



State of Wisconsin
1999 - 2000 LEGISLATURE

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DOA:.....Holden - Universal Banking

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

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1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau
COMMERCE AND ECONOMIC DEVELOPMENT
COMMERCE

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 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:

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.

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.

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 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 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.

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:

or a federally chartered savings and loan association,

Federal powers: The bill grants all universal banks the authority to exercise all powers that may be exercised, directly or indirectly through a subsidiary, by ~~a~~ ^{certain} 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.

Lending powers: 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 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,~~ ^{adequacy, management, ~~assets~~ earnings, liquidity, and sensitivity to market risk.}

Investment powers: 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

A universal bank may not ~~greater than~~ 20% of its capital in any one obligor or issuer.

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.

Deposit and trust powers: 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 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.

Incidental and related powers: 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.

that the financial institution

Other changes

or that the financial institution does not have sufficient management expertise for the activity.

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.

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

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

- 1 **SECTION 1.** 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

1 administrator of the division shall be appointed outside the classified service by the
2 secretary of financial institutions and shall serve at the pleasure of the secretary.

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

4 20.144 (1) (g) *General program operations.* The amounts in the schedule for
5 the general program operations of the department of financial institutions. Except
6 as provided in pars. (a), (h), (i) and (u), all moneys received by the department, other
7 than by the office of credit unions, the division of banking and the division of savings
8 ~~and loan institutions~~, and 88% of all moneys received by the department's division
9 of banking and the department's division of savings ~~and loan institutions~~ shall be
10 credited to this appropriation, but any balance at the close of a fiscal year exceeding
11 10% of the previous fiscal year's expenditures under this appropriation shall lapse
12 to the general fund. Annually, \$200,000 of the amounts received under this
13 appropriation account shall be transferred to the appropriation account under s.
14 20.575 (1) (g).

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

16 20.912 (4) **INSOLVENT DEPOSITORIES.** When the bank, savings and loan
17 association, savings bank or credit union on which any check, share draft or other
18 draft is drawn by the state treasurer before payment of such check, share draft or
19 other draft becomes insolvent or is taken over by the division of banking, division of
20 savings ~~and loan institutions~~, the federal home loan bank board, the U.S. office of
21 thrift supervision, the federal deposit insurance corporation, the resolution trust
22 corporation, the office of credit unions, the administrator of federal credit unions or
23 the U.S. comptroller of the currency, the state treasurer shall on the demand of the
24 person in whose favor such check, share draft or other draft was drawn and upon the

1 return to the treasurer of such check, share draft or other draft issue a replacement
2 for the same amount.

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

4 34.01 (2) (a) Any loss of public moneys, which have been deposited in a
5 designated public depository in accordance with this chapter, resulting from the
6 failure of any public depository to repay to any public depositor the full amount of
7 its deposit because the office of credit unions, administrator of federal credit unions,
8 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift
9 supervision, federal deposit insurance corporation, resolution trust corporation,
10 division of banking or division of savings ~~and loan~~ institutions has taken possession
11 of the public depository or because the public depository has, with the consent and
12 approval of the office of credit unions, administrator of federal credit unions, U.S.
13 office of thrift supervision, federal deposit insurance corporation, resolution trust
14 corporation, division of banking or division of savings ~~and loan~~ institutions, adopted
15 a stabilization and readjustment plan or has sold a part or all of its assets to another
16 credit union, bank, savings bank or savings and loan association which has agreed
17 to pay a part or all of the deposit liability on a deferred payment basis or because the
18 depository is prevented from paying out old deposits because of rules of the office of
19 credit unions, administrator of federal credit unions, U.S. comptroller of the
20 currency, federal home loan bank board, U.S. office of thrift supervision, federal
21 deposit insurance corporation, resolution trust corporation, division of banking or
22 division of savings ~~and loan~~ institutions.

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

24 **34.10 Reorganization and stabilization of financial institutions.**

25 Whenever the office of credit unions, administrator of federal credit unions, U.S.

1 comptroller of the currency, federal home loan bank board, U.S. office of thrift
2 supervision, federal deposit insurance corporation, resolution trust corporation,
3 division of banking or division of savings ~~and loan~~ institutions has taken charge of
4 a credit union, bank, savings bank or savings and loan association with a view of
5 restoring its solvency, pursuant to law, or with a view of stabilizing and readjusting
6 the structure of any national or state credit union, bank, savings bank or savings and
7 loan association located in this state, and has approved a reorganization plan or a
8 stabilization and readjustment agreement entered into between the credit union,
9 bank, savings bank or savings and loan association and depositors and unsecured
10 creditors, or when a credit union, bank, savings bank or savings and loan association,
11 with the approval of the office of credit unions, administrator of federal credit unions,
12 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift
13 supervision, federal deposit insurance corporation, resolution trust corporation,
14 division of banking or division of savings ~~and loan~~ institutions proposes to sell its
15 assets to another credit union, bank, savings bank or savings and loan association
16 which agrees to assume a part or all of the deposit liability of such selling credit
17 union, bank, savings bank or savings and loan association and to pay the same on
18 a deferred payment basis, the governing board of the public depositor may, on the
19 approval of the division of banking, join in the execution of any reorganization plan,
20 or any stabilization and readjustment agreement, or any depositor's agreement
21 relative to a proposed sale of assets if, in its judgment and that of the division of
22 banking, the reorganization plan or stabilization and readjustment agreement or
23 proposed sale of assets is in the best interest of all persons concerned. The joining
24 in any reorganization plan, or any stabilization and readjustment agreement, or any

1 proposed sale of assets which meets the approval of the division of banking does not
2 waive any rights under this chapter.

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

4 138.052 (5) (am) 2. a. On January 1, 1994, and annually thereafter, the division
5 of banking for banks, the division of savings ~~and loan~~ institutions for savings and
6 loan associations and savings banks and the office of credit unions for credit unions
7 shall determine the interest rate that is the average of the interest rates paid,
8 rounded to the nearest one-hundredth of a percent, on regular passbook deposit
9 accounts by institutions under the division's or office's jurisdiction at the close of the
10 last quarterly reporting period that ended at least 30 days before the determination
11 is made.

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

13 138.052 (5) (am) 2. b. The office of credit unions and the division of banking
14 shall report the rate calculated to the division of savings ~~and loan~~ institutions within
15 5 days after the date on which the determination is made. The division of savings
16 ~~and loan~~ institutions shall calculate the average, rounded to the nearest
17 one-hundredth of a percent, of the 3 rates and report that interest rate to the revisor
18 of statutes within 5 days after the date on which the determination is made.

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

20 138.055 (4) (a) The division of savings ~~and loan~~ institutions, if the lender is a
21 savings and loan association or savings bank;

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

23 138.056 (1) (a) 4. a. The division of savings ~~and loan~~ institutions, if the lender
24 is a savings and loan association or savings bank;

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

1 companies at either of the above addresses or the division of savings ~~and loan~~
2 institutions at (insert address).

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

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

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

8 221.0303 (2) OPERATION AND ACQUISITION OF CUSTOMER BANK COMMUNICATIONS
9 TERMINALS. A bank may, directly or indirectly, acquire, place and operate, or
10 participate in the acquisition, placement and operation of, at locations other than its
11 main or branch offices, customer bank communications terminals, in accordance
12 with rules established by the division. The rules of the division shall provide that
13 any such customer bank communications terminal shall be available for use, on a
14 nondiscriminatory basis, by any state or national bank and by all customers
15 designated by a bank using the terminal. This subsection does not authorize a bank
16 which has its principal place of business outside this state to conduct banking
17 business in this state. The customer bank communications terminals also shall be
18 available for use, on a nondiscriminatory basis, by any credit union, savings and loan
19 association or savings bank, if the credit union, savings and loan association or
20 savings bank requests to share its use, subject to rules jointly established by the
21 division of banking, the office of credit unions and the division of savings ~~and loan~~
22 institutions. The division by order may authorize the installation and operation of
23 a customer bank communications terminal in a mobile facility, after notice and
24 hearing upon the proposed service stops of the mobile facility.

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

1 the division and other forms of capital considered to be qualifying capital of the
2 universal bank by a deposit insurance corporation.

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

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

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

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

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

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

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

24 (2) SAVINGS AND LOAN ASSOCIATIONS. A universal bank that is a savings and loan
25 association organized under ch. 215 remains subject to all of the requirements,

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

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

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

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

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

18 SUBCHAPTER II

19 CERTIFICATION

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

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

5 **222.0203 Eligibility.** (1) REQUIREMENTS. The division shall approve an
6 application for certification as a universal bank, if the applying financial institution
7 meets all of the following requirements:

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

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

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

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

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

24 **222.0205 Certificate of authority.** Upon approval of the application under
25 s. 222.0201 for certification as a universal bank, the division shall issue to the

1 applicant a certificate of authority stating that the financial institution is certified
2 as a universal bank under this chapter.

3 **222.0207 Decertification.** A financial institution that is certified as a
4 universal bank under this chapter may elect to terminate its certification upon 60
5 days' prior written notice to the division and written approval of the division. The
6 financial institution shall, as a condition to the termination, terminate its exercise
7 of all powers granted under this chapter prior to the termination of the certification.
8 Written approval of the termination by the division is void if the financial institution
9 fails to satisfy the precondition to termination under this section.

10 SUBCHAPTER III

11 ORGANIZATION

12 **222.0301 Articles of incorporation and bylaws.** A universal bank shall
13 continue to operate under its articles of incorporation and bylaws as in effect prior
14 to certification as a universal bank or as such articles or bylaws may be subsequently
15 amended in accordance with the provisions of the chapter under which the universal
16 bank was organized or chartered.

17 **222.0303 Name. (1) USE OF "BANK".** Notwithstanding ss. 214.035, 215.40 (1)
18 and 215.60 (1) and subject to subs. (2) and (4), a universal bank may use the word
19 "bank" in its name, without having to include the word "savings". Notwithstanding
20 ss. 215.40 (1) and 215.60 (1) and subject to subs. (2) and (4), a universal bank that
21 is organized under ch. 215 and that uses the word "bank" in its name in accordance
22 with this section need not include the words "savings and loan association" or
23 "savings association" in its name.

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

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

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

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

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

15 (a) Merged with the other institution.

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

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

19 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
20 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
21 minimum capital requirements of universal banks.

22 (2) **CERTAIN ASSET REQUIREMENTS.** Section 214.045 does not apply to universal
23 banks.

24 **222.0307 Acquisitions, mergers and asset purchases. (1) IN GENERAL.** A
25 universal bank may, with the approval of the division, purchase the assets of, merge

1 with, acquire or be acquired by any other financial institution, universal bank,
2 national bank, federally chartered savings bank or savings and loan association, or
3 by a holding company of any of these entities. Notwithstanding subch. III of ch. 214
4 and ss. 214.09 and 215.36, the approval of the division of savings institutions is not
5 required.

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

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

12 (b) For universal banks organized under ch. 215, ss. 215.35, 215.36, 215.53 and
13 215.73.

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

15 SUBCHAPTER IV

16 POWERS

17 **222.0401 Federal financial institution powers.** (1) IN GENERAL. Subject
18 to the limitations in this section, universal banks may exercise all powers that may
19 be exercised, directly or indirectly through a subsidiary, by ~~to a federally chartered~~
20 ~~financial institution, including~~ a federally chartered savings bank, a federally
21 chartered savings and loan association, a federally chartered national bank ~~or a~~
22 ~~federally chartered credit union~~, or by an affiliate of such an institution.

23 (2) REQUIRED NOTIFICATION FOR EXERCISE OF A FEDERAL POWER. ~~Except as~~
24 ~~provided in sub. (9)~~ a universal bank ^{shall give 60} ~~may not exercise a power under this section~~
25 ~~without giving 60~~ days' prior written notice to the division of the universal bank's

under this section ✓

1 intention to exercise ^athe power. ~~If the division determines within the 60-day period~~
 2 ~~that the power is not exercisable by federally chartered financial institutions, the~~
 3 ~~division shall disapprove the notice and shall direct the universal bank not to~~
 4 ~~exercise that power. A notice under this subsection that is not disapproved by the~~
 5 ~~division within 60 days after receipt by the division is approved, unless the division~~
 6 ~~and the universal bank mutually agree to extend the notice period for an additional~~
 7 ~~60 days.~~

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

8 → 3

14 ~~(*)~~ EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY. The division may
 15 require that certain powers exercisable by universal banks under this section be
 16 exercised through a subsidiary of the universal bank with appropriate safeguards to
 17 limit the risk exposure of the universal bank.

18 **222.0403 Loan powers.** (1) PERMITTED PURPOSES. A universal bank may
 19 make, sell, purchase, arrange, participate in, invest in or otherwise deal in loans or
 20 extensions of credit for any purpose.

21 (2) IN GENERAL. Except as provided in subs. (3) to (8), the total liabilities of any
 22 person, other than a municipal corporation, to a universal bank for a loan or
 23 extension of credit may not exceed 20% of the capital of the universal bank at any
 24 time. In determining compliance with this section, liabilities of a partnership

1 includes the liabilities of the general partners, computed individually as to each
2 general partner on the basis of his or her direct liability.

3 (3) CERTAIN SECURED LIABILITIES. The percentage limitation under sub. (2) is
4 50% of the universal bank's capital, if the liabilities under sub. (2) are limited to the
5 following types of liabilities:

6 (a) *Warehouse receipts*. A liability secured by warehouse receipts issued by
7 warehouse keepers who are licensed and bonded in this state under ss. 99.02 and
8 99.03 or under the federal Bonded Warehouse Act or who hold a registration
9 certificate under ch. 127, if all of the following requirements are met:

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

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

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

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

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

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

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

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

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

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

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

22 A universal bank may purchase bonds offered for sale by the International Bank for
23 Reconstruction and Development and the Inter-American Development Bank or
24 such other foreign bonds as may be approved under rules established by the division.

1 At no time shall the aggregate investment in any of these bonds issued by a single
2 issuer exceed 10% of the capital of the universal bank.

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

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

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

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

23 (a) *Liabilities secured by certain short-term federal obligations.* A liability that
24 is secured by not less than a like amount of direct obligations of the United States

1 which will mature not more than 18 months after the date on which such liabilities
2 to the universal bank are entered into.

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

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

9 (d) *Discounting bills of exchange or business or commercial paper.* A liability
10 created by the discounting of bills of exchange drawn in good faith against actually
11 existing values or the discounting of commercial or business paper actually owned
12 by the person negotiating the same.

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

19 (9) ADDITIONAL AUTHORITY. (a) *In general.* In addition to the authority granted
20 under subs. (1) to (8), and except as provided in par. (b), a universal bank may lend
21 under this subsection, through the universal bank or subsidiary of the universal
22 bank, to all borrowers from the universal bank and all of its subsidiaries, an
23 aggregate amount not to exceed 20% of the universal bank's capital. Neither a
24 universal bank nor any subsidiary of the universal bank may lend to any borrower,
25 under this subsection and any other law or rule, an amount that would result in an

1 aggregate amount for all loans to that borrower that exceeds 20% of the universal
 2 bank's capital. A universal bank or its subsidiary may take an equity position or
 3 other form of interest as security in a project funded through such loans. Every
 4 transaction by a universal bank or its subsidiary under this subsection shall require
 5 prior approval by the governing board of the universal bank or its subsidiary,
 6 respectively. Such loans are not subject to s. 221.0326 or to classification as losses,
 7 for a period of 3 years from the date of each loan except as provided in par. (b).

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

13 **222.0405 Investment powers.** (1) INVESTMENT SECURITIES. Except as
 14 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold
 15 investment securities, consistent with safe and sound banking practices, up to 100%
 16 of the universal bank's capital. In this subsection, "investment securities" includes
 17 commercial paper, banker's acceptances, marketable securities in the form of bonds,
 18 notes, debentures and similar instruments that are regarded as investment
 19 securities.

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

24 (3) HOUSING ACTIVITIES. With the prior written consent of the division, a
 25 universal bank may invest in the initial purchase and development, or the purchase

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

13 (4) PROFIT-PARTICIPATION PROJECTS. A universal bank may take equity positions
14 in profit-participation projects, including projects funded through loans from the
15 universal bank, in an aggregate amount not to exceed 20% of capital. The division
16 may suspend the investment authority under this subsection. If the division
17 suspends the investment authority under this subsection, the division may specify
18 how outstanding investments under this subsection shall be treated by the universal

19 ✓ bank or its subsidiary. Among the factors that the division may consider in
suspending authority under this subsection are the universal bank's capital, assets,

20 ~~management, liquidity ratio and capital ratio.~~ This subsection does not authorize a
21 universal bank, directly or indirectly through a subsidiary, to engage in the business
22 of underwriting insurance.
23

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (9) INVESTMENTS THROUGH SUBSIDIARIES. A universal bank may make
25 investments under this section, directly or indirectly through a subsidiary, unless

1 the division determines that an investment shall be made through a subsidiary with
2 appropriate safeguards to limit the risk exposure of the universal bank.

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

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

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

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

1 **222.0409 Stock in bank-owned banks.** With the approval of the division,
2 a universal bank may acquire and hold stock in one or more banks chartered under
3 s. 221.1202 or national banks chartered under 12 USC 27 (b) or in one or more
4 holding companies wholly owning such a bank. Aggregate investments under this
5 section may not exceed 10% of the universal bank's capital.

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

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

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

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

1 shall provide the same notice for a sale under this subsection that is required by law
2 for sales of personal property on execution. After retaining from the proceeds of the
3 sale all of the liens and charges due the bank and the reasonable expenses of the sale,
4 the universal bank shall pay the balance to the person depositing the property, or to
5 his or her representative or assignee.

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

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

- 21 1. Business and professional services.
22 2. Data processing.
23 3. Courier and messenger services.
24 4. Credit-related activities.
25 5. Consumer services.

regulatory
or

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

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

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

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

1 in sub. (2) (a) 1. to 16., if the division determines that the activity is not an activity
2 reasonably related or incident to the purposes of a universal bank, that the
3 financial institution is not well-capitalized or adequately capitalized, is the subject
4 of an enforcement action.

Handwritten notes:
- "314" circled in line 3.
- "Beel insert" circled in line 3.
- "that the financial institution" circled in line 3.
- "rule of" circled in line 4.

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

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

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

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

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

24 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
25 exercise trust powers in accordance with s. 221.0316.

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

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

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

10 223.105 (4) NOTICE OF FIDUCIARY OPERATION. Except for those organizations
11 licensed under ch. 221 or this chapter, any organization engaged in fiduciary
12 operations as defined in this section shall, as required by rule, notify the division of
13 banking, the office of credit unions or the division of savings ~~and loan~~ institutions of
14 that fact, directing the notice to the agency then exercising regulatory authority over
15 the organization or, if there is none, to the division of banking. Any organization
16 which intends to engage in fiduciary operations shall, prior to engaging in such
17 operations, notify the appropriate agency of this intention. The notifications
18 required under this subsection shall be on forms and contain information required
19 by the rules promulgated by the division of banking.

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

21 223.105 (5) ENFORCEMENT REMEDY. The division of banking or the division of
22 savings ~~and loan~~ institutions or office of credit unions shall upon the failure of such
23 organization to submit notifications or reports required under this section or
24 otherwise to comply with the provisions of this section, or rules established by the
25 division of banking under s. 220.04 (7), upon due notice, order such defaulting

1 organization to cease and desist from engaging in fiduciary activities and may apply
2 to the appropriate court for enforcement of such order.

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

4 223.105 (6) SUNSET. Except for an organization regulated by the office of credit
5 unions or the division of savings ~~and loan~~ institutions or an organization authorized
6 by the division of banking to operate as a bank or trust company under ch. 221 or this
7 chapter, an organization may not begin activity as a fiduciary operation under this
8 section after May 12, 1992. An organization engaged in fiduciary operations under
9 this section on May 12, 1992, may continue to engage in fiduciary operations after
10 that date.

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

12 227.52 (5) Decisions of the division of savings ~~and loan~~ institutions.

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

14 227.53 (1) (b) 4. The savings and loan review board, the division of savings ~~and~~
15 ~~loan~~ institutions, except if the petitioner is the division of savings ~~and loan~~
16 institutions, the prevailing parties before the savings and loan review board shall be
17 the named respondents.

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

19 227.53 (1) (b) 5. The savings bank review board, the division of savings ~~and loan~~
20 institutions, except if the petitioner is the division of savings ~~and loan~~ institutions,
21 the prevailing parties before the savings bank review board shall be the named
22 respondents.

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

24 552.23 (1) If the target company is an insurance company subject to regulation
25 by the commissioner of insurance, a banking corporation subject to regulation by the

1 division of banking, a savings bank or savings and loan association subject to
2 regulation by the division of savings ~~and loan~~ institutions, or a company subject to
3 regulation by the public service commission, the department of transportation or the
4 office of the commissioner of railroads, the division of securities shall promptly
5 furnish a copy of the registration statement filed under this chapter to the regulatory
6 agency having supervision of the target company. Any hearing under this chapter
7 involving any such target company shall be held jointly with the regulatory agency
8 having supervision, and any determination following the hearing shall be made
9 jointly with that regulatory agency.

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

11 813.16 (7) If the person seeking the appointment of a receiver under sub. (1)
12 is a corporation supervised by the division of savings ~~and loan~~ institutions, home
13 loan bank board, U.S. office of thrift supervision, federal deposit insurance
14 corporation or resolution trust corporation, the court, unless the opposing party
15 objects, shall appoint an officer of such corporation as receiver to act without
16 compensation and to give such bond as the court requires.

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

18 **992.21 Actions by division of savings and loan validated.** Any action
19 taken by the division of savings and loan between July 1, 1996, and the effective date
20 of this section ... [revisor inserts date], under the name of the division of savings
21 institutions has the same force and effect in all respects as if the action had been
22 taken under the name of the division of savings and loan.

23 **SECTION 9119. Nonstatutory provisions; financial institutions.**

24 (1) **EMERGENCY RULE-MAKING AUTHORITY.** Using the procedure under section
25 227.24 of the statutes, the division of banking shall promulgate rules required under

1 chapter 222 of the statutes, as created by this act, for the period before permanent
2 rules become effective, but not to exceed the period authorized under section 227.24
3 (1)(c) and (2) of the statutes. Notwithstanding section 227.24 (1) (a) and (2) (b) of the
4 statutes, the division of banking need not provide evidence of the necessity of
5 preservation of the public peace, health, safety or welfare in promulgating rules
6 under this subsection.

7 **SECTION 9419. Effective dates; financial institutions.**

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

11 (END)

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1836/2ins
RJM::

~~AT 25/12~~ INSERT:

25-12

~~§~~²⁰ capital adequacy, asset quality, earnings quantity, earnings quality, adequacy of liquidity and sensitivity to market risk and the ability of the universal bank's management. ✓

~~AT 25/16~~ INSERT:

25-16

~~§~~²⁰ A universal bank shall not invest greater than 20% of the universal bank's capital in the investment securities of one obligor or issuer.

~~AT 26/20~~ INSERT:

26-00

~~§~~²⁰ capital adequacy, asset quality, earnings quantity, earnings quality, adequacy of liquidity and sensitivity to market risk and the ability of the universal bank's management.

~~AT 33/4~~ INSERT:

33-4

~~§~~²⁰ or that the financial institution does not have satisfactory management expertise for the proposed activity.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1836/2
RJM:cmh&jg:jf

DOA:.....Holden - Universal Banking

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** the budget.

Analysis by the Legislative Reference Bureau
COMMERCE AND ECONOMIC DEVELOPMENT

COMMERCE

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 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:

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.

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.

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 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 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.

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:

Federal powers: The bill grants all universal banks the authority to exercise all powers that may be exercised, directly or indirectly through a subsidiary, by certain federally chartered financial institutions, such as a national bank or a federally chartered savings and loan association, or by an affiliate of such an institution. 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.

Lending powers: 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 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 adequacy, management, earnings, liquidity and sensitivity to market risk.

Investment powers: 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 universal bank may not invest greater than 20% of its capital in any one obligor or issuer. 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.

Deposit and trust powers: 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 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.

Incidental and related powers: 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, that the financial institution is not well-capitalized or adequately capitalized, that the financial institution is the subject of an enforcement action or that the financial institution does not have sufficient management expertise for the activity. 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.

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.

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

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

1 **SECTION 1.** 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.

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

2 20.144 (1) (g) *General program operations.* The amounts in the schedule for
3 the general program operations of the department of financial institutions. Except
4 as provided in pars. (a), (h), (i) and (u), all moneys received by the department, other
5 than by the office of credit unions, the division of banking and the division of savings
6 ~~and loan institutions~~, and 88% of all moneys received by the department's division
7 of banking and the department's division of savings ~~and loan institutions~~ shall be
8 credited to this appropriation, but any balance at the close of a fiscal year exceeding
9 10% of the previous fiscal year's expenditures under this appropriation shall lapse
10 to the general fund. Annually, \$200,000 of the amounts received under this
11 appropriation account shall be transferred to the appropriation account under s.
12 20.575 (1) (g).

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

14 20.912 (4) **INSOLVENT DEPOSITORIES.** When the bank, savings and loan
15 association, savings bank or credit union on which any check, share draft or other
16 draft is drawn by the state treasurer before payment of such check, share draft or
17 other draft becomes insolvent or is taken over by the division of banking, division of
18 savings ~~and loan institutions~~, the federal home loan bank board, the U.S. office of
19 thrift supervision, the federal deposit insurance corporation, the resolution trust
20 corporation, the office of credit unions, the administrator of federal credit unions or
21 the U.S. comptroller of the currency, the state treasurer shall on the demand of the
22 person in whose favor such check, share draft or other draft was drawn and upon the
23 return to the treasurer of such check, share draft or other draft issue a replacement
24 for the same amount.

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

1 34.01 (2) (a) Any loss of public moneys, which have been deposited in a
2 designated public depository in accordance with this chapter, resulting from the
3 failure of any public depository to repay to any public depositor the full amount of
4 its deposit because the office of credit unions, administrator of federal credit unions,
5 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift
6 supervision, federal deposit insurance corporation, resolution trust corporation,
7 division of banking or division of savings ~~and loan~~ institutions has taken possession
8 of the public depository or because the public depository has, with the consent and
9 approval of the office of credit unions, administrator of federal credit unions, U.S.
10 office of thrift supervision, federal deposit insurance corporation, resolution trust
11 corporation, division of banking or division of savings ~~and loan~~ institutions, adopted
12 a stabilization and readjustment plan or has sold a part or all of its assets to another
13 credit union, bank, savings bank or savings and loan association which has agreed
14 to pay a part or all of the deposit liability on a deferred payment basis or because the
15 depository is prevented from paying out old deposits because of rules of the office of
16 credit unions, administrator of federal credit unions, U.S. comptroller of the
17 currency, federal home loan bank board, U.S. office of thrift supervision, federal
18 deposit insurance corporation, resolution trust corporation, division of banking or
19 division of savings ~~and loan~~ institutions.

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

21 **34.10 Reorganization and stabilization of financial institutions.**
22 Whenever the office of credit unions, administrator of federal credit unions, U.S.
23 comptroller of the currency, federal home loan bank board, U.S. office of thrift
24 supervision, federal deposit insurance corporation, resolution trust corporation,
25 division of banking or division of savings ~~and loan~~ institutions has taken charge of

1 a credit union, bank, savings bank or savings and loan association with a view of
2 restoring its solvency, pursuant to law, or with a view of stabilizing and readjusting
3 the structure of any national or state credit union, bank, savings bank or savings and
4 loan association located in this state, and has approved a reorganization plan or a
5 stabilization and readjustment agreement entered into between the credit union,
6 bank, savings bank or savings and loan association and depositors and unsecured
7 creditors, or when a credit union, bank, savings bank or savings and loan association,
8 with the approval of the office of credit unions, administrator of federal credit unions,
9 U.S. comptroller of the currency, federal home loan bank board, U.S. office of thrift
10 supervision, federal deposit insurance corporation, resolution trust corporation,
11 division of banking or division of savings ~~and loan~~ institutions proposes to sell its
12 assets to another credit union, bank, savings bank or savings and loan association
13 which agrees to assume a part or all of the deposit liability of such selling credit
14 union, bank, savings bank or savings and loan association and to pay the same on
15 a deferred payment basis, the governing board of the public depositor may, on the
16 approval of the division of banking, join in the execution of any reorganization plan,
17 or any stabilization and readjustment agreement, or any depositor's agreement
18 relative to a proposed sale of assets if, in its judgment and that of the division of
19 banking, the reorganization plan or stabilization and readjustment agreement or
20 proposed sale of assets is in the best interest of all persons concerned. The joining
21 in any reorganization plan, or any stabilization and readjustment agreement, or any
22 proposed sale of assets which meets the approval of the division of banking does not
23 waive any rights under this chapter.

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

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

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

10 138.052 (5) (am) 2. b. The office of credit unions and the division of banking
11 shall report the rate calculated to the division of savings ~~and loan~~ institutions within
12 5 days after the date on which the determination is made. The division of savings
13 ~~and loan~~ institutions shall calculate the average, rounded to the nearest
14 one-hundredth of a percent, of the 3 rates and report that interest rate to the revisor
15 of statutes within 5 days after the date on which the determination is made.

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

17 138.055 (4) (a) The division of savings ~~and loan~~ institutions, if the lender is a
18 savings and loan association or savings bank;

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

20 138.056 (1) (a) 4. a. The division of savings ~~and loan~~ institutions, if the lender
21 is a savings and loan association or savings bank;

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

23 138.12 (5) (a) The ~~commissioner~~ division may revoke or suspend the license of
24 any insurance premium finance company if the ~~commissioner~~ division finds that any
25 of the following:

1 companies at either of the above addresses or the division of savings and loan
2 institutions at (insert address).

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

4 215.01 (6) "Division" means the division of savings and loan institutions.

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

6 **215.02** (title) **Division of savings and loan institutions.**

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

8 **215.141 Financially related services tie-ins.** In any transaction conducted
9 by an association, a savings and loan holding company or a subsidiary of either with
10 a customer who is also a customer of any other subsidiary of any of them, the
11 customer shall be given a notice in 12-point boldface type in substantially the
12 following form:

13 **NOTICE OF RELATIONSHIP**

14 This company, (insert name and address of association, savings and loan
15 holding company or subsidiary), is related to (insert name and address of
16 association, savings and loan holding company or subsidiary) of which you are also
17 a customer. You may not be compelled to buy any product or service from either of
18 the above companies or any other related company in order to participate in this
19 transaction.

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

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

1 220.04 (9) (a) 2. “Regulated entity” means a bank, universal bank, trust
2 company bank and any other entity which is described in s. 220.02 (2) or 221.0526
3 as under the supervision and control of the division.

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

5 221.0303 (2) OPERATION AND ACQUISITION OF CUSTOMER BANK COMMUNICATIONS
6 TERMINALS. A bank may, directly or indirectly, acquire, place and operate, or
7 participate in the acquisition, placement and operation of, at locations other than its
8 main or branch offices, customer bank communications terminals, in accordance
9 with rules established by the division. The rules of the division shall provide that
10 any such customer bank communications terminal shall be available for use, on a
11 nondiscriminatory basis, by any state or national bank and by all customers
12 designated by a bank using the terminal. This subsection does not authorize a bank
13 which has its principal place of business outside this state to conduct banking
14 business in this state. The customer bank communications terminals also shall be
15 available for use, on a nondiscriminatory basis, by any credit union, savings and loan
16 association or savings bank, if the credit union, savings and loan association or
17 savings bank requests to share its use, subject to rules jointly established by the
18 division of banking, the office of credit unions and the division of savings ~~and loan~~
19 institutions. The division by order may authorize the installation and operation of
20 a customer bank communications terminal in a mobile facility, after notice and
21 hearing upon the proposed service stops of the mobile facility.

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

23 221.0321 (5) CERTAIN SECURED LOANS. A bank may make loans secured by
24 assignment or transfer of stock certificates or other evidence of the borrower’s
25 ownership interest in a corporation formed for the cooperative ownership of real

1 estate. Sections 846.10 and 846.101, as they apply to a foreclosure of a mortgage
2 involving a one-family residence, apply to a proceeding to enforce the lender's rights
3 in security given for a loan under this subsection. The division shall promulgate joint
4 rules with the office of credit unions and the division of savings ~~and loan~~ institutions
5 that establish procedures for enforcing a lender's rights in security given for a loan
6 under this subsection.

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

8 **CHAPTER 222**

9 **UNIVERSAL BANKS**

10 **SUBCHAPTER I**

11 **GENERAL PROVISIONS**

12 **222.0101 Title.** This chapter may be cited as the "Wisconsin universal bank
13 law".

14 **222.0102 Definitions.** In this chapter:

15 (1) "Adequately capitalized" has the meaning given in 12 USC 1831o (b) (1) (B).

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

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

24 (b) For a universal bank organized as a mutual organization, the universal
25 bank's net worth, undivided profits, surplus, outstanding notes and debentures

1 approved by the division, other forms of capital designated as capital by the division
2 and other forms of capital considered to be qualifying capital by a deposit insurance
3 corporation.

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

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

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

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

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

15 **222.0103 Applicability. (1) SAVINGS BANKS.** A universal bank that is a savings
16 bank organized under ch. 214 remains subject to all of the requirements, duties and
17 liabilities, and may exercise all of the powers, of a savings bank, except that in the
18 event of a conflict between this chapter and those requirements, duties, liabilities or
19 powers, this chapter shall control.

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

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

4 (a) The financial institution is chartered or organized, and regulated, under ch.
5 214, 215 or 221 and has been in existence and continuous operation for a minimum
6 of 3 years prior to the date of the application.

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

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

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

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

20 **222.0205 Certificate of authority.** Upon approval of the application under
21 s. 222.0201 for certification as a universal bank, the division shall issue to the
22 applicant a certificate of authority stating that the financial institution is certified
23 as a universal bank under this chapter.

24 **222.0207 Decertification.** A financial institution that is certified as a
25 universal bank under this chapter may elect to terminate its certification upon 60

1 days' prior written notice to the division and written approval of the division. The
2 financial institution shall, as a condition to the termination, terminate its exercise
3 of all powers granted under this chapter prior to the termination of the certification.
4 Written approval of the termination by the division is void if the financial institution
5 fails to satisfy the precondition to termination under this section.

6 SUBCHAPTER III

7 ORGANIZATION

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

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

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

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

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

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

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

10 (a) Merged with the other institution.

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

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

14 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
15 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
16 minimum capital requirements of universal banks.

17 (2) CERTAIN ASSET REQUIREMENTS. Section 214.045 does not apply to universal
18 banks.

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

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.

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

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

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

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 adequacy, asset quality, earnings quantity, earnings quality,
18 adequacy of liquidity and sensitivity to market risk and the ability of the universal
19 bank's management.

20 **222.0405 Investment powers.** (1) INVESTMENT SECURITIES. Except as
21 provided in subs. (3) to (8), a universal bank may purchase, sell, underwrite and hold
22 investment securities, consistent with safe and sound banking practices, up to 100%
23 of the universal bank's capital. A universal bank shall not invest greater than 20%
24 of the universal bank's capital in the investment securities of one obligor or issuer.
25 In this subsection, "investment securities" includes commercial paper, banker's

1 acceptances, marketable securities in the form of bonds, notes, debentures and
2 similar instruments that are regarded as investment securities.

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

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

21 (4) PROFIT-PARTICIPATION PROJECTS. A universal bank may take equity positions
22 in profit-participation projects, including projects funded through loans from the
23 universal bank, in an aggregate amount not to exceed 20% of capital. The division
24 may suspend the investment authority under this subsection. If the division
25 suspends the investment authority under this subsection, the division may specify

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (k) *Certain federal obligations.* Obligations of, or obligations that are fully
22 guaranteed by, the United States and stocks or obligations of any federal reserve
23 bank, federal home loan bank, the Student Loan Marketing Association, the
24 Government National Mortgage Association, the Federal National Mortgage

1 Association, the Federal Home Loan Mortgage Corporation or the Federal Deposit
2 Insurance Corporation.

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

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

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

11 **222.0407 Universal bank purchase of its own stock.** (1) IN GENERAL. A
12 universal bank may hold or purchase not more than 10% of its capital stock, notes
13 or debentures, except as provided in sub. (2) or (3).

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

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

1 bank's capital below the minimum level required by the division, the universal bank
2 shall increase its capital to the amount required by the division.

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

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

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

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

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

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

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

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

1 convenient and useful to the business of financial institutions, or reasonably related
2 or incident to the operation of financial institutions or are financial in nature.
3 Activities that are reasonably related or incident to the purposes of a universal bank
4 include the following:

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

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

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, that the financial
12 institution is not well-capitalized or adequately capitalized, that the financial
13 institution is the subject of an enforcement action or that the financial institution
14 does not have satisfactory management expertise for the proposed activity.

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

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

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

1 **(8) LIMITATIONS ON INVESTMENTS THROUGH SUBSIDIARIES.** The amount of the
2 investment in any one subsidiary that engages in an activity under this section may
3 not exceed 20% of capital or, if approved by the division, a higher percentage
4 authorized by the division. The aggregate investment in all subsidiaries that engage
5 in an activity under this subsection may not exceed 50% of capital or, if approved by
6 the division, a higher percentage authorized by the division.

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

10 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
11 exercise trust powers in accordance with s. 221.0316.

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

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

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

21 **223.105 (4) NOTICE OF FIDUCIARY OPERATION.** Except for those organizations
22 licensed under ch. 221 or this chapter, any organization engaged in fiduciary
23 operations as defined in this section shall, as required by rule, notify the division of
24 banking, the office of credit unions or the division of savings and loan institutions of
25 that fact, directing the notice to the agency then exercising regulatory authority over

1 the organization or, if there is none, to the division of banking. Any organization
2 which intends to engage in fiduciary operations shall, prior to engaging in such
3 operations, notify the appropriate agency of this intention. The notifications
4 required under this subsection shall be on forms and contain information required
5 by the rules promulgated by the division of banking.

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

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

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

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

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

23 227.52 (5) Decisions of the division of savings and ~~loan~~ institutions.

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

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

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

6 227.53 (1) (b) 5. The savings bank review board, the division of savings and ~~loan~~
7 institutions, except if the petitioner is the division of savings and ~~loan~~ institutions,
8 the prevailing parties before the savings bank review board shall be the named
9 respondents.

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

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

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

23 813.16 (7) If the person seeking the appointment of a receiver under sub. (1)
24 is a corporation supervised by the division of savings and ~~loan~~ institutions, home
25 loan bank board, U.S. office of thrift supervision, federal deposit insurance

1 corporation or resolution trust corporation, the court, unless the opposing party
2 objects, shall appoint an officer of such corporation as receiver to act without
3 compensation and to give such bond as the court requires.

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

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

10 **SECTION 9119. Nonstatutory provisions; financial institutions.**

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

19 **SECTION 9419. Effective dates; financial institutions.**

20 (1) UNIVERSAL BANKING. The treatment of section 220.04 (9) (a) 2. and chapter
21 222 of the statutes takes effect on the first day of the 3rd month beginning after
22 publication.

23 (END)