technical bulletin 98-1 concerning Year 2000 issues.

EFFECTIVE DATE

The emergency rules adopted by this Order shall take effect at 12:01 a.m. on March 1, 1999, which is subsequent to publication of the rules in the official state newspaper pursuant to the provisions of Sec. 227.24, Wis. Stats.

Dated at Madison, Wisconsin, this 23d day of February, 1999.

[SEAL]



Patricia D. Struck
Administrator



State of Wisconsin

Department of Financial Institutions

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

May 7, 1999

The Honorable Fred Risser, President
Wisconsin State Senate
Attn: Donna Doyle
c/o Office of Senate Journal and Records
1 E. Main St., Ste. 402
Madison, WI 53702

The Honorable Scott Jensen
Speaker of the Assembly
Attn: Ken Stigler
c/o Office of Assembly Records
1 E. Main St., Ste. 402
Madison, WI 53702

Re: Clearinghouse Rule 99-061/Administrative Rule-Making Notice and Report to
Legislative Standing Committees Under secs. 227.19(2) and (3), Wis. Stats.

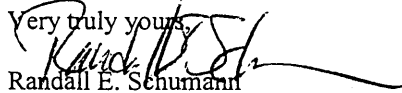
Gentlemen:

The Division of Securities of the Department of Financial Institutions hereby submits for filing with the Wisconsin Legislature pursuant to the administrative rule-making requirements of secs. 227.19(2) and (3), Wis. Stats., copies in triplicate of the Notice and Report required thereunder consisting of:

- (1) Proposed administrative rules in proposed final draft form as specified in sec. 227.14(1), Wis. Stats.
- (2) A Report as prescribed in sec. 227.19(3), Wis. Stats.
- (3) A fiscal estimate for the proposed rules.
- (4) A copy of the Clearinghouse Report of the Wisconsin Legislative Council relating to the published, public comment draft form of the proposed rules.

If you have any comments or questions regarding the above, please telephone me at 266-3414.

Very truly yours,


Randall E. Schumann
Legal Counsel for the Division

RES:gat

Attachments

cc: Revisor of Statutes
Joint Committee for Review of Administrative Rules
Patricia D. Struck, Administrator, Division of Securities
David Anderson, Executive Assistant, DFI



**PROPOSED FINAL ORDER OF THE
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES
STATE OF WISCONSIN
ADOPTING RULES**

To create DFI-Sec 2.01(1)(c)6 and (1)(d)6, Wis. Adm. Code, Rules of the Division of Securities, relating to designating an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in sec. 551.22(1)(a), Wis. Stats.

Analysis Prepared by the Department of Financial Institutions, Division of Securities

Statutory Authority: Sections 551.63(1) and (2), and 551.22(1)(a), Wis. Stats.

Statute Interpreted: Section 551.22(1)(a), Wis. Stats.

These proposed permanent rules are being promulgated to be in place upon the expiration of identical emergency rules currently in effect that were issued by Order of the Administrator of the Division of Securities on February 23, 1999, and became effective on March 1, 1999 following publication in the official state newspaper and the required filings with the Secretary of State and the Revisor of Statutes Bureau. The proposed permanent rules, as do the current emergency rules, designate an alternative accounting guideline for use of the securities registration exemption in sec. 551.22(1)(a), Wis. Stats., by Wisconsin and other state and local governmental issuers of their debt securities.

See the Statement Explaining Need for Proposed Rules in Section (a) of the attached Report for a more comprehensive discussion.

The rules designate an alternative-to-full-GAAP financial statement requirement (when the governmental issuer's financial statements are full-GAAP) where the auditor's opinion is qualified in accordance with GASB TB 98-1 with respect to disclosures concerning Year 2000 issues. As a result of the current emergency rules, and upon adoption of the proposed permanent rules, those Wisconsin and other state and local governmental securities issuers affected by GASB TB 98-1 will be able to continue to rely on the "automatic" registration exemption under 551.22(1)(a), Wis. Stats., for their securities offerings.

Text of Rules

SECTION 1. DFI-Sec 2.01(1)(c)6 is created to read:

DFI-Sec 2.01(1)(c)6. The issuer's annual general purpose financial statements through the accounting period ending December 31, 1999, are prepared according to generally accepted accounting principles as provided in subd. 1., except that the auditor's opinion is qualified in accordance with governmental accounting standards board technical bulletin 98-1 concerning Year 2000 issues.

SECTION 2. DFI-Sec 2.01(1)(d)6 is created to read:

DFI-Sec 2.01(1)(d)6. With respect to par. (c)6., the financial statements are prepared according to generally accepted accounting principles, except that the auditor's opinion is qualified in accordance with governmental accounting standards board technical bulletin 98-1 concerning Year 2000 issues.

The rules contained in this Order shall take effect as provided in s. 227.22(2), Stats., on the first day of the month following the date of publication in the Wisconsin Administrative Register.

Dated at Madison, Wisconsin, this _____ day of _____, 1999.

[SEAL]

PATRICIA D. STRUCK
Administrator
Division of Securities

REPORT PREPARED BY THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
RELATING TO PROPOSED FINAL FORM OF NEW
RULES OF THE DIVISION OF SECURITIES

(a) Statement Explaining Need for Proposed Rules

These proposed permanent rules are being promulgated to be in place upon the expiration of identical emergency rules currently in effect that were issued by Order of the Administrator of the Division of Securities on February 23, 1999, and became effective on March 1, 1999 following publication in the official state newspaper and the required filings with the Secretary of State and the Revisor of Statutes Bureau. The proposed permanent rules, as do the current emergency rules, designate an alternative accounting guideline for use of the securities registration exemption in sec. 551.22(1)(a), Wis. Stats., by Wisconsin and other state and local governmental issuers of their debt securities.

The rules are necessitated by a new accounting guideline relating to disclosures about Year 2000* issues applicable to the preparation of financial statements for governmental issuers of securities as required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues* ("GASB TB 98-1", or "Guideline"). The existence of this issue and the need for both emergency and permanent rule treatment to assist governmental issuers was brought to the attention of the Division by representatives of Wisconsin public accounting groups and Wisconsin bond attorneys who recently learned about a Report by the American Institute of Certified Public Accountants regarding GASB TB 98-1.

As a result of that Report (and as particularized below) many Wisconsin governmental issuers would have the audit opinions for their financial statements for years ending after October, 1998, qualified with respect to disclosures about Year 2000 issues. Thus beginning in approximately March and April of 1999 and continuing through the accounting period ending 12/31/99, that new accounting Guideline would have adversely impacted the ability of Wisconsin and other state and local governmental securities issuers to continue to use on an "automatic"/self-executing basis, the existing securities registration exemption in s. 551.22(1)(a) of the Wisconsin Securities Law to offer and sell their debt securities to public investors in Wisconsin.

Over the years and to date, Wisconsin and other state and local governmental securities issuers having "full-GAAP" financial statements (e.g. prepared in accordance with generally accepted accounting principles) have been able to sell their debt securities to Wisconsin public investors in reliance on automatic use of the registration exemption in s. 551.22(1)(a), Wis. Stats., without the need for any exemption or other filing with the Division.

GASB TB 98-1 requires footnote disclosure of Year 2000 information regarding a governmental issuer's preparedness in terms of making its systems and equipment Year 2000 compliant. GASB TB 98-1 applies to financial statements dated October 31, 1998, and terminates for financial statements issued for purposes of the accounting period ending December 31, 1999, unless systems and equipment are not Year 2000 compliant as of the balance sheet date. In response to GASB TB 98-1, members of the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) issued a Report under the title "AICPA Illustrative Reporting Guidance on Year 2000 Disclosures Made Under GASB TB 98-1, Issued October 22, 1998." That Report raised the concern that in light of the unprecedented nature of the Year 2000 issue, the required disclosures will be neither ascertainable by management nor verifiable by auditors. As a result, the AICPA strongly recommended that auditors issue qualified opinions (scope limitations) with respect to such Year 2000 issue disclosures.

Consequently, all Wisconsin and other governmental securities issuers whose financial statements would contain such qualified opinions, would not meet (in the absence of the current emergency rules and the proposed permanent rules) the "full-GAAP" financial statement requirement for automatic use of the registration exemption in 551.22(1)(a), Wis. Stats. Thus, such issuers would either have to go through a regulatory filing and review procedure with the Division prior to each offering, or would have to restrict the initial offering to be pursuant to securities law provisions that would preclude underwriters from reoffering those securities to investors in the primary and secondary markets.

In the absence of the current emergency rules and adoption of the permanent rules, governmental securities issuers would be adversely affected by the costs of making securities filings with the Division, as well as by the attendant delays of making such filings. Also, even though Year 2000 issues equivalently affect private corporate issuers of securities, because there is no counterpart to GASB TB 98-1 within the standards promulgated by the Financial Accounting Standards Board applicable to private corporate securities issuers, the additional costs and filing delays would be singularly borne by *governmental* securities issuers (if the emergency rules were not adopted and the proposed permanent rules are not adopted).

Finally, having a filing requirement for use of the registration exemption in sec. 551.22(1)(a) under the Wisconsin Securities Law be triggered for Wisconsin and other state and local governmental securities offerings solely because of an auditor's qualification in an audit report on the Year 2000 issue (based on a temporary accounting guideline of limited duration) would result in added regulatory filing and review processes and procedures under the Wisconsin Securities Law that would not provide any "value added" investor protection benefits.

Therefore, in similar fashion to rule-making action taken by the Division in 1994 and 1996 regarding specific governmental accounting issues which occurred at those times (involving the adoption by the Division of emergency rules followed by identical permanent rules), and for the purpose of alleviating the disruption that would occur in the borrowing/bonding plans of Wisconsin and other state and local governmental issuers that regularly claim exemption status under sec. 551.22(1)(a), Wis. Stats., for the offer and sale of their debt securities in Wisconsin, the Division, in consultation with representatives of Wisconsin accounting groups and Wisconsin bond attorneys, proposes to adopt the permanent rules set forth below. The rules designate an alternative-to-full-GAAP financial statement requirement (when the governmental issuer's financial statements are full-GAAP) where the auditor's opinion is qualified in accordance with GASB TB 98-1 with respect to disclosures concerning Year 2000 issues. As a result of such emergency rules, those Wisconsin and other state and local governmental securities issuers affected by GASB TB 98-1 will be able to continue to rely on the "automatic" registration exemption under 551.22(1)(a), Wis. Stats., for their securities offerings.

Because this regulatory issue which has been triggered by GASB TB 98-1 has a limited "shelf life" such that the permanent rules relating to it will not be needed after the accounting period ending December 31, 1999, the proposed permanent rules provide for a "sunset" date that extends through the accounting period ending December 31, 1999, after which the permanent rules will no longer be effective.

*The Year 2000 problem is the result of shortcomings in electronic data-processing systems and equipment that may adversely affect operations in the year 2000 and beyond. The problem stems from the use within electronic systems and equipment of two-digit storage for calendar years. Affected and uncorrected systems and equipment may be unable to distinguish the year 2000 from the year 1900; as a result, such systems may process inaccurately or stop processing altogether.

(b) Explanation of Modifications Made as a Result of Public Comment Letters and Hearing Testimony

--Not Applicable. No public hearing was held or was required to be held because the 30-Day Notice rule-making procedure was used, and no requests for a public hearing regarding the proposed rules were received from any entity or individual during the 30-day period.

(c) List of Persons Appearing or Registering at Public Hearing and Comment Letters Received

Not Applicable, see (b) above.

(d) Response to Legislative Council/Rules Clearinghouse Report Recommendations

Adoption of Rules Clearinghouse Comments in whole:

--Consistent with the Rules Clearinghouse comment under Item 5. "Clarity, Grammar and Punctuation" in the Effective Date provision, the typographical error which capitalized the word "on" following the word "statutes" was changed to delete the capitalization.

(e) No final regulatory flexibility analysis is included because the rules relate solely to municipal/governmental securities issuers and do not impact small businesses.

FISCAL ESTIMATE

DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
 DFI-Sec 2.01(1)(c)6, (1)(d)6
 Amendment No. if Applicable

Subject Designating an alternative accounting guideline for use of securities registration exemption 551.22(1)(a), Stats.

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
 Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

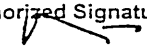
These rules adopt an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in section 551.22(1)(a), Wis. Stats., for purposes of offering and selling their debt securities in Wisconsin. The alternative guidelines allow an exception to the "full-GAAP" financial statement requirement for use of the exemption where the issuer's financial statements are full-GAAP except that the auditor's opinion is qualified in accordance with the Governmental Accounting Standards Board Technical Bulletin 98-1 concerning Year 2000 issues.

The rule adoptions will not have any state fiscal effect because those Wisconsin and other state and local governmental securities issuers having "full-GAAP" financial statements have previously to date sold their debt securities to public investors in Wisconsin in reliance on automatic use of the registration exemption in 551.22(1)(a) of the Wisconsin Securities Law (without the need for any filing involving fees payable to the Division of Securities). Under the alternative accounting guideline, those Wisconsin and other state and local governmental securities issuers impacted by Technical Bulletin 98-1, -- and who in the absence of the alternative accounting guidelines in the attached new rules would have to make filings under Chapter 551, Wis. Stats., -- will continue to be able to rely on "automatic" use of the registration exemption of 551.22(1)(a) without the need for any filings (including fees) with the Division.

The rules do not involve any local government costs.

Long-Range Fiscal Implications None

Agency/Prepared by: (Name & Phone No.)
 Dept. of Financial Institutions/Div of Securities
 Randall Schumann, Legal Counsel 266-3414

Authorized Signature/Telephone No.

 Patricia D. Struck, Administrator 266-3432

Date
 2-25-99

WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 99-061

AN ORDER to create DFI-Sec 2.01 (1) (c) 6. and (d) 6., relating to designating an alternative accounting guideline for the preparation of financial statements for Wisconsin and other state and local governmental issuers of securities utilizing the securities registration exemption in s. 551.22 (1) (a), Stats.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

03-19-99 RECEIVED BY LEGISLATIVE COUNCIL.
04-15-99 REPORT SENT TO AGENCY.

RS:dls;jal;kjf

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



David J. Stute, Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE RULE 99-061

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

5. Clarity, Grammar, Punctuation and Use of Plain Language

The effective date provision contains a typographical error; the phrase "Stats. On" should be replaced by the phrase "Stats., on."

Senate

COMMITTEE HEARINGS

**Committee on Privacy, Electronic Commerce and Financial
Institutions**

The committee will hold a public hearing and **possible executive session** on the following items at the time specified below:

Wednesday, November 17, 1999

10:00am

201 SE

State Capitol

PITTELKOW, CHARLES R., of Brookfield, as a member of the Savings Bank Review Board, to serve for the term ending May 1, 2003.

Clearinghouse Rule 99-121

Relating to securities broker-dealer, agent and investment adviser licensing requirements and procedures, securities registration exemptions, definitions and forms.

Submitted by the Department of Financial Institutions.

Senate Bill 96

Relating to: maximum interest rates.

By Senators Robson, Burke, Welch, Drzewiecki, Decker, Moore, Rosenzweig, Grobschmidt, Wirch and Baumgart; cosponsored by Representatives Grothman, Ladwig, Musser, Seratti, Schooff, Pohan, Bock, Coggs, Riley, Cullen, Colon, Travis, Young, La Fave, Sinicki, Wasserman, Black, J. Lehman, Berceau, Miller, Lassa, Williams, Gronemus and Boyle.

An **Executive Session** may be held on these or any other issue pending before the committee.

Senator Jon Erpenbach
Chair