

1999 DRAFTING REQUEST

Assembly Substitute Amendment (ASA-SB274)

Received: **03/16/2000**

Received By: **rmarchan**

Wanted: **03/17/2000**

Identical to LRB:

For: **Suzanne Jeskewitz (608) 266-3796**

By/Representing: **rebecca**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Alt. Drafters:

Subject: **Fin. Inst. - banking inst.
Trade Regulation**

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Universal banking and credit unions

Instructions:

Same as LRBs0432 (combine LRBs0414/2 and engrossed AB563) except add requested changes to credit union membership provision and add new credit union and universal bank privacy provision.

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>
/?	rmarchan 03/16/2000	chanaman 03/17/2000		_____			
/1	rmarchan 03/20/2000	gilfokm 03/20/2000	jfrantze 03/17/2000	_____	lrb_docadmin 03/17/2000	lrb_docadmin 03/17/2000	
/2	rmarchan 03/27/2000	wjackson 03/27/2000	jfrantze 03/20/2000	_____	lrb_docadmin 03/20/2000	lrb_docadmin 03/20/2000	
/3			jfrantze 03/27/2000	_____	lrb_docadmin 03/27/2000	lrb_docadmin 03/27/2000	

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/2		/3 wlj 3/27	jfrantze 03/20/2000	_____	lrb_docadmin 03/20/2000	lrb_docadmin 03/20/2000	

FE Sent For:

Jb 3/28 *Self 3/28*
<END>

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Alt. Drafters:

Subject: **Fin. Inst. - banking inst.
Trade Regulation**

Extra Copies:

Handwritten note in a circle:
RON SKLANSKY
at Leg. Council
+ email rebecca

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No specific pre topic given

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FE Sent For:

Handwritten: 10/3/20
J/KM
3/20
<END>

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/?	rmarchan	1 wlj 3/17	J 3/17	J/RM 3/17			

FE Sent For:

<END>

Marchant, Robert

From: Roys, Lisa
Sent: Thursday, March 16, 2000 10:23 AM
To: Marchant, Robert
Cc: Larson, Rebecca; Anderson, David
Subject: SB 274 Credit Union Bill

We are requesting two additional changes to the substitute amendment you drafted for us. They are attached below. In addition, Representative Jeskewitz would like to add all of AB 563 (Universal Bank Bill) as amended by the Assembly, plus the third amendment relating to privacy attached below to the substitute.

As always, call if you have any questions!



Privacy - CU.doc



Continguity - CU.doc



Privacy - Universal
Bank AB 56...

Lisa M. Roys

WI Department of Financial Institutions
(608)266-0450

Sec# AM; 186.02(2)(b) 2.

unless the o-c-u determines that it is impractical for a particular CU... or

186.02(2)(b) ² Individuals that reside or are employed in well defined and contiguous neighborhoods and communities, unless, in approving a merger or consolidation the office of credit unions determines that the contiguous requirement would be inappropriate under the circumstances. And in well defined and contiguous rural districts or multicounty regions, unless the office of credit unions determines that it is impractical for a particular credit union to serve the area in which the individuals reside or are employed.

Sec# CR; 186.02(2)(b) 2m.
HP Individuals that reside or are employed in

**ASSEMBLY AMENDMENT __,
TO 1999 SENATE BILL 274**

At the locations indicated, amend the bill as follows:

1. Page 9, line 11: After that line, insert:

“Section 15e. 186.235(22) of the statutes is created to read:

“186.235(22) **Privacy.** Credit unions shall comply with the privacy requirements of Subtitle A of Title V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801-6801nt), as promulgated by the National Credit Union Administration, as effective. The office credit unions shall examine credit unions ~~for their~~ compliance with ~~those~~ privacy requirements and shall enforce those privacy requirements as they relate to credit unions.”

its

15 USC 6801 to 6801nt

ODMA\WORLD\DOXF\DOCS\WV\20511\5\SG9230.WPD

can't do it. Preempted by 15 USC 6805 (?) + 6807

6803?

Rules are promulgated under 6804. Comply w/ those, too? by NCUA

may restrict C.U. activities based upon C.U.'s failure to comply w/ those provision.

**SENATE AMENDMENT,
TO 1999 ASSEMBLY BILL 563**

At the locations indicated, amend the bill as follows:

1. Page 9, line 2: After that line, insert

- (f) ~~“A universal bank shall comply with the privacy requirements of Subtitle A of Title V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801-6801nt), as effective, and the most current consumer compliance examination that the financial institution has received from its Federal functional regulator regarding the financial institution’s compliance with these privacy requirements shall rate the financial institution in substantial compliance with those privacy requirements, as interpreted by the Department of Financial Institutions.”~~

as being

15 U.S.C. 6801
to 6803 and
rules promulgated
under 15 USC 6804

::ODMA\WORLD\DOXF\DOCS\WD\20511\5\SG9229.WPD

secs 501-503 + rules
promulgated under 504

Need to fix retro
if approve a fin. inst's app for cert. as ub, if all
of the following apply

The attached amendment accomplishes the following:

1. Imposes an additional eligibility requirement for a financial institution to become and remain a universal bank.
2. The other principal requirements are that the financial institution be well capitalized, well managed and satisfy CRA requirements.
3. The new eligibility requirement is that the financial institution be in compliance with the new privacy requirements of the Gramm-Leach-Bliley Act once they are effective on November 12, 2000. This generally means that the financial institution receive one of the top two compliance ratings for privacy out of the five compliance ratings available in the examination. The other three ratings are for less than satisfactory compliance or more serious noncompliance positions.
4. DFI is given authority to interpret federal compliance examinations for purposes of meeting this requirement. Federal examinations of financial institutions for compliance with federal laws are not available to the public and therefore must be interpreted by DFI. DFI receives copies of the examination reports for state chartered financial institutions.
5. DFI is given authority to limit or restrict the exercise of powers of a universal bank if it fails to meet the privacy requirements or to revoke the universal bank's certificate of authority for more serious privacy noncompliance problems.
6. This additional eligibility will be effective upon receipt of the first compliance examination for the new privacy requirements.

Marchant, Robert

To: Roys, Lisa
Cc: Anderson, David; Green, Chris
Subject: RE: FW: Universal banking language

Hi, Lisa--

I think I can address Mr. Knight's and your concerns. I want to avoid using "once effective" in the statutes and I want to avoid using a double negative in the statutes, if at all possible. Here is the language I propose:

(f) If the financial institution has received from its federal functional regulator, as defined in 15 USC 6809 (2), a consumer compliance examination that contains information regarding the financial institution's compliance with 15 USC 6801 to 6803 and any applicable regulations prescribed under 15 USC 6804, the most recent such examination, in the opinion of the division, indicates that the financial institution is in substantial compliance with those statutes and regulations.

Robert J. Marchant

Legislative Attorney
State of Wisconsin Legislative Reference Bureau
robert.marchant@legis.state.wi.us

-----Original Message-----

From: Roys, Lisa
Sent: Thursday, March 16, 2000 3:10 PM
To: Marchant, Robert
Cc: Anderson, David; Green, Chris
Subject: FW: FW: Universal banking language

Here is the Bankers Association comments on your proposed draft. I concur with his comments.

-----Original Message-----

From: John Knight [SMTP:jknight@boardmanlawfirm.com]
Sent: Thursday, March 16, 2000 3:03 PM
To: lisa.roys@dfi.state.wi.us; kbauer@wisbank.com
Subject: Re: FW: Universal banking language

Lisa - these are my suggestions on the privacy amendment.

1. In our draft, the UB was required to comply the privacy stats. Admittedly, that was more political than legal. It would be good to include it, but its exclusion is not a legal problem.

2. The privacy stats are not effective until Nov 12, 2000, unless that date is extended by the federal regulators. I would like to see the words "once effective" or something like that following the cite to 15USC6801. I would not want to force compliance by this stat before the eff date under fed law.

3. I suggest stating this in the negative like the other eligibility requirements - that is, the exam "does not indicate, in the opinion of the division, that the financial institution has failed to be in substantial compliance with...." Another reason for this, is that exams will not start to appear until sometime in 2001 and that delay should not affect eligibility to become a UB. We are attempting to deal only with those fin insts that have been examined for compliance.

Please forward to Mr. Marchant. If any questions, let me know. Thanks.

John Knight
Boardman Law Firm LLP
P.O.Box 927
Madison, WI 53701-0927
E-Mail: jknight@boardmanlawfirm.com Tel: (608) 283-1764
Fax: (608) 283-1709

>>> "Roys, Lisa" <lisa.roys@dfi.state.wi.us> 03/16/00 01:46PM >>>

> -----Original Message-----

> From: Marchant, Robert

> Sent: Thursday, March 16, 2000 1:16 PM

> To: Roys, Lisa

> Subject: Universal banking language

>

> Lisa--

>

> Here is the language I recommend, based upon my understanding of the
> intent. Please shop it around as necessary and let me know if it is o.k.

>

> (f) The most current consumer compliance examination that the financial
> institution has received from its federal functional regulator, as defined
> in 15 USC 6809 (2), regarding the financial institution's compliance with
> 15 USC 6801 to 6803 and any applicable regulations prescribed under 15 USC
> 6804 indicates, in the opinion of the division, that the financial
> institution is in substantial compliance with those statutes and
> regulations.

>

> Thanks.

>

> Robert J. Marchant

> Legislative Attorney

> State of Wisconsin Legislative Reference Bureau

> robert.marchant@legis.state.wi.us

>

LRBs 0432 =

+ SB 274, as changed by LRBs 0414
AB 563 (engrossed)

LRBs 0436 = LRBs 0432 + additional changes
per drafting instructions

See DNOTE to LRBs 0436/1 for brief
overview comparing LRBs 0436/1 to SB 274,
as amended in the Senate, and Engrossed
AB-563.

1999 - 2000 LEGISLATURE

5043611

LRB 0132/1

RJM:kmg&wlj:kjf

Friday 3-17-00
NOON

RMK

DUSTE

ASSEMBLY SUBSTITUTE AMENDMENT,
TO 1999 SENATE BILL 274

Reger

Reger

1 AN ACT *to repeal* 186.235 (16) (b), 186.41 (1) (d), 186.41 (6) (b) and 186.41 (8); to
2 *renumber* 186.235 (16) (a) and 186.41 (6) (a); *to renumber and amend* 186.02
3 (2) (d), 186.11 (4) (a), 186.41 (1) (a) and 186.41 (1) (c); *to amend* 93.01 (1m),
4 186.01 (2), 186.02 (2) (a) 1., 186.02 (2) (b) 2., 186.02 (2) (c), 186.11 (4) (title),
5 186.11 (4) (b) (intro) and 1., 186.11 (4) (c), 186.113 (1), 186.113 (1m) (a) (intro.),
6 186.113 (6) (b) and (c), 186.235 (7) (a) (intro.), 186.36, 186.41 (title), 186.41 (2)
7 and (3), 186.41 (4) (intro.), (a) to (d) and (f), 186.41 (5) (a), (b), (c) and (cr) and
8 220.04 (9) (a) 2.; and *to create* 186.02 (2) (d) 2., 186.11 (4) (a) 1., 186.113 (24),
9 186.235 (7) (c), 186.235 (7m), 186.45, 186.80, 220.14 (5), chapter 222 and
10 227.245 of the statutes; **relating to:** credit union membership, powers and
11 operation; the application of agriculture, trade and consumer protection
12 statutes to credit unions; the creation of a new type of financial institution; the
13 powers of and requirements applicable to the new type of financial institution;

1 providing an exemption from emergency rule procedures; granting
2 rule-making authority; and providing a penalty.

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

3 SECTION 1. 93.01 (1m) of the statutes is amended to read:

4 93.01 (1m) "Business" includes any business, except that of banks, savings
5 banks, credit unions, savings and loan associations and insurance companies.
6 "Business" includes public utilities and telecommunications carriers to the extent
7 that their activities, beyond registration, notice and reporting activities, are not
8 regulated by the public service commission and includes public utility and
9 telecommunications carrier methods of competition or trade and advertising
10 practices that are exempt from regulation by the public service commission under s.
11 196.195, 196.196, 196.202, 196.203, 196.219 or 196.499 or by other action of the
12 commission.

13 SECTION 2. 186.01 (2) of the statutes is amended to read:

14 186.01 (2) "Credit union" means, except as specifically provided under ss.
15 186.41 (1) and 186.45 (1), a cooperative, nonprofit corporation, incorporated under
16 this chapter to encourage thrift among its members, create a source of credit at a fair
17 and reasonable cost and provide an opportunity for its members to improve their
18 economic and social conditions.

19 SECTION 3. 186.02 (2) (a) 1. of the statutes is amended to read:

20 186.02 (2) (a) 1. ~~The conditions of residence or occupation which qualify persons~~
21 that determine eligibility for membership.

22 SECTION 4. ~~186.02 (2) (b) 2. of the statutes is amended to read:~~

INS
2-2
21

1 ~~186.02 (2) (b) 2. Residents within a well-defined neighborhood, community or~~
2 ~~Individuals that reside or are employed in well-defined, contiguous neighborhoods,~~
3 ~~communities, rural district districts or multicounty regions, unless the office of credit~~
4 ~~unions determines that it is impractical for a particular credit union to serve the area~~
5 ~~in which the individuals reside or are employed.~~

6 SECTION 5. 186.02 (2) (c) of the statutes is amended to read:

7 186.02 (2) (c) Members of the immediate family of all qualified persons are
8 eligible for membership. ~~In this paragraph, "members of the immediate family"~~
9 ~~include the wife, husband, parents, stepchildren and children of a member whether~~
10 ~~living together in the same household or not and any other relatives of the member~~
11 ~~or spouse of a member living together in the same household as the member.~~

12 SECTION 6. 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1. and
13 amended to read:

14 186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association
15 of individuals, the majority of whom ~~the directors, owners or members of which~~ are
16 eligible for membership, may be admitted to membership in the same manner and
17 under the same conditions as individuals.

18 SECTION 7. 186.02 (2) (d) 2. of the statutes is created to read:

19 186.02 (2) (d) 2. An organization or association that has a business location
20 within any geographic limits of the credit union's field of membership may be
21 admitted to membership.

22 SECTION 8. 186.11 (4) (title) of the statutes is amended to read:

23 186.11 (4) (title) INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS
24 ORGANIZATIONS.

1 **SECTION 9.** 186.11 (4) (a) of the statutes is renumbered 186.11 (4) (a) (intro.) and
2 amended to read:

3 186.11 (4) (a) (intro.) ~~A~~ Unless the office of credit unions approves a higher
4 percentage, a credit union may invest not more than 1.5% of its total assets in the
5 capital shares or obligations of ~~a credit union service corporation~~ organizations that
6 satisfy all of the following:

7 2. Are organized primarily to provide goods and services to credit unions, credit
8 union organizations and credit union members.

9 **SECTION 10.** 186.11 (4) (a) 1. of the statutes is created to read:

10 186.11 (4) (a) 1. Are corporations, limited partnerships, limited liability
11 companies or other entities that are permitted under the laws of this state and that
12 are approved by the office of credit unions.

13 **SECTION 11.** 186.11 (4) (b) (intro.) and 1. of the statutes are amended to read:

14 186.11 (4) (b) (intro.) A credit union service corporation organization under par.
15 (a) may provide goods and services including any of the following:

16 1. Credit union operations services, including service centers, credit and debit
17 card services, automated teller and remote terminal services, electronic transaction
18 services, accounting systems, data processing, management training and support,
19 payment item processing, record retention and storage, locator services, research,
20 debt collection, credit analysis and loan servicing, coin and currency services and
21 marketing and advertising services.

22 **SECTION 12.** 186.11 (4) (c) of the statutes is amended to read:

23 186.11 (4) (c) A credit union service corporation organization may be subject
24 to audit by the office of credit unions.

25 **SECTION 13.** 186.113 (1) of the statutes is amended to read:

1 186.113 (1) ~~BRANCH OFFICES. If the need and necessity exist and with~~ With the
2 approval of the office of credit unions, establish branch offices inside ~~this state or no~~
3 ~~more than 25 miles or~~ outside of this state. Permanent records may be maintained
4 at branch offices established under this subsection. In this subsection, the term
5 “branch office” does not include a remote terminal, a limited services office or a
6 service center.

7 **SECTION 14.** 186.113 (1m) (a) (intro.) of the statutes is amended to read:

8 186.113 (1m) (a) (intro.) ~~Establish~~ Before the effective date of this paragraph
9 [revisor inserts date], establish limited services offices outside this state to serve
10 any member of the credit union if all of the following requirements are met:

11 **SECTION 15.** 186.113 (6) (b) and (c) of the statutes are amended to read:

12 186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement
13 funds, individual retirement accounts, medical savings accounts or other employe
14 benefit accounts or funds permitted by federal law to be deposited in a credit union.

15 (c) Act as a depository for ~~member-deferred~~ member qualified and
16 nonqualified deferred compensation funds as permitted by federal law.

17 **SECTION 16.** 186.113 (24) of the statutes is created to read:

18 186.113 (24) **FUNERAL TRUSTS.** Accept deposits made by members for the
19 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

20 **SECTION 17.** 186.235 (7) (a) (intro.) of the statutes is amended to read:

21 186.235 (7) (a) (intro.) Employes of the office of credit unions and members of
22 the review board shall keep secret all the facts and information obtained in the
23 course of examinations, ~~except~~ or contained in any report provided by a credit union
24 other than any semiannual or quarterly financial report that is regularly filed with

1 the office of credit unions. This requirement does not apply in any of the following
2 situations:

3 SECTION 18. 186.235 (7) (c) of the statutes is created to read:

4 186.235 (7) (c) If any person mentioned in par. (a) discloses any information
5 about the private account or transactions of a credit union or any information
6 obtained in the course of an examination of a credit union, except as provided in pars.
7 (a) and (b), that person may be required to forfeit his or her office or position and may
8 be fined not less than \$100 nor more than \$1,000 or imprisoned for not less than 6
9 months nor more than 3 years or both.

10 SECTION 19. 186.235 (7m) of the statutes is created to read:

11 186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed
12 by a credit union are confidential, remain the property of the office of credit unions
13 and shall be returned to the office of credit unions immediately upon request.

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14 SECTION 20. 186.235 (16) (a) of the statutes is renumbered 186.235 (16).

15 SECTION 21. 186.235 (16) (b) of the statutes is repealed.

16 SECTION 22. 186.36 of the statutes is amended to read:

17 186.36 **Sale of insurance in credit unions.** Any officer or employe of a credit
18 union, when acting as an agent for the sale of insurance on behalf of the credit union,
19 shall pay all commissions received from the sale of ~~credit life insurance or credit~~
20 ~~accident and sickness insurance~~ to the credit union.

21 SECTION 23. 186.41 (title) of the statutes is amended to read:

22 186.41 (title) **Interstate ~~acquisition~~ acquisitions and merger mergers**
23 **of credit unions.**

24 SECTION 24. 186.41 (1) (a) of the statutes is renumbered 186.41 (1) (bm) and
25 amended to read:

1 186.41 (1) (bm) "~~In-state~~ Wisconsin credit union" means a credit union having
2 its principal office located in this state.

3 **SECTION 25.** 186.41 (1) (c) of the statutes is renumbered 186.41 (1) (am) and
4 amended to read:

5 186.41 (1) (am) "~~Regional Out-of-state~~ credit union" means a state or federal
6 credit union ~~that has its,~~ the principal office of which is located in ~~one of the regional~~
7 states a state other than this state.

8 **SECTION 26.** 186.41 (1) (d) of the statutes is repealed.

9 **SECTION 27.** 186.41 (2) and (3) of the statutes are amended to read:

10 186.41 (2) ~~IN-STATE WISCONSIN~~ CREDIT UNION. (a) ~~An in-state~~ A Wisconsin credit
11 union may do any of the following:

12 1. Acquire an interest in, or some or all of the assets and liabilities of, one or
13 more ~~regional out-of-state~~ credit unions.

14 2. Merge with one or more ~~regional out-of-state~~ credit unions.

15 (b) ~~An in-state~~ A Wisconsin credit union proposing any action under par. (a)
16 shall provide the office of credit unions a copy of any original application seeking
17 approval by a federal agency or by an agency of ~~the regional~~ another state and of any
18 supplemental material or amendments filed in connection with any application.

19 **(3) REGIONAL OUT-OF-STATE** CREDIT UNIONS. Except as provided in sub. (4), a
20 ~~regional~~ an out-of-state credit union may do any of the following:

21 (a) Acquire an interest in, or some or all of the assets of, one or more ~~in-state~~
22 Wisconsin credit unions.

23 (b) Merge with one or more ~~in-state~~ Wisconsin credit unions.

24 **SECTION 28.** 186.41 (4) (intro.), (a) to (d) and (f) of the statutes are amended to
25 read:

1 186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may
2 not take any action under sub. (3) until all of the following conditions have been met:

3 (a) The office of credit unions finds that the statutes of the ~~regional~~ state in
4 which the ~~regional~~ out-of-state credit union has its principal office permit ~~in-state~~
5 Wisconsin credit unions to both acquire ~~regional~~ out-of-state credit union assets and
6 merge with one or more ~~regional~~ out-of-state credit unions in the ~~regional~~ that state.

7 (b) The office of credit unions has not disapproved the acquisition of ~~in-state~~
8 Wisconsin credit union assets or the merger with the ~~in-state~~ Wisconsin credit union
9 under sub. (5).

10 (c) The office of credit unions gives a class 3 notice, under ch. 985, in the official
11 state newspaper, of the application to take an action under sub. (3) and of the
12 opportunity for a hearing and, if at least 25 residents of this state petition for a
13 hearing within 30 days of the final notice or if the office of credit unions on its own
14 motion calls for a hearing within 30 days of the final notice, the office of credit unions
15 holds a public hearing on the application, except that a hearing is not required if the
16 office of credit unions finds that an emergency exists and that the proposed action
17 under sub. (3) is necessary and appropriate to prevent the probable failure of ~~an~~
18 ~~in-state~~ a Wisconsin credit union that is closed or in danger of closing.

19 (d) The office of credit unions is provided a copy of any original application
20 seeking approval by a federal agency of the acquisition of ~~in-state~~ Wisconsin credit
21 union assets or of the merger with ~~an in-state~~ a Wisconsin credit union and of any
22 supplemental material or amendments filed with the application.

23 (f) With regard to an acquisition of assets of ~~an in-state~~ a Wisconsin credit
24 union that is chartered on or after May 9, 1986, the ~~in-state~~ Wisconsin credit union
25 has been in existence for at least 5 years before the date of acquisition.

1 **SECTION 29.** 186.41 (5) (a), (b), (c) and (cr) of the statutes are amended to read:

2 186.41 (5) (a) Considering the financial and managerial resources and future
3 prospects of the applicant and of the ~~in-state~~ Wisconsin credit union concerned, the
4 action would be contrary to the best interests of the members of the ~~in-state~~
5 Wisconsin credit union.

6 (b) The action would be detrimental to the safety and soundness of the
7 applicant or of the ~~in-state~~ Wisconsin credit union concerned, or to a subsidiary or
8 affiliate of the applicant or of the ~~in-state~~ Wisconsin credit union.

9 (c) Because the applicant, its executive officers or directors have not
10 established a record of sound performance, efficient management, financial
11 responsibility and integrity, the action would be contrary to the best interests of the
12 creditors, members or other customers of the applicant or of the ~~in-state~~ Wisconsin
13 credit union or contrary to the best interests of the public.

14 (cr) The applicant has failed to propose to provide adequate and appropriate
15 services of the type contemplated by the community reinvestment act of 1977 in the
16 community in which the ~~in-state~~ Wisconsin credit union which the applicant
17 proposes to acquire or merge with is located.

18 **SECTION 30.** 186.41 (6) (a) of the statutes is renumbered 186.41 (6).

19 **SECTION 31.** 186.41 (6) (b) of the statutes is repealed.

20 **SECTION 32.** 186.41 (8) of the statutes is repealed.

21 **SECTION 33.** 186.45 of the statutes is created to read:

22 **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

23 In this section:

24 (a) “Non-Wisconsin credit union” means a credit union organized under the
25 laws of and with its principal office located in a state other than this state.

1 (b) "Wisconsin credit union" has the meaning given in s. 186.41 (1) (bm).

2 (2) APPROVAL. A non-Wisconsin credit union may open an office and conduct
3 business as a credit union in this state if the office of credit unions finds that
4 Wisconsin credit unions are allowed to do business in the other state under
5 conditions similar to those contained in this section and that all of the following apply
6 to the non-Wisconsin credit union:

7 (a) It is a credit union organized under laws similar to the credit union laws of
8 this state.

9 (b) It is financially solvent based upon national board ratings.

10 (c) It has member savings insured with federal share insurance.

11 (d) It is effectively examined and supervised by the credit union authorities of
12 the state in which it is organized.

13 (e) It has received approval from the credit union authorities of the state in
14 which it is organized.

15 (f) It has a need to place an office in this state to adequately serve its members
16 in this state.

17 (g) It meets all other relevant standards or qualifications established by the
18 office of credit unions.

19 (3) REQUIREMENTS. A non-Wisconsin credit union shall agree to do all of the
20 following:

21 (a) Grant loans at rates not in excess of the rates permitted for Wisconsin credit
22 unions.

23 (b) Comply with this state's laws.

24 (c) Designate and maintain an agent for the service of process in this state.

1 (5) “Financial institution” means a state savings bank organized under ch. 214,
2 state savings and loan association organized under ch. 215 or a state bank chartered
3 under ch. 221.

4 (6) “Universal bank” means a financial institution that has been issued a
5 certificate of authority under s. 222.0205.

6 (7) “Well-capitalized” has the meaning given in 12 USC 1831o (b) (1) (A).

7 **222.0103 Applicability.** (1) SAVINGS BANKS. A universal bank that is a savings
8 bank organized under ch. 214 remains subject to all of the requirements, duties and
9 liabilities, and may exercise all of the powers, of a savings bank, except that in the
10 event of a conflict between this chapter and those requirements, duties, liabilities or
11 powers, this chapter shall control.

12 (2) SAVINGS AND LOAN ASSOCIATIONS. A universal bank that is a savings and loan
13 association organized under ch. 215 remains subject to all of the requirements,
14 duties and liabilities, and may exercise all of the powers, of a savings and loan
15 association, except that, in the event of a conflict between this chapter and those
16 requirements, duties, liabilities or powers, this chapter shall control.

17 (3) BANKS. A universal bank that is a bank chartered under ch. 221 remains
18 subject to all of the requirements, duties and liabilities, and may exercise all of the
19 powers, of a bank, except that, in the event of a conflict between this chapter and
20 these requirements, duties, liabilities or powers, this chapter shall control.

21 **222.0105 Fees.** The division may establish such fees as it determines are
22 appropriate for documents filed with the division under this chapter and for services
23 provided by the division under this chapter.

24 **222.0107 Administration.** (1) POWERS OF DIVISION. The division shall
25 administer this chapter for all universal banks.

1 (c) The financial institution does not exhibit a combination of financial,
2 managerial, operational and compliance weaknesses that is moderately severe or
3 unsatisfactory, as determined by the division based upon the division's assessment
4 of the financial institution's capital adequacy, asset quality, management capability,
5 earnings quantity and quality, adequacy of liquidity, and sensitivity to market risk.

6 (d) During the 12-month period ^{before} ~~prior to~~ ^{date of the} application, the financial
7 institution has not been the subject of an enforcement action and there is no
8 enforcement action pending against the financial institution by any state or federal
9 financial institution regulatory agency, including the division.

10 (e) The most current evaluation prepared under 12 USC 2906 that the financial
11 institution has received rates the financial institution as "outstanding" or
12 "satisfactory" in helping to meet the credit needs of its entire community, including
13 low-income and moderate-income neighborhoods, consistent with the safe and
14 sound operation of the financial institution.

15 (2) FAILURE TO MAINTAIN ELIGIBILITY; LIMITATION OF AUTHORITY AND
16 DECERTIFICATION. For any period during which a universal bank fails to meet the
17 requirements under sub. (1), the division shall by order limit or restrict the exercise
18 of the powers of the universal bank under this chapter. In addition to or lieu of
19 limiting or restricting the universal bank's authority under this subsection, the
20 division may by order revoke the universal bank's certificate of authority issued
21 under s. 222.0205.

22 **222.0205 Certificate of authority.** Upon approval of the application ^{an} ~~under~~
23 ~~s. 222.0201~~ for certification as a universal bank, the division shall issue to the
24 applicant a certificate of authority stating that the financial institution is certified
25 as a universal bank under this chapter.

1 (a) The name of any other financial institution organized under the laws of this
2 state.

3 (b) The name of a national bank or foreign bank authorized to transact business
4 in this state.

5 (3) EXCEPTIONS. A universal bank may apply to the division for authority to use
6 a name that does not meet the requirement under sub. (2). The division may
7 authorize the use of the name if any of the conditions under s. 221.0403 (2) (a) or (b)
8 is met.

9 (4) USE OF SAME NAME. A universal bank may use a name that is used in this
10 state by another financial institution or by an institution authorized to transact
11 business in this state, if the universal bank has done any of the following:

12 (a) Merged with the other institution.

13 (b) Been formed by reorganization of the other institution.

14 (c) Acquired all or substantially all of the assets, including the name, of the
15 other institution.

16 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
17 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
18 minimum capital requirements of universal banks.

19 (2) CERTAIN ASSET REQUIREMENTS. Section 214.045 does not apply to universal
20 banks.

21 **222.0307 Acquisitions, mergers and asset purchases. (1) IN GENERAL.** A
22 universal bank may, with the approval of the division, purchase the assets of, merge
23 with, acquire or be acquired by any other financial institution, universal bank,
24 national bank, federally chartered savings bank or savings and loan association, or
25 by a holding company of any of these entities. Notwithstanding subch. III of ch. 214

1 and ss. 214.09 and 215.36, the approval of the division of savings and loan is not
2 required.

3 (2) APPLICATIONS FOR APPROVAL. An application for approval under sub. (1) shall
4 be submitted on a form prescribed by the division and accompanied by a fee
5 determined by the division. In processing and acting on applications under this
6 section the division shall apply the following standards:

7 (a) For universal banks organized under ch. 214, ss. 214.09, 214.62 to 214.64
8 and 214.665 and subch. III of ch. 214.

9 (b) For universal banks organized under ch. 215, ss. 215.35, 215.36, 215.53 and
10 215.73.

11 (c) For universal banks chartered under ch. 221, subchs. VII and IX of ch. 221.

12 SUBCHAPTER IV

13 POWERS

14 **222.0401 Federal financial institution powers.** (1) IN GENERAL. (a)
15 *Powers exercised by universal bank.* A universal bank, with the approval of the
16 division, may exercise any power that may be directly exercised by a federally
17 chartered savings bank, a federally chartered savings and loan association or a
18 federally chartered national bank.

19 (b) *Powers exercised by subsidiary of universal bank.* A universal bank,
20 through a subsidiary and with the approval of the division, may exercise any power
21 that a federally chartered savings bank, a federally chartered savings and loan
22 association or a federally chartered national bank may exercise through a subsidiary.

23 (2) APPROVAL REQUIRED FOR EXERCISE OF FEDERAL POWER. A universal bank shall
24 file with the division a written request to exercise a power under sub. (1). The
25 division shall determine whether the requested power is permitted under sub. (1).

1 Within 60 days after receiving a request under this subsection, the division shall
2 approve the request, if the power is permitted under sub. (1), or shall disapprove the
3 request if the power is not permitted under sub. (1). The division and the universal
4 bank may mutually agree to extend this 60-day period for an additional period of 60
5 days.

6 (3) EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY. The division may
7 require that certain powers exercisable by a universal bank under sub. (1) (a) be
8 exercised through a subsidiary of the universal bank with appropriate safeguards to
9 limit the risk exposure of the universal bank.

10 **222.0403 Loan powers. (1) PERMITTED PURPOSES.** A universal bank may
11 make, sell, purchase, arrange, participate in, invest in or otherwise deal in loans or
12 extensions of credit for any purpose.

13 (2) IN GENERAL. Except as provided in subs. (3) to (8), the total liabilities of any
14 person, other than a municipal corporation, to a universal bank for a loan or
15 extension of credit may not exceed 20% of the capital of the universal bank at any
16 time. In determining compliance with this section, liabilities of a partnership
17 includes the liabilities of the general partners, computed individually as to each
18 general partner on the basis of his or her direct liability.

19 (3) CERTAIN SECURED LIABILITIES. The percentage limitation under sub. (2) is
20 50% of the universal bank's capital, if the liabilities under sub. (2) are limited to the
21 following types of liabilities:

22 (a) *Warehouse receipts.* A liability secured by warehouse receipts issued by
23 warehouse keepers who are licensed and bonded in this state under ss. 99.02 and
24 99.03 or under the federal Bonded Warehouse Act or who hold a registration
25 certificate under ch. 127, if all of the following requirements are met:

1 1. The receipts cover readily marketable nonperishable staples.

2 2. The staples are insured, if it is customary to insure the staples.

3 3. The market value of the staples is not, at any time, less than 140% of the face
4 amount of the obligation.

5 (b) *Certain bonds or notes.* A liability in the form of a note or bond that meets
6 any of the following qualifications:

7 1. The note or bond is secured by not less than a like amount of bonds or notes
8 of the United States issued since April 24, 1917, or certificates of indebtedness of the
9 United States.

10 2. The note or bond is secured or covered by guarantees or by commitments or
11 agreements to take over, or to purchase, the bonds or notes, and the guarantee,
12 commitment or agreement is made by a federal reserve bank, the federal small
13 business administration, the federal department of defense or the federal maritime
14 commission.

15 3. The note or bond is secured by mortgages or trust deeds insured by the
16 federal housing administration.

17 (4) OBLIGATIONS OF LOCAL GOVERNMENTAL UNITS. (a) *Definition.* In this
18 subsection, “local governmental unit” has the meaning given in s. 16.97 (7).

19 (b) *General limitation.* Except as otherwise provided in this subsection, the
20 total liabilities of a local governmental unit to a universal bank for money borrowed
21 may not, at any time, exceed 25% of the capital of the universal bank.

22 (c) *Revenue obligations.* Liabilities in the form of revenue obligations of a local
23 governmental unit are subject to the limitations provided in par. (b). In addition, a
24 universal bank is permitted to invest in a general obligation of that local
25 governmental unit in an amount that will bring the combined total of the general

1 obligations and revenue obligations of a single local governmental unit to a sum not
2 in excess of 50% of the capital of the universal bank.

3 (d) *General obligations.* If the liabilities of the local governmental unit are in
4 the form of bonds, notes or other evidences of indebtedness that are a general
5 obligation of a local governmental unit, the total liability of the local governmental
6 unit may not exceed 50% of the capital of the universal bank.

7 (e) *Temporary borrowings.* The total amount of temporary borrowings of any
8 local governmental unit maturing within one year after the date of issue may not
9 exceed 60% of the capital of the universal bank. Temporary borrowings and
10 longer-term general obligation borrowings of a single local governmental unit may
11 be considered separately in determining compliance with this subsection.

12 (5) OBLIGATIONS OF CERTAIN INTERNATIONAL ORGANIZATIONS; OTHER FOREIGN BONDS.
13 A universal bank may purchase bonds offered for sale by the International Bank for
14 Reconstruction and Development and the Inter-American Development Bank or
15 such other foreign bonds as may be approved under rules established by the division.
16 At no time shall the aggregate investment in any of these bonds issued by a single
17 issuer exceed 10% of the capital of the universal bank.

18 (6) FOREIGN NATIONAL GOVERNMENT BONDS. A universal bank may purchase
19 general obligation bonds issued by any foreign national government if the bonds are
20 payable in United States funds. The aggregate investment in these foreign bonds
21 may not exceed 3% of the capital of the universal bank, except that this limitation
22 does not apply to bonds of the Canadian government and Canadian provinces that
23 are payable in United States funds.

24 (7) LIMITS ESTABLISHED BY BOARD. (a) *When financial statements required.* A
25 universal bank may not make or renew a loan or loans, the aggregate total of which

1 exceeds the level established by the board of directors without being supported by a
2 signed financial statement of the borrower, unless the loan is secured by collateral
3 having a value in excess of the amount of the loan. A signed financial statement
4 furnished by the borrower to a universal bank in compliance with this paragraph
5 must be renewed annually as long as the loan or any renewal of the loan remains
6 unpaid and is subject to this paragraph.

7 (b) *Treatment of loans complying with limits.* A loan or a renewal of a loan made
8 by a universal bank in compliance with par. (a), without a signed financial statement,
9 may be treated by the universal bank as entirely independent of any secured loan
10 made to the same borrower if the loan does not exceed the limitations provided in this
11 section.

12 (9) EXCEPTIONS. This section does not apply to any of the following:

13 (a) *Liabilities secured by certain short-term federal obligations.* A liability that
14 is secured by not less than a like amount of direct obligations of the United States
15 which will mature not more than 18 months after the date on which such liabilities
16 to the universal bank are entered into.

17 (b) *Certain federal and state obligations or guaranteed obligations.* A liability
18 that is a direct obligation of the United States or this state, or an obligation of any
19 governmental agency of the United States or this state, that is fully and
20 unconditionally guaranteed by the United States or this state.

21 (c) *Commodity Credit Corporation liabilities.* A liability in the form of a note,
22 debenture or certificate of interest of the Commodity Credit Corporation.

23 (d) *Discounting bills of exchange or business or commercial paper.* A liability
24 created by the discounting of bills of exchange drawn in good faith against actually

1 existing values or the discounting of commercial or business paper actually owned
2 by the person negotiating the same.

3 (e) *Certain other federal or federally guaranteed obligations.* In obligations of,
4 or obligations that are fully guaranteed by, the United States and in obligations of
5 any federal reserve bank, federal home loan bank, the Student Loan Marketing
6 Association, the Government National Mortgage Association, the Federal National
7 Mortgage Association, the Federal Home Loan Mortgage Corporation, the
8 Export-Import Bank of Washington or the Federal Deposit Insurance Corporation.

9 (9) ADDITIONAL AUTHORITY. (a) *In general.* In addition to the authority
10 granted under subs. (1) to (8), and except as provided in par. (b), a universal bank may
11 lend under this subsection, through the universal bank or subsidiary of the universal
12 bank, to all borrowers from the universal bank and all of its subsidiaries, an
13 aggregate amount not to exceed 20% of the universal bank's capital. Neither a
14 universal bank nor any subsidiary of the universal bank may lend to any borrower,
15 under this subsection and any other law or rule, an amount that would result in an
16 aggregate amount for all loans to that borrower that exceeds 20% of the universal
17 bank's capital. A universal bank or its subsidiary may take an equity position or
18 other form of interest as security in a project funded through such loans. Every
19 transaction by a universal bank or its subsidiary under this subsection shall require
20 prior approval by the governing board of the universal bank or its subsidiary,
21 respectively. Such loans are not subject to s. 221.0326 or to classification as losses,
22 for a period of 2 years from the date of each loan except as provided in par. (b).

23 (b) *Suspension of additional authority.* The division may suspend authority
24 established under this subsection and, in such case, may specify how an outstanding
25 loan shall be treated by the universal bank or its subsidiary. Among the factors that

1 the division may consider in suspending authority under this subsection are the
2 universal bank's capital adequacy, asset quality, earnings quantity, earnings quality,
3 adequacy of liquidity and sensitivity to market risk and the ability of the universal
4 bank's management.

5 (10) EXERCISE OF LOAN POWERS; PROHIBITED CONSIDERATIONS. In determining
6 whether to make a loan or extension of credit, no universal bank may consider any
7 health information obtained from the records of an affiliate of the universal bank
8 that is engaged in the business of insurance, unless the person to whom the health
9 information relates consents.

10 **222.0405 Investment powers.** (1) INVESTMENT SECURITIES. Except as
11 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold
12 investment securities, consistent with safe and sound banking practices, up to 100%
13 of the universal bank's capital. A universal bank shall not invest greater than 20%
14 of the universal bank's capital in the investment securities of one obligor or issuer.
15 In this subsection, "investment securities" includes commercial paper, banker's
16 acceptances, marketable securities in the form of bonds, notes, debentures and
17 similar instruments that are regarded as investment securities.

18 (2) EQUITY SECURITIES. Except as provided in subs. (3) to (8), a universal bank
19 may purchase, sell, underwrite and hold equity securities, consistent with safe and
20 sound banking practices, up to 20% of capital or, if approved by the division in
21 writing, a greater percentage of capital.

22 (3) HOUSING ACTIVITIES. With the prior written consent of the division, a
23 universal bank may invest in the initial purchase and development, or the purchase
24 or commitment to purchase after completion, of home sites and housing for sale or
25 rental, including projects for the reconstruction, rehabilitation or rebuilding of

1 residential properties to meet the minimum standards of health and occupancy
2 prescribed for a local governmental unit, the provision of accommodations for retail
3 stores, shops and other community services that are reasonably incident to that
4 housing, or in the stock of a corporation that owns one or more of those projects and
5 that is wholly owned by one or more financial institutions. The total investment in
6 any one project may not exceed 15% of the universal bank's capital, nor may the
7 aggregate investment under this subsection exceed 50% of capital. A universal bank
8 may not make an investment under this subsection unless it is in compliance with
9 the capital requirements set by the division under s. 222.0305 (1) and with the capital
10 maintenance requirements of its deposit insurance corporation.

11 (4) PROFIT-PARTICIPATION PROJECTS. A universal bank may take equity positions
12 in profit-participation projects, including projects funded through loans from the
13 universal bank, in an aggregate amount not to exceed 20% of capital. The division
14 may suspend the investment authority under this subsection. If the division
15 suspends the investment authority under this subsection, the division may specify
16 how outstanding investments under this subsection shall be treated by the universal
17 bank or its subsidiary. Among the factors that the division may consider in
18 suspending authority under this subsection are the universal bank's capital
19 adequacy, asset quality, earnings quantity, earnings quality, adequacy of liquidity
20 and sensitivity to market risk and the ability of the universal bank's management.
21 This subsection does not authorize a universal bank, directly or indirectly through
22 a subsidiary, to engage in the business of underwriting insurance.

23 (5) DEBT INVESTMENTS. A universal bank may invest in bonds, notes, obligations
24 and liabilities described under s. 222.0403 (3) to (7), subject to the limitations under
25 those subsections.

1 (6) CERTAIN LIABILITIES. This section does not limit investment in the
2 liabilities described in s. 222.0403 (8).

3 (7) CERTAIN INVESTMENTS. A universal bank may invest without limitation in
4 any of the following:

5 (a) *Business development corporations.* Stocks or obligations of a corporation
6 organized for business development by this state or by the United States or by an
7 agency of this state or the United States.

8 (b) *Urban renewal investment corporations.* Obligations of an urban renewal
9 investment corporation organized under the laws of this state or of the United States.

10 (c) *Certain bank insurance companies.* An equity interest in an insurance
11 company or an insurance holding company organized to provide insurance for
12 universal banks and for persons affiliated with universal banks, solely to the extent
13 that this ownership is a prerequisite to obtaining directors' and officers' insurance
14 or blanket bond insurance for the universal bank through the company.

15 (d) *Certain remote service unit corporations.* Shares of stock, whether
16 purchased or otherwise acquired, in a corporation acquiring, placing and operating
17 remote service units under s. 214.04 (21) or 215.13 (46) or bank communications
18 terminals under s. 221.0303 (2).

19 (e) *Service corporations.* Equity or debt securities or instruments of a service
20 corporation subsidiary of the universal bank.

21 (f) *Federal funds.* Advances of federal funds.

22 (g) *Certain risk management financial products.* With the prior written
23 approval of the division, financial futures transactions, financial options
24 transactions, forward commitments or other financial products for the purpose of
25 reducing, hedging or otherwise managing its interest rate risk exposure.

1 (h) *Certain fiduciaries.* A subsidiary organized to exercise corporate fiduciary
2 powers under ch. 112.

3 (i) *Agricultural credit corporations.* An agricultural credit corporation. Unless
4 a universal bank owns at least 80% of the stock of the agricultural credit corporation,
5 a universal bank may not invest more than 20% of the universal bank's capital in the
6 agricultural credit corporation.

7 (j) *Deposit accounts and insured obligations.* Deposit accounts or insured
8 obligations of any financial institution, the accounts of which are insured by a deposit
9 insurance corporation.

10 (k) *Certain federal obligations.* Obligations of, or obligations that are fully
11 guaranteed by, the United States and stocks or obligations of any federal reserve
12 bank, federal home loan bank, the Student Loan Marketing Association, the
13 Government National Mortgage Association, the Federal National Mortgage
14 Association, the Federal Home Loan Mortgage Corporation or the Federal Deposit
15 Insurance Corporation.

16 (L) *Other investments.* Any other investment authorized by the division.

17 (8) INVESTMENTS IN OTHER FINANCIAL INSTITUTIONS. In addition to the authority
18 granted under ss. 222.0307 and 222.0409, and subject to the limitations of sub. (2),
19 a universal bank may invest in other financial institutions.

20 (9) INVESTMENTS THROUGH SUBSIDIARIES. A universal bank may make
21 investments under this section, directly or indirectly through a subsidiary, unless
22 the division determines that an investment shall be made through a subsidiary with
23 appropriate safeguards to limit the risk exposure of the universal bank.

1 **222.0407 Universal bank purchase of its own stock.** (1) IN GENERAL. A
2 universal bank may hold or purchase not more than 10% of its capital stock, notes
3 or debentures, except as provided in sub. (2) or (3).

4 (2) DIVISION APPROVAL. A universal bank may hold or purchase more than 10%
5 of its capital stock, notes or debentures, if approved by the division.

6 (3) ADDITIONAL AUTHORITY. A universal bank may hold or purchase more than
7 10% of its capital stock, notes or debentures if the purchase is necessary to prevent
8 loss upon a debt previously contracted in good faith. Stock, notes or debentures held
9 or purchased under this subsection may not be held by the universal bank for more
10 than 6 months if the stock, notes or debentures can be sold for the amount of the claim
11 of the universal bank against the holder of the debt previously contracted. The
12 universal bank shall either sell the stock, notes or debentures within 12 months of
13 acquisition under this subsection or shall cancel the stock, notes or debentures.
14 Cancellation of the stock, notes or debentures reduces the amount of the universal
15 bank's capital stock, notes or debentures. If the reduction reduces the universal
16 bank's capital below the minimum level required by the division, the universal bank
17 shall increase its capital to the amount required by the division.

18 (4) LOANS SECURED BY CAPITAL, SURPLUS OR DEPOSITS. A universal bank may not
19 loan any part of its capital, surplus or deposits on its own capital stock, notes or
20 debentures as collateral security, except that a universal bank may make a loan
21 secured by its own capital stock, notes or debentures to the same extent that the
22 universal bank may make a loan secured by the capital stock, notes and debentures
23 of a holding company for the universal bank.

24 **222.0409 Stock in bank-owned banks.** With the approval of the division,
25 a universal bank may acquire and hold stock in one or more banks chartered under

1 s. 221.1202 or national banks chartered under 12 USC 27 (b) or in one or more
2 holding companies wholly owning such a bank. Aggregate investments under this
3 section may not exceed 10% of the universal bank's capital.

4 **222.0411 General deposit powers.** (1) IN GENERAL. A universal bank may
5 set eligibility requirements for, and establish the types and terms of, deposits that
6 the universal bank solicits and accepts. The terms set under this subsection may
7 include minimum and maximum amounts that the universal bank may accept and
8 the frequency and computation method of paying interest.

9 (2) PLEDGE OF SECURITY FOR DEPOSITS. Subject to the limitations of s. 221.0324
10 that are applicable to banks, a universal bank may pledge its assets as security for
11 deposits.

12 (3) SECURITIZATION OF ASSETS. With the approval of the division, a universal
13 bank may securitize its assets for sale to the public. The division may establish
14 procedures governing the exercise of authority granted under this subsection.

15 (4) SAFE DEPOSIT POWERS. A universal bank may take and receive, from any
16 individual or corporation for safekeeping and storage, gold and silver plate, jewelry,
17 money, stocks, securities, and other valuables or personal property; and rent out the
18 use of safes or other receptacles upon its premises upon such compensation as may
19 be agreed upon. A universal bank has a lien for its charges on any property taken
20 or received by it for safekeeping. If the lien is not paid within 2 years from the date
21 the lien accrues, or if property is not called for by the person depositing the property,
22 or by his or her representative or assignee, within 2 years from the date the lien
23 accrues, the universal bank may sell the property at public auction. A universal bank
24 shall provide the same notice for a sale under this subsection that is required by law
25 for sales of personal property on execution. After retaining from the proceeds of the

1 sale all of the liens and charges due the bank and the reasonable expenses of the sale,
2 the universal bank shall pay the balance to the person depositing the property, or to
3 his or her representative or assignee.

4 **222.0413 Other service and incidental activity powers.** (1) NECESSARY
5 OR CONVENIENT POWERS. Unless otherwise prohibited or limited by this chapter, a
6 universal bank may exercise all powers necessary or convenient to effect the
7 purposes for which the universal bank is organized or to further the businesses in
8 which the universal bank is lawfully engaged. **AND INCIDENTAL ACTIVITIES**

9 **(2) REASONABLY RELATED POWERS.** (a) Subject to any applicable state or federal
10 regulatory or licensing requirements, a universal bank may engage, directly or
11 indirectly through a subsidiary, in activities reasonably related or incident to the
12 purposes of the universal bank. Activities reasonably related or incident to the
13 purposes of the universal bank are those activities that are part of the business of
14 financial institutions, or closely related to the business of financial institutions, or
15 convenient and useful to the business of financial institutions, or reasonably related
16 or incident to the operation of financial institutions or are financial in nature.
17 Activities that are reasonably related or incident to the purposes of a universal bank
18 include the following:

- 19 1. Business and professional services.
- 20 2. Data processing.
- 21 3. Courier and messenger services.
- 22 4. Credit-related activities.
- 23 5. Consumer services.
- 24 6. Real estate-related services, including real estate brokerage services.
- 25 7. Insurance and related services, other than insurance underwriting.

- 1 8. Securities brokerage.
- 2 9. Investment advice.
- 3 10. Securities and bond underwriting.
- 4 11. Mutual fund activities.
- 5 12. Financial consulting.
- 6 13. Tax planning and preparation.
- 7 14. Community development and charitable activities.
- 8 15. Debt cancellation contracts.
- 9 16. Any activities that are reasonably related or incident to activities under
- 10 subds. 1. to 15., as determined by rule of the division under par. (b).

11 (b) An activity that is authorized by statute or regulation for financial
12 institutions to engage in as of the effective date of this paragraph [revisor inserts
13 date], is an activity that is reasonably related to or incident to the purposes of a
14 universal bank. An activity permitted under the Bank Holding Company Act is an
15 activity that is reasonably related to or incident to the purposes of a universal bank.
16 The division may, by rule, expand the list of activities under par. (a) 1. to 15. that are
17 reasonably related or incident to the purposes of a universal bank and, by rule, may
18 establish which activities are reasonably related or incident to the activities under
19 par. (a) 1. to 15. Any activity approved by rule of the division under this paragraph
20 shall be authorized for all universal banks.

21 (3) NOTICE REQUIREMENT. A universal bank shall give 60 days' prior written
22 notice to the division of the universal bank's intention to engage in an activity under
23 this section.

24 (4) STANDARDS FOR DENIAL. The division may deny the authority of a universal
25 bank to engage in an activity under this section, other than those activities described

1 in sub. (2) (a) 1. to 15., if the division determines that the activity is not an activity
2 reasonably related or incident to the purposes of a universal bank. The division may
3 deny the authority of a universal bank to engage in an activity under this section if
4 the division determines that the universal bank is not well-capitalized, that the
5 universal bank is the subject of an enforcement action or that the universal bank
6 does not have satisfactory management expertise for the proposed activity.

7 (5) INSURANCE INTERMEDIATION. A universal bank, or an officer or salaried
8 employe of a universal bank, may obtain a license as an insurance intermediary, if
9 otherwise qualified. A universal bank may not, directly or indirectly through a
10 subsidiary, engage in the business of underwriting insurance.

11 (6) OTHER ACTIVITIES APPROVED BY THE DIVISION. A universal bank may engage
12 in any other activity that is approved by rule of the division.

13 (7) ACTIVITIES PROVIDED THROUGH A SUBSIDIARY. A universal bank may engage
14 in an activity under this section, directly or indirectly through a subsidiary, unless
15 the division determines that the activity must be conducted through a subsidiary
16 with appropriate safeguards to limit the risk exposure of the universal bank.

17 (8) LIMITATIONS ON INVESTMENTS THROUGH SUBSIDIARIES. The amount of the
18 investment in any one subsidiary that engages in an activity under this section may
19 not exceed 20% of capital or, if approved by the division, a higher percentage
20 authorized by the division. The aggregate investment in all subsidiaries that engage
21 in an activity under this subsection may not exceed 50% of capital or, if approved by
22 the division, a higher percentage authorized by the division.

23 (9) OWNERSHIP OF SUBSIDIARIES. A subsidiary that engages in an activity under
24 this section may be owned jointly, with one or more other financial institutions,
25 individuals or entities.

1 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
2 exercise trust powers in accordance with s. 221.0316.

3 **SECTION 38.** 227.245 of the statutes is created to read:

4 **227.245 Permanent rules; exemptions.** (1) PROMULGATION OF UNIVERSAL
5 BANKING RULES. Except as provided in subs. (2) and (3), the division of banking may
6 promulgate a rule under s. 222.0413 (2) (b) without complying with the notice,
7 hearing and publication procedures under this chapter.

8 (2) FILING AND PUBLICATION. The division of banking shall file a rule described
9 under sub. (1) as provided in s. 227.20. At the time that the rule is filed, the division
10 of banking shall mail a copy of the rule to the chief clerk of each house and to each
11 member of the legislature, shall publish in the official state newspaper a class 1
12 notice under ch. 985 containing a copy of the rule and shall take any other step it
13 considers feasible to make the rule known to persons who will be affected by the rule.

14 (3) EFFECTIVE DATE. A rule described under sub. (1) takes effect as provided
15 under s. 227.22.

16 **SECTION 39. Nonstatutory provisions.**

17 (1) Except as otherwise provided in this subsection, using the procedure under
18 section 227.24 of the statutes, the division of banking may promulgate rules
19 authorized under chapter 222 of the statutes, as created by this act, for the period
20 before permanent rules become effective, but not to exceed the period authorized
21 under section 227.24 (1) (c) and (2) of the statutes. Notwithstanding section 227.24

22 (1) (a) and (2) (b) of the statutes, the division of banking need not provide evidence
23 that promulgating a rule under this subsection as an emergency rule is necessary for the
of the necessity of preservation of the public peace, health, safety or welfare in

24 promulgating rules under this subsection. This subsection does not apply to the

and is not required to provide
a finding of emergency for a rule promulgated under this subsection

[Handwritten signature]

is not required to

(2)(b) and (3)

1 promulgation of rules under section 222.0413 (2) (b) of the statutes, as created by this
2 act.

after publication

3 SECTION 40. Effective dates. This act takes effect on the ~~first~~ day of the ~~3rd~~
4 ~~month beginning after publication~~, except as follows:

5 (1) The treatment of sections 222.0413 (2) (b) and 227.245 of the statutes and
6 SECTION 39(1) of this act take effect on the day after publication.

7 (END)

[Handwritten signature]

[Large handwritten note in a bubble:]
No. 4 (1) The treatment of sections 220.04 (9) (a) 2, 220.14 (5),
222.0101, 222.0103 to 222.0411, 222.0413 (1), (2)
(a) and (3) to (9) and 222.0415 of the statutes
takes effect on the first day of the 3rd month
beginning after publication.

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBs0436/lins
RJM:.....

INSERT 2-21

SECTION ~~1~~[#] 186.02 (2) (b) 2.[✓] of the statutes is amended to read:

186.02 (2) (b) 2. Residents Except as otherwise provided in this subdivision,[✓]
individuals ~~that~~^{who} reside or are employed within a well-defined neighborhood,
community or rural district and contiguous neighborhoods and communities, unless
the office of credit unions determines that it is impractical for a particular credit
union to serve the area in which the individuals reside or are employed. If the office
of credit unions, subsequent to a credit union merger, determines that it would be
inappropriate under the circumstances to require members of the credit union that
results from the merger to reside or be employed in contiguous neighborhoods and
communities, the requirement that these neighborhoods and communities be
contiguous does not apply.^{plain period}

SECTION ~~2~~[#] 186.02 (2) (b) 2m.[✓] of the statutes is created to read:

186.02 (2) (b) 2m. Individuals ~~that~~^{who} reside or are employed within well-defined
and contiguous rural districts or multicounty regions, unless the office of credit
unions determines that it is impractical for a particular credit union to serve the area
in which the individuals reside or are employed.

INSERT 6-15

SECTION ~~3~~[#] 186.235 (22)[✓] of the statutes is created to read:

186.235 (22) FINANCIAL PRIVACY. The office of credit unions shall examine a
credit union to determine the credit union's compliance with any applicable
requirements under 15 USC 6801 to 6803 and any applicable regulations prescribed
by the national credit union administration under 15 USC 6804. The office of credit

unions may restrict a credit union's activities under this chapter based upon the credit union's failure to comply with these requirements or regulations.

INSERT 15-14

4 (f) [§] ^{← STET} _{PM} the financial institution has received from its federal functional regulator, as defined in 15 USC 6809 (2), a consumer compliance examination that contains information regarding the financial institution's compliance with 15 USC 6801 to 6803 and any applicable regulations prescribed under 15 USC 6804, the most recent such examination indicates, in the opinion of the division, that the financial institution is in substantial compliance with those statutes or regulations.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBs0436/1dn

RJM:/:....

Wlj

Representative Jeskewitz:

I based this ^{substitute} amendment upon the instructions provided to me by Lisa Roys at the Department of Financial institutions. Primarily, the amendment includes the following:

1. Engrossed AB-563 (universal banking), except that the amendment creates a new financial privacy eligibility requirement. Under this new requirement, the most recent federal evaluation of the financial institution, in the opinion of the division of banking, must indicate that the financial institution is in substantial compliance with applicable financial privacy provisions under Subtitle A of Title V of the federal Gramm-Leach-Bliley Act, 15 USC 6801 to 6809, and applicable financial privacy regulations promulgated under that Subtitle. In addition, the division of banking must restrict the powers of a universal bank if, in the opinion of the division of banking, the universal bank's most recent federal evaluation fails to indicate that the universal bank is in substantial compliance with these provisions and regulations. In this case, the division of banking may also revoke the universal bank's certification.

Please note that the the relevant financial privacy provisions of the Gramm-Leach-Bliley Act have not yet taken effect and neither have any of the relevant financial privacy regulations that are required under the act. The new universal banking eligibility requirement established under this amendment will not have any effect until these federal requirements take effect. ^{substitute}

2. Senate Bill 274, as amended by SA-1 and SA-3 (but not SA-2), with the following changes:

← A) Retains definition of and membership provision related to vicinal industries.

← B) Retains, rather than repeals, ss. 186.02 (2) (a) 3. and 4. (credit union bylaws).

← C) Amends s. 186.02 (2) (b) 2. and creates s. 186.02 (2) (b) 2m., regarding individuals ~~that~~ ^{who} are entitled to membership in a credit union and geographic restrictions on a credit union's field of membership.

← D) Restricts the provision created in s. 186.02 (2) (d) 2., regarding an organization becoming a member of a credit union.

← E) Deletes the requirement that a credit union establish a policy determining who qualifies as a member of the immediate family of a person qualified for membership. However, under the amendment, a credit union's bylaws are required to prescribe the conditions that determine eligibility for membership. See s. 186.02 (2) (a) 1.

← F) In s. 186.11 (4) (a) 2., requires a credit union service organization to be organized primarily to provide goods and services to credit unions, credit union organizations and credit union members. Senate Bill 274 requires a credit union service organization to be organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members.

← G) Deletes the expansion of credit union service organization activities under SB-274.

← H) Deletes SB-274's proposed grant of authority to a credit union to purchase certain assets of another lender or seller.

← I) Creates a financial privacy provision somewhat similar to that proposed for universal banks. Under the amendment, the office of credit unions must examine a credit union to determine the credit union's compliance with any applicable financial privacy provisions of Subtitle A of Title V of the federal Gramm-Leach-Bliley Act and applicable financial privacy regulations promulgated under that Subtitle. The office of credit unions may restrict a credit union's activities for failure to maintain compliance with these provisions and regulations. As with the universal banking financial privacy provision, the credit union financial privacy provision will have no effect until the federal requirements take effect.

The amendment also includes some technical changes. The most extensive technical clean²up is in s. 222.0207 (voluntary termination of certification). This change does not alter the legal effect of the provision.

Please feel free to call with any questions or requested changes.

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DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBs0436/1dn
RJM:wljjf

March 17, 2000

Representative Jeskewitz:

I based this substitute amendment upon the instructions provided to me by Lisa Roys at the Department of Financial Institutions. Primarily, the amendment includes the following:

1. Engrossed AB-563 (universal banking), except that the amendment creates a new financial privacy eligibility requirement. Under this new requirement, the most recent federal evaluation of the financial institution, in the opinion of the division of banking, must indicate that the financial institution is in substantial compliance with applicable financial privacy provisions under Subtitle A of Title V of the federal Gramm-Leach-Bliley Act, 15 USC 6801 to 6809, and applicable financial privacy regulations promulgated under that subtitle. In addition, the division of banking must restrict the powers of a universal bank if, in the opinion of the division of banking, the universal bank's most recent federal evaluation fails to indicate that the universal bank is in substantial compliance with these provisions and regulations. In this case, the division of banking may also revoke the universal bank's certification.

Please note that the relevant financial privacy provisions of the Gramm-Leach-Bliley Act have not yet taken effect and neither have any of the relevant financial privacy regulations that are required under the act. The new universal banking eligibility requirement established under this substitute amendment will not have any effect until these federal requirements take effect.

2. Senate Bill 274, as amended by SA-1 and SA-3 (but not SA-2), with the following changes:

- A) Retains definition of and membership provision related to vicinal industries.
- B) Retains, rather than repeals, ss. 186.02 (2) (a) 3. and 4. (credit union bylaws).
- C) Amends s. 186.02 (2) (b) 2. and creates s. 186.02 (2) (b) 2m., regarding individuals who are entitled to membership in a credit union and geographic restrictions on a credit union's field of membership.
- D) Restricts the provision created in s. 186.02 (2) (d) 2., regarding an organization becoming a member of a credit union.
- E) Deletes the requirement that a credit union establish a policy determining who qualifies as a member of the immediate family of a person qualified for membership.

However, under the amendment, a credit union's bylaws are required to prescribe the conditions that determine eligibility for membership. See s. 186.02 (2) (a) 1.

F) In s. 186.11 (4) (a) 2., requires a credit union service organization to be organized primarily to provide goods and services to credit unions, credit union organizations and credit union members. Senate Bill 274 requires a credit union service organization to be organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members.

G) Deletes the expansion of credit union service organization activities under SB-274.

H) Deletes SB-274's proposed grant of authority to a credit union to purchase certain assets of another lender or seller.

I) Creates a financial privacy provision somewhat similar to that proposed for universal banks. Under the amendment, the office of credit unions must examine a credit union to determine the credit union's compliance with any applicable financial privacy provisions of Subtitle A of Title V of the federal Gramm-Leach-Bliley Act and applicable financial privacy regulations promulgated under that Subtitle. The office of credit unions may restrict a credit union's activities for failure to maintain compliance with these provisions and regulations. As with the universal banking financial privacy provision, the credit union financial privacy provision will have no effect until the federal requirements take effect.

The amendment also includes some technical changes. The most extensive technical cleanup is in s. 222.0207 (voluntary termination of certification). This change does not alter the legal effect of the provision.

Please feel free to call with any questions or requested changes.

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DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBs0436/2dn
RJM:wlj&kmg:jf

March 20, 2000

Representative Jeskewitz:

I based this substitute amendment upon the instructions provided to me by the Department of Financial Institutions. This version of the substitute amendment clarifies the treatment of ss. 186.02 (2) (b) 2. and 2m. to more precisely state the authority of the office of credit unions under those statutes. This version also changes the provisions relating to credit union financial privacy requirements. Primarily, the amendment includes the following:

1. Engrossed AB-563 (universal banking), except that the amendment creates a new *financial privacy eligibility requirement*. *Under this new requirement, the most recent federal evaluation of the financial institution, in the opinion of the division of banking, must indicate that the financial institution is in substantial compliance with applicable financial privacy provisions under Subtitle A of Title V of the federal Gramm-Leach-Bliley Act, 15 USC 6801 to 6809, and applicable financial privacy regulations promulgated under that subtitle. In addition, the division of banking must restrict the powers of a universal bank if, in the opinion of the division of banking, the universal bank's most recent federal evaluation fails to indicate that the universal bank is in substantial compliance with these provisions and regulations. In this case, the division of banking may also revoke the universal bank's certification.*

Please note that the relevant financial privacy provisions of the Gramm-Leach-Bliley Act have not yet taken effect and neither have any of the relevant financial privacy regulations that are required under the act. The new universal banking eligibility requirement established under this substitute amendment will not have any effect until these federal requirements take effect.

2. Senate Bill 274, as amended by SA-1 and SA-3 (but not SA-2), with the following changes:

A) Retains definition of and membership provision related to vicinal industries.

B) Retains, rather than repeals, ss. 186.02 (2) (a) 3. and 4. (regarding credit union bylaws).

C) Amends s. 186.02 (2) (b) 2. and creates s. 186.02 (2) (b) 2m., regarding individuals who are entitled to membership in a credit union and geographic restrictions on a credit union's field of membership.

D) Restricts the provision created in s. 186.02 (2) (d) 2., regarding an organization becoming a member of a credit union.

E) Deletes the requirement that a credit union establish a policy determining who qualifies as a member of the immediate family of a person qualified for membership. However, under the amendment, a credit union's bylaws are required to prescribe the conditions that determine eligibility for membership. See s. 186.02 (2) (a) 1.

F) In s. 186.11 (4) (a) 2., requires a credit union service organization to be organized primarily to provide goods and services to credit unions, credit union organizations and credit union members. Senate Bill 274 requires a credit union service organization to be organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members.

G) Deletes the expansion of credit union service organization activities under SB-274.

H) Deletes SB-274's proposed grant of authority to a credit union to purchase certain assets of another lender or seller.

I) Creates a financial privacy provision somewhat similar to that proposed for universal banks. Under the amendment, a credit union must comply with any applicable financial privacy provisions of Subtitle A of Title V of the federal Gramm-Leach-Bliley Act and applicable financial privacy regulations promulgated under that subtitle. The office of credit unions must examine a credit union to determine compliance with these provisions and regulations. As with the universal banking financial privacy provision, the credit union financial privacy provision will have no effect until the federal requirements take effect.

The amendment also includes some technical changes. The most extensive technical cleanup is in s. 222.0207 (voluntary termination of certification). This change does not alter the legal effect of the provision.

Please feel free to call with any questions or requested changes.

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State of Wisconsin
1999 - 2000 LEGISLATURE

LRBs0436/2
RJM:kmg&wlj:jf

Now

RMNP

DNOTE

ASSEMBLY SUBSTITUTE AMENDMENT,
TO 1999 SENATE BILL 274

*Change on
page 4*

1 **AN ACT to repeal** 186.235 (16) (b), 186.41 (1) (d), 186.41 (6) (b) and 186.41 (8); **to**
2 **renumber** 186.235 (16) (a) and 186.41 (6) (a); **to renumber and amend** 186.02
3 (2) (d), 186.11 (4) (a), 186.41 (1) (a) and 186.41 (1) (c); **to amend** 93.01 (1m),
4 186.01 (2), 186.02 (2) (a) 1., 186.02 (2) (b) 2., 186.02 (2) (c), 186.11 (4) (title),
5 186.11 (4) (b) (intro.) and 1., 186.11 (4) (c), 186.113 (1), 186.113 (1m) (a) (intro.),
6 186.113 (6) (b) and (c), 186.235 (7) (a) (intro.), 186.36, 186.41 (title), 186.41 (2)
7 and (3), 186.41 (4) (intro.), (a) to (d) and (f), 186.41 (5) (a), (b), (c) and (cr) and
8 220.04 (9) (a) 2.; and **to create** 186.02 (2) (b) 2m., 186.02 (2) (d) 2., 186.11 (4)
9 (a) 1., 186.113 (24), 186.20, 186.235 (7) (c), 186.235 (7m), 186.235 (16m), 186.45,
10 186.80, 220.14 (5), chapter 222 and 227.245 of the statutes; **relating to:** credit
11 union membership, powers and operation; the application of agriculture, trade
12 and consumer protection statutes to credit unions; the creation of a new type
13 of financial institution; the powers of and requirements applicable to the new

1 type of financial institution; providing an exemption from emergency rule
2 procedures; granting rule-making authority; and providing a penalty.

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

3 **SECTION 1.** 93.01 (1m) of the statutes is amended to read:

4 93.01 (1m) "Business" includes any business, except that of banks, savings
5 banks, credit unions, savings and loan associations and insurance companies.
6 "Business" includes public utilities and telecommunications carriers to the extent
7 that their activities, beyond registration, notice and reporting activities, are not
8 regulated by the public service commission and includes public utility and
9 telecommunications carrier methods of competition or trade and advertising
10 practices that are exempt from regulation by the public service commission under s.
11 196.195, 196.196, 196.202, 196.203, 196.219 or 196.499 or by other action of the
12 commission.

13 **SECTION 2.** 186.01 (2) of the statutes is amended to read:

14 186.01 (2) "Credit union" means, except as specifically provided under ss.
15 186.41 (1) and 186.45 (1), a cooperative, nonprofit corporation, incorporated under
16 this chapter to encourage thrift among its members, create a source of credit at a fair
17 and reasonable cost and provide an opportunity for its members to improve their
18 economic and social conditions.

19 **SECTION 3.** 186.02 (2) (a) 1. of the statutes is amended to read:

20 186.02 (2) (a) 1. ~~The conditions of residence or occupation which qualify persons~~
21 that determine eligibility for membership.

22 **SECTION 4.** 186.02 (2) (b) 2. of the statutes is amended to read:

1 186.02 (2) (b) 2. Residents Except as otherwise provided in this subdivision,
2 individuals who reside or are employed within a well-defined neighborhood,
3 community or rural district and contiguous neighborhoods and communities. If the
4 office of credit unions, subsequent to a credit union merger, determines that it would
5 be inappropriate under the circumstances to require members of the credit union
6 that results from the merger to reside or be employed in contiguous neighborhoods
7 and communities, the requirement that these neighborhoods and communities be
8 contiguous does not apply.

9 **SECTION 5.** 186.02 (2) (b) 2m. of the statutes is created to read:

10 186.02 (2) (b) 2m. Individuals who reside or are employed within well-defined
11 and contiguous rural districts or multicounty regions.

12 **SECTION 6.** 186.02 (2) (c) of the statutes is amended to read:

13 186.02 (2) (c) Members of the immediate family of all qualified persons are
14 eligible for membership. ~~In this paragraph, "members of the immediate family"~~
15 ~~include the wife, husband, parents, stepchildren and children of a member whether~~
16 ~~living together in the same household or not and any other relatives of the member~~
17 ~~or spouse of a member living together in the same household as the member.~~

18 **SECTION 7.** 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1. and
19 amended to read:

20 186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association
21 of individuals, the majority of whom the directors, owners or members of which are
22 eligible for membership, may be admitted to membership in the same manner and
23 under the same conditions as individuals.

24 **SECTION 8.** 186.02 (2) (d) 2. of the statutes is created to read:

its principal

1

186.02 (2) (d) 2. An organization or association that has ~~its~~ business location within any geographic limits of the credit union's field of membership may be admitted to membership.

SECTION 9. 186.11 (4) (title) of the statutes is amended to read:

186.11 (4) (title) INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS ORGANIZATIONS.

SECTION 10. 186.11 (4) (a) of the statutes is renumbered 186.11 (4) (a) (intro.) and amended to read:

186.11 (4) (a) (intro.) ~~A~~ Unless the office of credit unions approves a higher percentage, a credit union may invest not more than 1.5% of its total assets in the capital shares or obligations of a credit union service corporation organizations that satisfy all of the following:

2. Are organized primarily to provide goods and services to credit unions, credit union organizations and credit union members.

SECTION 11. 186.11 (4) (a) 1. of the statutes is created to read:

186.11 (4) (a) 1. Are corporations, limited partnerships, limited liability companies or other entities that are permitted under the laws of this state and that are approved by the office of credit unions.

SECTION 12. 186.11 (4) (b) (intro.) and 1. of the statutes are amended to read:

186.11 (4) (b) (intro.) A credit union service corporation organization under par. (a) may provide goods and services including any of the following:

1. Credit union operations services, including service centers, credit and debit card services, automated teller and remote terminal services, electronic transaction services, accounting systems, data processing, management training and support, payment item processing, record retention and storage, locator services, research,

1 debt collection, credit analysis and loan servicing, coin and currency services and
2 marketing and advertising services.

3 **SECTION 13.** 186.11 (4) (c) of the statutes is amended to read:

4 186.11 (4) (c) A credit union service corporation organization may be subject
5 to audit by the office of credit unions.

6 **SECTION 14.** 186.113 (1) of the statutes is amended to read:

7 186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the
8 approval of the office of credit unions, establish branch offices inside ~~this state or no~~
9 ~~more than 25 miles or~~ outside of this state. Permanent records may be maintained
10 at branch offices established under this subsection. In this subsection, the term
11 "branch office" does not include a remote terminal, a limited services office or a
12 service center.

13 **SECTION 15.** 186.113 (1m) (a) (intro.) of the statutes is amended to read:

14 186.113 (1m) (a) (intro.) ~~Establish~~ Before the effective date of this paragraph
15 ... [revisor inserts date], establish limited services offices outside this state to serve
16 any member of the credit union if all of the following requirements are met:

17 **SECTION 16.** 186.113 (6) (b) and (c) of the statutes are amended to read:

18 186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement
19 funds, individual retirement accounts, medical savings accounts or other employe
20 benefit accounts or funds permitted by federal law to be deposited in a credit union.

21 (c) Act as a depository for ~~member deferred~~ member qualified and
22 nonqualified deferred compensation funds as permitted by federal law.

23 **SECTION 17.** 186.113 (24) of the statutes is created to read:

24 186.113 (24) FUNERAL TRUSTS. Accept deposits made by members for the
25 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

1 **SECTION 18.** 186.20 of the statutes is created to read:

2 **186.20 Financial privacy.** A credit union shall comply with any applicable
3 requirements under 15 USC 6801 to 6803 and any applicable regulations prescribed
4 by the national credit union administration under 15 USC 6804.

5 **SECTION 19.** 186.235 (7) (a) (intro.) of the statutes is amended to read:

6 186.235 (7) (a) (intro.) Employees of the office of credit unions and members of
7 the review board shall keep secret all the facts and information obtained in the
8 course of examinations, except or contained in any report provided by a credit union
9 other than any semiannual or quarterly financial report that is regularly filed with
10 the office of credit unions. This requirement does not apply in any of the following
11 situations:

12 **SECTION 20.** 186.235 (7) (c) of the statutes is created to read:

13 186.235 (7) (c) If any person mentioned in par. (a) discloses any information
14 about the private account or transactions of a credit union or any information
15 obtained in the course of an examination of a credit union, except as provided in pars.
16 (a) and (b), that person may be required to forfeit his or her office or position and may
17 be fined not less than \$100 nor more than \$1,000 or imprisoned for not less than 6
18 months nor more than 3 years or both.

19 **SECTION 21.** 186.235 (7m) of the statutes is created to read:

20 186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed
21 by a credit union are confidential, remain the property of the office of credit unions
22 and shall be returned to the office of credit unions immediately upon request.

23 **SECTION 22.** 186.235 (16) (a) of the statutes is renumbered 186.235 (16).

24 **SECTION 23.** 186.235 (16) (b) of the statutes is repealed.

25 **SECTION 24.** 186.235 (16m) of the statutes is created to read:

1 186.235 (16m) FINANCIAL PRIVACY EXAMINATION. The office of credit unions shall
2 examine a credit union to determine the credit union's compliance with s. 186.20.

3 **SECTION 25.** 186.36 of the statutes is amended to read:

4 **186.36 Sale of insurance in credit unions.** Any officer or employe of a credit
5 union, when acting as an agent for the sale of insurance on behalf of the credit union,
6 shall pay all commissions received from the sale of ~~credit life insurance or credit~~
7 ~~accident and sickness insurance~~ to the credit union.

8 **SECTION 26.** 186.41 (title) of the statutes is amended to read:

9 **186.41 (title) Interstate acquisition acquisitions and merger mergers**
10 **of credit unions.**

11 **SECTION 27.** 186.41 (1) (a) of the statutes is renumbered 186.41 (1) (bm) and
12 amended to read:

13 186.41 (1) (bm) "~~In-state~~ Wisconsin credit union" means a credit union having
14 its principal office located in this state.

15 **SECTION 28.** 186.41 (1) (c) of the statutes is renumbered 186.41 (1) (am) and
16 amended to read:

17 186.41 (1) (am) "~~Regional~~ Out-of-state credit union" means a state or federal
18 credit union ~~that has its, the~~ principal office of which is located in ~~one of the regional~~
19 ~~states~~ a state other than this state.

20 **SECTION 29.** 186.41 (1) (d) of the statutes is repealed.

21 **SECTION 30.** 186.41 (2) and (3) of the statutes are amended to read:

22 186.41 (2) ~~IN-STATE~~ WISCONSIN CREDIT UNION. (a) ~~An in-state~~ A Wisconsin credit
23 union may do any of the following:

24 1. Acquire an interest in, or some or all of the assets and liabilities of, one or
25 more ~~regional out-of-state~~ credit unions.

1 2. Merge with one or more ~~regional out-of-state~~ credit unions.

2 (b) ~~An in-state~~ A Wisconsin credit union proposing any action under par. (a)
3 shall provide the office of credit unions a copy of any original application seeking
4 approval by a federal agency or by an agency of ~~the regional~~ another state and of any
5 supplemental material or amendments filed in connection with any application.

6 (3) ~~REGIONAL OUT-OF-STATE~~ CREDIT UNIONS. Except as provided in sub. (4), a
7 ~~regional~~ an out-of-state credit union may do any of the following:

8 (a) Acquire an interest in, or some or all of the assets of, one or more ~~in-state~~
9 Wisconsin credit unions.

10 (b) Merge with one or more ~~in-state~~ Wisconsin credit unions.

11 **SECTION 31.** 186.41 (4) (intro.), (a) to (d) and (f) of the statutes are amended to
12 read:

13 186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may
14 not take any action under sub. (3) until all of the following conditions have been met:

15 (a) The office of credit unions finds that the statutes of the ~~regional~~ state in
16 which the ~~regional~~ out-of-state credit union has its principal office permit ~~in-state~~
17 Wisconsin credit unions to both acquire ~~regional~~ out-of-state credit union assets and
18 merge with one or more ~~regional~~ out-of-state credit unions in the ~~regional~~ that state.

19 (b) The office of credit unions has not disapproved the acquisition of ~~in-state~~
20 Wisconsin credit union assets or the merger with the ~~in-state~~ Wisconsin credit union
21 under sub. (5).

22 (c) The office of credit unions gives a class 3 notice, under ch. 985, in the official
23 state newspaper, of the application to take an action under sub. (3) and of the
24 opportunity for a hearing and, if at least 25 residents of this state petition for a
25 hearing within 30 days of the final notice or if the office of credit unions on its own

1 motion calls for a hearing within 30 days of the final notice, the office of credit unions
2 holds a public hearing on the application, except that a hearing is not required if the
3 office of credit unions finds that an emergency exists and that the proposed action
4 under sub. (3) is necessary and appropriate to prevent the probable failure of an
5 in-state a Wisconsin credit union that is closed or in danger of closing.

6 (d) The office of credit unions is provided a copy of any original application
7 seeking approval by a federal agency of the acquisition of in-state Wisconsin credit
8 union assets or of the merger with an in-state a Wisconsin credit union and of any
9 supplemental material or amendments filed with the application.

10 (f) With regard to an acquisition of assets of an in-state a Wisconsin credit
11 union that is chartered on or after May 9, 1986, the in-state Wisconsin credit union
12 has been in existence for at least 5 years before the date of acquisition.

13 **SECTION 32.** 186.41 (5) (a), (b), (c) and (cr) of the statutes are amended to read:

14 186.41 (5) (a) Considering the financial and managerial resources and future
15 prospects of the applicant and of the in-state Wisconsin credit union concerned, the
16 action would be contrary to the best interests of the members of the in-state
17 Wisconsin credit union.

18 (b) The action would be detrimental to the safety and soundness of the
19 applicant or of the in-state Wisconsin credit union concerned, or to a subsidiary or
20 affiliate of the applicant or of the in-state Wisconsin credit union.

21 (c) Because the applicant, its executive officers or directors have not
22 established a record of sound performance, efficient management, financial
23 responsibility and integrity, the action would be contrary to the best interests of the
24 creditors, members or other customers of the applicant or of the in-state Wisconsin
25 credit union or contrary to the best interests of the public.

1 (cr) The applicant has failed to propose to provide adequate and appropriate
2 services of the type contemplated by the community reinvestment act of 1977 in the
3 community in which the ~~in-state~~ Wisconsin credit union which the applicant
4 proposes to acquire or merge with is located.

5 **SECTION 33.** 186.41 (6) (a) of the statutes is renumbered 186.41 (6).

6 **SECTION 34.** 186.41 (6) (b) of the statutes is repealed.

7 **SECTION 35.** 186.41 (8) of the statutes is repealed.

8 **SECTION 36.** 186.45 of the statutes is created to read:

9 **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

10 In this section:

11 (a) “Non-Wisconsin credit union” means a credit union organized under the
12 laws of and with its principal office located in a state other than this state.

13 (b) “Wisconsin credit union” has the meaning given in s. 186.41 (1) (bm).

14 (2) APPROVAL. A non-Wisconsin credit union may open an office and conduct
15 business as a credit union in this state if the office of credit unions finds that
16 Wisconsin credit unions are allowed to do business in the other state under
17 conditions similar to those contained in this section and that all of the following apply
18 to the non-Wisconsin credit union:

19 (a) It is a credit union organized under laws similar to the credit union laws of
20 this state.

21 (b) It is financially solvent based upon national board ratings.

22 (c) It has member savings insured with federal share insurance.

23 (d) It is effectively examined and supervised by the credit union authorities of
24 the state in which it is organized.

1 (e) It has received approval from the credit union authorities of the state in
2 which it is organized.

3 (f) It has a need to place an office in this state to adequately serve its members
4 in this state.

5 (g) It meets all other relevant standards or qualifications established by the
6 office of credit unions.

7 **(3) REQUIREMENTS.** A non-Wisconsin credit union shall agree to do all of the
8 following:

9 (a) Grant loans at rates not in excess of the rates permitted for Wisconsin credit
10 unions.

11 (b) Comply with this state's laws.

12 (c) Designate and maintain an agent for the service of process in this state.

13 **(4) RECORDS.** As a condition of a non-Wisconsin credit union doing business in
14 this state under this section, the office of credit unions may require copies of
15 examination reports and related correspondence regarding the non-Wisconsin
16 credit union.

17 **SECTION 37.** 186.80 of the statutes is created to read:

18 **186.80 False statements.** (a) No officer, director or employe of a credit union
19 may do any of the following:

20 1. Wilfully and knowingly subscribe to or make, or cause to be made, a false
21 statement or entry in the books of the credit union.

22 2. Knowingly subscribe to or exhibit false information with the intent to deceive
23 any person authorized to examine the affairs of the credit union.

24 3. Knowingly make, state or publish any false report or statement of the credit
25 union.

1 (b) Any person who violates par. (a) may be fined not less than \$1,000 nor more
2 than \$5,000 or imprisoned for not less than one year nor more than 15 years or both.

3 **SECTION 38.** 220.04 (9) (a) 2. of the statutes is amended to read:

4 220.04 (9) (a) 2. "Regulated entity" means a bank, universal bank, trust
5 company bank and any other entity which is described in s. 220.02 (2) or 221.0526
6 as under the supervision and control of the division.

7 **SECTION 39.** 220.14 (5) of the statutes is created to read:

8 220.14 (5) Contain a statement of the total number of orders issued by the
9 division during the year under s. 222.0203 (2).

10 **SECTION 40.** Chapter 222 of the statutes is created to read:

11 **CHAPTER 222**

12 **UNIVERSAL BANKS**

13 **SUBCHAPTER I**

14 **GENERAL PROVISIONS**

15 **222.0101 Title.** This chapter may be cited as the "Wisconsin universal bank
16 law".

17 **222.0102 Definitions.** In this chapter:

18 (2) "Capital" of a universal bank means the sum of the following, less the
19 amount of intangible assets that is not considered to be qualifying capital by a deposit
20 insurance corporation or the division:

21 (a) For a universal bank organized as a stock organization, the universal bank's
22 capital stock, preferred stock, undivided profits, surplus, outstanding notes and
23 debentures approved by the division, other forms of capital designated as capital by
24 the division and other forms of capital considered to be qualifying capital of the
25 universal bank by a deposit insurance corporation.

1 (b) For a universal bank organized as a mutual organization, the universal
2 bank's net worth, undivided profits, surplus, outstanding notes and debentures
3 approved by the division, other forms of capital designated as capital by the division
4 and other forms of capital considered to be qualifying capital by a deposit insurance
5 corporation.

6 (3) "Deposit insurance corporation" means the Federal Deposit Insurance
7 Corporation or other instrumentality of, or corporation chartered by, the United
8 States that insures deposits of financial institutions and that is supported by the full
9 faith and credit of the U.S. government as stated in a congressional resolution.

10 (4) "Division" means the division of banking.

11 (5) "Financial institution" means a state savings bank organized under ch. 214,
12 state savings and loan association organized under ch. 215 or a state bank chartered
13 under ch. 221.

14 (6) "Universal bank" means a financial institution that has been issued a
15 certificate of authority under s. 222.0205.

16 (7) "Well-capitalized" has the meaning given in 12 USC 1831o (b) (1) (A).

17 **222.0103 Applicability. (1) SAVINGS BANKS.** A universal bank that is a savings
18 bank organized under ch. 214 remains subject to all of the requirements, duties and
19 liabilities, and may exercise all of the powers, of a savings bank, except that in the
20 event of a conflict between this chapter and those requirements, duties, liabilities or
21 powers, this chapter shall control.

22 **(2) SAVINGS AND LOAN ASSOCIATIONS.** A universal bank that is a savings and loan
23 association organized under ch. 215 remains subject to all of the requirements,
24 duties and liabilities, and may exercise all of the powers, of a savings and loan

1 association, except that, in the event of a conflict between this chapter and those
2 requirements, duties, liabilities or powers, this chapter shall control.

3 (3) **BANKS.** A universal bank that is a bank chartered under ch. 221 remains
4 subject to all of the requirements, duties and liabilities, and may exercise all of the
5 powers, of a bank, except that, in the event of a conflict between this chapter and
6 these requirements, duties, liabilities or powers, this chapter shall control.

7 **222.0105 Fees.** The division may establish such fees as it determines are
8 appropriate for documents filed with the division under this chapter and for services
9 provided by the division under this chapter.

10 **222.0107 Administration.** (1) **POWERS OF DIVISION.** The division shall
11 administer this chapter for all universal banks.

12 (2) **RULE-MAKING AUTHORITY.** The division may promulgate rules to administer
13 and carry out this chapter. The division may establish additional limits or
14 requirements on universal banks, if the division determines that the limits or
15 requirements are necessary for the protection of depositors, members, investors or
16 the public.

17 SUBCHAPTER II

18 CERTIFICATION

19 **222.0201 Procedure.** (1) **APPLICATION.** A financial institution may apply to
20 become certified as a universal bank by filing a written application with the division.
21 The application shall include such information as the division may require. The
22 application shall be on such forms and in accordance with such procedures as the
23 division may prescribe.

24 (2) **REVIEW BY DIVISION.** An application submitted by a financial institution
25 under sub. (1) shall either be approved or disapproved by the division, in writing,

1 within 60 days after its submission to the division. The division and the financial
2 institution may mutually agree to extend the application period for an additional
3 period of 60 days. The division shall approve an application if all of the applicable
4 requirements under s. 222.0203 (1) are met.

5 **222.0203 Eligibility. (1) REQUIREMENTS.** The division may approve an
6 application from a financial institution for certification as a universal bank only if
7 all of the following requirements are met:

8 (a) The financial institution is chartered or organized, and regulated, under ch.
9 214, 215 or 221 and has been in existence and continuous operation for a minimum
10 of 3 years before the date of the application.

11 (b) The financial institution is well-capitalized.

12 (c) The financial institution does not exhibit a combination of financial,
13 managerial, operational and compliance weaknesses that is moderately severe or
14 unsatisfactory, as determined by the division based upon the division's assessment
15 of the financial institution's capital adequacy, asset quality, management capability,
16 earnings quantity and quality, adequacy of liquidity, and sensitivity to market risk.

17 (d) During the 12-month period before the date of the application, the financial
18 institution has not been the subject of an enforcement action and there is no
19 enforcement action pending against the financial institution by any state or federal
20 financial institution regulatory agency, including the division.

21 (e) The most current evaluation prepared under 12 USC 2906 that the financial
22 institution has received rates the financial institution as "outstanding" or
23 "satisfactory" in helping to meet the credit needs of its entire community, including
24 low-income and moderate-income neighborhoods, consistent with the safe and
25 sound operation of the financial institution.

1 (f) If the financial institution has received from its federal functional regulator,
2 as defined in 15 USC 6809 (2), a consumer compliance examination that contains
3 information regarding the financial institution's compliance with 15 USC 6801 to
4 6803 and any applicable regulations prescribed under 15 USC 6804, the most recent
5 such examination indicates, in the opinion of the division, that the financial
6 institution is in substantial compliance with those statutes or regulations.

7 (2) FAILURE TO MAINTAIN ELIGIBILITY; LIMITATION OF AUTHORITY AND
8 DECERTIFICATION. For any period during which a universal bank fails to meet the
9 requirements under sub. (1), the division shall by order limit or restrict the exercise
10 of the powers of the universal bank under this chapter. In addition to or lieu of
11 limiting or restricting the universal bank's authority under this subsection, the
12 division may by order revoke the universal bank's certificate of authority issued
13 under s. 222.0205.

14 **222.0205 Certificate of authority.** Upon approval of an application for
15 certification as a universal bank, the division shall issue to the applicant a certificate
16 of authority stating that the financial institution is certified as a universal bank
17 under this chapter.

18 **222.0207 Voluntary termination of certification.** A financial institution
19 that is certified as a universal bank under this chapter may elect to terminate its
20 certification by giving 60 days' prior written notice of the termination to the division.
21 A termination under this section is effective only with the written approval of the
22 division. A financial institution shall, as a condition to a termination under this
23 section, terminate its exercise of all powers granted under this chapter before the
24 termination of the certification. The division's written approval of a financial

1 institution's termination under this section is void if the financial institution fails to
2 satisfy the precondition to termination under this section.

3 SUBCHAPTER III

4 ORGANIZATION

5 **222.0301 Articles of incorporation and bylaws.** A universal bank shall
6 continue to operate under its articles of incorporation and bylaws as in effect prior
7 to certification as a universal bank or as such articles or bylaws may be subsequently
8 amended in accordance with the provisions of the chapter under which the universal
9 bank was organized or chartered.

10 **222.0303 Name.** (1) USE OF "BANK". Notwithstanding ss. 214.035, 215.40 (1)
11 and 215.60 (1) and subject to subs. (2) and (4), a universal bank may use the word
12 "bank" in its name, without having to include the word "savings". Notwithstanding
13 ss. 215.40 (1) and 215.60 (1) and subject to subs. (2) and (4), a universal bank that
14 is organized under ch. 215 and that uses the word "bank" in its name in accordance
15 with this section need not include the words "savings and loan association" or
16 "savings association" in its name.

17 (2) DISTINGUISHABILITY. Except as provided in subs. (3) and (4), the name of the
18 universal bank shall be distinguishable upon the records of the division from all of
19 the following names:

20 (a) The name of any other financial institution organized under the laws of this
21 state.

22 (b) The name of a national bank or foreign bank authorized to transact business
23 in this state.

24 (3) EXCEPTIONS. A universal bank may apply to the division for authority to use
25 a name that does not meet the requirement under sub. (2). The division may

1 authorize the use of the name if any of the conditions under s. 221.0403 (2) (a) or (b)
2 is met.

3 (4) USE OF SAME NAME. A universal bank may use a name that is used in this
4 state by another financial institution or by an institution authorized to transact
5 business in this state, if the universal bank has done any of the following:

6 (a) Merged with the other institution.

7 (b) Been formed by reorganization of the other institution.

8 (c) Acquired all or substantially all of the assets, including the name, of the
9 other institution.

10 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
11 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
12 minimum capital requirements of universal banks.

13 (2) CERTAIN ASSET REQUIREMENTS. Section 214.045 does not apply to universal
14 banks.

15 **222.0307 Acquisitions, mergers and asset purchases. (1) IN GENERAL.** A
16 universal bank may, with the approval of the division, purchase the assets of, merge
17 with, acquire or be acquired by any other financial institution, universal bank,
18 national bank, federally chartered savings bank or savings and loan association, or
19 by a holding company of any of these entities. Notwithstanding subch. III of ch. 214
20 and ss. 214.09 and 215.36, the approval of the division of savings and loan is not
21 required.

22 (2) APPLICATIONS FOR APPROVAL. An application for approval under sub. (1) shall
23 be submitted on a form prescribed by the division and accompanied by a fee
24 determined by the division. In processing and acting on applications under this
25 section the division shall apply the following standards:

1 (a) For universal banks organized under ch. 214, ss. 214.09, 214.62 to 214.64
2 and 214.665 and subch. III of ch. 214.

3 (b) For universal banks organized under ch. 215, ss. 215.35, 215.36, 215.53 and
4 215.73.

5 (c) For universal banks chartered under ch. 221, subchs. VII and IX of ch. 221.

6 SUBCHAPTER IV

7 POWERS

8 **222.0401 Federal financial institution powers.** (1) IN GENERAL. (a)
9 *Powers exercised by universal bank.* A universal bank, with the approval of the
10 division, may exercise any power that may be directly exercised by a federally
11 chartered savings bank, a federally chartered savings and loan association or a
12 federally chartered national bank.

13 (b) *Powers exercised by subsidiary of universal bank.* A universal bank,
14 through a subsidiary and with the approval of the division, may exercise any power
15 that a federally chartered savings bank, a federally chartered savings and loan
16 association or a federally chartered national bank may exercise through a subsidiary.

17 (2) APPROVAL REQUIRED FOR EXERCISE OF FEDERAL POWER. A universal bank shall
18 file with the division a written request to exercise a power under sub. (1). The
19 division shall determine whether the requested power is permitted under sub. (1).
20 Within 60 days after receiving a request under this subsection, the division shall
21 approve the request, if the power is permitted under sub. (1), or shall disapprove the
22 request if the power is not permitted under sub. (1). The division and the universal
23 bank may mutually agree to extend this 60-day period for an additional period of 60
24 days.

1 **(3) EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY.** The division may
2 require that certain powers exercisable by a universal bank under sub. (1) (a) be
3 exercised through a subsidiary of the universal bank with appropriate safeguards to
4 limit the risk exposure of the universal bank.

5 **222.0403 Loan powers. (1) PERMITTED PURPOSES.** A universal bank may
6 make, sell, purchase, arrange, participate in, invest in or otherwise deal in loans or
7 extensions of credit for any purpose.

8 **(2) IN GENERAL.** Except as provided in subs. (3) to (8), the total liabilities of any
9 person, other than a municipal corporation, to a universal bank for a loan or
10 extension of credit may not exceed 20% of the capital of the universal bank at any
11 time. In determining compliance with this section, liabilities of a partnership
12 includes the liabilities of the general partners, computed individually as to each
13 general partner on the basis of his or her direct liability.

14 **(3) CERTAIN SECURED LIABILITIES.** The percentage limitation under sub. (2) is
15 50% of the universal bank's capital, if the liabilities under sub. (2) are limited to the
16 following types of liabilities:

17 (a) *Warehouse receipts.* A liability secured by warehouse receipts issued by
18 warehouse keepers who are licensed and bonded in this state under ss. 99.02 and
19 99.03 or under the federal Bonded Warehouse Act or who hold a registration
20 certificate under ch. 127, if all of the following requirements are met:

- 21 1. The receipts cover readily marketable nonperishable staples.
- 22 2. The staples are insured, if it is customary to insure the staples.
- 23 3. The market value of the staples is not, at any time, less than 140% of the face
24 amount of the obligation.

1 (b) *Certain bonds or notes.* A liability in the form of a note or bond that meets
2 any of the following qualifications:

3 1. The note or bond is secured by not less than a like amount of bonds or notes
4 of the United States issued since April 24, 1917, or certificates of indebtedness of the
5 United States.

6 2. The note or bond is secured or covered by guarantees or by commitments or
7 agreements to take over, or to purchase, the bonds or notes, and the guarantee,
8 commitment or agreement is made by a federal reserve bank, the federal small
9 business administration, the federal department of defense or the federal maritime
10 commission.

11 3. The note or bond is secured by mortgages or trust deeds insured by the
12 federal housing administration.

13 (4) OBLIGATIONS OF LOCAL GOVERNMENTAL UNITS. (a) *Definition.* In this
14 subsection, “local governmental unit” has the meaning given in s. 16.97 (7).

15 (b) *General limitation.* Except as otherwise provided in this subsection, the
16 total liabilities of a local governmental unit to a universal bank for money borrowed
17 may not, at any time, exceed 25% of the capital of the universal bank.

18 (c) *Revenue obligations.* Liabilities in the form of revenue obligations of a local
19 governmental unit are subject to the limitations provided in par. (b). In addition, a
20 universal bank is permitted to invest in a general obligation of that local
21 governmental unit in an amount that will bring the combined total of the general
22 obligations and revenue obligations of a single local governmental unit to a sum not
23 in excess of 50% of the capital of the universal bank.

24 (d) *General obligations.* If the liabilities of the local governmental unit are in
25 the form of bonds, notes or other evidences of indebtedness that are a general

1 obligation of a local governmental unit, the total liability of the local governmental
2 unit may not exceed 50% of the capital of the universal bank.

3 (e) *Temporary borrowings.* The total amount of temporary borrowings of any
4 local governmental unit maturing within one year after the date of issue may not
5 exceed 60% of the capital of the universal bank. Temporary borrowings and
6 longer-term general obligation borrowings of a single local governmental unit may
7 be considered separately in determining compliance with this subsection.

8 (5) OBLIGATIONS OF CERTAIN INTERNATIONAL ORGANIZATIONS; OTHER FOREIGN BONDS.

9 A universal bank may purchase bonds offered for sale by the International Bank for
10 Reconstruction and Development and the Inter-American Development Bank or
11 such other foreign bonds as may be approved under rules established by the division.
12 At no time shall the aggregate investment in any of these bonds issued by a single
13 issuer exceed 10% of the capital of the universal bank.

14 (6) FOREIGN NATIONAL GOVERNMENT BONDS. A universal bank may purchase
15 general obligation bonds issued by any foreign national government if the bonds are
16 payable in United States funds. The aggregate investment in these foreign bonds
17 may not exceed 3% of the capital of the universal bank, except that this limitation
18 does not apply to bonds of the Canadian government and Canadian provinces that
19 are payable in United States funds.

20 (7) LIMITS ESTABLISHED BY BOARD. (a) *When financial statements required.* A
21 universal bank may not make or renew a loan or loans, the aggregate total of which
22 exceeds the level established by the board of directors without being supported by a
23 signed financial statement of the borrower, unless the loan is secured by collateral
24 having a value in excess of the amount of the loan. A signed financial statement
25 furnished by the borrower to a universal bank in compliance with this paragraph

1 must be renewed annually as long as the loan or any renewal of the loan remains
2 unpaid and is subject to this paragraph.

3 (b) *Treatment of loans complying with limits.* A loan or a renewal of a loan made
4 by a universal bank in compliance with par. (a), without a signed financial statement,
5 may be treated by the universal bank as entirely independent of any secured loan
6 made to the same borrower if the loan does not exceed the limitations provided in this
7 section.

8 (8) EXCEPTIONS. This section does not apply to any of the following:

9 (a) *Liabilities secured by certain short-term federal obligations.* A liability that
10 is secured by not less than a like amount of direct obligations of the United States
11 which will mature not more than 18 months after the date on which such liabilities
12 to the universal bank are entered into.

13 (b) *Certain federal and state obligations or guaranteed obligations.* A liability
14 that is a direct obligation of the United States or this state, or an obligation of any
15 governmental agency of the United States or this state, that is fully and
16 unconditionally guaranteed by the United States or this state.

17 (c) *Commodity Credit Corporation liabilities.* A liability in the form of a note,
18 debenture or certificate of interest of the Commodity Credit Corporation.

19 (d) *Discounting bills of exchange or business or commercial paper.* A liability
20 created by the discounting of bills of exchange drawn in good faith against actually
21 existing values or the discounting of commercial or business paper actually owned
22 by the person negotiating the same.

23 (e) *Certain other federal or federally guaranteed obligations.* In obligations of,
24 or obligations that are fully guaranteed by, the United States and in obligations of
25 any federal reserve bank, federal home loan bank, the Student Loan Marketing

1 Association, the Government National Mortgage Association, the Federal National
2 Mortgage Association, the Federal Home Loan Mortgage Corporation, the
3 Export–Import Bank of Washington or the Federal Deposit Insurance Corporation.

4 (9) ADDITIONAL AUTHORITY. (a) *In general.* In addition to the authority
5 granted under subs. (1) to (8), and except as provided in par. (b), a universal bank may
6 lend under this subsection, through the universal bank or subsidiary of the universal
7 bank, to all borrowers from the universal bank and all of its subsidiaries, an
8 aggregate amount not to exceed 20% of the universal bank's capital. Neither a
9 universal bank nor any subsidiary of the universal bank may lend to any borrower,
10 under this subsection and any other law or rule, an amount that would result in an
11 aggregate amount for all loans to that borrower that exceeds 20% of the universal
12 bank's capital. A universal bank or its subsidiary may take an equity position or
13 other form of interest as security in a project funded through such loans. Every
14 transaction by a universal bank or its subsidiary under this subsection shall require
15 prior approval by the governing board of the universal bank or its subsidiary,
16 respectively. Such loans are not subject to s. 221.0326 or to classification as losses,
17 for a period of 2 years from the date of each loan except as provided in par. (b).

18 (b) *Suspension of additional authority.* The division may suspend authority
19 established under this subsection and, in such case, may specify how an outstanding
20 loan shall be treated by the universal bank or its subsidiary. Among the factors that
21 the division may consider in suspending authority under this subsection are the
22 universal bank's capital adequacy, asset quality, earnings quantity, earnings quality,
23 adequacy of liquidity and sensitivity to market risk and the ability of the universal
24 bank's management.

1 **(10) EXERCISE OF LOAN POWERS; PROHIBITED CONSIDERATIONS.** In determining
2 whether to make a loan or extension of credit, no universal bank may consider any
3 health information obtained from the records of an affiliate of the universal bank
4 that is engaged in the business of insurance, unless the person to whom the health
5 information relates consents.

6 **222.0405 Investment powers. (1) INVESTMENT SECURITIES.** Except as
7 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold
8 investment securities, consistent with safe and sound banking practices, up to 100%
9 of the universal bank's capital. A universal bank shall not invest greater than 20%
10 of the universal bank's capital in the investment securities of one obligor or issuer.
11 In this subsection, "investment securities" includes commercial paper, banker's
12 acceptances, marketable securities in the form of bonds, notes, debentures and
13 similar instruments that are regarded as investment securities.

14 **(2) EQUITY SECURITIES.** Except as provided in subs. (3) to (8), a universal bank
15 may purchase, sell, underwrite and hold equity securities, consistent with safe and
16 sound banking practices, up to 20% of capital or, if approved by the division in
17 writing, a greater percentage of capital.

18 **(3) HOUSING ACTIVITIES.** With the prior written consent of the division, a
19 universal bank may invest in the initial purchase and development, or the purchase
20 or commitment to purchase after completion, of home sites and housing for sale or
21 rental, including projects for the reconstruction, rehabilitation or rebuilding of
22 residential properties to meet the minimum standards of health and occupancy
23 prescribed for a local governmental unit, the provision of accommodations for retail
24 stores, shops and other community services that are reasonably incident to that
25 housing, or in the stock of a corporation that owns one or more of those projects and

1 that is wholly owned by one or more financial institutions. The total investment in
2 any one project may not exceed 15% of the universal bank's capital, nor may the
3 aggregate investment under this subsection exceed 50% of capital. A universal bank
4 may not make an investment under this subsection unless it is in compliance with
5 the capital requirements set by the division under s. 222.0305 (1) and with the capital
6 maintenance requirements of its deposit insurance corporation.

7 (4) PROFIT-PARTICIPATION PROJECTS. A universal bank may take equity positions
8 in profit-participation projects, including projects funded through loans from the
9 universal bank, in an aggregate amount not to exceed 20% of capital. The division
10 may suspend the investment authority under this subsection. If the division
11 suspends the investment authority under this subsection, the division may specify
12 how outstanding investments under this subsection shall be treated by the universal
13 bank or its subsidiary. Among the factors that the division may consider in
14 suspending authority under this subsection are the universal bank's capital
15 adequacy, asset quality, earnings quantity, earnings quality, adequacy of liquidity
16 and sensitivity to market risk and the ability of the universal bank's management.
17 This subsection does not authorize a universal bank, directly or indirectly through
18 a subsidiary, to engage in the business of underwriting insurance.

19 (5) DEBT INVESTMENTS. A universal bank may invest in bonds, notes, obligations
20 and liabilities described under s. 222.0403 (3) to (7), subject to the limitations under
21 those subsections.

22 (6) CERTAIN LIABILITIES. This section does not limit investment in the
23 liabilities described in s. 222.0403 (8).

24 (7) CERTAIN INVESTMENTS. A universal bank may invest without limitation in
25 any of the following:

1 (a) *Business development corporations.* Stocks or obligations of a corporation
2 organized for business development by this state or by the United States or by an
3 agency of this state or the United States.

4 (b) *Urban renewal investment corporations.* Obligations of an urban renewal
5 investment corporation organized under the laws of this state or of the United States.

6 (c) *Certain bank insurance companies.* An equity interest in an insurance
7 company or an insurance holding company organized to provide insurance for
8 universal banks and for persons affiliated with universal banks, solely to the extent
9 that this ownership is a prerequisite to obtaining directors' and officers' insurance
10 or blanket bond insurance for the universal bank through the company.

11 (d) *Certain remote service unit corporations.* Shares of stock, whether
12 purchased or otherwise acquired, in a corporation acquiring, placing and operating
13 remote service units under s. 214.04 (21) or 215.13 (46) or bank communications
14 terminals under s. 221.0303 (2).

15 (e) *Service corporations.* Equity or debt securities or instruments of a service
16 corporation subsidiary of the universal bank.

17 (f) *Federal funds.* Advances of federal funds.

18 (g) *Certain risk management financial products.* With the prior written
19 approval of the division, financial futures transactions, financial options
20 transactions, forward commitments or other financial products for the purpose of
21 reducing, hedging or otherwise managing its interest rate risk exposure.

22 (h) *Certain fiduciaries.* A subsidiary organized to exercise corporate fiduciary
23 powers under ch. 112.

24 (i) *Agricultural credit corporations.* An agricultural credit corporation. Unless
25 a universal bank owns at least 80% of the stock of the agricultural credit corporation,

1 a universal bank may not invest more than 20% of the universal bank's capital in the
2 agricultural credit corporation.

3 (j) *Deposit accounts and insured obligations.* Deposit accounts or insured
4 obligations of any financial institution, the accounts of which are insured by a deposit
5 insurance corporation.

6 (k) *Certain federal obligations.* Obligations of, or obligations that are fully
7 guaranteed by, the United States and stocks or obligations of any federal reserve
8 bank, federal home loan bank, the Student Loan Marketing Association, the
9 Government National Mortgage Association, the Federal National Mortgage
10 Association, the Federal Home Loan Mortgage Corporation or the Federal Deposit
11 Insurance Corporation.

12 (L) *Other investments.* Any other investment authorized by the division.

13 (8) INVESTMENTS IN OTHER FINANCIAL INSTITUTIONS. In addition to the authority
14 granted under ss. 222.0307 and 222.0409, and subject to the limitations of sub. (2),
15 a universal bank may invest in other financial institutions.

16 (9) INVESTMENTS THROUGH SUBSIDIARIES. A universal bank may make
17 investments under this section, directly or indirectly through a subsidiary, unless
18 the division determines that an investment shall be made through a subsidiary with
19 appropriate safeguards to limit the risk exposure of the universal bank.

20 **222.0407 Universal bank purchase of its own stock.** (1) IN GENERAL. A
21 universal bank may hold or purchase not more than 10% of its capital stock, notes
22 or debentures, except as provided in sub. (2) or (3).

23 (2) DIVISION APPROVAL. A universal bank may hold or purchase more than 10%
24 of its capital stock, notes or debentures, if approved by the division.

1 **(3) ADDITIONAL AUTHORITY.** A universal bank may hold or purchase more than
2 10% of its capital stock, notes or debentures if the purchase is necessary to prevent
3 loss upon a debt previously contracted in good faith. Stock, notes or debentures held
4 or purchased under this subsection may not be held by the universal bank for more
5 than 6 months if the stock, notes or debentures can be sold for the amount of the claim
6 of the universal bank against the holder of the debt previously contracted. The
7 universal bank shall either sell the stock, notes or debentures within 12 months of
8 acquisition under this subsection or shall cancel the stock, notes or debentures.
9 Cancellation of the stock, notes or debentures reduces the amount of the universal
10 bank's capital stock, notes or debentures. If the reduction reduces the universal
11 bank's capital below the minimum level required by the division, the universal bank
12 shall increase its capital to the amount required by the division.

13 **(4) LOANS SECURED BY CAPITAL, SURPLUS OR DEPOSITS.** A universal bank may not
14 loan any part of its capital, surplus or deposits on its own capital stock, notes or
15 debentures as collateral security, except that a universal bank may make a loan
16 secured by its own capital stock, notes or debentures to the same extent that the
17 universal bank may make a loan secured by the capital stock, notes and debentures
18 of a holding company for the universal bank.

19 **222.0409 Stock in bank-owned banks.** With the approval of the division,
20 a universal bank may acquire and hold stock in one or more banks chartered under
21 s. 221.1202 or national banks chartered under 12 USC 27 (b) or in one or more
22 holding companies wholly owning such a bank. Aggregate investments under this
23 section may not exceed 10% of the universal bank's capital.

24 **222.0411 General deposit powers. (1) IN GENERAL.** A universal bank may
25 set eligibility requirements for, and establish the types and terms of, deposits that

1 the universal bank solicits and accepts. The terms set under this subsection may
2 include minimum and maximum amounts that the universal bank may accept and
3 the frequency and computation method of paying interest.

4 (2) PLEDGE OF SECURITY FOR DEPOSITS. Subject to the limitations of s. 221.0324
5 that are applicable to banks, a universal bank may pledge its assets as security for
6 deposits.

7 (3) SECURITIZATION OF ASSETS. With the approval of the division, a universal
8 bank may securitize its assets for sale to the public. The division may establish
9 procedures governing the exercise of authority granted under this subsection.

10 (4) SAFE DEPOSIT POWERS. A universal bank may take and receive, from any
11 individual or corporation for safekeeping and storage, gold and silver plate, jewelry,
12 money, stocks, securities, and other valuables or personal property; and rent out the
13 use of safes or other receptacles upon its premises upon such compensation as may
14 be agreed upon. A universal bank has a lien for its charges on any property taken
15 or received by it for safekeeping. If the lien is not paid within 2 years from the date
16 the lien accrues, or if property is not called for by the person depositing the property,
17 or by his or her representative or assignee, within 2 years from the date the lien
18 accrues, the universal bank may sell the property at public auction. A universal bank
19 shall provide the same notice for a sale under this subsection that is required by law
20 for sales of personal property on execution. After retaining from the proceeds of the
21 sale all of the liens and charges due the bank and the reasonable expenses of the sale,
22 the universal bank shall pay the balance to the person depositing the property, or to
23 his or her representative or assignee.

24 **222.0413 Other service and incidental activity powers.** (1) NECESSARY
25 OR CONVENIENT POWERS. Unless otherwise prohibited or limited by this chapter, a

1 universal bank may exercise all powers necessary or convenient to effect the
2 purposes for which the universal bank is organized or to further the businesses in
3 which the universal bank is lawfully engaged.

4 (2) REASONABLY RELATED AND INCIDENTAL ACTIVITIES. (a) Subject to any
5 applicable state or federal regulatory or licensing requirements, a universal bank
6 may engage, directly or indirectly through a subsidiary, in activities reasonably
7 related or incident to the purposes of the universal bank. Activities reasonably
8 related or incident to the purposes of the universal bank are those activities that are
9 part of the business of financial institutions, or closely related to the business of
10 financial institutions, or convenient and useful to the business of financial
11 institutions, or reasonably related or incident to the operation of financial
12 institutions or are financial in nature. Activities that are reasonably related or
13 incident to the purposes of a universal bank include the following:

- 14 1. Business and professional services.
- 15 2. Data processing.
- 16 3. Courier and messenger services.
- 17 4. Credit-related activities.
- 18 5. Consumer services.
- 19 6. Real estate-related services, including real estate brokerage services.
- 20 7. Insurance and related services, other than insurance underwriting.
- 21 8. Securities brokerage.
- 22 9. Investment advice.
- 23 10. Securities and bond underwriting.
- 24 11. Mutual fund activities.
- 25 12. Financial consulting.

1 13. Tax planning and preparation.

2 14. Community development and charitable activities.

3 15. Debt cancellation contracts.

4 16. Any activities that are reasonably related or incident to activities under
5 subds. 1. to 15., as determined by rule of the division under par. (b).

6 (b) An activity that is authorized by statute or regulation for financial
7 institutions to engage in as of the effective date of this paragraph [revisor inserts
8 date], is an activity that is reasonably related to or incident to the purposes of a
9 universal bank. An activity permitted under the Bank Holding Company Act is an
10 activity that is reasonably related to or incident to the purposes of a universal bank.
11 The division may, by rule, expand the list of activities under par. (a) 1. to 15. that are
12 reasonably related or incident to the purposes of a universal bank and, by rule, may
13 establish which activities are reasonably related or incident to the activities under
14 par. (a) 1. to 15. Any activity approved by rule of the division under this paragraph
15 shall be authorized for all universal banks.

16 (3) NOTICE REQUIREMENT. A universal bank shall give 60 days' prior written
17 notice to the division of the universal bank's intention to engage in an activity under
18 this section.

19 (4) STANDARDS FOR DENIAL. The division may deny the authority of a universal
20 bank to engage in an activity under this section, other than those activities described
21 in sub. (2) (a) 1. to 15., if the division determines that the activity is not an activity
22 reasonably related or incident to the purposes of a universal bank. The division may
23 deny the authority of a universal bank to engage in an activity under this section if
24 the division determines that the universal bank is not well-capitalized, that the

1 universal bank is the subject of an enforcement action or that the universal bank
2 does not have satisfactory management expertise for the proposed activity.

3 (5) INSURANCE INTERMEDIATION. A universal bank, or an officer or salaried
4 employe of a universal bank, may obtain a license as an insurance intermediary, if
5 otherwise qualified. A universal bank may not, directly or indirectly through a
6 subsidiary, engage in the business of underwriting insurance.

7 (6) OTHER ACTIVITIES APPROVED BY THE DIVISION. A universal bank may engage
8 in any other activity that is approved by rule of the division.

9 (7) ACTIVITIES PROVIDED THROUGH A SUBSIDIARY. A universal bank may engage
10 in an activity under this section, directly or indirectly through a subsidiary, unless
11 the division determines that the activity must be conducted through a subsidiary
12 with appropriate safeguards to limit the risk exposure of the universal bank.

13 (8) LIMITATIONS ON INVESTMENTS THROUGH SUBSIDIARIES. The amount of the
14 investment in any one subsidiary that engages in an activity under this section may
15 not exceed 20% of capital or, if approved by the division, a higher percentage
16 authorized by the division. The aggregate investment in all subsidiaries that engage
17 in an activity under this subsection may not exceed 50% of capital or, if approved by
18 the division, a higher percentage authorized by the division.

19 (9) OWNERSHIP OF SUBSIDIARIES. A subsidiary that engages in an activity under
20 this section may be owned jointly, with one or more other financial institutions,
21 individuals or entities.

22 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
23 exercise trust powers in accordance with s. 221.0316.

24 **SECTION 41.** 227.245 of the statutes is created to read:

1 **227.245 Permanent rules; exemptions.** (1) PROMULGATION OF UNIVERSAL
2 BANKING RULES. Except as provided in subs. (2) and (3), the division of banking may
3 promulgate a rule under s. 222.0413 (2) (b) without complying with the notice,
4 hearing and publication procedures under this chapter.

5 (2) FILING AND PUBLICATION. The division of banking shall file a rule described
6 under sub. (1) as provided in s. 227.20. At the time that the rule is filed, the division
7 of banking shall mail a copy of the rule to the chief clerk of each house and to each
8 member of the legislature, shall publish in the official state newspaper a class 1
9 notice under ch. 985 containing a copy of the rule and shall take any other step it
10 considers feasible to make the rule known to persons who will be affected by the rule.

11 (3) EFFECTIVE DATE. A rule described under sub. (1) takes effect as provided
12 under s. 227.22.

13 **SECTION 42. Nonstatutory provisions.**

14 (1) Except as otherwise provided in this subsection, using the procedure under
15 section 227.24 of the statutes, the division of banking may promulgate rules
16 authorized under chapter 222 of the statutes, as created by this act, for the period
17 before permanent rules become effective, but not to exceed the period authorized
18 under section 227.24 (1) (c) and (2) of the statutes. Notwithstanding section 227.24
19 (1) (a), (2) (b) and (3) of the statutes, the division of banking is not required to provide
20 evidence that promulgating a rule under this subsection as an emergency rule is
21 necessary for the preservation of the public peace, health, safety or welfare and is not
22 required to provide a finding of emergency for a rule promulgated under this
23 subsection. This subsection does not apply to the promulgation of rules under section
24 222.0413 (2) (b) of the statutes, as created by this act.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBs0436/2000
RJM:wlj&kmg:jf

324

March 20, 2000

INSERT

Representative Jeskewitz:

I based this substitute amendment upon the instructions provided to me by the Department of Financial Institutions. This version of the substitute amendment clarifies the treatment of ss. 186.02 (2) (b) 2. and 2m. to more precisely state the authority of the office of credit unions under those statutes. This version also changes the provisions relating to credit union financial privacy requirements. Primarily, the amendment includes the following:

1. Engrossed AB-563 (universal banking), except that the amendment creates a new financial privacy eligibility requirement. Under this new requirement, the most recent federal evaluation of the financial institution, in the opinion of the division of banking, must indicate that the financial institution is in substantial compliance with applicable financial privacy provisions under Subtitle A of Title V of the federal Gramm-Leach-Bliley Act, 15 USC 6801 to 6809, and applicable financial privacy regulations promulgated under that subtitle. In addition, the division of banking must restrict the powers of a universal bank if, in the opinion of the division of banking, the universal bank's most recent federal evaluation fails to indicate that the universal bank is in substantial compliance with these provisions and regulations. In this case, the division of banking may also revoke the universal bank's certification.

Please note that the relevant financial privacy provisions of the Gramm-Leach-Bliley Act have not yet taken effect and neither have any of the relevant financial privacy regulations that are required under the act. The new universal banking eligibility requirement established under this substitute amendment will not have any effect until these federal requirements take effect.

2. Senate Bill 274, as amended by SA-1 and SA-3 (but not SA-2), with the following changes:

- A) Retains definition of and membership provision related to vicinal industries.
- B) Retains, rather than repeals, ss. 186.02 (2) (a) 3. and 4. (regarding credit union bylaws).
- C) Amends s. 186.02 (2) (b) 2. and creates s. 186.02 (2) (b) 2m., regarding individuals who are entitled to membership in a credit union and geographic restrictions on a credit union's field of membership.

D) Restricts the provision created in s. 186.02 (2) (d) 2., regarding an organization becoming a member of a credit union.

E) Deletes the requirement that a credit union establish a policy determining who qualifies as a member of the immediate family of a person qualified for membership. However, under the amendment, a credit union's bylaws are required to prescribe the conditions that determine eligibility for membership. See s. 186.02 (2) (a) 1.

F) In s. 186.11 (4) (a) 2., requires a credit union service organization to be organized primarily to provide goods and services to credit unions, credit union organizations and credit union members. Senate Bill 274 requires a credit union service organization to be organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members.

G) Deletes the expansion of credit union service organization activities under SB-274.

H) Deletes SB-274's proposed grant of authority to a credit union to purchase certain assets of another lender or seller.

I) Creates a financial privacy provision somewhat similar to that proposed for universal banks. Under the amendment, a credit union must comply with any applicable financial privacy provisions of Subtitle A of Title V of the federal Gramm-Leach-Bliley Act and applicable financial privacy regulations promulgated under that subtitle. The office of credit unions must examine a credit union to determine compliance with these provisions and regulations. As with the universal banking financial privacy provision, the credit union financial privacy provision will have no effect until the federal requirements take effect.

The amendment also includes some technical changes. The most extensive technical cleanup is in s. 222.0207 (voluntary termination of certification). This change does not alter the legal effect of the provision.

Please feel free to call with any questions or requested changes.

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DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBa2023/1dn
RJM:js:kjf

March 23, 2000

INSERT

version of the substitute amendment

Representative Jeskewitz:

This ~~amendment~~ narrows the provision created in proposed s. 186.02 (2) (d) 2. regarding organizations and associations that are eligible to become members of credit unions. Organizations and associations that seek to become credit union members under this ~~amendment~~ must have their principal business location within any geographic limits of the credit union's field of membership. The remainder of this drafter's note is taken from the previous version of the substitute amendment.

Robert J. Marchant
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Version
of s. 186.02
(2)(d)2.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBs0436/3dn
RJM:kmg&wlj:jf

March 27, 2000

Representative Jeskewitz:

This version of the substitute amendment narrows the provision created in proposed s. 186.02 (2) (d) 2. regarding organizations and associations that are eligible to become members of credit unions. Organizations and associations that seek to become credit union members under this version of s. 186.02 (2) (d) 2. must have their principal business location within any geographic limits of the credit union's field of membership. The remainder of this drafter's note is taken from the previous version of the substitute amendment.

I based this substitute amendment upon the instructions provided to me by the Department of Financial Institutions. This version of the substitute amendment clarifies the treatment of ss. 186.02 (2) (b) 2. and 2m. to more precisely state the authority of the office of credit unions under those statutes. This version also changes the provisions relating to credit union financial privacy requirements. Primarily, the amendment includes the following:

1. Engrossed AB-563 (universal banking), except that the amendment creates a new financial privacy eligibility requirement. Under this new requirement, the most recent federal evaluation of the financial institution, in the opinion of the division of banking, must indicate that the financial institution is in substantial compliance with applicable financial privacy provisions under Subtitle A of Title V of the federal Gramm-Leach-Bliley Act, 15 USC 6801 to 6809, and applicable financial privacy regulations promulgated under that subtitle. In addition, the division of banking must restrict the powers of a universal bank if, in the opinion of the division of banking, the universal bank's most recent federal evaluation fails to indicate that the universal bank is in substantial compliance with these provisions and regulations. In this case, the division of banking may also revoke the universal bank's certification.

Please note that the relevant financial privacy provisions of the Gramm-Leach-Bliley Act have not yet taken effect and neither have any of the relevant financial privacy regulations that are required under the act. The new universal banking eligibility requirement established under this substitute amendment will not have any effect until these federal requirements take effect.

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- A) Retains definition of and membership provision related to vicinal industries.
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- C) Amends s. 186.02 (2) (b) 2. and creates s. 186.02 (2) (b) 2m., regarding individuals who are entitled to membership in a credit union and geographic restrictions on a credit union's field of membership.
- D) Restricts the provision created in s. 186.02 (2) (d) 2., regarding an organization becoming a member of a credit union.
- E) Deletes the requirement that a credit union establish a policy determining who qualifies as a member of the immediate family of a person qualified for membership. However, under the amendment, a credit union's bylaws are required to prescribe the conditions that determine eligibility for membership. See s. 186.02 (2) (a) 1.
- F) In s. 186.11 (4) (a) 2., requires a credit union service organization to be organized primarily to provide goods and services to credit unions, credit union organizations and credit union members. Senate Bill 274 requires a credit union service organization to be organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members.
- G) Deletes the expansion of credit union service organization activities under SB-274.
- H) Deletes SB-274's proposed grant of authority to a credit union to purchase certain assets of another lender or seller.
- I) Creates a financial privacy provision somewhat similar to that proposed for universal banks. Under the amendment, a credit union must comply with any applicable financial privacy provisions of Subtitle A of Title V of the federal Gramm-Leach-Bliley Act and applicable financial privacy regulations promulgated under that subtitle. The office of credit unions must examine a credit union to determine compliance with these provisions and regulations. As with the universal banking financial privacy provision, the credit union financial privacy provision will have no effect until the federal requirements take effect.

The amendment also includes some technical changes. The most extensive technical cleanup is in s. 222.0207 (voluntary termination of certification). This change does not alter the legal effect of the provision.

Please feel free to call with any questions or requested changes.

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