

**1999 DRAFTING REQUEST**

**Bill**

Received: **01/17/99**

Received By: **smiller**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 6-8593**

By/Representing: **Holden**

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

Drafter: **rmarchan**

May Contact:

Alt. Drafters:

Subject: **Fin. Inst. - miscellaneous**

Extra Copies:

**Topic:**

DOA:.....Holden - Universal Banking

**Instructions:**

See Attached; See 97AB898

**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> |
|--------------|--|---------------------|----------------------|----------------|--------------------------|-----------------|-----------------|
| /?           | hubliks<br>01/18/99<br>hubliks<br>01/19/99 | jgeller<br>01/19/99 |                      | _____          |                          |                 | State           |
| /1           |  |                     | lpaasch<br>01/20/99  | _____          | lrb_docadmin<br>01/20/99 |                 | State           |
| /2           | rmarchan<br>01/23/99                       |                     | jfrantze<br>01/24/99 | _____          | lrb_docadmin<br>01/25/99 |                 |                 |

FE Sent For:

<END>

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|              | hubliks<br>01/19/99 | <i>1/23 jg</i>      |                     | _____          |                          |                 |                 |
| /1           |                     |                     | lpaasch<br>01/20/99 | _____          | lrb_docadmin<br>01/20/99 |                 |                 |

FE Sent For:

*Jb 1/24*      *Jb/hh*  
*1/24*      *1/24*  
 <SEND>

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|--------------|---------------------|-----------------|--------------|------------------------------------|------------------|-----------------|-----------------|
| 1/?          | hubliks<br>01/18/99 | cmH<br>1/19 /   | 1-20<br>L.P. | 1-20<br>L.P.<br><i>[Signature]</i> |                  |                 |                 |

FE Sent For:

*1/19 jlg*

<END>



State of Wisconsin  
1999 - 2000 LEGISLATURE

SOON

1836/1

LRB-0425/1

RJM emb&jg:js

cmh + jg

Redraft  
maker NOT  
run

~~1999 BILL~~

For 1999-01 BUDGET - NOT READY FOR INTRODUCTION

DOA... Holder - Universal Banking

don't get cost.  
no cat. needed

1 AN ACT to amend 15.183 (2), 20.144 (1) (g), 20.912 (4), 34.01 (2) (a), 34.10, 138.052  
 2 (5) (am) 2. a., 138.052 (5) (am) 2. b., 138.055 (4) (a), 138.056 (1) (a) 4. a., 138.12  
 3 (5) (a), 214.01 (1) (im), 214.592, 215.01 (6), 215.02 (title), 215.141, 220.04 (9) (a)  
 4 2., 221.0303 (2), 221.0321 (5), 223.105 (3) (a), 223.105 (4), 223.105 (5), 223.105  
 5 (6), 227.52 (5), 227.53 (1) (b) 4., 227.53 (1) (b) 5., 552.23 (1) and 813.16 (7); and  
 6 to create chapter 222 and 992.21 of the statutes; relating to: the creation of  
 7 a new type of financial institution; the powers and requirements applicable to  
 8 these financial institutions; changing the name of the division of savings and  
 9 loan; providing an exemption from emergency rule procedures; and granting  
 10 rule-making authority.

the budget.

✓ ~~Commerce~~  
COMMERCE AND ECONOMIC DEVELOPMENT - HEAD  
COMMERCE

Analysis by the Legislative Reference Bureau

sub

Under current law, the division of savings and loan regulates savings banks and savings and loan associations and the division of banking regulates state banks. This bill allows savings banks, savings and loan associations and state banks (financial institutions) to apply to the division of banking to become certified as a universal bank. If certified as a universal bank, the financial institution may exercise certain

**BILL**

powers, in addition to those that are granted under the statutes under which they are organized. Universal banks retain their status as savings and loan associations, savings banks or state banks and remain subject to existing regulatory and supervisory requirements, except to the extent that these requirements are inconsistent with the requirements applicable to universal banks. Universal banks are subject to the following provisions:

*(Handwritten initials)*

Certification ← sub  
sub  
~~CERTIFICATION~~

A financial institution may apply to become certified as a universal bank by filing a written application with the division of banking. In order to be certified as a universal bank, the financial institution must meet all of the following conditions: 1) the financial institution is chartered or organized, and regulated, as a Wisconsin financial institution and has been in existence and continuous operation for at least three years; 2) the financial institution must be "well-capitalized" or "adequately capitalized"; 3) the financial institution must not exhibit moderately severe or unsatisfactory financial, managerial, operational and compliance weaknesses; and 4) the financial institution must not have been the subject of any enforcement action within the 12 months preceding the application. If these requirements are met, the division of banking must certify the financial institution as a universal bank. The financial institution may be decertified only if it elects to terminate its certification and the election is approved by the division. As a precondition to decertification, the universal bank must terminate the exercise of all universal banking powers.

*(Handwritten initials)*  
sub  
sub

Organization and Regulation ORGANIZATION AND REGULATION

A financial institution that is certified as a universal bank remains subject to all of the requirements and duties, and remains able to exercise all of the powers, that applied to the financial institution prior to its certification as a universal bank, except to the extent that such requirements, duties and powers are inconsistent with the powers and duties of universal banks. After a financial institution becomes certified as a universal bank, the division of banking becomes solely responsible for establishing the capital requirements applicable to the universal bank.

Organization  
and  
regulation

A universal bank continues to operate under the articles of incorporation and bylaws in effect prior to the certification and these articles and bylaws may be amended in accordance with the law governing savings banks, savings and loan associations or state banks, whichever is applicable to the financial institution. Current law generally prohibits savings banks and savings and loan associations from using use the term "bank" in their corporate name, without also using the term "savings". Notwithstanding these provisions, the bill allows all financial institutions that become certified as a universal bank to use the term "bank" in their corporate name without using the word "savings", subject to certain limitations relating to the distinguishability of the name. Under current law, the division of banking regulates mergers and acquisitions of state banks and the division of savings and loan is responsible for regulating the mergers and acquisitions of savings banks and savings and loan associations. Under the bill, the division of banking assumes responsibility for reviewing and approving the mergers and acquisitions of all financial institutions that have been certified as universal banks, including savings banks and savings and loan associations. The standards to be used by the division of banking track the

**BILL**

standards currently applicable to the various financial institutions that may become certified as universal banks, except that universal banks may generally acquire or merge with any type of financial institution.

*Handwritten:* [Powers] [bold]

~~Powers~~ ← sub sub  
~~POWERS~~  
The bill expands the powers of financial institutions that become certified as universal banks. Currently, savings banks, savings and loan associations and banks have differing powers. Under the bill, a universal bank is authorized to engage in any activity authorized for any savings bank, savings and loan association or state bank on the first day of the third month beginning after the bill's publication. In addition, the bill specifically provides that universal banks may exercise the following powers:

*Handwritten:* [NOT] [can-bold]

**Federal powers : AA**

^ The bill grants all universal banks the authority to exercise all powers that may be exercised, directly or indirectly through a subsidiary, by a federally chartered financial institution, such as a national bank or a federal credit union, or by an affiliate of such an institution. In order to exercise a federal power, the universal bank is required to give the division of banking written notice of the bank's intention to exercise the power at least 60 days in advance of exercising the power. The division of banking is required to approve the exercise of the power if it determines that the power is exercisable by federally chartered financial institutions and must periodically publish a list in the Wisconsin Administrative Register of federal powers that it has approved. A universal bank is not required to provide the 60-day advance written notice in order to exercise a power contained in one of these published lists. The division of banking may require that a federal power be exercised by a subsidiary of the universal bank in order to limit the risk exposure of the universal bank.

*Handwritten:* [NOT] [can-bold]

**Lending powers : AA**

^ Under current law, the lending powers of a financial institution depend on whether the financial institution is organized as a savings bank, savings and loan association or state bank. The lending powers granted to universal banks are most similar to the powers granted to state banks under current law. Current law imposes some restrictions on the types and purposes of loans that savings banks and savings and loan associations may make. Under the bill, a universal bank may make, sell, purchase, arrange, participate in, invest in or otherwise deal in loans or extensions of credit for any purpose. Like state banks, the limitations imposed on a universal bank's lending generally focus on the total amount of liabilities of any one lender at any one time. Although the limit varies depending on the lender and on the type of security pledged for the loan, the general rule is that the total liabilities of any one person to a universal bank may not exceed 20% of the capital of the universal bank. These lending limits for universal banks are generally the same as for state banks, except that universal banks are granted additional authority to lend, through the universal bank or its subsidiaries, an amount to all borrowers from the universal bank and all of its subsidiaries, an aggregate amount not to exceed 20% of the bank's capital, provided that the loans to any one borrower may not exceed 20% of the bank's capital. Loans made under this additional authority are not subject to rules regarding bad debts or classification of losses, for a period of three years from the date

**BILL**

of the loan. This additional authority may be suspended by the division of banking; among the factors that may be considered by the division of banking in suspending this authority are a universal bank's capital, assets, management, liquidity ratio and capital ratio.

<sup>NOT</sup>  
[UAA-bold] - Investment powers :ΔΔ

^ To the extent consistent with safe and sound banking powers, a universal bank may purchase, sell, underwrite and hold investment securities in an amount up to 100% of the universal bank's capital. Investment securities include commercial paper; banker's acceptances; marketable securities in the form of bonds, notes and debentures; and similar instruments. A bank may purchase, sell, underwrite and hold equity securities, consistent with safe and sound banking principles, in an amount up to 20% of the capital of the universal bank, unless the division of banking approves a greater percentage. Universal banks may also invest in certain housing properties and projects, except that the total investment in any one project may not exceed 15% of the universal bank's capital and except that the total amount invested in housing properties and projects may not exceed 50% of the universal bank's capital. A universal bank may take equity positions in profit-participation projects, including projects funded through loans from the universal bank, in an aggregate amount not to exceed 20% of capital. The division of banking may suspend the authority to invest in profit-participation projects.

The bill provides that the universal banks may invest without limitations in certain types of securities, including: 1) obligations of certain federal agencies or federally chartered corporations and associations; 2) deposit accounts or insured obligations of insured financial institutions; 3) securities of certain business development corporations and urban renewal investment corporations; 4) certain securities of bank insurance companies; 5) securities of certain corporations operating automated teller machines; 6) securities of service corporation subsidiaries of a universal bank; 7) advances of federal funds; 8) risk management instruments, including financial futures transactions, financial operations transactions and forward commitments, solely for the purpose of reducing, hedging or otherwise managing its interest rate risk exposure; 9) securities of subsidiaries exercising certain fiduciary powers; and 10) securities of agricultural credit corporations. Universal banks may invest in other financial institutions. The investment powers of universal banks may be exercised directly or indirectly through a subsidiary, unless the division of banking requires the investment to be made through a subsidiary in order to limit the risk exposure of the universal bank. The bill contains specific provisions governing the purchase by a universal bank of its own stock and of stock in banks and bank holding companies.

<sup>NOT</sup>  
[UAA-bold] - Deposit and trust powers :ΔΔ

^ The bill grants universal banks the authority to establish the types and terms of deposits that the universal banks solicit and accept. A universal bank may pledge its assets as security for deposits. With the approval of the division of banking, a universal bank may securitize its assets for sale to the public, subject to any procedures established by the division. Universal banks may exercise safe deposit powers, and universal banks have a lien on the contents of property accepted for

**BILL**

safekeeping for their safekeeping charges. If these charges remain unpaid for two years or property accepted for safekeeping is not called for within two years, the bank may sell the property at public auction. The bill authorizes universal banks to exercise trust powers that are permitted to trust company banks.

NOT  
em-bold

**Incidental and related powers : AA**

Under the bill, a universal bank may exercise all powers necessary or convenient to effect the purposes for which the universal bank is organized or to further the businesses in which the universal bank is lawfully engaged. Current law does not have a similar provision for savings banks, savings and loan associations or state banks.

In addition to these necessary or convenient powers, the bill allows universal banks to engage, directly or indirectly through a subsidiary, in activities that are reasonably related or incident to the purposes of the universal bank. The bill contains a list of activities that meet the reasonably related or incidental powers criteria. The listed activities include: 1) business and professional services; 2) data processing; 3) courier and messenger services; 4) credit-related activities; 5) consumer services; 6) real estate-related services; 7) insurance services, other than insurance underwriting; 8) securities brokerage; 9) investment advice; 10) securities and bond underwriting; 11) mutual fund activities; 12) financial consulting; 13) tax planning and preparation; 14) community development and charitable activities; and 15) debt cancellation contracts.

In addition, any activity permitted to be engaged in by bank holding companies under the federal Bank Holding Company Act may be engaged in by a universal bank. The division of banking is permitted to expand the list of reasonably related or incidental powers by rule. A universal bank is required to give 60 days' prior written notice, to the division of banking, of the bank's intention to engage in a necessary or convenient, reasonably related or incidental power. The division of banking may deny the authority of a universal bank to engage in a reasonably related or incidental power, other than those activities that are specifically enumerated, if the division of banking determines that the power is not a reasonably related or incidental power, or that the financial institution is not well-capitalized or adequately capitalized or is the subject of an enforcement action. The division of banking may require that any of these activities be conducted through a subsidiary with appropriate safeguards to limit the risk exposure of the universal bank. Amounts invested in a single subsidiary may not exceed 20% of the universal bank's capital, unless a higher percentage is approved by the division of banking.

Z-1115 Sub Sub

Other Changes

**OTHER CHANGES**

In addition to creating universal banks, this bill changes the name of the division of savings and loan in the department of financial institutions to the division of savings institutions. The bill further provides that any action taken by the division of savings and loan under the name of the division of savings institutions has the same effect as if the action had been taken under the name of the division of savings and loan.



**BILL**

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

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

1           **SECTION 1.** 15.183 (2) of the statutes is amended to read:

2           15.183 (2) ~~DIVISION OF SAVINGS AND LOAN INSTITUTIONS.~~ There is created a  
3 division of savings ~~and loan~~ institutions. Prior to July 1, 2000, the division is  
4 attached to the department of financial institutions under s. 15.03. After June 30,  
5 2000, the division is created in the department of financial institutions. The  
6 administrator of the division shall be appointed outside the classified service by the  
7 secretary of financial institutions and shall serve at the pleasure of the secretary.

8           **SECTION 2.** 20.144 (1) (g) of the statutes is amended to read:

9           20.144 (1) (g) *General program operations.* The amounts in the schedule for  
10 the general program operations of the department of financial institutions. Except  
11 as provided in pars. (a), (h), (i) and (u), all moneys received by the department, other  
12 than by the office of credit unions, the division of banking and the division of savings  
13 ~~and loan~~ institutions, and 88% of all moneys received by the department's division  
14 of banking and the department's division of savings ~~and loan~~ institutions shall be  
15 credited to this appropriation, but any balance at the close of a fiscal year exceeding  
16 10% of the previous fiscal year's expenditures under this appropriation shall lapse  
17 to the general fund. Annually, \$200,000 of the amounts received under this  
18 appropriation account shall be transferred to the appropriation account under s.  
19 20.575 (1) (g).

20           **SECTION 3.** 20.912 (4) of the statutes is amended to read:

**BILL**

1           20.912 (4) INSOLVENT DEPOSITORIES. When the bank, savings and loan  
2 association, savings bank or credit union on which any check, share draft or other  
3 draft is drawn by the state treasurer before payment of such check, share draft or  
4 other draft becomes insolvent or is taken over by the division of banking, division of  
5 savings and loan institutions, the federal home loan bank board, the U.S. office of  
6 thrift supervision, the federal deposit insurance corporation, the resolution trust  
7 corporation, the office of credit unions, the administrator of federal credit unions or  
8 the U.S. comptroller of the currency, the state treasurer shall on the demand of the  
9 person in whose favor such check, share draft or other draft was drawn and upon the  
10 return to the treasurer of such check, share draft or other draft issue a replacement  
11 for the same amount.

12           **SECTION 4.** 34.01 (2) (a) of the statutes is amended to read:

13           34.01 (2) (a) Any loss of public moneys, which have been deposited in a  
14 designated public depository in accordance with this chapter, resulting from the  
15 failure of any public depository to repay to any public depositor the full amount of  
16 its deposit because the office of credit unions, administrator of federal credit unions,  
17 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift  
18 supervision, federal deposit insurance corporation, resolution trust corporation,  
19 division of banking or division of savings and loan institutions has taken possession  
20 of the public depository or because the public depository has, with the consent and  
21 approval of the office of credit unions, administrator of federal credit unions, U.S.  
22 office of thrift supervision, federal deposit insurance corporation, resolution trust  
23 corporation, division of banking or division of savings and loan institutions, adopted  
24 a stabilization and readjustment plan or has sold a part or all of its assets to another  
25 credit union, bank, savings bank or savings and loan association which has agreed

**BILL**

1 to pay a part or all of the deposit liability on a deferred payment basis or because the  
2 depository is prevented from paying out old deposits because of rules of the office of  
3 credit unions, administrator of federal credit unions, U.S. comptroller of the  
4 currency, federal home loan bank board, U.S. office of thrift supervision, federal  
5 deposit insurance corporation, resolution trust corporation, division of banking or  
6 division of savings and ~~loan~~ institutions.

7 **SECTION 5.** 34.10 of the statutes is amended to read:

8 **34.10 Reorganization and stabilization of financial institutions.**

9 Whenever the office of credit unions, administrator of federal credit unions, U.S.  
10 comptroller of the currency, federal home loan bank board, U.S. office of thrift  
11 supervision, federal deposit insurance corporation, resolution trust corporation,  
12 division of banking or division of savings and ~~loan~~ institutions has taken charge of  
13 a credit union, bank, savings bank or savings and loan association with a view of  
14 restoring its solvency, pursuant to law, or with a view of stabilizing and readjusting  
15 the structure of any national or state credit union, bank, savings bank or savings and  
16 loan association located in this state, and has approved a reorganization plan or a  
17 stabilization and readjustment agreement entered into between the credit union,  
18 bank, savings bank or savings and loan association and depositors and unsecured  
19 creditors, or when a credit union, bank, savings bank or savings and loan association,  
20 with the approval of the office of credit unions, administrator of federal credit unions,  
21 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift  
22 supervision, federal deposit insurance corporation, resolution trust corporation,  
23 division of banking or division of savings and ~~loan~~ institutions proposes to sell its  
24 assets to another credit union, bank, savings bank or savings and loan association  
25 which agrees to assume a part or all of the deposit liability of such selling credit

**BILL**

1 union, bank, savings bank or savings and loan association and to pay the same on  
2 a deferred payment basis, the governing board of the public depositor may, on the  
3 approval of the division of banking, join in the execution of any reorganization plan,  
4 or any stabilization and readjustment agreement, or any depositor's agreement  
5 relative to a proposed sale of assets if, in its judgment and that of the division of  
6 banking, the reorganization plan or stabilization and readjustment agreement or  
7 proposed sale of assets is in the best interest of all persons concerned. The joining  
8 in any reorganization plan, or any stabilization and readjustment agreement, or any  
9 proposed sale of assets which meets the approval of the division of banking does not  
10 waive any rights under this chapter.

11 **SECTION 6.** 138.052 (5) (am) 2. a. of the statutes is amended to read:

12 138.052 (5) (am) 2. a. On January 1, 1994, and annually thereafter, the division  
13 of banking for banks, the division of savings ~~and loan~~ institutions for savings and  
14 loan associations and savings banks and the office of credit unions for credit unions  
15 shall determine the interest rate that is the average of the interest rates paid,  
16 rounded to the nearest one-hundredth of a percent, on regular passbook deposit  
17 accounts by institutions under the division's or office's jurisdiction at the close of the  
18 last quarterly reporting period that ended at least 30 days before the determination  
19 is made.

20 **SECTION 7.** 138.052 (5) (am) 2. b. of the statutes is amended to read:

21 138.052 (5) (am) 2. b. The office of credit unions and the division of banking  
22 shall report the rate calculated to the division of savings ~~and loan~~ institutions within  
23 5 days after the date on which the determination is made. The division of savings  
24 ~~and loan~~ institutions shall calculate the average, rounded to the nearest

**BILL**

1 one-hundredth of a percent, of the 3 rates and report that interest rate to the revisor  
2 of statutes within 5 days after the date on which the determination is made.

3 **SECTION 8.** 138.055 (4) (a) of the statutes is amended to read:

4 138.055 (4) (a) The division of savings ~~and loan~~ institutions, if the lender is a  
5 savings and loan association or savings bank;

6 **SECTION 9.** 138.056 (1) (a) 4. a. of the statutes is amended to read:

7 138.056 (1) (a) 4. a. The division of savings ~~and loan~~ institutions, if the lender  
8 is a savings and loan association or savings bank;

9 **SECTION 10.** 138.12 (5) (a) of the statutes is amended to read:

10 138.12 (5) (a) The ~~commissioner~~ division may revoke or suspend the license of  
11 any insurance premium finance company if the ~~commissioner~~ division finds that any  
12 of the following:

- 13 1. Any license issued to such company was obtained by fraud,<sub>s</sub>
- 14 2. There was any misrepresentation in the application for the license,<sub>s</sub>
- 15 3. The holder of such license has otherwise shown himself or herself  
16 untrustworthy or incompetent to act as a premium finance company,<sub>s</sub>
- 17 4. ~~Such~~ The company has violated any provision of this section,<sub>s</sub> ~~or,~~
- 18 5. ~~Such~~ The company has been rebating part of the service charge as allowed  
19 and permitted herein to any insurance agent or insurance broker or any employe of  
20 an insurance agent or insurance broker or to any other person as an inducement to  
21 the financing of any insurance policy with the premium finance company.

22 **SECTION 11.** 214.01 (1) (im) of the statutes is amended to read:

23 214.01 (1) (im) "Division" means the division of savings ~~and loan~~ institutions.

24 **SECTION 12.** 214.592 of the statutes is amended to read:

**BILL**

1           **214.592 Financially related services tie-ins.** In any transaction conducted  
 2 by a savings bank, a savings bank holding company or a subsidiary of either with a  
 3 customer who is also a customer of any other subsidiary of any of them, the customer  
 4 shall be given a notice in 12-point boldface type in substantially the following form:

5                                       NOTICE OF RELATIONSHIP

6           This company, .... (insert name and address of savings bank, savings bank  
 7 holding company or subsidiary), is related to .... (insert name and address of savings  
 8 bank, savings bank holding company or subsidiary) of which you are also a customer.  
 9 You may not be compelled to buy any product or service from either of the above  
 10 companies or any other related company in order to participate in this transaction.

11           If you feel that you have been compelled to buy any product or service from  
 12 either of the above companies or any other related company in order to participate  
 13 in this transaction, you should contact the management of either of the above  
 14 companies at either of the above addresses or the division of savings and loan  
 15 institutions at .... (insert address).

16           **SECTION 13.** 215.01 (6) of the statutes is amended to read:

17           215.01 (6) "Division" means the division of savings ~~and loan~~ institutions.

18           **SECTION 14.** 215.02 (title) of the statutes is amended to read:

19           **215.02 (title) Division of savings and loan institutions.**

20           **SECTION 15.** 215.141 of the statutes is amended to read:

21           **215.141 Financially related services tie-ins.** In any transaction conducted  
 22 by an association, a savings and loan holding company or a subsidiary of either with  
 23 a customer who is also a customer of any other subsidiary of any of them, the  
 24 customer shall be given a notice in 12-point boldface type in substantially the  
 25 following form:

## BILL

## NOTICE OF RELATIONSHIP

1  
2 This company, ..... (insert name and address of association, savings and loan  
3 holding company or subsidiary), is related to ..... (insert name and address of  
4 association, savings and loan holding company or subsidiary) of which you are also  
5 a customer. You may not be compelled to buy any product or service from either of  
6 the above companies or any other related company in order to participate in this  
7 transaction.

8 If you feel that you have been compelled to buy any product or service from  
9 either of the above companies or any other related company in order to participate  
10 in this transaction, you should contact the management of either of the above  
11 companies at either of the above addresses or the division of savings and loan  
12 institutions at .... (insert address).

13 SECTION 16. 220.04 (9) (a) 2. of the statutes is amended to read:

14 220.04 (9) (a) 2. "Regulated entity" means a bank, universal bank, trust  
15 company bank and any other entity which is described in s. 220.02 (2) or 221.0526  
16 as under the supervision and control of the division.

17 SECTION 17. 221.0303 (2) of the statutes is amended to read:

18 221.0303 (2) OPERATION AND ACQUISITION OF CUSTOMER BANK COMMUNICATIONS  
19 TERMINALS. A bank may, directly or indirectly, acquire, place and operate, or  
20 participate in the acquisition, placement and operation of, at locations other than its  
21 main or branch offices, customer bank communications terminals, in accordance  
22 with rules established by the division. The rules of the division shall provide that  
23 any such customer bank communications terminal shall be available for use, on a  
24 nondiscriminatory basis, by any state or national bank and by all customers  
25 designated by a bank using the terminal. This subsection does not authorize a bank

**BILL**

1 which has its principal place of business outside this state to conduct banking  
2 business in this state. The customer bank communications terminals also shall be  
3 available for use, on a nondiscriminatory basis, by any credit union, savings and loan  
4 association or savings bank, if the credit union, savings and loan association or  
5 savings bank requests to share its use, subject to rules jointly established by the  
6 division of banking, the office of credit unions and the division of savings ~~and loan~~  
7 institutions. The division by order may authorize the installation and operation of  
8 a customer bank communications terminal in a mobile facility, after notice and  
9 hearing upon the proposed service stops of the mobile facility.

10 **SECTION 18.** 221.0321 (5) of the statutes is amended to read:

11 221.0321 (5) CERTAIN SECURED LOANS. A bank may make loans secured by  
12 assignment or transfer of stock certificates or other evidence of the borrower's  
13 ownership interest in a corporation formed for the cooperative ownership of real  
14 estate. Sections 846.10 and 846.101, as they apply to a foreclosure of a mortgage  
15 involving a one-family residence, apply to a proceeding to enforce the lender's rights  
16 in security given for a loan under this subsection. The division shall promulgate joint  
17 rules with the office of credit unions and the division of savings ~~and loan~~ institutions  
18 that establish procedures for enforcing a lender's rights in security given for a loan  
19 under this subsection.

20 **SECTION 19.** Chapter 222 of the statutes is created to read:

**CHAPTER 222****UNIVERSAL BANKS****SUBCHAPTER I****GENERAL PROVISIONS**

24



**BILL**

1           **222.0101 Title.** This chapter may be cited as the “Wisconsin universal bank  
2 law”.

3           **222.0102 Definitions.** In this chapter:

4           (1) “Adequately capitalized” has the meaning given in 12 USC 1831o (b) (1) (B).

5           (2) “Capital” of a universal bank means the sum of the following, less the  
6 amount of intangible assets that is not considered to be qualifying capital by a deposit  
7 insurance corporation or the division:

8           (a) For a universal bank organized as a stock organization, the universal bank’s  
9 capital stock, preferred stock, undivided profits, surplus, outstanding notes and  
10 debentures approved by the division, other forms of capital designated as capital by  
11 the division and other forms of capital considered to be qualifying capital of the  
12 universal bank by a deposit insurance corporation.

13           (b) For a universal bank organized as a mutual organization, the universal  
14 bank’s net worth, undivided profits, surplus, outstanding notes and debentures  
15 approved by the division, other forms of capital designated as capital by the division  
16 and other forms of capital considered to be qualifying capital by a deposit insurance  
17 corporation.

18           (3) “Deposit insurance corporation” means the Federal Deposit Insurance  
19 Corporation or other instrumentality of, or corporation chartered by, the United  
20 States that insures deposits of financial institutions and that is supported by the full  
21 faith and credit of the U.S. government as stated in a congressional resolution.

22           (4) “Division” means the division of banking.

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

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

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

4           **222.0103 Applicability. (1) SAVINGS BANKS.** A universal bank that is a savings  
5 bank organized under ch. 214 remains subject to all of the requirements, duties and  
6 liabilities, and may exercise all of the powers, of a savings bank, except that in the  
7 event of a conflict between this chapter and those requirements, duties, liabilities or  
8 powers, this chapter shall control.

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

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

18           **222.0105 Fees.** The division may establish such fees as it determines are  
19 appropriate for documents filed with the division under this chapter and for services  
20 provided by the division under this chapter.

21           **222.0107 Administration. (1) POWERS OF DIVISION.** The division shall  
22 administer this chapter for all universal banks.

23           (2) **RULE-MAKING AUTHORITY.** The division may promulgate rules to administer  
24 and carry out this chapter. The division may establish additional limits or  
25 requirements on universal banks, if the division determines that the limits or

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1 requirements are necessary for the protection of depositors, members, investors or  
2 the public.

**SUBCHAPTER II****CERTIFICATION**

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4  
5 **222.0201 Procedure.** (1) APPLICATION. A financial institution may apply to  
6 become certified as a universal bank by filing a written application with the division.  
7 The application shall include such information as the division may require. The  
8 application shall be on such forms and in accordance with such procedures as the  
9 division may prescribe.

10 (2) REVIEW BY DIVISION. An application submitted to the division shall either  
11 be approved or disapproved by the division in writing within 60 days after its  
12 submission to the division. The division and the financial institution may mutually  
13 agree to extend the application period for an additional period of 60 days.

14 **222.0203 Eligibility.** (1) REQUIREMENTS. The division shall approve an  
15 application for certification as a universal bank, if the applying financial institution  
16 meets all of the following requirements:

17 (a) The financial institution is chartered or organized, and regulated, under ch.  
18 214, 215 or 221 and has been in existence and continuous operation for a minimum  
19 of 3 years prior to the date of the application.

20 (b) The financial institution is well-capitalized or adequately capitalized.

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

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1 (d) During the 12-month period prior to the application, the financial  
2 institution has not been the subject of an enforcement action and there is no  
3 enforcement action pending against the financial institution by any state or federal  
4 financial institution regulatory agency, including the division.

5 (2) **FAILURE TO MAINTAIN COMPLIANCE.** For any period during which a universal  
6 bank fails to meet the requirements under sub. (1), the division may by order limit  
7 or restrict the exercise of the powers of the universal bank under this chapter.

8 **222.0205 Certificate of authority.** Upon approval of the application under  
9 s. 222.0201 for certification as a universal bank, the division shall issue to the  
10 applicant a certificate of authority stating that the financial institution is certified  
11 as a universal bank under this chapter.

12 **222.0207 Decertification.** A financial institution that is certified as a  
13 universal bank under this chapter may elect to terminate its certification upon 60  
14 days' prior written notice to the division and written approval of the division. The  
15 financial institution shall, as a condition to the termination, terminate its exercise  
16 of all powers granted under this chapter prior to the termination of the certification.  
17 Written approval of the termination by the division is void if the financial institution  
18 fails to satisfy the precondition to termination under this section.

**SUBCHAPTER III****ORGANIZATION**

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20  
21 **222.0301 Articles of incorporation and bylaws.** A universal bank shall  
22 continue to operate under its articles of incorporation and bylaws as in effect prior  
23 to certification as a universal bank or as such articles or bylaws may be subsequently  
24 amended in accordance with the provisions of the chapter under which the universal  
25 bank was organized or chartered.

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

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

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

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

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

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

22           (a) Merged with the other institution.

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

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

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

4           (2) CERTAIN ASSET REQUIREMENTS. Section 214.045 does not apply to universal  
5 banks.

6           **222.0307 Acquisitions, mergers and asset purchases.** (1) IN GENERAL. A  
7 universal bank may, with the approval of the division, purchase the assets of, merge  
8 with, acquire or be acquired by any other financial institution, universal bank,  
9 national bank, federally chartered savings bank or savings and loan association, or  
10 by a holding company of any of these entities. Notwithstanding subch. III of ch. 214  
11 and ss. 214.09 and 215.36, the approval of the division of savings institutions is not  
12 required.

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

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

19           (b) For universal banks organized under ch. 215, ss. 215.35, 215.36, 215.53 and  
20 215.73.

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

**SUBCHAPTER IV****POWERS**

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23  
24           **222.0401 Federal financial institution powers.** (1) IN GENERAL. Subject  
25 to the limitations in this section, universal banks may exercise all powers that may

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1 be exercised, directly or indirectly through a subsidiary, by a federally chartered  
2 financial institution, including a federally chartered savings bank, a federally  
3 chartered savings and loan association, a federally chartered national bank or a  
4 federally chartered credit union, or by an affiliate of such an institution.

5 (2) REQUIRED NOTIFICATION FOR EXERCISE OF A FEDERAL POWER. Except as  
6 provided in sub. (3), a universal bank may not exercise a power under this section  
7 without giving 60 days' prior written notice to the division of the universal bank's  
8 intention to exercise the power. If the division determines within the 60-day period  
9 that the power is not exercisable by federally chartered financial institutions, the  
10 division shall disapprove the notice and shall direct the universal bank not to  
11 exercise that power. A notice under this subsection that is not disapproved by the  
12 division within 60 days after receipt by the division is approved, unless the division  
13 and the universal bank mutually agree to extend the notice period for an additional  
14 60 days.

15 (3) PREVIOUSLY RECOGNIZED FEDERAL POWERS. The division shall periodically  
16 publish, in the Wisconsin Administrative Register, a list of all federal powers that it  
17 has allowed to be exercised by universal banks under this section. The division shall  
18 mail copies of the publication to all universal banks. A universal bank need not give  
19 prior written notice to the division of the universal bank's intention to exercise any  
20 federal power that the division has included in a list published under this subsection.

21 (4) EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY. The division may  
22 require that certain powers exercisable by universal banks under this section be  
23 exercised through a subsidiary of the universal bank with appropriate safeguards to  
24 limit the risk exposure of the universal bank.

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

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

10           (3) CERTAIN SECURED LIABILITIES. The percentage limitation under sub. (2) is  
11 50% of the universal bank's capital, if the liabilities under sub. (2) are limited to the  
12 following types of liabilities:

13           (a) *Warehouse receipts.* A liability secured by warehouse receipts issued by  
14 warehouse keepers who are licensed and bonded in this state under ss. 99.02 and  
15 99.03 or under the federal Bonded Warehouse Act or who hold a registration  
16 certificate under ch. 127, if all of the following requirements are met:

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

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

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



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

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

8           (4) OBLIGATIONS OF LOCAL GOVERNMENTAL UNITS. (a) *Definition.* In this  
9 subsection, "local governmental unit" has the meaning given in s. 16.97 (7).

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

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

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

23           (e) *Temporary borrowings.* The total amount of temporary borrowings of any  
24 local governmental unit maturing within one year after the date of issue may not  
25 exceed 60% of the capital of the universal bank. Temporary borrowings and

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1 longer-term general obligation borrowings of a single local governmental unit may  
2 be considered separately in determining compliance with this subsection.

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

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

15 (7) LIMITS ESTABLISHED BY BOARD. (a) *When financial statements required.* A  
16 universal bank may not make or renew a loan or loans, the aggregate total of which  
17 exceeds the level established by the board of directors without being supported by a  
18 signed financial statement of the borrower, unless the loan is secured by collateral  
19 having a value in excess of the amount of the loan. A signed financial statement  
20 furnished by the borrower to a universal bank in compliance with this paragraph  
21 must be renewed annually as long as the loan or any renewal of the loan remains  
22 unpaid and is subject to this paragraph.

23 (b) *Treatment of loans complying with limits.* A loan or a renewal of a loan made  
24 by a universal bank in compliance with par. (a), without a signed financial statement,  
25 may be treated by the universal bank as entirely independent of any secured loan

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1 made to the same borrower if the loan does not exceed the limitations provided in this  
2 section.

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

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

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

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

14 (d) *Discounting bills of exchange or business or commercial paper.* A liability  
15 created by the discounting of bills of exchange drawn in good faith against actually  
16 existing values or the discounting of commercial or business paper actually owned  
17 by the person negotiating the same.

18 (e) *Certain other federal or federally guaranteed obligations.* In obligations of,  
19 or obligations that are fully guaranteed by, the United States and in obligations of  
20 any federal reserve bank, federal home loan bank, the Student Loan Marketing  
21 Association, the Government National Mortgage Association, the Federal National  
22 Mortgage Association, the Federal Home Loan Mortgage Corporation, the  
23 Export-Import Bank of Washington or the Federal Deposit Insurance Corporation.

24 (9) ADDITIONAL AUTHORITY. (a) *In general.* In addition to the authority granted  
25 under subs. (1) to (8), and except as provided in par. (b), a universal bank may lend

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1 under this subsection, through the universal bank or subsidiary of the universal  
2 bank, to all borrowers from the universal bank and all of its subsidiaries, an  
3 aggregate amount not to exceed 20% of the universal bank's capital. Neither a  
4 universal bank nor any subsidiary of the universal bank may lend to any borrower,  
5 under this subsection and any other law or rule, an amount that would result in an  
6 aggregate amount for all loans to that borrower that exceeds 20% of the universal  
7 bank's capital. A universal bank or its subsidiary may take an equity position or  
8 other form of interest as security in a project funded through such loans. Every  
9 transaction by a universal bank or its subsidiary under this subsection shall require  
10 prior approval by the governing board of the universal bank or its subsidiary,  
11 respectively. Such loans are not subject to s. 221.0326 or to classification as losses,  
12 for a period of 3 years from the date of each loan except as provided in par. (b).

13 (b) *Suspension of additional authority.* The division may suspend authority  
14 established under this subsection and, in such case, may specify how an outstanding  
15 loan shall be treated by the universal bank or its subsidiary. Among the factors that  
16 the division may consider in suspending authority under this subsection are the  
17 universal bank's capital, assets, management, liquidity ratio and capital ratio.

18 **222.0405 Investment powers.** (1) INVESTMENT SECURITIES. Except as  
19 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold  
20 investment securities, consistent with safe and sound banking practices, up to 100%  
21 of the universal bank's capital. In this subsection, "investment securities" includes  
22 commercial paper, banker's acceptances, marketable securities in the form of bonds,  
23 notes, debentures and similar instruments that are regarded as investment  
24 securities.

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

5           (3) HOUSING ACTIVITIES. With the prior written consent of the division, a  
6 universal bank may invest in the initial purchase and development, or the purchase  
7 or commitment to purchase after completion, of home sites and housing for sale or  
8 rental, including projects for the reconstruction, rehabilitation or rebuilding of  
9 residential properties to meet the minimum standards of health and occupancy  
10 prescribed for a local governmental unit, the provision of accommodations for retail  
11 stores, shops and other community services that are reasonably incident to that  
12 housing, or in the stock of a corporation that owns one or more of those projects and  
13 that is wholly owned by one or more financial institutions. The total investment in  
14 any one project may not exceed 15% of the universal bank's capital, nor may the  
15 aggregate investment under this subsection exceed 50% of capital. A universal bank  
16 may not make an investment under this subsection unless it is in compliance with  
17 the capital requirements set by the division under s. 222.0305 (1) and with the capital  
18 maintenance requirements of its deposit insurance corporation.

19           (4) PROFIT-PARTICIPATION PROJECTS. A universal bank may take equity positions  
20 in profit-participation projects, including projects funded through loans from the  
21 universal bank, in an aggregate amount not to exceed 20% of capital. The division  
22 may suspend the investment authority under this subsection. If the division  
23 suspends the investment authority under this subsection, the division may specify  
24 how outstanding investments under this subsection shall be treated by the universal  
25 bank or its subsidiary. Among the factors that the division may consider in

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1 suspending authority under this subsection are the universal bank's capital, assets,  
2 management, liquidity ratio and capital ratio. This subsection does not authorize a  
3 universal bank, directly or indirectly through a subsidiary, to engage in the business  
4 of underwriting insurance.

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

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

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

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

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

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

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

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

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

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

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

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

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

17           (k) *Certain federal obligations.* Obligations of, or obligations that are fully  
18 guaranteed by, the United States and stocks or obligations of any federal reserve  
19 bank, federal home loan bank, the Student Loan Marketing Association, the  
20 Government National Mortgage Association, the Federal National Mortgage  
21 Association, the Federal Home Loan Mortgage Corporation or the Federal Deposit  
22 Insurance Corporation.

23           (l) *Other investments.* Any other investment authorized by the division.

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

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

8           **222.0407 Universal bank purchase of its own stock.** (1) IN GENERAL. A  
9 universal bank may hold or purchase not more than 10% of its capital stock, notes  
10 or debentures, except as provided in sub. (2) or (3).

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

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



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

7           **222.0409 Stock in bank-owned banks.** With the approval of the division,  
8 a universal bank may acquire and hold stock in one or more banks chartered under  
9 s. 221.1202 or national banks chartered under 12 USC 27 (b) or in one or more  
10 holding companies wholly owning such a bank. Aggregate investments under this  
11 section may not exceed 10% of the universal bank's capital.

12           **222.0411 General deposit powers.** (1) **IN GENERAL.** A universal bank may  
13 set eligibility requirements for, and establish the types and terms of, deposits that  
14 the universal bank solicits and accepts. The terms set under this subsection may  
15 include minimum and maximum amounts that the universal bank may accept and  
16 the frequency and computation method of paying interest.

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

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

23           (4) **SAFE DEPOSIT POWERS.** A universal bank may take and receive, from any  
24 individual or corporation for safekeeping and storage, gold and silver plate, jewelry,  
25 money, stocks, securities, and other valuables or personal property; and rent out the

**BILL**

1 use of safes or other receptacles upon its premises upon such compensation as may  
2 be agreed upon. A universal bank has a lien for its charges on any property taken  
3 or received by it for safekeeping. If the lien is not paid within 2 years from the date  
4 the lien accrues, or if property is not called for by the person depositing the property,  
5 or by his or her representative or assignee, within 2 years from the date the lien  
6 accrues, the universal bank may sell the property at public auction. A universal bank  
7 shall provide the same notice for a sale under this subsection that is required by law  
8 for sales of personal property on execution. After retaining from the proceeds of the  
9 sale all of the liens and charges due the bank and the reasonable expenses of the sale,  
10 the universal bank shall pay the balance to the person depositing the property, or to  
11 his or her representative or assignee.

12 **222.0413 Other service and incidental activity powers.** (1) NECESSARY  
13 OR CONVENIENT POWERS. Unless otherwise prohibited or limited by this chapter, a  
14 universal bank may exercise all powers necessary or convenient to effect the  
15 purposes for which the universal bank is organized or to further the businesses in  
16 which the universal bank is lawfully engaged.

17 (2) REASONABLY RELATED POWERS. (a) Subject to any applicable state or federal  
18 licensing requirements, a universal bank may engage, directly or indirectly through  
19 a subsidiary, in activities reasonably related or incident to the purposes of the  
20 universal bank. Activities reasonably related or incident to the purposes of the  
21 universal bank are those activities that are part of the business of financial  
22 institutions, or closely related to the business of financial institutions, or convenient  
23 and useful to the business of financial institutions, or reasonably related or incident  
24 to the operation of financial institutions or are financial in nature. Activities that

**BILL**

1 are reasonably related or incident to the purposes of a universal bank include the  
2 following:

- 3 1. Business and professional services.
- 4 2. Data processing.
- 5 3. Courier and messenger services.
- 6 4. Credit-related activities.
- 7 5. Consumer services.
- 8 6. Real estate-related services, including real estate brokerage services.
- 9 7. Insurance and related services, other than insurance underwriting.
- 10 8. Securities brokerage.
- 11 9. Investment advice.
- 12 10. Securities and bond underwriting.
- 13 11. Mutual fund activities.
- 14 12. Financial consulting.
- 15 13. Tax planning and preparation.
- 16 14. Community development and charitable activities.
- 17 15. Debt cancellation contracts.
- 18 16. Any activities reasonably related or incident to activities under subds. 1.  
19 to 15.

20 (b) An activity that is authorized by statute or regulation for financial  
21 institutions to engage in as of the effective date of this paragraph .... [revisor inserts  
22 date], is an activity that is reasonably related to or incident to the purposes of a  
23 universal bank. An activity permitted under the Bank Holding Company Act is an  
24 activity that is reasonably related to or incident to the purposes of a universal bank.  
25 The list of activities reasonably related or incident to the purposes of a universal

**BILL**

1 bank may be expanded by the division. Any additional activity approved by the  
2 division shall be authorized for all universal banks.

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

6 (4) STANDARDS FOR DENIAL. The division may deny the authority of a universal  
7 bank to engage in an activity under this section, other than those activities described  
8 in sub. (2) (a) 1. to 16., if the division determines that the activity is not an activity  
9 reasonably related or incident to the purposes of a universal bank or that the  
10 financial institution is not well-capitalized or adequately capitalized or is the subject  
11 of an enforcement action.

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

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

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

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

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1 in an activity under this subsection may not exceed 50% of capital or, if approved by  
2 the division, a higher percentage authorized by the division.

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

6 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may  
7 exercise trust powers in accordance with s. 221.0316.

8 **SECTION 20.** 223.105 (3) (a) of the statutes is amended to read:

9 223.105 (3) (a) To assure compliance with such rules as may be established  
10 under s. 220.04 (7) the division of banking, the office of credit unions and the division  
11 of savings ~~and loan~~ institutions shall, at least once every 18 months, examine the  
12 fiduciary operations of each organization which is under its respective jurisdiction  
13 and is subject to examination under sub. (2). If a particular organization subject to  
14 examination under sub. (2) is not otherwise under the jurisdiction of one of the  
15 foregoing agencies, such examination shall be conducted by the division of banking.

16 **SECTION 21.** 223.105 (4) of the statutes is amended to read:

17 223.105 (4) NOTICE OF FIDUCIARY OPERATION. Except for those organizations  
18 licensed under ch. 221 or this chapter, any organization engaged in fiduciary  
19 operations as defined in this section shall, as required by rule, notify the division of  
20 banking, the office of credit unions or the division of savings ~~and loan~~ institutions of  
21 that fact, directing the notice to the agency then exercising regulatory authority over  
22 the organization or, if there is none, to the division of banking. Any organization  
23 which intends to engage in fiduciary operations shall, prior to engaging in such  
24 operations, notify the appropriate agency of this intention. The notifications

**BILL**

1 required under this subsection shall be on forms and contain information required  
2 by the rules promulgated by the division of banking.

3 **SECTION 22.** 223.105 (5) of the statutes is amended to read:

4 223.105 (5) ENFORCEMENT REMEDY. The division of banking or the division of  
5 savings and loan institutions or office of credit unions shall upon the failure of such  
6 organization to submit notifications or reports required under this section or  
7 otherwise to comply with the provisions of this section, or rules established by the  
8 division of banking under s. 220.04 (7), upon due notice, order such defaulting  
9 organization to cease and desist from engaging in fiduciary activities and may apply  
10 to the appropriate court for enforcement of such order.

11 **SECTION 23.** 223.105 (6) of the statutes is amended to read:

12 223.105 (6) SUNSET. Except for an organization regulated by the office of credit  
13 unions or the division of savings and loan institutions or an organization authorized  
14 by the division of banking to operate as a bank or trust company under ch. 221 or this  
15 chapter, an organization may not begin activity as a fiduciary operation under this  
16 section after May 12, 1992. An organization engaged in fiduciary operations under  
17 this section on May 12, 1992, may continue to engage in fiduciary operations after  
18 that date.

19 **SECTION 24.** 227.52 (5) of the statutes is amended to read:

20 227.52 (5) Decisions of the division of savings and loan institutions.

21 **SECTION 25.** 227.53 (1) (b) 4. of the statutes is amended to read:

22 227.53 (1) (b) 4. The savings and loan review board, the division of savings and  
23 loan institutions, except if the petitioner is the division of savings and loan  
24 institutions, the prevailing parties before the savings and loan review board shall be  
25 the named respondents.

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1           **SECTION 26.** 227.53 (1) (b) 5. of the statutes is amended to read:

2           227.53 (1) (b) 5. The savings bank review board, the division of savings ~~and loan~~  
3 institutions, except if the petitioner is the division of savings ~~and loan~~ institutions,  
4 the prevailing parties before the savings bank review board shall be the named  
5 respondents.

6           **SECTION 27.** 552.23 (1) of the statutes is amended to read:

7           552.23 (1) If the target company is an insurance company subject to regulation  
8 by the commissioner of insurance, a banking corporation subject to regulation by the  
9 division of banking, a savings bank or savings and loan association subject to  
10 regulation by the division of savings ~~and loan~~ institutions, or a company subject to  
11 regulation by the public service commission, the department of transportation or the  
12 office of the commissioner of railroads, the division of securities shall promptly  
13 furnish a copy of the registration statement filed under this chapter to the regulatory  
14 agency having supervision of the target company. Any hearing under this chapter  
15 involving any such target company shall be held jointly with the regulatory agency  
16 having supervision, and any determination following the hearing shall be made  
17 jointly with that regulatory agency.

18           **SECTION 28.** 813.16 (7) of the statutes is amended to read:

19           813.16 (7) If the person seeking the appointment of a receiver under sub. (1)  
20 is a corporation supervised by the division of savings ~~and loan~~ institutions, home  
21 loan bank board, U.S. office of thrift supervision, federal deposit insurance  
22 corporation or resolution trust corporation, the court, unless the opposing party  
23 objects, shall appoint an officer of such corporation as receiver to act without  
24 compensation and to give such bond as the court requires.

25           **SECTION 29.** 992.21 of the statutes is created to read:

**BILL**

1           **992.21 Actions by division of savings and loan validated.** Any action  
 2 taken by the division of savings and loan between July 1, 1996, and the effective date  
 3 of this section .... [revisor inserts date], under the name of the division of savings  
 4 institutions has the same force and effect in all respects as if the action had been  
 5 taken under the name of the division of savings and loan.

Fix  
Components

6  
7

<sup>9119. ✓</sup>  
**SECTION 30. Nonstatutory provisions; financial institutions.**

(1) EMERGENCY RULE-MAKING AUTHORITY. Using the procedure under section  
 8 227.24 of the statutes, the division of banking shall promulgate rules required under  
 9 chapter 222 of the statutes, as created by this act, for the period before permanent  
 10 rules become effective, but not to exceed the period authorized under section 227.24  
 11 (1) (c) and (2) of the statutes. Notwithstanding section 227.24 (1) (a) and (2) (b) of the  
 12 statutes, the division of banking need not provide evidence of the necessity of  
 13 preservation of the public peace, health, safety or welfare in promulgating rules  
 14 under this subsection.

Fix  
Components

15  
16

<sup>9419.</sup>  
**SECTION 31. Effective dates of this act takes effect on the day after publication.**

~~except as follows:~~

17           (1) UNIVERSAL BANKING. The treatment of section 220.04 (9) (a) 2. and chapter  
 18 222 of the statutes takes effect on the first day of the 3rd month beginning after  
 19 publication.

(END)



STATE OF WISCONSIN  
 DEPARTMENT OF ADMINISTRATION  
 DIVISION OF EXECUTIVE BUDGET AND FINANCE  
 DOA-5187 N(R06/95)

## FACSIMILE COVER MESSAGE

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#### COMMENTS / INSTRUCTIONS

Rob-

Attached are the suggested changes to 1997 AB 898, which you redrafted for the budget bill. Please let me know if you have any questions. Thanks!



1997 - 1998 Legislature  
ASSEMBLY BILL 898

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LRB-4859/3  
KSH:kmg&kaf:ijs  
SECTION 19

1 SUBCHAPTER IV

2 POWERS

3 **222.0401 Federal financial institution powers.** (1) *IN GENERAL.* Subject  
4 to the limitations in this section, universal banks may exercise all powers that may  
5 be exercised, directly or indirectly through a subsidiary, by a federally chartered  
6 financial institution, including a federally chartered savings bank, a federally  
7 chartered savings and loan association, a federally chartered national bank ~~or a~~  
8 ~~federally chartered credit union~~, or by an affiliate of such an institution.

9 (2) **REQUIRED NOTIFICATION FOR EXERCISE OF A FEDERAL POWER.** Except as  
10 *shall give* provided in sub. (3), a universal bank ~~may not exercise a power under this section~~  
11 ~~without giving 60 days' prior written notice to the division of the universal bank's~~  
12 ~~intention to exercise the power. If the division determines within the 60-day period~~  
13 ~~that the power is not exercisable by federally chartered financial institutions, the~~  
14 ~~division shall disapprove the notice and shall direct the universal bank not to~~  
15 ~~exercise that power. A notice under this subsection that is not disapproved by the~~  
16 ~~division within 60 days after receipt by the division is approved, unless the division~~  
17 ~~and the universal bank mutually agree to extend the notice period for an additional~~  
18 ~~60 days.~~

19 ~~(3) **PREVIOUSLY RECOGNIZED FEDERAL POWERS.** The division shall periodically~~  
20 ~~publish, in the Wisconsin Administrative Register, a list of all federal powers that it~~  
21 ~~has allowed to be exercised by universal banks under this section. The division shall~~  
22 ~~mail copies of the publication to all universal banks. A universal bank need not give~~  
23 ~~prior written notice to the division of the universal bank's intention to exercise any~~  
24 ~~federal power that the division has included in a list published under this subsection.~~

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SECTION 19**ASSEMBLY BILL 898**

1           <sup>3</sup>  
2           ~~(4)~~ EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY. The division may  
3           require that certain powers exercisable by universal banks under this section be  
4           exercised through a subsidiary of the universal bank with appropriate safeguards to  
5           limit the risk exposure of the universal bank.

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

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

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

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

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

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KSH:kmg&kaf:ijs  
SECTION 19

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 granted  
5 under subs. (1) to (8), and except as provided in par. (b), a universal bank may lend  
6 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 3 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 <sup>capital adequacy, asset quality, management capability, earnings quantity, and quality, adequacy</sup>  
~~capital, assets, management, liquidity ratio and capital ratio.~~

23 222.0405 Investment powers. (1) INVESTMENT SECURITIES. Except as  
24 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold  
25 investment securities, consistent with safe and sound banking practices, up to 100%

*of liquidity and sensitivity  
to market risk.*

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SECTION 19

1 may suspend the investment authority under this subsection. If the division  
2 suspends the investment authority under this subsection, the division may specify  
3 how outstanding investments under this subsection shall be treated by the universal  
4 bank or its subsidiary. Among the factors that the division may consider in  
5 suspending authority under this subsection are the universal bank's <sup>capital adequacy, asset</sup> capital, assets,  
6 <sup>quality, management capability, earnings quantity and quality, adequacy of liquidity, and sensitivity to market risk.</sup> ~~management, liquidity ratio and capital ratio.~~ This subsection does not authorize a  
7 universal bank, directly or indirectly through a subsidiary, to engage in the business  
8 of underwriting insurance.

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

12 (6) **CERTAIN LIABILITIES.** This section does not limit investment in the  
13 liabilities described in s. 222.0403 (8).

14 (7) **CERTAIN INVESTMENTS.** A universal bank may invest without limitation in  
15 any of the following:

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

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

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

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1 activity that is reasonably related to or incident to the purposes of a universal bank.  
2 The list of activities reasonably related or incident to the purposes of a universal  
3 bank may be expanded by the division. Any additional activity approved by the  
4 division shall be authorized for all universal banks.

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

8 (4) STANDARDS FOR DENIAL. The division may deny the authority of a universal  
9 bank to engage in an activity under this section, other than those activities described  
10 in sub. (2) (a) 1. to 16., if the division determines that the activity is not an activity  
11 reasonably related or incident to the purposes of a universal bank, or that the  
12 financial institution is not well-capitalized or adequately capitalized, <sup>that the financial institution</sup> or is the subject  
13 of an enforcement action, <sup>or that the financial institution does not have satisfactory management</sup> <sub>expertise for the proposed activity.</sub>

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

18 (6) OTHER ACTIVITIES APPROVED BY THE DIVISION. A universal bank may engage  
19 in any other activity that is approved by <sup>rule of</sup> the division.

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

24 (8) LIMITATIONS ON INVESTMENTS THROUGH SUBSIDIARIES. The amount of the  
25 investment in any one subsidiary that engages in an activity under this section may

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*provided that no more than 20% of the universal bank's capital may be invested in the investment securities of one obligor or issuer.*

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KSH:kmg&kaf:ijs

SECTION 19

1 of the universal bank's capital. In this subsection, "investment securities" includes  
2 commercial paper, banker's acceptances, marketable securities in the form of bonds,  
3 notes, debentures and similar instruments that are regarded as investment  
4 securities.

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

9 (3) HOUSING ACTIVITIES. With the prior written consent of the division, a  
10 universal bank may invest in the initial purchase and development, or the purchase  
11 or commitment to purchase after completion, of home sites and housing for sale or  
12 rental, including projects for the reconstruction, rehabilitation or rebuilding of  
13 residential properties to meet the minimum standards of health and occupancy  
14 prescribed for a local governmental unit, the provision of accommodations for retail  
15 stores, shops and other community services that are reasonably incident to that  
16 housing, or in the stock of a corporation that owns one or more of those projects and  
17 that is wholly owned by one or more financial institutions. The total investment in  
18 any one project may not exceed 15% of the universal bank's capital, nor may the  
19 aggregate investment under this subsection exceed 50% of capital. A universal bank  
20 may not make an investment under this subsection unless it is in compliance with  
21 the capital requirements set by the division under s. 222.0305 (1) and with the capital  
22 maintenance requirements of its deposit insurance corporation.

23 (4) PROFIT PARTICIPATION PROJECTS. A universal bank may take equity positions  
24 in profit-participation projects, including projects funded through loans from the  
25 universal bank, in an aggregate amount not to exceed 20% of capital. The division

## Marchant, Robert

---

**From:** Holden, Kerry  
**Sent:** Friday, January 22, 1999 4:13 PM  
**To:** Marchant, Robert  
**Subject:** FW: Universal Language

Rob - DFI sent me one additional change to the Universal Banking language. Let me know if you need any additional information.

Kerry Holden  
266-8593

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

**From:** Anderson, David  
**Sent:** Friday, January 22, 1999 3:49 PM  
**To:** Holden, Kerry  
**Cc:** Womson, Bryon  
**Subject:** Universal Language

There is one additional change to the universal bank language that we missed in the marked-up copy that was delivered to you today. On p. 31, line 21 should begin with "regulatory or" so the entire sentence in lines 20 and 21 would read as follows:

"Subject to any applicable state or federal regulatory or licensing requirements. . ."