

Chapter DFI-SL 15

INVESTMENTS IN SUBSIDIARIES

DFI-SL 15.01 Subsidiary investments authorized.

Note: Chapter S-L 15 was renumbered chapter DFI-SL 15 under s. 13.93 (2m) (b) 1., Stats., and corrections made under s. 13.93 (2m) (b) 6. and 7., Stats., Register, July, 1998, No. 511.

DFI-SL 15.01 Subsidiary investments authorized.

(1) "INVESTMENT IN SUBSIDIARIES" DEFINED. An association's investment in subsidiaries includes:

- (a) Capital stock and paid in surplus.
- (b) Partnership, joint venture or LLC capital contributions.
- (c) Mortgage loans, commercial loans, loan guarantees and letters of credit related to a subsidiary in which an association has invested.
- (d) Liability for the debt of a partnership, joint venture or LLC.
- (e) Any other obligation for direct or contingent payment of a subsidiary's debt.

(2) CONDITIONS OF INVESTMENT. An association may make an investment in subsidiaries under s. 215.13 (26) (f), Stats., if:

- (a) The division gives prior written approval of the investment; and
- (b) The subsidiary agrees:
 1. To restrict its activities to those authorized in writing by the division;
 2. To be audited by a certified public accountant at least once each fiscal year and deliver a copy of the certified public accountant's certified report to the division simultaneously with the delivery of the report to it;
 3. To file any report requested by the division, submit to periodic examination by the division and pay the expense of the examinations and audits;
 4. Not to directly or indirectly enter into a business venture with an officer, director or employee of the association or of a subsidiary unless the division gives prior written approval.
 5. To maintain books in accordance with generally accepted accounting principles.
 6. To make all books and records available for examination by the division on a timely basis.

(3) APPLICATION CONTENTS. (a) *Corporations.* An application for approval of investment in a corporation under this section shall contain:

1. A copy of the corporation's articles of incorporation certified by an officer of the corporation;
2. A copy of the corporation's bylaws;
3. A copy of the certificate of newly-elected officers;
4. An agreement by the corporation and each of its subsidiaries to comply with sub. (2) (b); and
5. Other information which the division may require.

(b) *Partnerships and joint ventures.* An application for approval of an investment in a partnership or joint venture under this section shall contain the partnership or joint venture agreement and other information which the division may require.

(c) *LLC.* An application for approval of an investment in an LLC shall contain:

1. A copy of the LLC's articles of organization and any amendments.
2. A copy of the LLC's operating agreement and any amendments.
3. A list of members of the LLC.
4. A list of officers, directors or other persons with managerial authority of the LLC.

(4) SPECIAL APPROVAL. An association may make an investment in a subsidiary in which it has less than a majority and controlling interest only if the division gives prior written approval.

(5) APPROVAL CONSIDERATIONS. In acting under this section, factors which the division shall consider include:

- (a) The effect on the safety and solvency of the association;
- (b) Compliance by the association with ch. 215, Stats. and chs. DFI-SL 1 to 19;
- (c) The anticipated benefit to the association and its depositors and other customers; and
- (d) The managerial capabilities and expertise of the personnel of the association and its subsidiaries.

Note: This section interprets or implements s. 215.13 (26) (f), Stats.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89; **CR 98-137: am. (1) (b) and (d), cr. (3) (c) Register February 2003 No. 566, eff. 3-1-03.**