

## 2013 DRAFTING REQUEST

**Bill**

Received: 12/4/2013 Received By: agary  
Wanted: As time permits Same as LRB:  
For: David Craig (608) 266-3363 By/Representing: Nathan Schacht  
May Contact: Drafter: agary  
Subject: Fin. Inst. - miscellaneous Addl. Drafters:  
Extra Copies:

Submit via email: YES  
Requester's email: Rep.Craig@legis.wisconsin.gov  
Carbon copy (CC) to: aaron.gary@legis.wisconsin.gov

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Rules changes, mostly related to credit unions

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**Instructions:**

See attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	agary 1/14/2014	wjackson 12/26/2013	jmurphy 12/27/2013	_____	lparisi 12/27/2013		State
/1		wjackson 1/14/2014	jfrantze 1/14/2014	_____	lparisi 1/14/2014	lparisi 1/14/2014	State

FE Sent For:

<END>

See attached

01-14-2014  
("/1")

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/P1	agary 12/20/2013	wjackson 12/26/2013	jmurphy 12/27/2013	_____	lparisi 12/27/2013		State

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PA's :  
Please jacket  
the /1.  
Thx. ARB  
1/14

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/P1	agary						State

1/1 WJ 12/26

km  
12/27

FE Sent For:

<END>

## Gary, Aaron

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**From:** Schacht, Nathan  
**Sent:** Wednesday, December 04, 2013 3:07 PM  
**To:** Gary, Aaron  
**Subject:** 2nd Reg Reform Bill Drafting Instructions

Aaron,

Per our conversation, here is much of the 2<sup>nd</sup> reg reform bill we need drafted. I'm hopeful to have the rest of the changes (all noted below) to you by the end of next week. Our goal is to have a draft by COB January 3<sup>rd</sup>, let me know ASAP if that is not possible.

Please let me know if you have any questions.

Best,  
Nate

---

DFI-Bkg 3- \*\*\*Changes may be forthcoming.\*\*\*

DFI-Bkg 9- \*\*\*Changes may be forthcoming.\*\*\*

DFI-Bkg 47- Delete entire chapter.

DFI-SB 6.01- \*\*\*Changes may be forthcoming.\*\*\*

DFI-CU 54.05(2)(b)- Change #3 to "A final title letter report showing status of current lien."

DFI-CU 57.01- Delete: *"Each credit union shall retain its records for at least the minimum period specified in the January 1996 edition of the technical publication of the Financial Managers Society, Inc. of Chicago, Illinois, titled "Financial Institutions Record Retention Manual.""* Also remove note referencing manual.

\*This may require changing 57.03 as well.

DFI-CU 59.03(1)- Delete reference to "fitch" and replace with a broader term referencing the standard recognized rating agencies. I'm assuming we define those rating agencies somewhere else in stats.

DFI-CU 59.03(06)- Increase \$50,000 to \$100,000. \*\*\*An index to CPI-U may be added to this prior to finalizing the draft.\*\*\*

DFI-CU 60- Change all references to "Certificates of Deposit" to instead be "Time Deposits".

DFI-CU 61- Change all references to "Conditional Sales Contracts" to instead be "Credit Sales Transactions".

DFI-CU 65- Delete entire chapter.

DFI-CU 66.02(2)- Delete note.

DFI-CU 66.02(2)- Delete note.

DFI-CU 67.02(2)- Delete "is not an employee of the credit union and".

DFI-CU 67.03(8)- Replace “regular accepted credit union accounting principles” with “generally accepted accounting principles”.

DFI-CU 67.04(3)- Delete. \*Will likely require change to 67.01(1) as well.

DFI-CU 68.02- Delete note.

DFI-CU 68.06(2)- Allow OCU Director to approve a difference reserve amount.

DFI-CU 70- Delete Entire Chapter

DFI-CU 72.13- \*\*\*Changes will be made to reserve standards. Those changes are forthcoming.\*\*\*

DFI-CU 74- \*\*\*Entire Chapter is going to be deleted and rewritten. New language is forthcoming.\*\*\*

**Nathan Schacht**

Office of State Representative David Craig

83rd Assembly District

P: (608) 266-3363

E: [nathan.schacht@legis.wi.gov](mailto:nathan.schacht@legis.wi.gov)

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## Gary, Aaron

---

**From:** Schacht, Nathan  
**Sent:** Monday, December 16, 2013 11:29 AM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Aaron, a few additions below in red. Please talk to Scott Grosz at LC regarding CU 74 if you have questions.

Nathan Schacht  
Office of State Representative David Craig

---

**From:** Gary, Aaron  
**Sent:** Wednesday, December 04, 2013 4:17 PM  
**To:** Schacht, Nathan  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Hi Nate,

I have entered this request as LRB-3765 and will start working on it shortly. I will try to meet your deadline but in part it depends on when I get the final instructions and to what extent the changes below have a ripple effect on other provisions. I also have about 30 drafting requests on my desk right now, with more coming in each day, and some of these are also considered urgent by the requesters.

Aaron

---

**From:** Schacht, Nathan  
**Sent:** Wednesday, December 04, 2013 3:07 PM  
**To:** Gary, Aaron  
**Subject:** 2nd Reg Reform Bill Drafting Instructions

Aaron,

Per our conversation, here is much of the 2<sup>nd</sup> reg reform bill we need drafted. I'm hopeful to have the rest of the changes (all noted below) to you by the end of next week. Our goal is to have a draft by COB January 3<sup>rd</sup>, let me know ASAP if that is not possible.

Please let me know if you have any questions.

Best,  
Nate

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~~DFI Bkg 3 \*\*\*Changes may be forthcoming.\*\*\*~~

DFI-Bkg 9- Use CU 57 language (with below changes) to replace Bkg 9. Also make the same change to DFI-SB 6 and DFI-SL-6 (leaving alone SB 6.04 and SL 6.04 in their respective chapters).

DFI-Bkg 47- Delete entire chapter.

~~DFI-SB 6.01 \*\*\*Changes may be forthcoming.\*\*\*~~ See Bkg 9

DFI-CU 54.05(2)(b)- Change #3 to "A final title letter report showing status of current lien."

DFI-CU 57.01- Delete: ~~"Each credit union shall retain its records for at least the minimum period specified in the January 1996 edition of the technical publication of the Financial Managers Society, Inc. of Chicago, Illinois, titled "Financial Institutions Record Retention Manual.""~~ Also remove note referencing manual.

\*This may require changing 57.03 as well.

Replace 57.01 with the following:

*Each credit union shall retain its records in a manner consistent with prudent business practices and in accordance with this chapter and other applicable state or federal laws, rules, and regulations. The record retention system utilized must be able to accurately produce such records.*

\*We also want to make sure that "record" is can be electronic or hard copy.

DFI-CU 59.03(1)- Delete reference to "fitch" and replace with a broader term referencing the standard recognized rating agencies. I'm assuming we define those rating agencies somewhere else in stats.

DFI-CU 59.03(06)- Increase \$50,000 to \$100,000.

Alos, add a positive BLS CPI-U indexer to this amount (positive in the sense that a negative CPI-U would mean that the change would be zero rather than negative). We'd like the new number published every 2 years (like the escrow interest rates but every other year). Is that something OCU would have to calculate or could we have LRB/LFB calculate that number for them?

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DFI-CU 70- Delete Entire Chapter

DFI-CU 72.13- Delete 72.12 and 72.13

DFI-CU 74- \*\*\*Entire Chapter is going to be deleted and rewritten. New language is forthcoming.\*\*\*

Delete Chapter.

New Statute Addition

-Take substantive material from 74.01 and 74.02(7) and put into CU portion of statute.

-Add to statute that the division (OCU) shall publish a list of state incidental powers and that all federal incidental powers as of the effective date of the act are now state incidental powers.

-Add to statute that the OCU shall within 30 days of a new federal incidental power make a determination whether said power shall also be afforded to state credit unions and, if approved, add said power to the state incidental powers list. (exempt this decision from the rulemaking process)

\*\*\*Is there safety and soundness language currently in statute that we can add to the criteria (beyond it's a federal incidental power) so there is direction in how the OCU should determine if something should be a new power?

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## Gary, Aaron

---

**From:** Schacht, Nathan  
**Sent:** Tuesday, December 17, 2013 10:49 AM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Responses below. Let me know if any of this doesn't make sense.

Nathan Schacht  
Office of State Representative David Craig

---

**From:** Gary, Aaron  
**Sent:** Tuesday, December 17, 2013 9:47 AM  
**To:** Schacht, Nathan  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Nate,

I'm working my way through these items and have a few questions for now, perhaps more later.

On the records retention changes, there are some statutes that refer to getting DFI's permission for the destruction of records. (See, e.g., s. 215.26 (3) for S&Ls, for obsolete records.) Is it your intent that a financial institution will comply with the new records retention standards in these rules and will no longer ask DFI for permission to destroy records?

-Yes, if they comply with new standards they should not have to get DFI permission to destroy. Would the suggested language for the next question take care of this?

On a related note, most of these rules have a provision that states what the retention period is and then have another provision that expressly states records may be destroyed after the retention period. See for example DFI-CU 57.01 and DFI-CU 57.03 and DFI-SB 6.01 and DFI-SB 6.03. The instructions don't state that DFI CU 57.03 should be repealed but intimate that DFI-SB 6.03 should be repealed. Similarly, relating to record policies, to me the instructions suggest that DFI-SB 6.02 should be repealed but don't state that DFI-CU 57.02 should be repealed. It seems these analogous provision should all be consistent, so how do you want me to address this (or have I misread the instructions re DFI-SB 6 and DFI-SL 6, which I interpret to ask for me to take out almost the whole chapter)?

-On destruction of records let language like this for each (feel free to reword):

*DFI-CU 57.03 Destruction of records. Except where a longer retention period is required by other state or federal laws, rules, and regulations, a credit union may destroy its records ~~at the end of the applicable minimum retention period determined under~~ subject to the considerations set forth in DFI-CU 57.01. In the destruction of records, the credit union shall take reasonable precautions to assure the confidentiality of information in the records.*

-My intention is that CU 57.02 be replicated (with relevant changes specifying banks vs CUs) for each retention chapter. Since SL and SB are already similar they likely don't need to be changed, however, a Bkg 9.02 will need to be created that is similar to CU 57.02.

\*\*\*The intent is that all Bkg, SL, SB, and CU records retention chapters are as similar as possible, so if the change is made to CU 57, go ahead and make the change to the others (expect that SB 6.04 and SL 6.04 should be left alone).

Regarding DFI-CU 66.02 (2), is this a duplication or did you mean to include another number?

-Duplicate

Regarding DFI-CU 67.04 (3), it states that it may require a change to 67.01 (1), but there is no 67.01 (1) – did you mean a different number?

-should be 67.05(1)

Regarding the indexer, LRB cannot calculate this. Typically an agency does this, but LFB could instead. Whoever does the calculation, they will have to report the result to LRB for LRB publish.

-Lets have LFB do it and report to LRB for publication.

On your last question below, I'll have to look into that more and get back to you.

\*Thank you!

Thanks. Aaron

Aaron R. Gary  
Attorney, Legislative Reference Bureau  
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[aaron.gary@legis.state.wi.us](mailto:aaron.gary@legis.state.wi.us)

~~DFI-Bkg 3~~ \*\*\*Changes may be forthcoming.\*\*\*

~~DFI-Bkg 9~~- Use CU 57 language (with below changes) to replace Bkg 9. Also make the same change to DFI-SB 6 and DFI-SL-6 (leaving alone SB 6.04 and SL 6.04 in their respective chapters).

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~~DFI-SB 6.01~~ \*\*\*Changes may be forthcoming.\*\*\* See Bkg 9

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## Gary, Aaron

---

**From:** Schacht, Nathan  
**Sent:** Wednesday, December 18, 2013 2:29 PM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Correct on 65.

Let me take a look into 61 and get back to you.

-Nate

Nathan Schacht  
Office of State Representative David Craig

---

**From:** Gary, Aaron  
**Sent:** Wednesday, December 18, 2013 1:34 PM  
**To:** Schacht, Nathan  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Nate,

Looking at DFI-CU 61, the origin for the term "conditional sales contracts" is a statute, so I will change that. See s. 186.113 (7). The heart of both the statute and the rules is that the provisions authorize a credit union to "purchase or acquire conditional sales contracts ...." I think the substitute language doesn't really work. How does one purchase or acquire a "transaction"? I think that, grammatically, this isn't possible. Perhaps an interest in the transaction? Do you have any suggestions on how you would like s. 186.113 (7) to read?

Also, on ch. DFI-CU 65, there are various statutory provisions on CUSOs so I am assuming that you want all the rules repealed so the statutory provisions stand alone. Please let me know if I have assumed incorrectly.

Thanks. Aaron

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**From:** Schacht, Nathan  
**Sent:** Tuesday, December 17, 2013 10:49 AM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

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-My intention is that CU 57.02 be replicated (with relevant changes specifying banks vs CUs) for each retention chapter. Since SL and SB are already similar they likely don't need to be changed, however, a Bkg 9.02 will need to be created that is similar to CU 57.02.

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DFI-Bkg 47- Delete entire chapter.

~~DFI-SB 6.01~~ \*\*\*Changes may be forthcoming.\*\*\* See Bkg 9

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DFI-CU 72.13- Delete 72.12 and 72.13

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## Gary, Aaron

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**From:** Schacht, Nathan  
**Sent:** Monday, December 23, 2013 2:38 PM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Aaron, everyone seems to like this approach. Thanks, Nate.

Nathan Schacht  
Office of State Representative David Craig

---

**From:** Gary, Aaron  
**Sent:** Friday, December 20, 2013 1:37 PM  
**To:** Schacht, Nathan  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Sorry, please disregard the prior attached document. This one is the right one. Aaron

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**From:** Gary, Aaron  
**Sent:** Friday, December 20, 2013 1:02 PM  
**To:** Schacht, Nathan  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Nate,

Just FYI, on the CU ch. 61 issue, as I mentioned, it is not exactly a clean substitution of terms, so at this point I think the attached language is what it would look like, unless you'd like to see something different. I know you're still looking at this, but thought it might be helpful to see what it would look like at this point.

Aaron

Aaron R. Gary  
*Attorney, Legislative Reference Bureau*  
608.261.6926 (voice)  
608.264.6948 (fax)  
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**From:** Schacht, Nathan  
**Sent:** Wednesday, December 18, 2013 2:29 PM  
**To:** Gary, Aaron  
**Subject:** RE: 2nd Reg Reform Bill Drafting Instructions

Correct on 65.

Let me take a look into 61 and get back to you.

-Nate

Nathan Schacht  
Office of State Representative David Craig



in  
12/20



LRB-3765/P1  
ARG:.....

needed  
by 1/3

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

Gen Cat

1 AN ACT ...; relating to: rule-making procedures and modifying and repealing  
2 various rules promulgated by the Department of Financial Institutions.

*Analysis by the Legislative Reference Bureau*

**ADD INSERT ANAL HERE**

" " ANAL-B "

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:*

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**SECTION 1.** 186.113 (7) of the statutes is amended to read:

**186.113 (7) ~~CONDITIONAL SALES CONTRACTS ACQUIRING INTERESTS IN CREDIT SALES TRANSACTIONS.~~** Purchase or acquire conditional sales contracts or similar instruments executed by interests in credit sales transactions involving credit union members.

**Cross-reference:** Cross-reference: Cross-reference: See also ch. DFI-CU 61, Wis. adm. code. **Cross-reference:**

**History:** 1971 c. 193; 1973 c. 12 s. 20; 1973 c. 208; 1973 c. 255 ss. 2, 3, 5; 1973 c. 336 s. 56; 1975 c. 345; 1977 c. 136, 342, 447; 1979 c. 121, 282; 1981 c. 5, 156, 319, 391; 1983 a. 368, 369; 1987 a. 403 s. 256; 1991 a. 221, 269; 1993 a. 112, 482; 1995 a. 27, 55, 151, 336; 1997 a. 35, 152; 2003 a. 63; 2005 a. 22, 131, 253; 2011 a. 205.

**SECTION 2.** 186.118 of the statutes is created to read:

**186.118 Incidental powers parity with federal credit unions.** (1) In addition to any activity or power authorized under ss. 186.098, 186.11, 186.113, 186.115, and 186.235 (21), a credit union organized under s. 186.02 may engage in any activity or exercise any power that is listed by the office of credit unions under sub. (2) or (3) (b).

(2) The office of credit unions shall publish on the department of financial institutions' Internet site a list of activities and powers incidental to the business of a credit union that are authorized for federally chartered credit unions as of the effective date of this subsection ... <sup>LRB</sup> ~~reviser~~ inserts date].

(3) (a) After the effective date of this <sup>LRB</sup> ~~subsection~~ <sup>paragraph</sup> ... ~~reviser~~ <sup>LRB</sup> inserts date], if any activity or power incidental to the business of a credit union that is not listed under sub. (2) becomes authorized for federally chartered credit unions, within 30 days after the activity or power becomes authorized the office of credit unions shall make a determination as to whether the activity or power should also be authorized for credit unions organized under s. 186.02. In making this determination, the office of credit unions shall consider the degree to which the following apply with respect to the activity or power:

1           1. It is necessary, convenient, or useful for effectively carrying out the mission  
2 or business of a credit union. ✓

3           2. It is the functional equivalent or logical outgrowth of activities or powers that  
4 are part of the mission or business of a credit union. ✓

5           3. It involves risks similar in nature to those already assumed as part of the  
6 business of the credit union and it is not likely to be detrimental to the overall safety  
7 and soundness of the credit union. ✓

8           (b) If the office of credit unions determines under par. (a) that the activity or  
9 power authorized for federally ~~chartered~~ credit unions should also be authorized for  
10 credit unions organized under s. 186.02, the office of credit unions shall add the  
11 activity or power to the list under sub. (2). ✓

12           **SECTION 3.** 186.71 (1) of the statutes is amended to read:

13           186.71 (1) Any credit union may cause any or all records kept by such credit  
14 union to be recorded, copied or reproduced by any photostatic, photographic or  
15 miniature photographic process or by optical imaging if the process employed  
16 correctly, accurately and permanently copies, reproduces or forms a medium for  
17 copying, reproducing or recording the original record on a film or other durable  
18 material. A credit union may thereafter dispose of the original record ~~after first~~  
19 ~~obtaining the written consent of the office of credit unions.~~

20           History: 1997 a. 152.

21           **SECTION 4.** 214.75 (4) of the statutes is amended to read:

22           214.75 (4) The division shall by rule prescribe ~~periods of time for~~ standards by  
23 ~~which savings banks must retain records and after the expiration of which, the~~  
24 ~~savings bank~~ may destroy those records. Liability may not accrue against the  
savings bank, the division or this state for destruction of records according to rules

1 of the division promulgated under this subsection. In an action in which records of  
 2 the savings bank may be called in question or demanded, a showing of ~~the expiration~~  
 3 ~~of the retention period~~ compliance with the division's standards shall be sufficient  
 4 to excuse for failure any inability to produce the records.

History: 1991 a. 221, 280; 1995 a. 27.

\*\*\*\*NOTE: It doesn't seem to me that any change is needed to s. 214.75 (1), stats.  
 Please let me know if you believe otherwise.

5 SECTION 5. 214.75 (5) (a) of the statutes is amended to read:

6 214.75 (5) (a) A savings bank may cause records kept by the savings bank to  
 7 be recorded, copied or reproduced by any photostatic, photographic or miniature  
 8 photographic process or by optical imaging if the process employed correctly,  
 9 accurately and permanently copies, reproduces or forms a medium for copying,  
 10 reproducing or recording the original record on a film or other durable material. A  
 11 savings bank may thereafter dispose of the original record ~~after obtaining the~~  
 12 ~~written consent of the division.~~ This subsection, ~~except that part requiring written~~  
 13 ~~consent of the division,~~ is applicable to federal savings banks if it does not contravene  
 14 federal law.

History: 1991 a. 221, 280; 1995 a. 27.

15 SECTION 6. 215.26 (3) of the statutes is repealed.

16 SECTION 7. 215.26 (4) (a) of the statutes is amended to read:

17 215.26 (4) (a) Any association may cause any or all records kept by such  
 18 association to be recorded, copied or reproduced by any photostatic, photographic or  
 19 miniature photographic process or by optical imaging if the process employed  
 20 correctly, accurately and permanently copies, reproduces or forms a medium for  
 21 copying, reproducing or recording the original record on a film or other durable  
 22 material. An association may thereafter dispose of the original record ~~after first~~  
 23 ~~obtaining the written consent of the division.~~ This section, ~~excepting the part of it~~

1 which ~~requires written consent of the division~~, is applicable to federal associations  
2 insofar as it does not contravene federal law.

**History:** 1971 c. 229; 1973 c. 291; 1975 c. 359 s. 16; 1975 c. 421; 1977 c. 140; 1977 c. 187 s. 135; 1979 c. 32 s. 92 (6); 1981 c. 192; 1983 a. 167 ss. 43, 44, 112; 1983 a. 192 s. 304; 1983 a. 268; 1989 a. 313; 1991 a. 78, 280, 316; 1993 a. 425, 481; 1995 a. 27, 104, 336, 400; 1997 a. 27; 1999 a. 94; 2003 a. 262; 2005 a. 155, 387; 2005 a. 443 s. 265.

3 **SECTION 8.** 220.28 of the statutes is repealed.

4 **SECTION 9.** 220.285 (1) of the statutes is amended to read:

5 220.285 (1) Any state bank, trust company bank, licensee under ss. 138.09,  
6 138.12, 138.14, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, or 224.725 or  
7 ch. 217 may cause any or all records kept by such bank, licensee, or registered person  
8 to be recorded, copied or reproduced by any photostatic, photographic or miniature  
9 photographic process or by optical imaging if the process employed correctly,  
10 accurately and permanently copies, reproduces or forms a medium for copying,  
11 reproducing or recording the original record on a film or other durable material. A  
12 bank, <sup>2 1 plain space</sup> ~~may thereafter dispose of the original record.~~ A licensee, or registered person  
13 may thereafter dispose of the original record after first obtaining the written consent  
14 of the division. This section, ~~excepting that part of it which requires written consent~~  
15 ~~of the division~~, is applicable to national banking associations insofar as it does not  
16 contravene federal law.

**History:** 1971 c. 239; 1973 c. 3; 1991 a. 39, 221; 1995 a. 27; 1997 a. 152; 1999 a. 31; 2005 a. 215; 2009 a. 2, 405.

17

18 ~~ADD INSERT B HERE~~ <sup>start</sup>

19 **SECTION 10.** 227.01 (13) (yv) of the statutes is created to read:

20 227.01 (13) (yv) Relates to any determination or list under s. 186.118. ✓

21

22 **ADD INSERT C HERE**

23

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2           **SECTION 11.** DFI-Bkg 9.01 of the administrative code is repealed and recreated

3 to read:

4           DFI-Bkg 9.01 **Retention of records; destruction of records.** (1) In this

5 section, "record" means information that is inscribed on a tangible medium or that

6 is stored in an electronic or other medium and is retrievable in perceivable form.

      \*\*\*\*NOTE: This definition of record<sup>" "</sup> is identical to that in s. 137.11 (12), stats., which<sup>" "</sup> is part of the state's adoption of the Uniform Electronic Transactions Act (UETA).   \*

7           (2) Each bank shall retain its records in a manner consistent with prudent

8 business practices and in accordance with this chapter and other applicable state or

9 federal laws, rules, and regulations. The record retention system utilized must be

10 able to accurately produce such records.

11           (3) Except where a retention period is required by state or federal laws, rules,

12 or regulations, a bank may destroy its records subject to the considerations set forth

13 in sub. (2). In the destruction of records, the bank shall take reasonable precautions

14 to assure the confidentiality of information in the records. ✓

15           **SECTION 12.** DFI-Bkg 41.01 (intro.) of the administrative code is amended to

16 read:

17           DFI-Bkg 41.01 (intro.) **License fee.** Except as provided in s. DFI-Bkg 47.04, ✓

18 the the following nonrefundable fees shall be submitted with an application for a

19 license or renewal of a license under subch. III of ch. 224, Stats.:

20           **SECTION 13.** Chapter DFI-Bkg 47 ✓ of the administrative code is repealed.

21           **SECTION 14.** DFI-CU 54.05 (2) (b) 3. of the administrative code is amended to

22 read:

1 DFI-CU 54.05 (2) (b) 3. A final title letter report showing the status of the  
2 current lien.

3 **SECTION 15.** DFI-CU 57.001 of the administrative code is created to read:

4 DFI-CU 57.001 **Definition.** In this chapter, "record" means information that  
5 is inscribed on a tangible medium or that is stored in an electronic or other medium  
6 and is retrievable in perceivable form.

\*\*\*\*NOTE: This definition of record is identical to that in s. 137.11 (12), stats., which  
is part of the state's adoption of the Uniform Electronic Transactions Act (UETA).

7 **SECTION 16.** DFI-CU 57.01 of the administrative code is amended to read:

8 DFI-CU 57.01 **Retention of records.** Each credit union shall retain its  
9 records in a manner consistent with prudent business practices and in accordance  
10 with this chapter and other applicable state or federal laws, rules, and regulations.  
11 The record retention system utilized must be able to accurately produce ~~accurate and~~  
12 ~~verifiable records and include an index to the retained forms.~~ Each credit union shall  
13 ~~retain its records for at least the minimum period specified in the January 1996~~  
14 ~~edition of the technical publication of the Financial Managers Society, Inc. of~~  
15 ~~Chicago, Illinois, titled "Financial Institutions Record Retention Manual."~~ such  
16 records. ✓

17 **SECTION 17.** DFI-CU 57.01 (note) ✓ of the administrative code is repealed.

18 **SECTION 18.** DFI-CU 57.03 ✓ of the administrative code is amended to read:

19 DFI-CU 57.03 **Destruction of records.** Except where a longer retention  
20 period is required by ~~other~~ state or federal laws, rules, ~~and or~~ or regulations, a credit  
21 union may destroy its records ~~at the end of the applicable minimum retention period~~  
22 ~~determined under~~ subject to the considerations set forth in s. DFI-CU 57.01. ✓ In the

1 destruction of records, the credit union shall take reasonable precautions to assure  
2 the confidentiality of information in the records.

3 **SECTION 19.** DFI-CU 59.03 (1) of the administrative code is amended to read:

4 DFI-CU 59.03 (1) The institutional security must have at least a <sup>invert</sup> "AA" rating  
5 ~~by fitch investors service of New York City, or a comparable rating service be rated~~  
6 by a nationally recognized statistical rating organization in one of its 2 highest rating  
7 categories.

8 **SECTION 20.** DFI-CU 59.03 (6) of the administrative code is renumbered  
9 DFI-CU 59.03 (6) (a) and amended to read:

10 DFI-CU 59.03 (6) (a) An individual credit union may not invest more than  
11 ~~\$50,000~~ \$100,000, subject to adjustment under par. (b), in securities issued by any  
12 one individual institution without the prior approval of the director of credit unions.

13 **SECTION 21.** DFI-CU 59.03 (6) (b) of the administrative code is created to read:

14 DFI-CU 59.03 (6) (b) <sup>1</sup>. In this paragraph, "consumer price index" means the  
15 U.S. consumer price index for all urban consumers, U.S. city average, as determined  
16 by the U.S. department of labor. ✓

17 2. On July 1 of each even-numbered year beginning on July 1, 2016, the  
18 legislative fiscal bureau shall make a calculation of the percentage difference  
19 between the consumer price index for the 12-month period ending on December 31  
20 of the preceding year and the consumer price index for the 12-month period ending  
21 on December 31 of the year that is 2 years before the preceding year and, if this  
22 percentage difference is a positive number, shall make a calculation of the dollar  
23 amount <sup>g</sup> specified under par. (a) as adjusted by this percentage difference, rounded  
24 to the nearest multiple of \$1,000. The legislative fiscal bureau shall notify the  
25 legislative reference bureau of these calculated amounts, and the legislative

1 reference bureau shall publish these calculated amounts in the Wisconsin  
 2 Administrative Register. If the calculated percentage difference is a positive  
 3 number, then on the effective date of the Wisconsin Administrative Register, the  
 4 amount under par. (a) is adjusted to reflect the calculated adjusted amount, as  
 5 published.

6 **SECTION 22.** <sup>DFI-CU</sup> 60.01 (title) of the administrative code is amended to read:

7 DFI-CU 60.01 **Definitions Definition.**

8 **SECTION 23.** <sup>DFI-CU</sup> 60.01 (1) of the administrative code is repealed. <sup>DFI-CU</sup>

9 **SECTION 24.** <sup>DFI-CU</sup> 60.01 (2) of the administrative code is renumbered <sup>DFI-CU</sup> 60.01 and  
 10 amended to read:

11 <sup>DFI-CU</sup> 60.01 ~~Passbook~~ In this chapter, "passbook savings account" means any book,  
 12 statement of account, or similar record in which a running account of all moneys paid  
 13 in or withdrawn by a credit union member on a savings account are recorded.

14 **SECTION 25.** <sup>DFI-CU</sup> 60.03 of the administrative code is amended to read:

15 DFI-CU 60.03 ~~Certificates of deposit~~ Time deposits. (1) The board of  
 16 directors shall establish the policy with regard to maturities and minimum  
 17 denominations for each classification of ~~certificates of~~ time deposit. This policy shall  
 18 be reviewed from time to time as conditions require.

19 (2) (a) At least 10 days prior to the maturity of a ~~certificate of~~ time deposit, the  
 20 credit union shall provide the holder written notice which sets forth the terms and  
 21 options available to the holder with regard to continuation or renewal of the  
 22 ~~certificate~~ time deposit.

23 (b) If the credit union elects not to renew a ~~certificate of~~ time deposit, the credit  
 24 union shall send the holder a clear notice of this intent at least 10 days prior to the  
 25 maturity of the ~~certificate~~ time deposit. If a member is duly notified of the intention

1 not to renew, it shall be optional with the credit union whether dividends will  
2 continue to be paid after maturity on ~~certificates of deposit~~ time deposits not  
3 surrendered at maturity date.

4 (3) At the option of the credit union, additional deposits may be permitted to  
5 ~~certificate of~~ time deposit accounts without extending the original maturity of the  
6 ~~certificate~~ time deposit.

7 (4) The information contained in s. DFI-CU 60.06 shall be disclosed on all  
8 ~~certificates of~~ ~~deposit~~ time deposit<sup>s</sup> or accompanying disclosure forms.

9 SECTION 26. DFI-CU 60.05 (1) and (2) of the administrative code are amended  
10 to read:

11 DFI-CU 60.05 (1) The board of directors shall establish the policy with regard  
12 to the penalties for early withdrawal from ~~certificate of~~ time deposit accounts or  
13 passbook savings accounts with stated maturities. Early withdrawal penalties may  
14 be enforced up to the maximum permitted by the depository institutions  
15 deregulation committee for similar types of accounts held in banks and savings and  
16 loan associations. If early withdrawal penalties are enforced by a credit union, these  
17 penalties shall be applied in a consistent manner to all accounts of a similar  
18 classification. This policy shall state the conditions under which penalties may be  
19 waived or modified.

20 (2) Penalties imposed for early withdrawal from ~~certificate of~~ time deposit  
21 accounts or passbook savings accounts with maturities may be deducted from the  
22 principal amount of the ~~certificate~~ time deposit or account balance.

23 SECTION 27. DFI-CU 60.06 of the administrative code is amended to read:

24 DFI-CU 60.06 **Credit union dissolution.** The liability for dividends  
25 declared by the board of directors on ~~certificate of~~ time deposit accounts and passbook

1 savings accounts shall terminate without penalty to the credit union upon the credit  
2 union entering an involuntary dissolution procedure, or if the director shall take  
3 possession of the credit union under s. 186.235 (11), Stats. Upon dissolution, the  
4 director shall determine the priority of payout of the various classifications of  
5 savings.

6 **SECTION 28.** DFI-CU 61 (title) of the administrative code is amended to read:

7 DFI-CU 61 (title) **CREDIT UNION PURCHASE OR ACQUISITION OF**  
8 **~~CONDITIONAL SALES CONTRACTS OR SIMILAR INSTRUMENTS~~**  
9 **~~EXECUTED BY CREDIT UNION MEMBERS INTERESTS IN CREDIT~~**  
10 **SALES TRANSACTIONS**

11 **SECTION 29.** DFI-CU 61.01 (1) of the administrative code is renumbered  
12 DFI-CU 61.01 and amended to read:

13 DFI-CU 61.01 **Limitations.** Subject to the following minimum requirements,  
14 credit unions with assets of \$1,000,000 or more may purchase or acquire ~~conditional~~  
15 ~~sales contracts or similar instruments executed~~ interests in credit sales transactions  
16 entered into by their members. Credit unions with assets of less than \$1,000,000 may  
17 do so ~~subject to the following minimum requirements,~~ only with the prior, written  
18 approval of the director.

\*\*\*\*NOTE: It appears that the "following minimum requirements" were repealed,  
as this provision was sub. (1) but all other subsections have now been eliminated.

19 **SECTION 30.** DFI-CU 61.02 (1) and (2) of the administrative code are amended  
20 to read:

21 DFI-CU 61.02 (1) The maximum interest rate (finance charge) chargeable to  
22 the member-borrower by a seller ~~on a conditional sales contract or similar~~  
23 ~~instrument sold to~~ in a credit sales transaction involving a credit union shall not

1 exceed that permitted by s. 422.201, Stats. ~~On such contracts~~ In such transactions,  
2 neither the seller nor the credit union, in the aggregate, may directly benefit by  
3 interest charges, including <sup>(3)</sup> ~~Time Price Differential~~, processing or service fees by an  
4 amount in excess of that permitted by s. 422.201, Stats.

5 (2) The interest rate or finance charges ~~on conditional sales contracts and~~  
6 ~~similar instruments~~ in credit sales transactions and on all loans shall be calculated  
7 and applied on a simple interest basis on the unpaid balance. "Add-on" or "Discount"  
8 interest rates on purchased ~~contracts~~ interests in these transactions and on other  
9 credit union loans are not permitted.

10 SECTION 31. DFI-CU 61.03 (1), (2) and (3) of the administrative code are  
11 amended to read:

12 DFI-CU 61.03 (1) Subject to the discretion of the board of directors a portion  
13 of interest charges (finance charges) on purchased ~~contracts~~ interests in credit sales  
14 transactions may be shared by the credit union with the seller subject, however, to  
15 s. DFI-CU 61.02.

16 (2) When interest income (finance charges) is shared with the seller, on  
17 ~~contracts~~ interests in credit sales transactions purchased with recourse, the credit  
18 union shall establish as a liability on its records, a dealer reserve. This reserve shall  
19 be adjusted and negotiated with the seller at least annually on the basis of the  
20 interest which has been accrued or earned.

21 (3) On ~~contracts~~ interests in credit sales transactions purchased without  
22 recourse, the shared interest (finance charges) paid to the seller must be set up as  
23 a deferred charge and applied at least semi-annually to the income received on those  
24 ~~contracts~~ interests.

25 SECTION 32. DFI-CU 61.04 of the administrative code is amended to read:

1 DFI-CU 61.04 **Dealer financial statements.** Credit unions purchasing  
2 member ~~contracts~~ interests in credit sales transactions made with recourse must  
3 secure annual sworn financial statements from each participating seller until the  
4 purchased ~~contracts~~ interests have been paid. These sworn financial statements are  
5 to be retained by the credit union for review by departmental examiners.

6 **SECTION 33.** Chapter DFI-CU 65<sup>↓</sup> of the administrative code is repealed.

7 **SECTION 34.** DFI-CU 66.02 (2) (note)<sup>↓</sup> of the administrative code is repealed.

8 **SECTION 35.** DFI-CU 67.01 of the administrative code is amended to read:

9 ~~DFI-CU~~ 67.01 **Purpose.** The director may accept an audit report of a certified public  
10 accountant ~~who is not an employee of the credit union~~ in lieu of all or a portion of the  
11 routine examination which is made by or caused to be made by the director as  
12 required by s. 186.235 (16), Stats.

13 **SECTION 36.** DFI-CU 67.02 (2) of the administrative code is amended to read:

14 ~~DFI-CU~~ 67.02 (2) "Accountant" means a certified public accountant who is ~~not an~~  
15 ~~employee of the credit union and~~ is licensed in the state of Wisconsin.

16 **SECTION 37.** DFI-CU 67.03 (8) of the administrative code is amended to read:

17 ~~DFI-CU~~ 67.03 (8) The credit union is operating in accordance with ~~regular~~ generally  
18 accepted ~~credit union~~ accounting principles.

19 **SECTION 38.** DFI-CU 67.04 (3) and (3) (note)<sup>↓</sup> of the administrative code are  
20 repealed.

21 **SECTION 39.** DFI-CU 67.04 (4) of the administrative code is amended to read:

22 ~~DFI-CU~~ 67.04 (4) The credit union requesting the director to accept an audit by an  
23 accountant shall pay to the director the current hourly examination fee established  
24 by s. 186.235 (14) (c), Stats., for the review and analysis of the audit report, and  
25 management report ~~and the special report on the forms supplied by the director.~~

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2 SECTION 40. DFI-CU 67.05 (1) of the administrative code is amended to read:

3 ~~DFI-CU~~ 67.05 (1) The director will analyze and review or cause to have analyzed or  
4 reviewed the reports and worksheets required by s. DFI-CU 67.04 (2) and ~~(3)~~ and  
5 determine if they satisfy s. DFI-CU 67.03.

6 SECTION 41. DFI-CU 68.02 (note) of the administrative code is repealed.

7 SECTION 42. DFI-CU 68.06 (2) of the administrative code is renumbered  
8 DFI-CU 68.06 (2) (intro.) and amended to read:

9 SECTION 43. DFI-CU 68.06 (2) of the administrative code is amended to read:

10 ~~DFI-CU~~ 68.06 (2) AUTHORIZED DEPOSITORY FINANCIAL INSTITUTIONS. A credit union may  
11 invest in deposit accounts of any authorized depository financial institution,  
12 provided the aggregate investment per institution shall not exceed the greater of the  
13 deposit insurance limit under federal deposit insurance corporation or federal  
14 savings and loan insurance corporation or 1/2 the unimpaired balance of the credit  
15 union's regular reserve unless the director of credit unions approves investment by  
16 the credit union exceeding this amount.

\*\*\*\*NOTE: Do you want to change this reference to the federal savings and loan insurance corporation (FSLIC), which hasn't existed for decades? The FDIC now insures the deposits of all financial institutions, including savings associations. I note that a similar change would be required in s. DFI-CU 68.03 (2), the definition of authorized depository financial institution. #

17 SECTION 44. Chapter DFI-CU 70 of the administrative code is repealed.

18 SECTION 45. DFI-CU 72.12 and 72.13 of the administrative code are repealed.

19 SECTION 46. Chapter DFI-CU 74 of the administrative code is repealed.

\*\*\*\*NOTE: Section 186.098 (9m), stats. allows a credit union to enter into loan participation agreements "subject to rules prescribed by the office of credit unions." Is this still OK or do you want me to remove this language in quotes? ✓

20 SECTION 47. DFI-SL 6.001 of the administrative code is created to read:

1 DFI-SL 6.001 **Definition.** In this chapter, "record" means information that  
2 is inscribed on a tangible medium or that is stored in an electronic or other medium  
3 and is retrievable in perceivable form.

\*\*\*\*NOTE: This definition of record<sup>is</sup> is identical to that in s. 137.11 (12), stats., which  
is part of the state's adoption of the Uniform Electronic Transactions Act (UETA). ✓

4 **SECTION 48.** DFI-SL 6.01 of the administrative code is amended to read:

5 DFI-SL 6.01 **Destruction of records.** Except where a longer retention period  
6 is required by another state or federal agency having jurisdiction over the  
7 association, the division authorizes the destruction of records at the end of the  
8 applicable minimum retention period determined under laws, rules, or regulations,  
9 an association may destroy its records subject to the considerations set forth in s.  
10 DFI-SL 6.03. In the destruction of records, the association shall take reasonable  
11 precautions should be taken to assure the confidentiality of members' accounts  
12 information in the records.

13 **SECTION 49.** DFI-SL 6.03 of the administrative code is amended to read:

14 DFI-SL 6.03 **Records retention requirements.** Each association shall  
15 retain its records in a manner consistent with prudent business practices and in  
16 accordance with this chapter and the other applicable state or federal laws, rules or,  
17 and regulations of state or federal agencies. Each association shall retain its records  
18 for the minimum period specified in the technical publication of the Financial  
19 Managers Society, Inc. of Chicago, Illinois, titled "Records Retention Guidelines" and  
20 dated July 1986. <sup>(SLC)</sup> The record retention system utilized must be able to accurately  
21 produce such records. <sup>(plain)</sup>

22 **SECTION 50.** DFI-SB 6.001 of the administrative code is created to read:

1           DFI-SB 6.001 **Definition.** In this chapter, "record" means information that  
 2 is inscribed on a tangible medium or that is stored in an electronic or other medium  
 3 and is retrievable in perceivable form.

<sup>" "</sup>  
 \*\*\*\*NOTE: This definition of record is identical to that in s. 137.11 (12), stats., which  
 is part of the state's adoption of the Uniform Electronic Transactions Act (UETA).

4           **SECTION 51.** DFI-SB 6.01 of the administrative code is amended to read:

5           DFI-SB 6.01 **Retention of records.** Each savings bank shall retain its  
 6 records in a manner consistent with prudent business practices and in accordance  
 7 with this chapter and ~~the other applicable state or federal laws, rules of state~~  
 8 ~~agencies, and regulations of federal agencies.~~ Each savings bank shall retain its  
 9 ~~records for the minimum period specified in the technical publication of the Financial~~  
 10 ~~Managers Society, Inc. of Chicago, Illinois, titled "Records Retention Guidelines" and~~  
 11 ~~dated 1992.~~ The record retention system utilized must be able to accurately produce  
 12 such records. ✓

13           **SECTION 52.** DFI-SB 6.01 (second note) ✓ of the administrative code is repealed.

14           **SECTION 53.** DFI-SB 6.03 of the administrative code is amended to read:

15           DFI-SB 6.03 **Destruction of records.** Except where a longer retention period  
 16 is required by another state or federal agency having jurisdiction over the savings  
 17 <sup>laws, rules, or regulations</sup>  
 bank, a savings bank may destroy its records at the end of the applicable minimum  
 18 ~~retention period determined under~~ subject to the considerations set forth in s.  
 19 DFI-SB 6.01. In the destruction of records, the savings bank shall take reasonable  
 20 precautions to assure the confidentiality of information in the records. ✓

21           **SECTION 54.** DFI-SB 6.05 (1) of the administrative code is amended to read:

22           DFI-SB 6.05 (1) **MICROPHOTOGRAPHY STANDARDS.** Microphotography may be  
 23 used to commit a savings bank's records to microfilm. The film used shall be of a

1 quality which permits it to be legible for ~~at least the retention periods under s.~~  
2 ~~DFI-SB 6.01~~ as long as the records are retained.

3

4 **ADD INSERT D HERE**

5

6

7

(END)

**ASSEMBLY BILL 277**

1       **SECTION 62.** DFI-SL 12.07 (2) (b) of the administrative code is amended to read:  
 2       DFI-SL 12.07 (2) (b) A customer furnishing another person with the plastic  
 3       card or other means providing access device to the customer's account through a  
 4       remote service unit shall be deemed to authorize all transactions that may be  
 5       accomplished by that means until the customer has given actual notice to the  
 6       association that further transactions are unauthorized.

7       **SECTION 63.** DFI-SL 12.08 (2) (intro.) of the administrative code is amended  
 8       to read:

9       DFI-SL 12.08 (2) **TRANSACTION DOCUMENTATION.** (intro.) Every Except as  
 10       provided in sub. (4), every transfer of funds made through a remote service unit by  
 11       a customer of an association shall be evidenced by a written document made  
 12       available to the customer at the time of the transaction. The document shall indicate  
 13       with reasonable specificity the identity of any third party to whom funds are  
 14       electronically transferred, the identity of the customer's account, the amount of  
 15       funds transferred, the type of transaction and the date of the transaction. A  
 16       customer may be required to reenter an access device, such as a card, at a terminal  
 17       in order to receive transaction documentation if all the following conditions are met:

18       **SECTION 64.** DFI-SL 12.08 (4) of the administrative code is created to read:

19       DFI-SL 12.08 (4) **EXCEPTION FOR WRITTEN DOCUMENT IN SMALL-VALUE TRANSFERS.**  
 20       An association is not subject to the requirement to make available a written  
 21       document under sub. (2) if the amount of the transfer is \$15 or less.

22       **SECTION 65.** DFI-SL 12.09 of the administrative code is repealed.

23       **SECTION 66. Effective dates.** This act takes effect on the day after publication,  
 24       except as follows:

insert  
D

**ASSEMBLY BILL 277**

**SECTION 66**

(1) The treatment of section 35.93 (2) (b) 4. and (c) 1. and (3) (e) (intro.) and 1.  
of the statutes takes effect on January 1, 2015.

(END)

insert  
D  
cont'd  
1  
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