

SOON

RMNR

DUOTE

DOA:.....Geisler - Universal banking and credit unions

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

DO NOT GEN

1 AN ACT ...; relating to: credit union membership, powers, and operation; the
 2 application of agriculture, trade, and consumer protection statutes to credit
 3 unions; the creation of a new type of financial institution; the powers of and
 4 requirements applicable to the new type of financial institution; providing an
 5 exemption from emergency rule procedures; granting rule-making authority;
 6 and providing a penalty.

Analysis by the Legislative Reference Bureau
COMMERCE AND ECONOMIC DEVELOPMENT

COMMERCE

Credit unions and universal banks

This bill makes numerous changes to the chapter that governs the formation, operation, and regulation of credit unions in this state and creates a new type of financial institution called a universal bank. The major provisions relating to credit unions and universal banks include the following:

Credit union membership

Under current law, credit union membership is open to groups having a common bond of occupation or association; residents within a well-defined

neighborhood, community, or rural district; employees of related industries or industries that operate within a well-defined neighborhood, community, or rural district; members of certain fraternal, labor, educational, or other similar organizations; and credit union employees. Furthermore, credit union membership is open to the immediate family of all individuals who are qualified for membership. Current law defines “members of the immediate family” as any relative of a member or of a member’s spouse who is living with the member and as the member’s spouse, parents, stepchildren, and children. In addition, current law permits a credit union to accept an organization or association as a member if a majority of the members of the organization or association are eligible for membership.

This bill expands the pool of individuals, organizations, and associations that are eligible for membership in a credit union. Under this bill, credit union membership is open to individuals who reside or are employed in well-defined, contiguous neighborhoods and communities, except that, if the office of credit unions determines, subsequent to a merger, that it is inappropriate to require the members of a credit union to reside or be employed in contiguous neighborhoods and communities, the requirement that these neighborhoods and communities be contiguous does not apply. In addition, membership is open to individuals who reside or are employed in well-defined, contiguous rural districts or multicounty regions.

This bill also opens credit union membership to any organization or association that has its principal business location within any geographic limits of the credit union’s field of membership. This bill also permits a credit union to accept any organization or association as a member, if a majority of the directors, owners, or members of the organization or association are eligible for membership. Furthermore, this bill repeals the definition of “members of the immediate family” contained in current law and instead requires a credit union’s bylaws to specify the conditions that determine eligibility for membership.

Credit union investments

Under current law, a credit union may invest up to 1.5% of its total assets in an organization that is organized primarily to provide goods and services to credit unions, credit union organizations, and credit union members (credit union service organization). Under current law, a credit union may invest in a credit union service organization that is a corporation. Current law also specifies the types of goods and services that a credit union service organization may provide. These goods and services include, among other things, credit card services, automated teller services, financial planning, and insurance sales. However, current law is ambiguous as to whether the percentage limitation on a credit union’s investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations or to a credit union’s investment in each particular credit union service organization.

This bill expands the types of organizations in which a credit union may invest. Under this bill, a credit union may invest in a credit union service organization that is a corporation, limited partnership, limited liability company, or any other entity that is permitted under state law and that is approved by the office of credit unions.

This bill also provides that the office of credit unions may permit a credit union to invest greater than 1.5% of credit union assets in a credit union service organization. In addition, this bill clarifies that the limitation on a credit union's investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations. This bill also expands the types of goods and services that a credit union service organization may provide to include electronic transaction services.

Credit union powers

Currently, to the extent permitted by federal law, a credit union may act as trustee of member tax deferred funds and as a depository for member-deferred compensation funds. This bill expands this authority, allowing a credit union, to the extent permitted by federal law, to act as a trustee or custodian of member tax deferred retirement funds, individual retirement accounts, medical savings accounts, and other employee benefit accounts or funds. In addition, this bill allows a credit union, to the extent permitted by federal law, to act as a depository for member qualified and nonqualified deferred compensation funds.

Under current law, funds held in trust under a burial agreement (commonly known as a funeral trust) must be deposited in a bank, savings bank, savings and loan association, or credit union. This bill clarifies that a credit union may accept these deposits if the deposits are made by a credit union member.

Branch offices of Wisconsin credit unions

Under current law, if the need exists, a credit union may establish branch offices within this state or no more than 25 miles outside of this state. In addition, if certain conditions are met, a credit union may establish a limited service office outside of this state to serve members of the credit union. A credit union seeking to establish a branch office or limited service office must first obtain the approval of the office of credit unions.

This bill expands the authority of a credit union to establish branch offices. Under this bill, with the permission of the office of credit unions, a credit union may establish branch offices anywhere inside or outside of this state. This bill repeals the authority for a credit union to establish a limited service office, although a credit union may continue to operate a limited service office that is in existence on the effective date of this bill.

Branch offices of non-Wisconsin credit unions

Current law does not specifically permit a credit union organized under the laws of another state (non-Wisconsin credit union) to establish a branch office in this state. This bill specifies that a non-Wisconsin credit union may establish a branch office in this state if the office of credit unions finds that certain conditions apply to the non-Wisconsin credit union. For example, the non-Wisconsin credit union must be organized under laws similar to ch. 186, must be financially solvent, and must have federal insurance for member deposits. In addition, the office of credit unions must find that credit unions organized under the laws of this state are allowed to do business under similar conditions in the home state of the non-Wisconsin credit union.

Interstate mergers and acquisitions of credit unions

Under current law regarding interstate mergers and acquisitions of credit unions, a credit union organized in this state may only merge with, acquire, or be acquired by a state or federal credit union that has its principal office in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, or Ohio. This bill repeals this geographic limitation on mergers and acquisitions of credit unions and, thus, expands the number of credit unions that are eligible to merge with, acquire, or be acquired by a credit union organized in this state.

Credit union reports and financial privacy

Current law contains several credit union reporting requirements and, with certain exceptions, requires the office of credit unions to annually examine the records and accounts of each credit union. The employees of the office of credit unions and members of the credit union review board must keep information obtained in the course of examinations confidential, with limited exceptions. A violation of this confidentiality requirement is subject to a forfeiture of up to \$200.

This bill expands the confidentiality requirement to also include information contained in certain reports that a credit union provides to the office of credit unions. In addition, this bill specifies that, with certain exceptions, any employee of the office of credit unions or member of the credit union review board who discloses any information about the private account or transactions of a credit union or who discloses any information obtained in the course of an examination is subject to a fine of not less than \$100 nor more than \$1,000, imprisonment for not less than six months nor more than three years, or both, and may be required to forfeit his or her office or position.

This bill also requires credit unions to comply with certain federal laws relating to customer financial privacy and requires the office of credit unions to examine credit unions for compliance with these federal laws.

Other credit union changes

Current law specifically requires any officer or employee of a credit union who sells credit life insurance or credit accident or sickness insurance on behalf of the credit union to pay to the credit union all commissions received from the sale. This bill clarifies that an officer or employee of a credit union must pay to the credit union all commissions received from the sale of any authorized insurance product sold on behalf of the credit union.

This bill also creates a crime for knowingly falsifying certain credit union reports or statements. Any person who commits this crime may be fined not less than \$1,000 nor more than \$5,000 or imprisoned for not less than one year nor more than 15 years or both.

Under current law, credit unions are subject to the provisions of chs. 93 to 100 (agriculture, trade, and consumer protection statutes) that apply to businesses generally. Banks, savings banks, and savings and loan associations are specifically exempted from the definition of "business" that applies in the agriculture, trade, and consumer protection statutes. This bill specifically exempts credit unions from this definition.

Universal banks

Under current law, the division of savings institutions regulates state savings banks and state savings and loan associations, and the division of banking regulates state banks. This bill allows a state savings bank, state savings and loan association, or state bank (financial institution) to apply to the division of banking to become certified as a universal bank. If certified as a universal bank, a financial institution may exercise certain powers, in addition to those that are granted under the statutes under which the financial institution is organized. A universal bank retains its status as a savings and loan association, savings bank, or state bank and remains 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 of universal banks

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 requirements: 1) the financial institution must be chartered or organized, and regulated, as a Wisconsin financial institution and must have been in existence and continuous operation for at least three years; 2) the financial institution must be “well-capitalized,” as defined in federal law; 3) the financial institution must not exhibit moderately severe or unsatisfactory financial, managerial, operational, and compliance weaknesses; 4) the financial institution must not have been the subject of any enforcement action within the 12 months preceding the application; 5) the most recent evaluation of the financial institution under the federal Community Reinvestment Act must rate the financial institution as “outstanding” or “satisfactory” at helping to meet the credit needs of its entire community; and 6) the most recent report received by the financial institution evaluating the financial institution’s compliance with certain federal laws relating to customer privacy must indicate that the financial institution is in substantial compliance with these federal laws. If these requirements are met, the division of banking must certify the financial institution as a universal bank. If a universal bank fails to maintain compliance with these requirements, the division of banking must limit the universal bank’s exercise of universal banking powers. In addition, a universal bank may be decertified if it fails to maintain compliance with these requirements. With the approval of the division of banking, a universal bank may also elect to terminate its certification. As a precondition to elective decertification, the universal bank must terminate the exercise of all universal banking powers.

Organization and regulation of universal banks

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 requirements, powers, and duties of universal banks. After a financial institution becomes certified as a universal bank, the division of banking is

responsible for establishing the capital requirements applicable to the universal bank.

A universal bank continues to operate under the articles of incorporation and bylaws that were in effect prior to its certification as a universal bank, 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 a savings bank or a savings and loan association from using the term “bank” in its corporate name without also using the term “savings.” Notwithstanding these provisions, the bill allows any financial institution that becomes certified as a universal bank to use the term “bank” in its 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 institutions regulates 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 in reviewing a merger or acquisition of a universal bank generally 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 of universal banks

The bill expands the powers of a financial institution that becomes certified as a universal bank. Currently, savings banks, savings and loan associations, and banks have differing powers under both state and federal law. 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 beginning on the first day of the third month beginning after the bill’s publication. In addition, the bill specifically permits a universal bank to exercise all of the following powers:

1) Federal powers: Under the bill, with the approval of the division of banking, a universal bank may exercise all powers that may be exercised directly by a national bank, a federally chartered savings and loan association, or a federally chartered savings bank. The division of banking may, however, require a universal bank to exercise a federal power through a subsidiary of the universal bank to limit the risk exposure of the universal bank.

In addition, with the approval of the division of banking, a universal bank may exercise through a subsidiary all powers that a subsidiary of these federal financial institutions may exercise.

2) 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 under the bill are most similar to the lending 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 universal bank's capital.

The 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 aggregate amount to all borrowers from the universal bank and all of its subsidiaries not to exceed 20% of the universal bank's capital. However, the loans to any one borrower made under any lending authority of the universal bank may not exceed 20% of the universal 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 two 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. The bill prohibits a universal bank, in determining whether to make a loan or extension of credit, from considering any health information obtained from the records of an affiliate of the universal bank that is engaged in the business of insurance, unless the person to whom the health information relates consents.

3) Investment powers: A universal bank may purchase, sell, underwrite, and hold investment securities, consistent with safe and sound banking practices, 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 universal bank may purchase, sell, underwrite, and hold equity securities, consistent with safe and sound banking practices, in an amount up to 20% of the universal bank's capital, unless the division of banking approves a greater percentage. A universal bank 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 the universal bank's capital. The division of banking may suspend a universal bank's authority to invest in profit-participation projects.

The bill permits a universal bank to invest without limitation 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 the universal bank; 7) advances of federal funds; 8) risk management instruments, including financial futures transactions, financial operations transactions, and forward commitments, but 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. A universal bank may invest in other financial institutions. The investment powers of a universal bank may be exercised directly or indirectly through a subsidiary, unless the division of banking requires the investment to be made through a subsidiary 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.

4) Deposit and trust powers: The bill permits a universal bank to establish the types and terms of deposits that the universal bank will 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 of banking. A universal bank may exercise safe deposit powers and have a lien for its safekeeping charges on the contents of property accepted for safekeeping. If these charges remain unpaid for two years or if property accepted for safekeeping is not called for within two years, a universal bank may sell the property at public auction. The bill authorizes a universal bank to exercise the same trust powers that trust company banks are permitted to exercise under current law.

5) 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.

In addition to these necessary or convenient powers, the bill allows a universal bank to engage in activities that are reasonably related or incidental to the purposes of the universal bank. With certain exceptions, a universal bank may engage in these activities either directly or indirectly through a subsidiary. Under the bill, any activity permitted under the federal Bank Holding Act satisfies the reasonably related or incidental criterion. The bill also contains a list of specific activities that meet the reasonably related or incidental criterion. 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.

A universal bank may also engage in activities that the division of banking determines by rule are reasonably related or incidental to these listed activities. In

addition, the division of banking, by rule, may determine that other activities are reasonably related or incidental activities. In promulgating these rules, the division of banking need not follow the standard notice, hearing, and publication requirements that generally apply to administrative rule making.

A universal bank must give 60 days' prior written notice to the division of banking of the universal bank's intention to exercise a necessary or convenient power or to engage in a reasonably related or incidental activity. The division of banking may deny a universal bank the authority to exercise a necessary or convenient power or to engage in a reasonably related or incidental activity, other than an activity that is contained in the specific list of reasonably related or incidental activities, if the division of banking determines that the activity is not a reasonably related or incidental activity, that the financial institution is not well-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 also require a universal bank to engage in certain of these activities through a subsidiary, with appropriate safeguards to limit the risk exposure of the universal bank. Amounts invested in a single subsidiary that engages in these activities may not exceed 20% of the universal bank's capital, unless a higher percentage is approved by the division of banking.

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

2 93.01 (1m) "Business" includes any business, except that of banks, savings
3 banks, credit unions, savings and loan associations, and insurance companies.
4 "Business" includes public utilities and telecommunications carriers to the extent
5 that their activities, beyond registration, notice, and reporting activities, are not
6 regulated by the public service commission and includes public utility and
7 telecommunications carrier methods of competition or trade and advertising
8 practices that are exempt from regulation by the public service commission under s.
9 196.195, 196.196, 196.202, 196.203, 196.219, or 196.499 or by other action of the
10 commission.

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

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

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

7 186.02 (2) (a) 1. ~~The conditions of residence or occupation which qualify persons~~
8 that determine eligibility for membership.

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

10 186.02 (2) (b) 2. ~~Residents~~ Except as otherwise provided in this subdivision,
11 individuals who reside or are employed within a well-defined neighborhood,
12 community or rural district and contiguous neighborhoods and communities. If the
13 office of credit unions, subsequent to a credit union merger, determines that it would
14 be inappropriate under the circumstances to require members of the credit union
15 that results from the merger to reside or be employed in contiguous neighborhoods
16 and communities, the requirement that these neighborhoods and communities be
17 contiguous does not apply.

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

19 186.02 (2) (b) 2m. Individuals who reside or are employed within well-defined
20 and contiguous rural districts or multicounty regions.

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

22 186.02 (2) (c) Members of the immediate family of all qualified persons are
23 eligible for membership. ~~In this paragraph, “members of the immediate family”~~
24 ~~include the wife, husband, parents, stepchildren and children of a member whether~~

1 ~~living together in the same household or not and any other relatives of the member~~
2 ~~or spouse of a member living together in the same household as the member.~~

3 SECTION 7. 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1. and
4 amended to read:

5 186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association
6 of individuals, the majority of whom the directors, owners, or members of which are
7 eligible for membership, may be admitted to membership in the same manner and
8 under the same conditions as individuals.

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

10 186.02 (2) (d) 2. An organization or association that has its principal business
11 location within any geographic limits of the credit union's field of membership may
12 be admitted to membership.

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

14 186.11 (4) (title) INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS
15 ORGANIZATIONS.

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

18 186.11 (4) (a) (intro.) ~~A~~ Unless the office of credit unions approves a higher
19 percentage, a credit union may invest not more than 1.5% of its total assets in the
20 capital shares or obligations of a credit union service corporation organizations that
21 satisfy all of the following:

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

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

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

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

5 186.11 (4) (b) (intro.) A credit union service corporation organization under par.
6 (a) may provide goods and services including any of the following:

7 1. Credit union operations services, including service centers, credit and debit
8 card services, automated teller and remote terminal services, electronic transaction
9 services, accounting systems, data processing, management training and support,
10 payment item processing, record retention and storage, locator services, research,
11 debt collection, credit analysis and loan servicing, coin and currency services, and
12 marketing and advertising services.

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

14 186.11 (4) (c) A credit union service corporation organization may be subject
15 to audit by the office of credit unions.

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

17 186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the
18 approval of the office of credit unions, establish branch offices inside ~~this state or no~~
19 ~~more than 25 miles~~ or outside of this state. Permanent records may be maintained
20 at branch offices established under this subsection. In this subsection, the term
21 “branch office” does not include a remote terminal, a limited services office, or a
22 service center.

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

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

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

5 186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement
6 funds, individual retirement accounts, medical savings accounts, or other employee
7 benefit accounts or funds permitted by federal law to be deposited in a credit union.

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

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

11 186.113 (24) **FINANCIAL TRUSTS.** Accept deposits made by members for the
12 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

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

14 **186.20 Financial privacy.** A credit union shall comply with any applicable
15 requirements under 15 USC 6801 to 6803 and any applicable regulations prescribed
16 by the national credit union administration under 15 USC 6804.

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

18 186.235 (7) (a) (intro.) Employees of the office of credit unions and members
19 of the review board shall keep secret all the facts and information obtained in the
20 course of examinations, ~~except~~ or contained in any report provided by a credit union
21 other than any semiannual or quarterly financial report that is regularly filed with
22 the office of credit unions. This requirement does not apply in any of the following
23 situations:

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

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

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

8 186.235 (7m) **RETURN OF EXAMINATION REPORTS.** Examination reports possessed
9 by a credit union are confidential, remain the property of the office of credit unions,
10 and shall be returned to the office of credit unions immediately upon request.

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

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

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

14 186.235 (16m) **FINANCIAL PRIVACY EXAMINATION.** The office of credit unions shall
15 examine a credit union to determine the credit union's compliance with s. 186.20.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 In this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 SUBCHAPTER I

2 GENERAL PROVISIONS

3 **222.0101 Title.** This chapter may be cited as the “Wisconsin universal bank
4 law.”

5 **222.0102 Definitions.** In this chapter:

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

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

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

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

23 (3) “Division” means the division of banking.

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

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

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

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

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

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

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

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

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

6 SUBCHAPTER II

7 CERTIFICATION

8 **222.0201 Procedure.** (1) APPLICATION. A financial institution may apply to
9 become certified as a universal bank by filing a written application with the division.
10 The application shall include all information required by the division. The
11 application shall be on the forms and in accordance with the procedures prescribed
12 by the division.

13 (2) REVIEW BY DIVISION. An application submitted by a financial institution
14 under sub. (1) shall either be approved or disapproved by the division, in writing,
15 within 60 days after the date on which application is filed with the division. The
16 division and the financial institution may mutually agree to extend the application
17 period for an additional period of 60 days. The division shall approve an application
18 if all of the applicable requirements under s. 222.0203 (1) are met.

19 **222.0203 Eligibility.** (1) REQUIREMENTS. The division may approve an
20 application from a financial institution for certification as a universal bank only if
21 all of the following requirements are met:

22 (a) The financial institution is chartered or organized, and regulated, under ch.
23 214, 215, or 221 and has been in existence and continuous operation for a minimum
24 of 3 years before the date of the application.

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

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

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

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

15 (f) If the financial institution has received from its federal functional regulator,
16 as defined in 15 USC 6809 (2), a consumer compliance examination that contains
17 information regarding the financial institution's compliance with 15 USC 6801 to
18 6803 and any applicable regulations prescribed under 15 USC 6804, the most recent
19 such examination indicates, in the opinion of the division, that the financial
20 institution is in substantial compliance with those statutes or regulations.

21 (2) FAILURE TO MAINTAIN ELIGIBILITY; LIMITATION OF AUTHORITY AND
22 DECERTIFICATION. For any period during which a universal bank fails to meet the
23 requirements under sub. (1), the division shall by order limit or restrict the exercise
24 of the powers of the universal bank under this chapter. In addition to or lieu of
25 limiting or restricting the universal bank's authority under this subsection, the

1 division may by order revoke the universal bank's certificate of authority issued
2 under s. 222.0205.

3 **222.0205 Certificate of authority.** Upon approval of an application for
4 certification as a universal bank, the division shall issue to the applicant a certificate
5 of authority stating that the financial institution is certified as a universal bank
6 under this chapter.

7 **222.0207 Voluntary termination of certification.** A financial institution
8 that is certified as a universal bank under this chapter may elect to terminate its
9 certification by giving 60 days' prior written notice of the termination to the division.
10 A termination under this section is effective only with the written approval of the
11 division. A financial institution shall, as a condition to a termination under this
12 section, terminate its exercise of all powers granted under this chapter before the
13 termination of the certification. The division's written approval of a financial
14 institution's termination under this section is void if the financial institution fails to
15 satisfy the precondition to termination under this section.

16 SUBCHAPTER III

17 ORGANIZATION

18 **222.0301 Articles of incorporation and bylaws.** A universal bank shall
19 continue to operate under its articles of incorporation and bylaws as in effect prior
20 to certification as a universal bank or as such articles or bylaws may be subsequently
21 amended in accordance with the provisions of the chapter under which the universal
22 bank was organized or chartered.

23 **222.0303 Name.** (1) USE OF "BANK." Notwithstanding ss. 214.035, 215.40 (1),
24 and 215.60 (1) and subject to subs. (2) and (3) (b), a universal bank may use the word
25 "bank" in its name, without having to include the word "savings." Notwithstanding

1 ss. 215.40 (1) and 215.60 (1) and subject to subs. (2) and (3) (b), a universal bank that
2 is organized under ch. 215 and that uses the word “bank” in its name in accordance
3 with this section need not include the words “savings and loan association” or
4 “savings association” in its name.

5 (2) DISTINGUISHABILITY. Except as provided in sub. (3), the name of the
6 universal bank shall be distinguishable upon the records of the division from all of
7 the following names:

8 (a) The name of every other financial institution organized under the laws of
9 this state.

10 (b) The name of every national bank or foreign bank authorized to transact
11 business in this state.

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

16 (b) A universal bank may use a name that is used in this state by another
17 financial institution or by an institution authorized to transact business in this state,
18 if the universal bank has done any of the following:

- 19 1. Merged with the other institution.
- 20 2. Been formed by reorganization of the other institution.
- 21 3. Acquired all or substantially all of the assets, including the name, of the
22 other institution.

23 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
24 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
25 minimum capital requirements of universal banks.

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

3 **222.0307 Acquisitions, mergers, and asset purchases.** (1) IN GENERAL.
4 A universal bank may, with the approval of the division, purchase the assets of,
5 merge with, acquire, or be acquired by any other financial institution, universal
6 bank, national bank, federally chartered savings bank, or savings and loan
7 association, or by a holding company of any of these entities. Notwithstanding subch.
8 III of ch. 214 and ss. 214.09 and 215.36, the approval of the division of savings and
9 loan is not required.

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

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

16 (b) For universal banks organized under ch. 215, ss. 215.35, 215.36, 215.53, and
17 215.73.

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

19 SUBCHAPTER IV

20 POWERS

21 **222.0401 Federal financial institution powers.** (1) IN GENERAL. (a)
22 *Powers exercised by universal bank.* A universal bank, with the approval of the
23 division, may exercise any power that may be directly exercised by a federally
24 chartered savings bank, a federally chartered savings and loan association, or a
25 federally chartered national bank.

1 (b) *Powers exercised by subsidiary of universal bank.* A universal bank,
2 through a subsidiary and with the approval of the division, may exercise any power
3 that a federally chartered savings bank, a federally chartered savings and loan
4 association, or a federally chartered national bank may exercise through a
5 subsidiary.

6 (2) APPROVAL REQUIRED FOR EXERCISE OF FEDERAL POWER. A universal bank shall
7 file with the division a written request to exercise a power under sub. (1). The
8 division shall determine whether the requested power is permitted under sub. (1).
9 Within 60 days after receiving a request under this subsection, the division shall
10 approve the request, if the power is permitted under sub. (1), or shall disapprove the
11 request if the power is not permitted under sub. (1). The division and the universal
12 bank may mutually agree to extend this 60-day period for an additional period of 60
13 days.

14 (3) EXERCISE OF FEDERAL POWERS THROUGH A SUBSIDIARY. The division may
15 require that certain powers exercisable by a universal bank under sub. (1) (a) 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 include 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.

22.01(7)

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)~~

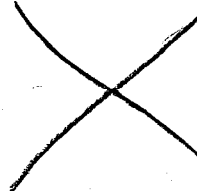
3 (b) *General limitation.* Except as otherwise provided in this subsection, the
4 total liabilities of a local governmental unit to a universal bank for money borrowed
5 may not, at any time, exceed 25% of the capital of the universal bank.

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 any other foreign bonds approved under rules established by the division. The



1 aggregate investment in any of these bonds issued by a single issuer may not exceed
2 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 applicable limitations
21 provided in this 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.* Obligations of, or
14 obligations that are fully guaranteed by, the United States and obligations of any
15 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
20 granted under subs. (1) to (8), and except as provided in par. (b), a universal bank may
21 lend 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 loans made under this
4 paragraph. Every transaction by a universal bank or its subsidiary under this
5 paragraph requires prior approval by the governing board of the universal bank or
6 its subsidiary, respectively. Loans made under this paragraph are not subject to s.
7 221.0326 or to classification as losses, for a period of 2 years from the date of each loan
8 except as provided in par. (b).

9 (b) *Suspension of additional authority.* The division may suspend authority
10 established under par. (a) and, in such case, may specify how an outstanding loan
11 shall be treated by the universal bank or its subsidiary. Among the factors that the
12 division may consider in suspending authority under par. (a) are the universal bank's
13 capital adequacy, asset quality, earnings quantity, earnings quality, adequacy of
14 liquidity, and sensitivity to market risk and the ability of the universal bank's
15 management.

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

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

1 In this subsection, “investment securities” includes commercial paper, banker’s
2 acceptances, marketable securities in the form of bonds, notes, debentures, and
3 similar instruments that are regarded as investment securities.

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

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

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

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

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

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

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

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

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

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

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
21 claim 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 may rent out
4 the use of safes or other receptacles upon its premises for 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 Necessary or convenient powers, reasonably related or**
16 **incidental activities, and other approved activities.** (1) NECESSARY OR
17 CONVENIENT POWERS. Unless otherwise prohibited or limited by this chapter, a
18 universal bank may exercise all powers necessary or convenient to effect the
19 purposes for which the universal bank is organized or to further the businesses in
20 which the universal bank is lawfully engaged.

21 (2) REASONABLY RELATED AND INCIDENTAL ACTIVITIES. (a) Subject to any
22 applicable state or federal regulatory or licensing requirements, a universal bank
23 may engage, directly or indirectly through a subsidiary, in activities reasonably
24 related or incident to the purposes of the universal bank. Activities reasonably
25 related or incident to the purposes of the universal bank are those activities that are

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

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

23 (b) An activity that is authorized by statute or regulation for financial
24 institutions to engage in as of the effective date of this paragraph [revisor inserts
25 date], is an activity that is reasonably related to or incident to the purposes of a

1 universal bank. An activity permitted under the Bank Holding Company Act is an
2 activity that is reasonably related to or incident to the purposes of a universal bank.
3 The division may, by rule, expand the list of activities under par. (a) 1. to 15. that are
4 reasonably related or incident to the purposes of a universal bank and, by rule, may
5 establish which activities under par. (a) 16. are reasonably related or incident to the
6 activities under par. (a) 1. to 15. Any activity approved by rule of the division under
7 this paragraph shall be authorized for all universal banks.

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

11 (4) STANDARDS FOR DENIAL. The division may deny the authority of a universal
12 bank to engage in an activity under this section, other than those activities described
13 in sub. (2) (a) 1. to 15., if the division determines that the activity is not an activity
14 reasonably related or incident to the purposes of a universal bank. The division may
15 deny the authority of a universal bank to engage in an activity under this section if
16 the division determines that the universal bank is not well-capitalized, that the
17 universal bank is the subject of an enforcement action, or that the universal bank
18 does not have satisfactory management expertise for the proposed activity.

19 (5) INSURANCE INTERMEDIATION. A universal bank, or an officer or salaried
20 employee of a universal bank, may obtain a license as an insurance intermediary, if
21 otherwise qualified. A universal bank may not, directly or indirectly through a
22 subsidiary, engage in the business of underwriting insurance.

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

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

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

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

14 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
15 exercise trust powers in accordance with s. 221.0316.

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

17 **227.245 Permanent rules; exemptions.** (1) PROMULGATION OF UNIVERSAL
18 BANKING RULES. Except as provided in subs. (2) and (3), the division of banking may
19 promulgate a rule under s. 222.0413 (2) (b) without complying with the notice,
20 hearing, and publication procedures under this chapter.

21 (2) FILING AND PUBLICATION. The division of banking shall file a rule described
22 under sub. (1) as provided in s. 227.20. At the time that the rule is filed, the division
23 of banking shall mail a copy of the rule to the chief clerk of each house and to each
24 member of the legislature, shall publish in the official state newspaper a class 1

1 notice under ch. 985 containing a copy of the rule, and shall take any other step it
2 considers feasible to make the rule known to persons who will be affected by the rule.

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

5 **SECTION 9120. Nonstatutory provisions; financial institutions.**

6 (1) EMERGENCY RULES; UNIVERSAL BANKING. Except as otherwise provided in this
7 subsection, using the procedure under section 227.24 of the statutes, the division of
8 banking may promulgate rules authorized under chapter 222 of the statutes, as
9 created by this act, for the period before permanent rules become effective, but not
10 to exceed the period authorized under section 227.24 (1) (c) and (2) of the statutes.
11 Notwithstanding section 227.24 (1) (a), (2) (b), and (3) of the statutes, the division of
12 banking is not required to provide evidence that promulgating a rule under this
13 subsection as an emergency rule is necessary for the preservation of the public peace,
14 health, safety, or welfare and is not required to provide a finding of emergency for a
15 rule promulgated under this subsection. This subsection does not apply to the
16 promulgation of rules under section 222.0413 (2) (b) of the statutes, as created by this
17 act.

and the creation of section 222.0403 (3) (a) of the statutes (intro.)

18 **SECTION 9420. Effective dates; financial institutions.**

19 (1) UNIVERSAL BANKING. *(a)* The treatment of sections 220.04 (9) (a) 2., 220.14 (5),
20 222.0101, 222.0103, ~~to 222.0411,~~ 222.0413 (1), (2) (a), and (3) to (9), and 222.0415 of
21 the statutes takes effect on the first day of the 3rd month beginning after publication.

(END)

~~to 222.0403 (3) (intro.) and (a) and (b) and (c) and (d) and (e) and (f) and (g) and (h) and (i) and (j) and (k) and (l) and (m) and (n) and (o) and (p) and (q) and (r) and (s) and (t) and (u) and (v) and (w) and (x) and (y) and (z)~~

*INS-001
42-21*

to 222.0401, 222.0403 (3) (intro.) and (b) and (4) to (10), 222.0405 to 222.0411,

2001-2002 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0601/2insRM
RJM:.....

INSERT 41-15

SECTION ~~41~~ 222.0403 (3) (a) (intro.) of the statutes, as created by ~~this act~~, is
amended to read:

2001 Wisconsin Act... (this act)

222.0403 (3) (a) [Ⓢ] Warehouse receipts. (intro.) A liability secured by warehouse receipts issued by warehouse keepers who are licensed and bonded in this state under ss. 99.02 and 99.03 or under the federal Bonded Warehouse Act or who hold a registration certificate under ch. 127 are licensed under s. 126.26 (1), if all of the following requirements are met:

INSERT 42-21

(b) The amendment of section 222.0403 (3) (a) (intro.) of the statutes takes effect on September 1, 2002.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0601/2dn

RJM:/:....

WLj

Jeff Geisler:

This version of LRB-0601 contains three changes necessitated by other provisions of the budget bill. First, proposed s. 222.0403 (3) (a) ^(intro.) is drafted twice—it is created to refer to warehouse keepers who are registered under ch. 127 and then it is amended to refer to warehouse keepers who, instead, are licensed under s. 126.26 (1). Effective September 1, 2002, the budget bill repeals ch. 127 and creates a warehouse keeper licensing procedure in proposed s. 126.26. Second, ~~in order~~ to coordinate with the effective date of this new licensing procedure, this draft adds a September 1, 2002, delayed effective date applicable to the amendment of proposed s. 222.0403 (3) (a) ^(intro.). Third, the cross-reference used to define “local governmental unit” in proposed s. 222.0403 (4) (a) is changed from s. 16.97 (7) to s. 22.01 (7). The budget bill renumbers s. 16.97 (7) to be s. 22.01 (7). ✓

The rest of the universal banking provisions and the creation of proposed s. 222.0403 (3) (a) ^(intro.) previously in the bill continue to take effect on the first day of the 3rd month beginning after publication.

Please let me know as soon as possible if you have any questions.

Robert J. Marchant
Legislative Attorney
Phone: (608) 261-4454
E-mail: robert.marchant@legis.state.wi.us