

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-AB133)**

Received: **06/7/99**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Mason**

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

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - investment board**

Extra Copies:

**Pre Topic:**

LFB:.....Mason -

**Topic:**

SWIB use of Wisconsin brokers

**Instructions:**

See Attached.

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 06/9/99	gilfokm 06/9/99	martykr 06/9/99	_____	lrb_docadmin 06/9/99		
/2	champra 06/10/99	gilfokm 06/10/99	jfrantze 06/10/99	_____	lrb_docadmin 06/10/99		

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/1	champra 06/9/99	gilfokm 06/9/99	martykr 06/9/99	_____	lrb_docadmin 06/9/99		

FE Sent For:

12-6-10-99  
kmf

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KJ  
6/10/99  
<END>

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/1	champra	1-6-9-99 KMG	LMG	WJL LMG			

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**Legislative Fiscal Bureau**

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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From:

TONY MASON LFB 6-8744

Message:

Rick -

Here is a copy of the SWIB side motion. Also included is the lobbyist's version of the proposal. Attached as an FYI is the Board's letter to JFC on the budget papers -

TONY -

Did you find this morning's FAX?

T.M

Representative Gard 4 (1/12)

INVESTMENT BOARD

Requirement to Expend 5% of Total Annual Commissions with  
Wisconsin-Based Broker Dealer Firms

MO#		
Burke	Y	N
Decker	Y	N
Jauch	Y	N
Moore	Y	N
Shiblski	Y	N
Placha	Y	N
Cowie	Y	N
Panzer	Y	N
Gard	Y	N
Porter	Y	N
Kaufert	Y	N
Albers	Y	N
Duff	Y	N
Ward	Y	N
Huber	Y	N
Riley	Y	N

Motion:

Move to include statutory language directing the Investment Board to ensure that at least 5% of the total funds expended for securities trading brokerage commissions in each fiscal year be expended for commissions payable to Wisconsin-based broker dealer firms, exclusive of those firms that qualify as a Wisconsin minority investment firm. Specify that: (1) a "Wisconsin-based broker dealer firm" would be any firm licensed under s. 551.31 of the statutes whose corporate headquarters and principal business operations for the consolidated firm are located in Wisconsin; and (2) a "securities trading brokerage commission" would mean commissions or fees paid on or for purchases, sales, brokerage transactions or other trades of any type of security as defined under state securities law. Require the Investment Board to report annually by September 30 to the Department of Administration on the amounts expended during the preceding fiscal year for commissions payable to Wisconsin-based broker dealer firms under this provision.

Note:

This motion would require the Investment Board to expend 5% of its brokerage commissions annually with Wisconsin-based brokerages. This commitment would be in addition to any commission amounts paid to Wisconsin-based minority investment firms and advisors. The Board would be required to report annually to DOA on the amount actually expended for commissions payable to Wisconsin-based broker-dealer firms.

Under current law, the Investment Board must attempt to ensure that 5% of the total funds expended for investment analysis and brokerage commissions be expended with minority financial advisors and investment firms. There is currently no statutory goal with respect to commissions paid to Wisconsin-based broker-dealers, although the Board does use such firms. During the 1998 calendar year, the Board paid 7.99% of all broker commissions to Wisconsin-based broker dealers, including minority investment firms and advisors.

**SWIB Use of Wisconsin-Based Broker Dealer Firms**  
May 11, 1999

- Section 1. Paragraph 25.17(70)(c) is created to read:
- “(c) The plan shall provide for satisfying the requirements of 25.185.”
- Section 2. Section 25.185 (Title) is amended to read as follows:
- Minority Financial Advisers and Investment Firms and Wisconsin-based Broker Dealer Firms.**”
- Section 3. Sections 25.185(1)(Title) is created to read:
- “(1) Minority financial advisers and investment firms.”
- Section 4. Sub-section 25.185(1) is renumbered 25.185(1)(a) and amended as follows:
- “(a) In this sub-section, ‘minority financial adviser’ and ‘minority investment firm’ mean a financial adviser and investment firm, respectively, certified by the Department of Commerce under §560.036(2).”
- Section 5. Sub-section 25.185(2) is renumbered 25.185(1)(b).
- Section 6. Sub-section 25.185(3) is renumbered 25.185(1)(c) and amended as follows:
- “(c) The investment board shall annually report to the Department of Administration the total amount of moneys expended under ~~sub-(2) par. (b)~~ for common stock and convertible bond brokerage commissions, the services of minority financial advisers and the services of minority investment firms during the preceding fiscal year.”
- Section 7. Section 25.185(2) is created to read as follows:
- “(2) Wisconsin-based broker dealer firms.
- (a) In this sub-section, (i) ‘Wisconsin-based broker dealer firm’ means a broker dealer firm licensed under Wis. Stats. Section 551.31 whose corporate headquarters and principal business operations for the consolidated firm are located in this state and (ii) ‘securities trading brokerage commissions’ means commissions or fees paid on or for purchases, sales, brokerage transactions or other trades of any type of ‘security’, as defined in Wis. Stat. Section 551.02(13).
- (b) The investment board shall ensure that at least 5% of its total funds expended for securities trading brokerage commissions in each fiscal year is expended for securities trading brokerage commissions payable to Wisconsin-based broker dealer firms that do not otherwise qualify under Section 25.185(1).
- (c) The investment board shall annually report to the Department of Administration the total amount of moneys expended under par. (b) for securities trading brokerage commissions, and the amount of moneys expended under par. (b) for securities trading brokerage commissions payable to Wisconsin-based broker dealer firms.

**Proposed Legislative History**

In order to further advance the goal that the State of Wisconsin Investment Board support Wisconsin-based businesses, Section 25.185(2) is hereby proposed in order to ensure that at least 5% of the commissions generated by trading securities by the State of Wisconsin Investment Board are paid to Wisconsin-based broker dealer firms.

**SWIB Use of Wisconsin-Based Broker Dealer Firms**  
**May ~~(6)~~ [11], 1999**

**Section 1.** Paragraph 25.17(70)(c) is created to read:

"(c) The plan shall provide for satisfying the requirements of 25.185."

**Section 2.** Section 25.185 (Title) is amended to read as follows:

**Minority Financial Advisers and Investment Firms and Wisconsin-based Broker Dealer Firms."**

**Section 3.** Sections 25.185(1)(Title) is created to read:

"(1) Minority financial advisers and investment firms."

**Section 4.** Sub-section 25.185(1) is renumbered 25.185(1)(a) and amended as follows:

"(a) In this sub-section, 'minority financial adviser' and 'minority investment firm' mean a financial adviser and investment firm, respectively, certified by the Department of Commerce under §560.036(2)."

**Section 5.** Sub-section 25.185(2) is renumbered 25.185(1)(b).

**Section 6.** Sub-section 25.185(3) is renumbered 25.185(1)(c) and amended as follows:

"(c) The investment board shall annually report to the Department of Administration the total amount of moneys expended under ~~sub-(2) par.(b)~~ for common stock and convertible bond brokerage commissions, the services of minority financial advisers and the services of minority investment firms during the preceding fiscal year."

**Section 7.** Section 25.185(2) is created to read as follows:

"(2) Wisconsin-based broker dealer firms.

(a) In this sub-section, (i) 'Wisconsin-based broker dealer firm' means a broker dealer firm licensed under Wis. Stats. Section 551.31 whose corporate headquarters and principal business operations for the consolidated firm are located in this state and (ii) 'securities trading brokerage commissions' means ~~{brokerage} commissions (or fees) paid on {trades of common or preferred stock, convertible debt or preferred stock, warrants, options, rights, equity securities or funds, and other interests in or convertible into any of such types of securities.}~~ [or for purchases, sales, brokerage transactions or other trades of any type of 'security', as defined in Wis. Stat. Section 551.02(13).]

(b) The investment board shall ensure that at least 5% of its total funds expended for ~~{financial and investment analysis, financial advisory services and}~~ securities trading brokerage commissions in each fiscal year is expended for securities trading brokerage commissions payable ~~{for securities trades effected by or on behalf of the investment board directly by or through}~~ [to] Wisconsin-based broker dealer firms that do not otherwise qualify under Section 25.185(1).

(c) The investment board shall annually report to the Department of Administration the total amount of moneys expended under par. (b) ~~{for financial and investment~~

638284.2 compared to 638284.1  
5/11/99 9:41:14 AM

~~analysis, financial advisory services and) for securities trading brokerage commissions, and the amount of moneys expended under par. (b) for securities trading brokerage commissions payable (for securities trades effected by or on behalf of the investment board directly by or through) to Wisconsin-based broker dealer firms.~~

**Proposed Legislative History**

~~In order to further advance the goal that the State of Wisconsin Investment Board support Wisconsin-based businesses, Section 25.185(2) is hereby proposed in order to ensure that at least 5% of the commissions generated by trading securities by the State of Wisconsin Investment Board are paid to Wisconsin-based broker dealer firms.~~





State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0575/1

RAC: King

soon

LFB:.....Mason – SWIB use of Wisconsin brokers

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

**LFB AMENDMENT**

**TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45**

1 At the locations indicated, amend the bill as follows:

2 ✓ 1. Page 498, line 6: after that line insert:

3 "SECTION 700m. 25.17 (70) (c) of the statutes is created to read:

4 25.17 (70) (c) The plan shall discuss the board's options for fulfilling the  
5 requirement under s. 25.186."

6 ✓ 2. Page 498, line 18: after that line insert:

7 "SECTION 701m. 25.186 of the statutes is created to read:

8 **25.186 Broker-dealers located in this state. (1) In this section:**

9 (a) "Broker-dealer" has the meaning given in s. 551.02 (3).

1 (b) "Securities trading brokerage commission" means any commission or fee  
2 paid on or for a brokered security transaction, a purchase of a security or any other  
3 kind of trade of a security.

4 (c) "Security" has the meaning given in s. 551.02 (13). ✓

5 (2) (a) Of the total funds that are expended by the board for securities trading  
6 brokerage commissions in any fiscal year, the board shall pay at least 5% of the total  
7 funds in securities trading brokerage commissions to broker-dealers that are  
8 licensed under s. 551.31, that are headquartered in this state and whose principal  
9 business operations are located in this state.

10 (b) For the purpose of satisfying the requirement under par. (a), the board may  
11 not include any securities trading brokerage commissions paid to minority financial  
12 advisers and minority investment firms under s. 25.185.

13 (3) Annually, no later than September 30, the board shall submit a report to  
14 the department of administration documenting the amount of moneys expended in  
15 the preceding fiscal year by the board for securities trading brokerage commissions  
16 and the amount of moneys paid in the preceding fiscal year for securities trading  
17 brokerage commissions to broker-dealers under sub. (2) (a)."

18 (END)

*Soon*

*RM has been  
run*

LFB:.....Mason – SWIB use of Wisconsin brokers

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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**TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45**

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3 kind of trade of a security.

4 (c) "Security" has the meaning given in s. 551.02 (13).

5 (2) (a) Of the total funds that are expended by the board for securities trading  
6 brokerage commissions in any fiscal year, the board shall pay at least 5% of the total  
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8 licensed under s. 551.31, that are headquartered in this state and whose principal  
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10 (b) For the purpose of satisfying the requirement under par. (a), the board may  
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15 the preceding fiscal year by the board for securities trading brokerage commissions  
16 and the amount of moneys paid in the preceding fiscal year for securities trading  
17 brokerage commissions to broker-dealers under sub. (2) (a).".

18 (END)



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0575/2  
RAC:kmgjf

LFB:.....Mason – SWIB use of Wisconsin brokers

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7 paid on or for a brokered security transaction, a purchase of a security or any other  
8 kind of trade of a security.

9 (c) “Security” has the meaning given in s. 551.02 (13).

10 **(2)** (a) Of the total funds that are expended by the board for securities trading  
11 brokerage commissions in any fiscal year, the board shall pay at least 5% of the total  
12 funds in securities trading brokerage commissions to broker-dealers that are

1 licensed under s. 551.31, that are headquartered in this state and whose principal  
2 business operations are located in this state.

3 (b) For the purpose of satisfying the requirement under par. (a), the board may  
4 not include any securities trading brokerage commissions paid to minority financial  
5 advisers and minority investment firms under s. 25.185.

6 (3) Annually, no later than September 30, the board shall submit a report to  
7 the department of administration documenting the amount of moneys expended in  
8 the preceding fiscal year by the board for securities trading brokerage commissions  
9 and the amount of moneys paid in the preceding fiscal year for securities trading  
10 brokerage commissions to broker-dealers under sub. (2) (a).”

11 (END)