



2003 ASSEMBLY BILL 739

January 9, 2004 - Introduced by Representative MONTGOMERY, cosponsored by Senator SCHULTZ. Referred to Committee on Financial Institutions.

1 **AN ACT** *to renumber and amend* 214.725 (1); *to amend* 214.725 (4), 214.725
2 (6), 214.772 (5), 215.03 (2) (a), 215.03 (2) (b) and 215.33 (4); and *to create*
3 214.725 (1) (b) of the statutes; **relating to:** regulatory examinations of savings
4 banks and savings and loan associations.

Analysis by the Legislative Reference Bureau

Current law requires the Division of Banking in the Department of Financial Institutions (division) to examine each state-chartered savings and loan association (savings and loan) at least once every 18 months, unless the division accepts an examination by the Federal Deposit Insurance Corporation, the federal Office of Thrift Supervision, or any other governmental agency authorized to make such examinations pursuant to that agency's rules and regulations. Any such alternative examination must comply with the division's procedures. Current law also requires the division to examine each state-chartered savings bank (savings bank) at least once every 18 months. Current law has a different, though similar, alternative examination provision applicable to state-chartered banks (state banks). Current law does not permit the division to accept an alternative examination of a savings bank.

This bill changes the alternative examination provision applicable to savings and loans, making it substantially similar to the alternative examination provision applicable to state banks. Thus, under the bill, the division may accept any examination that may have been made of a savings and loan within a reasonable period by the Federal Deposit Insurance Corporation, the federal Office of Thrift

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Supervision, any other federal agency that supervises and examines savings and loans, or any agency of another state with primary responsibility for supervising savings and loans chartered under the laws of that state. The bill deletes the requirement that any such examination must comply with the division's procedures. The bill also creates a substantially similar alternative examination procedure applicable to savings banks.

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

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

1 **SECTION 1.** 214.725 (1) of the statutes is renumbered 214.725 (1) (a) and
2 amended to read:

3 214.725 (1) (a) ~~At~~ Except as provided in par. (b), at least once every 18 months
4 and more often if necessary, the division shall examine the books, records, operations
5 and affairs of a savings bank. In the course of the examination, the division may also
6 examine in the same manner any entity, company or individual that the division
7 determines may have a relationship with the savings bank or a savings bank holding
8 company, savings bank subsidiary, service corporation or affiliate of the savings
9 bank, if the relationship may adversely affect the affairs, activities and safety and
10 soundness of the savings bank.

11 **SECTION 2.** 214.725 (1) (b) of the statutes is created to read:

12 214.725 (1) (b) In lieu of any examination required under par. (a), the division
13 may accept any examination that may have been made of any savings bank within
14 a reasonable period by the federal deposit insurance corporation, any federal agency
15 with primary responsibility for supervising savings banks chartered under the laws
16 of the United States, or any agency of another state with primary responsibility for
17 supervising savings banks chartered under the laws of that state.

18 **SECTION 3.** 214.725 (4) of the statutes is amended to read:

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1 214.725 (4) If a savings bank, its savings bank holding company or any of its
2 savings bank subsidiaries or service corporations has not been audited at least once
3 in the 12 months before the ~~division's~~ examination date under sub. (1) (a),
4 notwithstanding sub. (1) (b), the division shall order an audit of the entity's books and
5 records to be made by an independent certified public accountant, selected by the
6 division, who has experience in financial institution audits. The cost of the audit
7 shall be paid for by the entity being audited.

8 **SECTION 4.** 214.725 (6) of the statutes is amended to read:

9 214.725 (6) An examination report under s. 214.735 or a report based upon an
10 examination accepted under sub. (1) (b), may contain directives to correct violations
11 or to perform acts to ensure the safety and soundness of the savings bank or the entity
12 examined.

13 **SECTION 5.** 214.772 (5) of the statutes is amended to read:

14 214.772 (5) A foreign savings bank doing business in this state shall be
15 examined by the division as provided under s. 214.725, audited under s. 214.76 and
16 assessed fees as provided under s. 214.715 (1) (h), together with any out-of-state
17 travel expenses incurred in the course of an examination or audit. The division may
18 accept an examination to the extent permitted under s. 214.725 (1) (b) and may
19 accept all or part of an ~~examination or~~ audit prepared on behalf of the regulatory
20 authority responsible for the supervision of the foreign savings bank in the
21 jurisdiction in which the foreign savings bank is organized.

22 **SECTION 6.** 215.03 (2) (a) of the statutes is amended to read:

23 215.03 (2) (a) ~~At~~ Except as provided in par. (b), at least once within every
24 18-month period, the division shall examine the cash, bills, collaterals, securities,
25 assets, books of account, condition and affairs of all such associations and for that

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1 purpose the division or the division's examiners shall have access to, and may compel
2 the production of, all their books, papers, securities and moneys, administer oaths
3 to and examine their officers and agents as to their affairs. An employee of the
4 division may not examine an association in which the employee is interested as an
5 officer or director.

6 **SECTION 7.** 215.03 (2) (b) of the statutes is amended to read:

7 215.03 (2) (b) The In lieu of any examination required under par. (a), the
8 division may accept an examination-audit made any examination that may have
9 been made of any association within a reasonable period by the deposit insurance
10 corporation, a federal regulatory agency ~~or any other governmental agency~~
11 ~~authorized to make examination-audits of associations pursuant to their rules and~~
12 ~~regulations. The examination-audit must comply with the procedure established by~~
13 ~~the division, or any agency of another state with primary responsibility for~~
14 supervising associations chartered under the laws of that state.

15 **SECTION 8.** 215.33 (4) of the statutes is amended to read:

16 215.33 (4) EXAMINATION AND AUDIT OF FOREIGN ASSOCIATIONS. Each foreign
17 association doing business in this state shall be examined by the division as provided
18 under s. 215.03, audited under s. 215.25 and assessed fees and costs as provided
19 under s. 215.02 (16), together with any out-of-state travel expenses incurred in the
20 course of the examination and audit. However, the division may accept an
21 examination to the extent permitted under s. 215.03 (2) (b) and may accept as all or
22 part of the examination or audit, all or any part of an examination or audit made on
23 behalf of the agency responsible for the supervision of the foreign association in the
24 jurisdiction in which the association is organized.

25 (END)