

Rob -

Here are the changes that are being recommended for financial modernization (LRB 0636/1)

The three that are starred are for sure going to be requested, but the last two are still being worked out. Brett Thompson of the Credit Union League said that he would be happy to go over any of these. He can be reached at 800-242-0833.

Thanks again!

Erin
6-3796

Wisconsin Credit Union League

To: Harry Argue
From: Brett Thompson
RE: Proposals for additional language to 2003-2004 Financial Modernization Bill
Date: January 2, 2003

The following represents our current thinking regarding proposed additions to the 2003-2004 Financial Modernization Bill. We are providing the following draft language at your request. Unfortunately, because of the holidays we have not yet presented the following to our Government Affairs Committee, so the language is preliminary in nature and for discussion only. Hopefully it will provide further insight as to our current thinking.

1. Low income designated credit unions
Amend 186.113 to include the following:

186.113 (1) ?

"Provided the credit union satisfies the requirements of a low-income designated credit union under rules adopted by the National Board, and agrees to be bound by the requirements and conditions imposed on said institutions, [to offer accounts to any person]"

[new power

2. Sell annuities
Amend 186.113 to include the following:

? Is this all new?

"Sell insurance products, annuities and related products."

3. Board Action by unanimous consent
Amend 186.07 to include the following:

Amend (3) (Article) Virtual meeting participation
186.07 (3m) Consent in lieu of meeting

Action without meeting. (1) Unless the articles of incorporation or bylaws provide otherwise, action required or permitted by this chapter to be taken at a board of directors' meeting may be taken without a meeting if the action is taken by all members of the board. The action shall be evidenced by one or more written consents describing the action taken, signed by each director and retained by the credit union.

(2) Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

(3) A consent signed under this section has the effect of a unanimous vote taken at a meeting at which all directors were present, and may be described as such in any document.

Not Fed Change

4. CUSO activities

Amend 186.11(4)(b) to include the following:

“Preapproved activities and services. The office of credit unions may at any time, based upon supervisory, legal, or safety and soundness reasons, limit any CUSO activities or services, or refuse to permit any CUSO activities or services. Otherwise, a credit union may invest in, loan to, and/ or contract with only those CUSOs that are sufficiently bonded or insured for their specific operations and engaged in the preapproved activities and services related to the routine daily operations of credit unions. The specific activities listed within each preapproved category are provided in this section as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list.

1. *Checking and currency services:*
 - a. Check cashing;
 - b. Coin and currency services; and
 - c. Money order, savings bonds, travelers checks, and purchase and sale of U.S. Mint commemorative coins services;
2. *Clerical, professional and management services:*
 - a. Accounting services;
 - b. Courier services;
 - c. Credit analysis;
 - d. Facsimile transmissions and copying services;
 - e. Internal audits for credit unions;
 - f. Locator services;
 - g. Management and personnel training and support;
 - h. Marketing services;
 - i. Research services; and
 - j. Supervisory committee audits;
3. *Consumer mortgage loan origination;*
4. *Electronic transaction services:*
 - a. Automated teller machine (ATM) services;
 - b. Credit card and debit card services;
 - c. Data processing;
 - d. Electronic fund transfer (EFT) services;
 - e. Electronic income tax filing;
 - f. Payment item processing;
 - g. Wire transfer services; and
 - h. Cyber financial services;
5. *Financial counseling services:*
 - a. Developing and administering Individual Retirement Accounts (IRA), Keogh, deferred compensation, and other personnel benefit plans;
 - b. Estate planning;
 - c. Financial planning and counseling;
 - d. Income tax preparation;
 - e. Investment counseling; and

- f. Retirement counseling;
- 6. *Fixed asset services:*
 - a. Management, development, sale, or lease of fixed assets; and
 - b. Sale, lease, or serving of computer hardware or software;
- 7. *Insurance brokerage or agency:*
 - a. Agency for sale of insurance;
 - b. Provision of vehicle warranty programs; and
 - c. Provision of group purchasing programs;
- 8. *Leasing:*
 - a. Personal property; and
 - b. Real estate leasing of excess CUSO property;
- 9. *Loan support services:*
 - a. Debt collection services;
 - b. Loan processing, servicing, and sales; and
 - c. Sale of repossessed collateral;
- 10. *Record retention, security and disaster recovery services:*
 - a. Alarm-monitoring and other security services;
 - b. Disaster recovery services;
 - c. Microfilm, microfiche, optical and electronic imaging, CD-ROM data storage and retrieval services;
 - d. Provision of forms and supplies; and
 - e. Record retention and storage;
- 11. *Securities, brokerage services;*
- 12. *Shared credit union branch (service center) operations;*
- 13. *Student loan origination;*
- 14. *Travel agency services;*
- 15. *Trust and trust-related services:*
 - a. Acting as administrator for prepaid legal service plans;
 - b. Acting as trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity; and
 - c. Trust services.
- 16. *Real estate brokerage services.*
- 17. *CUSO investments in non-CUSO service providers:* In connection with providing a permissible service, a CUSO may invest in a non-CUSO service provider. The amount of the CUSO's investment is limited to the amount necessary to participate in the service provider, or a greater amount if necessary to receive a reduced price for goods or services.

Activities or services that are not preapproved. In order for a credit union to invest in and/ or loan to a CUSO that offers an unpreapproved activity or service, the credit union must first receive office of credit union's approval. The request for office of credit union's approval of an unpreapproved activity or service must include a full

DRAFT for discussion only

explanation and complete documentation of the activity or service and how that activity or service is associated with routine credit union operations. The office of credit unions will act on the petition within 60 days after receipt.

5/ Membership by businesses/associations

Revise Section 8 of 2001-2002 AB 299 to read as follows:

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

Marchant, Robert

From: Bilot, Erin
Sent: Wednesday, January 15, 2003 8:47
To: Marchant, Robert
Subject: FW: specific language

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

From: R. Oswald Poels [mailto:ropoels@wisbank.com]
Sent: Tuesday, January 14, 2003 2:32 PM
To: Bilot, Erin
Cc: J.Bloch; Kurt Bauer; Harry Argue
Subject: specific language

Erin,

I have just now had a chance to try and put some actual language together on our changes that Kurt emailed to you yesterday. I thought this might be helpful, particularly to Rob, when he starts drafting. Below are the (nothing new from what we discussed yesterday) referencing page numbers that correspond to the draft you emailed us late last week.

1. Amend s. 409.617(1)(c), Stats., as follows:

"Discharges any subordinate security interest or other subordinate lien ~~other than liens held by this state or a local governmental unit, as defined in s. 19.42(7u).~~"

2. ~~Sec. 222.0203(2) - page 24, line 5 - replace "shall" with "may."~~

Tcf Erin: Delete by order in stead

3. Sec. 222.0401(2) - page 27, add the following language beginning on line 24: "The division shall periodically publish, in the Wisconsin Administrative Register, a list of all federal powers that it has allowed to be exercised by universal banks under this section. The division shall mail copies of the publication to all universal banks. A universal bank need not give prior written notice to the division of the universal bank's intention to exercise any federal power that the division has included in a list published under this subsection."

Note to Erin: I know we talked yesterday about where the division would "publish" this list. In thinking more about it, I believe Rob probably has no choice but to say the WI Admin Register so that is in this language.

4. Page 40, line 11 and line 20, delete "rule of." Lines 17 and 18, delete "by rule."

Hope this is helpful. I know Harry and Brett talked once this afternoon and will be talking again this afternoon for, hopefully, a final time. We will get back to you on the results of that conversation yet today. Let me know if you have any questions. Thanks, Rose

Rose Oswald Poels
 Vice President - Legal
 Wisconsin Bankers Association
 4721 South Biltmore Lane
 P.O. Box 8880

01/15/2003

Madison, WI 53708-8880

608/441-1200

<http://www.wisbank.com>

The information contained in this email communication and any attached documentation is intended to be general information only and does not constitute legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship.

Marchant, Robert

From: Bilot, Erin
Sent: Wednesday, January 15, 2003 8:47
To: Marchant, Robert
Subject: FW: Part 2

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

From: R. Oswald Poels [mailto:ropoels@wisbank.com]
Sent: Tuesday, January 14, 2003 2:37 PM
To: Bilot, Erin
Cc: J.Bloch; Kurt Bauer; Harry Argue
Subject: Part 2

Erin -

As soon as I sent the email I realized I missed a few more spots on the necessary deletions to accomplish number 4. The rest of them are as follows:

- Page 41, delete "rule of" in line 14. *TCB Ernie. Do not delete*
- Page 42, Section 41 is now unnecessary so delete lines 6 through 18 entirely.
- Page 43, the last sentence beginning on line 4 through line 6 should be deleted as unnecessary.

That is really now everything. Thank you! Rose

Rose Oswald Poels
Vice President - Legal
Wisconsin Bankers Association
4721 South Biltmore Lane
P.O. Box 8880
Madison, WI 53708-8880
608/441-1200
<http://www.wisbank.com>

The information contained in this email communication and any attached documentation is intended to be general information only and does not constitute legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship.

Marchant, Robert

From: Bilot, Erin
Sent: Monday, January 13, 2003 4:00 PM
To: Marchant, Robert
Subject: FW: Suggested Financial Modernization Changes

Rob,
Here are the changes from the banks. I still have to have someone at DFI look at them, but I wanted to get them to you ASAP. I'll be in touch with you tomorrow to let you know what is final.
Erin

-----Original Message-----
From: K.Bauer [mailto:kbauer@wisbank.com]
Sent: Monday, January 13, 2003 3:54 PM
To: erin.bilot@legis.state.wi.us
Subject: Suggested Financial Modernization Changes

Erin,
Below is a summary of the changes the Wisconsin Bankers Association would like to see incorporated into the 2003 version of Financial Modernization. Please contact Jodi or Rose Oswald Poels if you have any questions/comments.
The same summary has also been sent by Harry Argue to Brett Thompson.

- ***
1. UCC Article 9 corrections-During the drafting and numerous reviews of the UCC Article 9 legislation, an error was made that changed the way subordinate liens are discharged under 409.617. The error was not discovered until after the UCC Article 9 legislation was enacted. The goal of this amendment is to change the law to what the UCC Article 9 drafters originally intended.

Prior to July 1, 2001 (the date of enactment for UCC Article 9), the law provided that all subordinate liens were to be discharged upon the sale of collateral under Article 9 to a purchaser. This allows the purchaser to take the property free of any security interest or subordinate lien.
The statute as passed in new 409.617 is too broad, goes beyond the intent of the drafters of the model law and is contrary to both the old law in Wisconsin and to that of the new law in other states that enacted new Article 9. The new state statute essentially elevates state liens to a super priority position over liens of all other creditors. There is currently no state statute that specifically gives a state lien this kind of super priority.
 2. Substitute "may" for "shall" in s. 222.0203(2) on page 24. The regulator needs some flexibility to determine the appropriate enforcement mechanism or approach to the failure of a Universal Bank to continue to meet the requirements. The formal order is not always the best remedy for the regulator. Regulators often use informal memorandums of understanding signed by the financial institution to accomplish their enforcement objectives. *Take out "by order" instead per Erin's instructions*
 3. Remove the requirement that DFI modify the list of reasonably related new incidental activities by rule. Rule making would be a cumbersome and time consuming procedure and slow to react to important changes in the market place and changes in the laws applicable to Federal financial institutions. If an activity is reasonably related to an activity already authorized in subsections 1 through 15, the department should be permitted to approve that activity without following the time consuming requirements of the rule making procedure. These changes appear on lines 6,12 ,13 and 15 on page 40, line 8 on page 41, s. 227.245 on page 42 and lines 23 to 25 on page 42.
 4. Include an additional line to s. 222.0401 on page 27 to make it unnecessary for universal banks to give repetitive notices to DFI regarding the exercise of Federal financial institution powers once DFI has decided that such a power is in fact permitted under sub(1). Repetitive notices from multiple universal banks would serve no useful purpose once DFI has made the determination that the power may be exercised by a Federal financial institution. This additional language comes from the original 1997 Assembly Bill

1. see below suggested language

898 and it should be inserted as an additional page following page 27 of Assembly Bill
299.

Marchant, Robert

From: Bilot, Erin
Sent: Tuesday, January 14, 2003 10:58 AM
To: Marchant, Robert
Subject: Financial Modernization cont...

Rob,

Brett Thompson and Harry Argue are meeting at 1:00 today and after the call I will be able to tell you what exactly should be included in the bill. (but we do know 2 and 3 of the credit union bill). I do believe that the UCC Article 9 change will be requested, but I'm not sure exactly how the other three will be worded (if included at all - I'm still nervous about the rule one). One thing I do know, however, is that we would like to include the four changes requested by DFI's Office of Credit Unions. These are sections 1,2,4 & 5 of LRB 4088/2 from last year. These are changes that our office is requesting, so we do not have to wait for anyone else's ok.

Thanks for putting up with us!

Erin

Erin Bilot
Office of Suzanne Jeskewitz
State Representative
24th Assembly District



State of Wisconsin
2003 - 2004 LEGISLATURE

0636/12
LRB-0636/1-
RJM:cjs:jf

FR
NOON
1/17/03

ENCLOSURE
DISOTE

2003 BILL

SA ✓

THURS
by end
of day

New material:
SA ✓
new CRs ✓
RNS
X-refs in stats ✓
X-refs in draft ✓

Page cut

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

and regulation

BILL

The discharge of governmental liens under the Uniform Commercial Code;

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

Analysis by the Legislative Reference Bureau

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

and credit union service organizations

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

[Title: head]
[Title: sub]
CREDIT UNIONS

Q

sub sub style

BILL

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.~~

IP

INSERT ANALYSES E

*
*

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

INSERT ANALYSES A

BILL

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 annually to 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

INSERT ANALYSIS B

INSERT ANALYSIS C

BILL

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.

File: sub
UNIVERSAL BANKS
Generally
File: sub-sub

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 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

BILL

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

By a universal bank ~~providing~~

LRB-063671
RJM:cjs:jf

The Division of Banking must approve the initial exercise of a federal power, ~~under these provisions, but~~ hereafter any universal bank generally may exercise that power.

BILL

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.

~~no 9~~ 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. ~~no 10~~

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. Generally, 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

BILL

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 certain 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 incident 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

BILL

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 ~~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.

Because this bill creates a new crime or revises a penalty for an existing crime, the Joint Review Committee on Criminal Penalties may be requested to prepare a report concerning the proposed penalty and the costs or savings that are likely to result if the bill is enacted.

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:

BILL

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

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

11 186.01 (2) "Credit union" means, except as specifically provided under ss.
12 186.41 (1) and 186.45 (1), a cooperative, nonprofit corporation, incorporated under
13 this chapter to encourage thrift among its members, create a source of credit at a fair
14 and reasonable cost, and provide an opportunity for its members to improve their
15 economic and social conditions.

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

17 186.02 (2) (a) 1. ~~The conditions of residence or occupation which qualify persons~~
18 that determine eligibility for membership.

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

20 186.02 (2) (b) 2. Residents Except as otherwise provided in this subdivision,
21 individuals who reside or are employed within a well-defined neighborhood,
22 community or rural district and contiguous neighborhoods and communities. If the
23 office of credit unions, subsequent to a credit union merger, determines that it would
24 be inappropriate under the circumstances to require members of the credit union
25 that results from the merger to reside or be employed in contiguous neighborhoods

BILL

1 and communities, the requirement that these neighborhoods and communities be
2 contiguous does not apply.

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

4 186.02 (2) (b) 2m. Individuals who reside or are employed within well-defined
5 and contiguous rural districts or multicounty regions.

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

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

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

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

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

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

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

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

✓
INSERT
11-21A
11-21B

↖
a

BILL

SECTION 10

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

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

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

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

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

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

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

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

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

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

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

INSGA
12-21
21

✓

BILL

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

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

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

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

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

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

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

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

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

21 **186.20 Financial privacy.** A credit union shall comply with any applicable
 22 requirements under 15 USC 6801 to 6803 and any applicable regulations prescribed
 23 by the national credit union administration under 15 USC 6804.

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

Handwritten notes and arrows on the left margin:
 - A checkmark above line 13.
 - A circle containing "Insert 13-16" with an arrow pointing to line 16.
 - A circle containing "Insert 13-19" with an arrow pointing to line 19.
 - A circle containing "Insert 13-23" with an arrow pointing to line 23.

BILL

SECTION 19

1 186.235 (7) (a) (intro.) Employees of the office of credit unions and members
2 of the review board shall keep secret all the facts and information obtained in the
3 course of examinations, except or contained in any report provided by a credit union
4 other than any semiannual or quarterly financial report that is regularly filed with
5 the office of credit unions. This requirement does not apply in any of the following
6 situations:

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

8 186.235 (7) (c) If any person mentioned in par. (a) discloses any information
9 about the private account or transactions of a credit union or any information
10 obtained in the course of an examination of a credit union, except as provided in pars.
11 (a) and (b), that person is guilty of a Class I felony.

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

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

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

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

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

19 186.235 (16m) FINANCIAL PRIVACY EXAMINATION. The office of credit unions shall
20 examine a credit union to determine the credit union's compliance with s. 186.20.

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

22 **186.36 Sale of insurance in credit unions.** Any officer or employee of a
23 credit union, when acting as an agent for the sale of insurance on behalf of the credit
24 union, shall pay all commissions received from the sale of ~~credit life insurance or~~
25 ~~credit accident and sickness~~ insurance to the credit union.

BILL

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

2 **186.41 (title) Interstate ~~acquisition~~ acquisitions and ~~merger~~ mergers**
3 **of credit unions.**

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

6 186.41 (1) (bm) “~~In-state~~ Wisconsin credit union” means a credit union having
7 its principal office located in this state.

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

10 186.41 (1) (am) “~~Regional Out-of-state~~ credit union” means a state or federal
11 credit union ~~that has its, the principal office of which is~~ located in ~~one of the regional~~
12 states a state other than this state.

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

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

15 186.41 (2) ~~IN-STATE WISCONSIN CREDIT UNION.~~ (a) ~~An in-state~~ A Wisconsin credit
16 union may do any of the following:

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

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

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

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

BILL

SECTION 30

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

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

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

6 186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may
7 not take any action under sub. (3) until all of the following conditions have been met:

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

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

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

24 (d) The office of credit unions is provided a copy of any original application
25 seeking approval by a federal agency of the acquisition of ~~in-state~~ Wisconsin credit

BILL

1 union assets or of the merger with an ~~in-state~~ Wisconsin credit union and of any
2 supplemental material or amendments filed with the application.

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

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

7 186.41 (5) (a) Considering the financial and managerial resources and future
8 prospects of the applicant and of the ~~in-state~~ Wisconsin credit union concerned, the
9 action would be contrary to the best interests of the members of the ~~in-state~~
10 Wisconsin credit union.

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

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

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

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

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

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

BILL**SECTION 36**

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

2 **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

3 In this section:

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

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

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

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

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

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

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

18 (e) It has received approval to open an office and conduct business as a credit
19 union in this state from the credit union authorities of the state in which it is
20 organized.

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

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

BILL

1 **(3) REQUIREMENTS.** A non-Wisconsin credit that opens an office and conducts
2 business as a credit union in this state shall do all of the following:

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

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

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

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

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

12 **186.80 False statements.** (1) No officer, director, or employee of a credit
13 union may do any of the following:

14 (a) Willfully and knowingly subscribe to or make, or cause to be made, a false
15 statement or entry in the books of the credit union.

16 (b) Knowingly subscribe to or exhibit false information with the intent to
17 deceive any person authorized to examine the affairs of the credit union.

18 (c) Knowingly make, state, or publish any false report or statement of the credit
19 union.

20 **(2)** Any person who violates sub. (1) is guilty of a Class F felony.

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

22 220.04 (9) (a) 2. "Regulated entity" means a bank, universal bank, trust
23 company bank, and any other entity ~~which~~ that is described in s. 220.02 (2) or
24 221.0526 as under the supervision and control of the division.

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

BILL**SECTION 39**

1 220.14 (5) Contain a statement of the total number of orders issued by the
2 division during the year under s. 222.0203 (2).

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

4 **CHAPTER 222**

5 **UNIVERSAL BANKS**

6 **SUBCHAPTER I**

7 **GENERAL PROVISIONS**

8 **222.0101 Title.** This chapter may be cited as the “Wisconsin universal bank
9 law.”

10 **222.0102 Definitions.** In this chapter:

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

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

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

24 (2) “Deposit insurance corporation” means the Federal Deposit Insurance
25 Corporation or other instrumentality of, or corporation chartered by, the United

BILL

1 States that insures deposits of financial institutions and that is supported by the full
2 faith and credit of the U.S. government as stated in a congressional resolution.

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

4 (4) “Financial institution” means a savings bank organized under ch. 214,
5 savings and loan association organized under ch. 215, or bank chartered under ch.
6 221.

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

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

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

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

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

BILL

1 **222.0105 Fees.** The division may establish such fees as it determines are
2 appropriate for documents filed with the division under this chapter and for services
3 provided by the division under this chapter.

4 **222.0107 Administration. (1) POWERS OF DIVISION.** The division shall
5 administer this chapter for all universal banks.

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

SUBCHAPTER II**CERTIFICATION**

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

16 **(2) REVIEW BY DIVISION.** An application submitted by a financial institution
17 under sub. (1) shall either be approved or disapproved by the division, in writing,
18 within 60 days after the date on which application is filed with the division. The
19 division and the financial institution may mutually agree to extend the application
20 period for an additional period of 60 days. The division shall approve an application
21 if all of the applicable requirements under s. 222.0203 (1) are met.
22
23

BILL

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

4 (a) The financial institution has been in existence and continuous operation for
5 a minimum of 3 years before the date of the application.

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

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

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

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

21 (f) If the financial institution has received from its federal functional regulator,
22 as defined in 15 USC 6809 (2), a consumer compliance examination that contains
23 information regarding the financial institution's compliance with 15 USC 6801 to
24 6803 and any applicable regulations prescribed under 15 USC 6804, the most recent

BILL

1 such examination indicates, in the opinion of the division, that the financial
2 institution is in substantial compliance with those statutes or regulations.

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

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

14 **222.0207 Voluntary termination of certification.** A financial institution
15 that is certified as a universal bank under this chapter may elect to terminate its
16 certification by giving 60 days' prior written notice of the termination to the division.
17 A termination under this section is effective only with the written approval of the
18 division. A financial institution shall, as a precondition to termination under this
19 section, terminate its exercise of all powers granted under this chapter before the
20 termination of the certification. The division's written approval of a financial
21 institution's termination under this section is void if the financial institution fails to
22 satisfy the precondition to termination under this section.

SUBCHAPTER III**ORGANIZATION**

BILL

1 **222.0301 Articles of incorporation and bylaws.** A universal bank shall
2 continue to operate under its articles of incorporation and bylaws as in effect prior
3 to certification as a universal bank or as such articles or bylaws may be subsequently
4 amended in accordance with the provisions of the chapter under which the universal
5 bank was organized or chartered.

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

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

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

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

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

BILL**SECTION 40**

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

4 1. Merged with the other institution.

5 2. Been formed by reorganization of the other institution.

6 3. Acquired all or substantially all of the assets, including the name, of the
7 other institution.

8 **222.0305 Capital and assets. (1) CAPITAL REQUIREMENTS.** Notwithstanding
9 subch. VI of ch. 214 and ss. 215.24 and 221.0205, the division shall determine the
10 minimum capital requirements of universal banks.

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

13 **222.0307 Acquisitions, mergers, and asset purchases. (1) IN GENERAL.**
14 A universal bank may, with the approval of the division, purchase the assets of,
15 merge with, acquire, or be acquired by any other financial institution, universal
16 bank, national bank, or federally chartered savings bank or savings and loan
17 association, or by a holding company of any of these entities. Notwithstanding subch.
18 III of ch. 214 and ss. 214.09 and 215.36, the approval of the division of savings
19 institutions is not required.

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

24 (a) For universal banks organized under ch. 214, the standards described in ss.
25 214.09, 214.62 to 214.64, and 214.665, and subch. III of ch. 214.

BILL

1 (b) For universal banks organized under ch. 215, the standards described in ss.
2 215.35, 215.36, 215.53, and 215.73.

3 (c) For universal banks chartered under ch. 221, the standards described in
4 subchs. VII and IX of ch. 221.

SUBCHAPTER IV**POWERS**

5
6
7 **222.0401 Federal financial institution powers. (1) IN GENERAL. (a) Powers**
8 *exercised by universal bank.* ~~A universal bank, with the approval of the division,~~ *Subject to any applicable requirements of sub. (2),*
9 exercise any power that may be directly exercised by a federally chartered savings
10 bank, a federally chartered savings and loan association, or a federally chartered
11 national bank.

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

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

The division shall periodically publish, in the Wisconsin administrative register, a list of all powers approved under this subsection and, upon publication, shall mail a copy of the list to all universal banks. A universal bank need not request the permission of the division under this subsection to exercise any power described in the most current list published under this subsection.

BILL**SECTION 40**

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

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

8 **(2) IN GENERAL. (a) Percentage limitation.** Except as provided in subs. (3) to
9 (8), the total liabilities of any person, other than a municipal corporation, to a
10 universal bank for a loan or extension of credit may not exceed 20% of the universal
11 bank's capital at any time.

12 **(b) Partnership liabilities.** In determining compliance with this section,
13 liabilities of a partnership include the liabilities of the general partners, computed
14 individually as to each general partner on the basis of his or her direct liability.

15 **(3) INCREASED LIMIT FOR CERTAIN SECURED LIABILITIES.** The total liabilities of any
16 person, other than a municipal corporation, to a universal bank for a loan or
17 extension of credit may not exceed 50% of the universal bank's capital at any time,
18 if the liabilities consist entirely of any of the following types of liabilities:

19 **(a) Warehouse receipts.** A liability secured by warehouse receipts issued by
20 warehouse keepers who are licensed and bonded in this state under ss. 99.02 and
21 99.03 or under the federal Bonded Warehouse Act or who are licensed under s.
22 126.26, if all of the following requirements are met:

- 23 1. The receipts cover readily marketable nonperishable staples.
- 24 2. The staples are insured, if it is customary to insure the staples.

BILL

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

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

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

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

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

15 (4) OBLIGATIONS OF LOCAL GOVERNMENTAL UNITS. (a) *Definition.* In this
16 subsection, “local governmental unit” has the meaning given in s. 22.01 (7).

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

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

BILL**SECTION 40**

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

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

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

11 A universal bank may purchase bonds offered for sale by the International Bank for
12 Reconstruction and Development and the Inter-American Development Bank or
13 any other foreign bonds approved under rules established by the division. The
14 aggregate investment in any of these bonds issued by a single issuer may not exceed
15 10% of the capital of the universal bank.

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

22 **(7) LIMITS ESTABLISHED BY BOARD.** (a) *When financial statements required.* A
23 universal bank may not make or renew a loan or loans, the aggregate total of which
24 exceeds the level established by the board of directors without being supported by a
25 signed financial statement of the borrower, unless the loan is secured by collateral

BILL

1 having a value in excess of the amount of the loan. A signed financial statement
2 furnished by the borrower to a universal bank in compliance with this paragraph
3 must be renewed annually as long as the loan or any renewal of the loan remains
4 unpaid and is subject to this paragraph.

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

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

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

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

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

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

BILL**SECTION 40**

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

7 (9) **ADDITIONAL AUTHORITY.** (a) *In general.* In addition to the authority
8 granted under subs. (1) to (8), and except as provided in par. (b), a universal bank may
9 lend under this subsection, through the universal bank or subsidiary of the universal
10 bank, to all borrowers from the universal bank and all of its subsidiaries, an
11 aggregate amount not to exceed 20% of the universal bank's capital. Except as
12 provided in subs. (3) and (4), neither a universal bank nor any subsidiary of the
13 universal bank may lend to any borrower, under this subsection or any other law or
14 rule, an amount that would result in an aggregate amount for all loans to that
15 borrower that exceeds 20% of the universal bank's capital. A universal bank or its
16 subsidiary may take an equity position or other form of interest as security in a
17 project funded through loans made under this paragraph. Every transaction by a
18 universal bank or its subsidiary under this paragraph requires prior approval by the
19 governing board of the universal bank or its subsidiary, respectively. Loans made
20 under this paragraph are not subject to s. 221.0326 or to classification as losses, for
21 a period of 2 years from the date of each loan except as provided in par. (b).

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

BILL

1 capital adequacy, asset quality, earnings quantity, earnings quality, adequacy of
2 liquidity, and sensitivity to market risk and the ability of the universal bank's
3 management.

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

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

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

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

BILL**SECTION 40**

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

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

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

BILL

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

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

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

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

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

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

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

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

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

BILL**SECTION 40**

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

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

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

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

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

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

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

BILL

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

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

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

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

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

BILL**SECTION 40**

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

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

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

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

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

BILL

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

4 **222.0413 Necessary or convenient powers, reasonably related or**
5 **incidental activities, and other approved activities.** (1) NECESSARY OR
6 CONVENIENT POWERS. Unless otherwise prohibited or limited by this chapter, a
7 universal bank may exercise all powers necessary or convenient to effect the
8 purposes for which the universal bank is organized or to further the businesses in
9 which the universal bank is lawfully engaged.

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

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

BILL

- 1 7. Insurance and related services, other than insurance underwriting.
- 2 8. Securities brokerage.
- 3 9. Investment advice.
- 4 10. Securities and bond underwriting.
- 5 11. Mutual fund activities.
- 6 12. Financial consulting.
- 7 13. Tax planning and preparation.
- 8 14. Community development and charitable activities.
- 9 15. Debt cancellation contracts.

10 16. Any activities that are reasonably related or incident to activities under
 11 subds. 1. to 15., as determined by ~~rule~~ of the division ~~under par. (a)~~

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

17 The division may ~~by rule~~ expand the list of activities under par. (a) 1. to 15. that are
 18 reasonably related or incident to the purposes of a universal bank ~~and by rule may~~
 19 establish which activities under par. (a) 16. are reasonably related or incident to the

20 activities under par. (a) 1. to 15. Any activity approved by ~~rule~~ of the division under
 21 this paragraph shall be authorized for all universal banks.

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

BILL

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

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

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

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

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

BILL

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

4 **222.0415 Trust powers.** Subject to rules of the division, a universal bank may
5 exercise trust powers in accordance with s. 221.0316.

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

7 **227.245 Permanent rules; exemptions.** (1) **PROMULGATION OF UNIVERSAL**
8 **BANKING RULES.** Subject to the requirements of subs. (2) and (3), the division of
9 banking may promulgate a rule under s. 222.0413 (2) (b) without complying with the
10 notice, hearing, and publication procedures under this chapter.

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

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

19 **SECTION 42. Nonstatutory provisions.**

20 **(1) EMERGENCY RULES; UNIVERSAL BANKING.** Except as otherwise provided in this
21 subsection, using the procedure under section 227.24 of the statutes, the division of
22 banking may promulgate rules authorized under chapter 222 of the statutes, as
23 created by this act, for the period before permanent rules become effective, but not
24 to exceed the period authorized under section 227.24 (1) (c) and (2) of the statutes.
25 Notwithstanding section 227.24 (1) (a), (2) (b), and (3) of the statutes, the division of

✓
EUS 8/17
42-17
18

BILL

1 banking is not required to provide evidence that promulgating a rule under this
 2 subsection as an emergency rule is necessary for the preservation of the public peace,
 3 health, safety, or welfare and is not required to provide a finding of emergency for a
 4 rule promulgated under this subsection. ~~(This subsection does not apply to the~~
 5 ~~promulgation of rules under section 222.0413 (2) (b) of the statutes, as created by this~~
 6 ~~act.~~

7 **SECTION 43. Effective dates.** ~~This act takes effect on the day after publication.~~

8 ~~except as follows.~~

↑
STET: leave as typed

9 (1) UNIVERSAL BANKING. ~~The treatment of sections 220.04 (9) (a) 2, 220.14 (5),~~
 10 ~~222.0101, 222.0103 to 222.0411, 222.0413 (1), (2) (a), and (3) to (9), and 222.0415 of~~
 11 ~~the statutes takes effect on the first day of the 3rd month beginning after publication.~~

12 (END)

~~This act takes effect on the day after publication, except as follows:~~

~~(1) UNIVERSAL BANKING. The treatment of sections 220.04 (9) (a) 2, 220.14 (5), and 222.0101 to 222.0415 takes effect on the~~

and

Chapter 222 of the statutes

low-income

INSERT ANALYSIS A

Currently, a federal credit union is permitted to accept deposits from nonmembers if the federal credit union is designated as a low-income credit union by the National Credit Union Administration. To obtain such a designation, a federal credit union must serve predominantly low-income members. This bill likewise permits a state credit union to accept deposits from any person if the state credit union satisfies the federal requirements for designation as a low-income credit union and files a statement with the office of credit unions agreeing to be bound by requirements and conditions that are substantially identical to those imposed on federally designated credit unions.

This bill also permits credit unions to sell insurance products, subject to any applicable requirements of the Office of the Commissioner of Insurance.

INSERT ANALYSIS B

authorized
Board of directors action by unanimous, written consent

Currently, if an action is required or permitted to be taken at a credit union board of directors meeting, the directors must either meet in person or via certain approved communications media to take the action. This bill permits an action to be taken without a meeting, if that action is taken by all directors and is evidenced by one or more written statements, signed by each director, describing and consenting to the action taken.

INSERT ANALYSIS D

UNIFORM COMMERCIAL CODE

Currently, under this state's version of the Uniform Commercial Code, when collateral is disposed of by a secured party following a default by the debtor, all subordinate security interests and liens are discharged by the disposition of the collateral, except liens held by this state or a local governmental unit. One result of this exception is to essentially give priority to subordinate liens held by this state or a local governmental unit. These liens include, for example, tax liens, liens related to environmental clean-up payments, public assistance payments, wage claims, unemployment and worker's compensation payments, and liens on aircraft for nonpayment of certain fees. This bill deletes this exception and, in effect, grants these liens the priority otherwise applicable to them under the law.

INSERT ANALYSIS E

Under this bill, a credit union service organization may provide the following types of services related to the routine daily operations of credit unions, unless prohibited from doing so by the office of credit unions: 1) checking and currency services; 2) clerical, professional, and management services; 3) consumer mortgage

loan origination services; 4) Electronic transaction services; 5) tax preparation services; 6) services regarding the development and administration of individual retirement accounts, specified retirement plans for self-employed individuals, and personnel benefit plans; 7) financial counselling services, including estate planning; 8) fixed asset services; 9) insurance services; 10) services with regard to leasing real property owned by the credit union service organization or personal property; 11) loan support services; 12) record retention, security, and disaster recovery services; 13) securities brokerage services; 14) shared credit union branch operations; 15) student loan origination services; 16) travel agency services; 17) trust and other fiduciary services; 18) real estate brokerage services. The bill further specifies additional services that are generally related to the 18 listed above. In addition, the bill authorizes the office of credit unions to expand the list of services that are related to the routine daily operations of credit unions that a credit union service organization may provide. The bill also permits a credit union service organization to provide any of these services through an investment by the credit union service organization in a third-party service provider, subject to certain limitations.

*
*
*

INSERT 11-21 B

SECTION 1. 186.07 (3m) of the statutes is created to read:

186.07 (3m) WRITTEN CONSENT IN LIEU OF MEETING. (a) Unless the articles of incorporation or bylaws provide otherwise, any action required or permitted by this chapter to be ~~taken~~^{authorized} at a board of directors' meeting may be ~~taken~~^{authorized} without a meeting if that action is ~~taken~~^{authorized} by all directors and is evidenced by one or more written statements, signed by each director, describing and consenting to the action ~~taken~~. Such an action has the same effect as an action authorized by unanimous vote at a meeting at which all directors are present and may be described as such in any document.

(b) Any action ~~taken~~^{authorized} under par. (a) is effective when the last director signs the statement evidencing his or her consent, unless the statement specifies a different effective date.

(c) A credit union shall retain all statements signed by ~~its~~^{its} directors under par. (a).

INSERT 12-21

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

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

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

History: 1971 c. 193; 1979 c. 77; 1983 a. 369; 1991 a. 221; 1993 a. 112; 1995 a. 27; 1995 a. 151 ss. 115 to 121, 307; 1997 a. 35.

SECTION 3. 186.11 (4) (a) 1. of the statutes is created to read:

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

SECTION 4. 186.11 (4) (b) of the statutes is repealed and recreated to read:

186.11 (4) (b) Except as provided under par. (bt), a credit union service organization under par. (a) may provide any of the following services related to the routine daily operations of credit unions:

1. Checking and currency services, money order services, savings bond services, traveler's check services, and services regarding the purchase and sale of U.S. Mint commemorative coins.

2. Clerical, professional, and management services, including, but not limited to, accounting, courier, credit analysis, facsimile transmission and copying, internal credit union audit, locator, management and ~~personnel~~ training and support, marketing, research, and supervisory committee audit services.

personnel

3. ^S Consumer mortgage loan origination services.
4. Electronic transaction services, including, but not limited to, remote terminal, credit and debit card, data processing, electronic fund transfer, electronic income tax filing, payment item processing, wire transfer, and Internet financial services. ✓
5. Tax preparation services, services regarding the development and administration of individual retirement accounts, Keogh plans, deferred compensation plans, and other personnel benefit plans, and financial counselling services, including, but not limited to, estate planning. ✓
6. Fixed asset services, including, but not limited to, the management, development, sale, or lease of fixed assets and the sale, lease, or servicing of computer hardware or software.
7. Insurance services, including, but not limited to, providing vehicle warranty programs, providing group insurance purchasing programs, and acting as an agent for the sale of insurance. ✓
8. Services with regard to the leasing of real property owned by the credit union service organization or personal property. ✓
9. Loan support services, including, but not limited to, debt collection and loan processing, servicing, and sales services and services regarding the sale of repossessed collateral. ✓
10. Record retention, security, and disaster recovery services, including, but not limited to, alarm monitoring, data storage and retrieval, and record storage services and providing forms and supplies. ✓
11. Securities brokerage services. ✓
12. Shared credit union branch operations. ✓

13. Student loan origination services. ✓

14. Travel agency services. ✓

15. Trust and other fiduciary services, including, but not limited to, acting as an administrator for ~~repaid~~ ^{prepaid} legal services plans or acting as a trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity.

16. Real estate brokerage services. ✓

SECTION 5. 186.11 (4) (bd), (bh) and (bt) of the statutes are created to read:

186.11 (4) (bd) The office of credit unions may expand the list of services under par. (b) that are related to the routine daily operations of credit unions. Except as provided under par. (bt), any service approved under this paragraph shall be authorized for all credit union service organizations under par. (a). A credit union may file a written request with the office of credit unions to exercise its authority under this paragraph and may include, along with the request, a description of any proposed service and an explanation of how that service is related to the routine daily operations of credit unions. Within 60 days after receiving a request under this paragraph, the office of credit unions shall approve or ~~disapprove~~ ^{keep "disapprove"} of the request. ✓

(bh) A credit union service organization under par. (a) may provide any service described under par. (b) or approved under par. (bd) through an investment by the credit union service organization in a third-party service provider. The amount that a credit union service organization may invest in a third-party service provider under this paragraph may not exceed the amount necessary to obtain the applicable services, or ^(a) ~~such~~ greater amount ^{if} necessary for the credit union service organization to obtain the services at a reduced cost.

(bt) The office of credit unions, based upon concerns for the safety and soundness ^{of} credit union operations in this state or ^{or} for any other legal or supervisory reason, may prohibit any or all credit union service organizations under par. (a) from providing any service described under par. (b) or approved under par. (bd).

INSERT 13-10

SECTION 6. 186.113 (11) of the statutes is renumbered 186.113 (11) (a) and amended to read:

186.113 (11) **ACCOUNTS.** (a) ~~Have Offer~~ deposit accounts to members.

History: 1971 c. 193; 1973 c. 12 s. 20; 1973 c. 208; 1973 c. 255 ss. 2, 3, 5; 1973 c. 336 s. 56; 1975 c. 345; 1977 c. 136, 342, 447; 1979 c. 121, 282; 1981 c. 5, 156, 319, 391; 1983 a. 368, 369; 1987 a. 403 s. 256; 1991 a. 221, 269; 1993 a. 112, 482; 1995 a. 27, 55, 151, 336; 1997 a. 35, 152.

SECTION 7. 186.113 (11) (b) of the statutes is created to read:

186.113 (11) (b) Offer deposit accounts to any person if the credit union satisfies the requirements specified in 12 CFR 701.34 (a) for designation as a low-income credit union and files a statement with the office of credit unions agreeing to be bound by requirements and conditions that are substantially identical to those imposed by the ~~National Board~~ and the ~~National Credit Union Administration~~ on federal credit unions designated under 12 CFR 701.34 (a).

INSERT 13-19

SECTION 8. 186.113 (25) of the statutes is created to read:

186.113 (25) **SALE OF INSURANCE PRODUCTS.** Sell insurance, annuities, and related products.

INSERT 13-23

SECTION 9. 186.22 (12m) of the statutes is amended to read:

186.22 (12m) MEETINGS OF DIRECTORS. Section 186.07 (3) applies and (3m)

~~apply~~ to a credit union finance corporation.

History: 1971 c. 193 s. 42 (1); 1981 c. 96; 1983 a. 369; 1989 a. 308; 1993 a. 482; 1995 a. 27, 151; 2001 a. 103.

plain

Lead >

9

BILL

INSGATS

leave
as typed

of directors. If the vote is conducted at a meeting, the meeting must be held in accordance with the credit union's bylaws. The bill also prohibits a credit union from dissolving for the purpose of defeating or defrauding any of its creditors in the collection of debts against the credit union.

Currently, in order for credit unions to merge, the board of directors of each credit union must propose a specific plan of merger. The plan must then be approved at an annual or special meeting by a majority of the votes entitled to be cast by members present at the meeting, unless provisions relating to emergency mergers apply. This bill, in addition, permits votes to be cast by mail ballot. Only mail ballots received at least five days before the date of the annual or special meeting may be counted. The bill also specifies that any plan of merger must be approved by a majority of votes cast, rather than of the votes entitled to be cast by members present at the meeting.

INSERT
ANALYSIS
C

Under current law, a credit union is required to (semiannually) determine its gross income and transfer amounts to its reserve account, which is an account established by the credit union to cover losses. The national credit union administration determines the required amount of the transfer. This bill repeals the requirement that a credit union determine its gross income and semiannually transfer amounts to its reserve account. Under this bill, a credit union must establish and maintain a reserve account and must transfer amounts to the reserve account as required by the national credit union administration.

Under current law, the office of credit unions must conduct an annual examination of each credit union, unless the office of credit unions accepts an audit report of the condition of the credit union that satisfies certain conditions. This bill requires the office of credit unions to conduct an examination of each credit union at least once every 18 months, and repeals the authority of the office of credit unions to accept an audit report.

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:

INSERT
11-21A

✓✓

1 SECTION 1. 186.06 (4) of the statutes is amended to read:
2 186.06 (4) FISCAL YEAR. The fiscal year of every credit union shall end at the
3 close of business on December 31 and the credit union shall, at least semiannually,
4 transfer funds as provided in s. 186.17.

PWF

5
INSERT
13-19

SECTION 2. 186.17 (1) of the statutes is repealed and recreated to read:

BILL

1 186.17 (1) REGULAR RESERVES. A credit union shall establish and maintain a
2 regular reserve account and shall transfer amounts to the regular reserve account
3 as required by the national board. ^(end ins)

4 **SECTION 3.** 186.18 of the statutes is amended to read:

5 **186.18 Dissolution.** Upon a two-thirds recommendation of the board of
6 directors, the members may vote, by mail ballot or in person, to dissolve the credit
7 union. If a majority of the ~~total membership~~ members who cast votes vote by ballot,
8 in person or by letter or other written communication in favor of dissolution, and if
9 not more than the greater of 15 members or 10% of the total membership, by written
10 notice, vote against dissolution, the office of credit unions approves, the credit union
11 shall be dissolved. ~~If both the number of votes in favor of dissolution and the number~~
12 ~~of votes against dissolution are each less than 25% of the total number of members,~~
13 ~~the board of directors may, with the permission of the office of credit unions, mail to~~
14 ~~each member at the member's last known address a written notice which states that~~
15 ~~the board's proposal to dissolve the credit union will be approved or disapproved at~~
16 ~~a special or annual meeting to be held at the time and place specified in the notice.~~
17 ~~The credit union shall be dissolved only if a majority of the members present at the~~
18 ~~meeting vote in favor of the board's proposal to dissolve the credit union~~ If the vote
19 on dissolution is conducted by mail, the board of directors shall mail to each member
20 at the member's last known address a written proposal to dissolve the credit union
21 recommended by the board of directors. If the vote on dissolution is conducted at a
22 meeting, the meeting shall be held in accordance with the credit union's bylaws. No
23 credit union may dissolve for the purpose of defeating or defrauding any of its
24 creditors in the collection of debts owed by the credit union. If the members vote to
25 dissolve the credit union, a committee of 3 shall be elected by the members to

BILL

1 liquidate the assets of the credit union. After assets are liquidated and debts paid,
 2 members shall be paid a liquidating dividend in proportion to their savings from
 3 remaining assets. The committee in charge of liquidation may sell or dispose of the
 4 assets in whole or in part at a public or private sale subject to confirmation by the
 5 board of directors and the office of credit unions.

INSERT
14-15 6

6 **SECTION 4.** 186.235 (16) (a) of the statutes is renumbered 186.235 (16) and
 7 amended to read:

The office of credit unions

8 186.235 (16) ~~ANNUAL~~ PERIODIC EXAMINATION. At least once each year every 18
 9 months, the office of credit unions shall examine the records and accounts of each
 10 credit union. For that purpose the office of credit unions shall have full access to, and
 11 may compel the production of, each credit union's records and accounts. They may
 12 administer oaths to and examine each credit union's officers and agents.

13 **SECTION 5.** 186.235 (16) (b) of the statutes is repealed. ✓

14 ~~**SECTION 6.** 186.31 (2) of the statutes is amended to read:~~

15 186.31 (2) APPROVAL. To effect a merger, the board of directors of each credit
 16 union shall, by resolution, propose a specific plan for merger which shall be agreed
 17 to by a majority of the board of each credit union joining in the merger. The proposed
 18 merger plan shall be submitted to a vote at an annual or special meeting of members
 19 of the merging credit union. Votes may be cast by mail ballot, but only mail ballots
 20 received at least 5 days before the date of the annual or special meeting may be
 21 counted. Written notice of the meeting setting forth the proposed plan of merger or
 22 a summary shall be given to each member of the merging credit union within the time
 23 and in the manner provided for the giving of notice of meetings of members of the

PWF

BILL

1
2
3

credit union. The proposed plan shall be adopted upon receiving if approved by a majority of the votes entitled to be cast by members present at the meeting.

(END)