

**2003 DRAFTING REQUEST**

**Bill**

Received: **03/12/2003**

Received By: **rmarchan**

Wanted: **As time permits**

Identical to LRB:

For: **Dale Schultz (608) 266-0703**

By/Representing: **jonathan**

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

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - banking inst.**

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Schultz@legis.state.wi.us**

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**

**Pre Topic:**

No specific pre topic given

**Topic:**

Examination of savings banks and savings and loans

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 03/13/2003	wjackson 04/02/2003		_____			State
/1			rschluet 04/02/2003	_____	amentkow 04/02/2003	mbarman 01/08/2004	

FE Sent For:

<END>

↳ At Intro.

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*Jacketed*

for Senate  
(Rush)  
Requested by

FE Sent For:

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/?	rmarchan	1 WLj 4/2			P6		
			4-2-3				

FE Sent For:

<END>

RJM

# Bill Request Form

**Legislative Reference Bureau**  
100 N. Hamilton Street  
Legal Section. 266-3561

You may use this form or talk directly with the LRB attorney who will draft the bill.

Date 3/12/03

Legislator, agency, or other person requesting this draft Sen Schultz

Person submitting request (name and phone number) Jonathan Klein 266-0703

Persons to contact for questions about this draft (names and phone numbers) same ↑

Describe the problem, including any helpful examples. How do you want to solve the problem?

*See attached.*

Please attach a copy of any correspondence or other material that may help us. If you know of any statute sections that might be affected, list them or provide a marked-up copy.

You may attach a marked-up copy of any LRB draft or provide its number (e.g., 2001 LRB-2345/1 or 1999AB-67).

Requests are confidential unless stated otherwise. May we tell others that we are working on this for you? YES  NO

If yes:                      Anyone who asks?    YES    NO  
   Any legislator?        YES    NO

Only the following persons Darryll Lund Community Banker of WI

Do you consider this request urgent?    YES  NO     If yes, please indicate why \_\_\_\_\_

Should we give this request priority over any pending request of this legislator, agency, or person?  
YES  NO



## State Savings Institutions Regulatory Efficiency Legislation

Re: Wisconsin Savings Banks and Savings and Loan Associations Exams

Chapters 214 and 215 of the Wisconsin Statutes currently mandate that the Wisconsin Department of Financial Institutions ("DFI") examine state savings banks and savings and loan associations at least once within every 18-month period. While similar provisions exist in Wisconsin law for state commercial banks, an additional section also permits DFI to accept any recent examinations of state commercial banks performed by federal regulators in lieu of conducting its own examination. Currently, no similar provision exists in Chapter 214 for state savings banks. Further, while a slightly comparable provision exists in Chapter 215 for state savings and loan associations, it is vague and not as direct as the language that addresses state commercial banks.

The Community Bankers of Wisconsin (CBW) is proposing legislation related to the coordination of state savings bank and state savings and loan association examination efforts between federal and state regulators. This legislation would mirror the law in Wisconsin that is currently applicable to state commercial banks under Chapter 220 by adopting a comparable provision in Chapters 214 and 215.

The intent of the legislation is to provide DFI with the discretion to rely on examinations already performed by any of the various federal regulators in lieu of conducting its own periodic examinations it would otherwise be required by law to perform. CBW believes this change will reduce the cost and inconvenience associated with duplicate state and federal examinations and will provide benefits to DFI at a time of agency budgetary constraints. Additionally, this authority for Wisconsin regulators to rely on federal examinations, which has been present for some time with respect to Wisconsin's state commercial banks, has not been found to pose any safety or soundness problems for the industry.

*The Community Bankers of Wisconsin respectfully requests your support for this legislation.*

**PROPOSED REVISIONS TO WIS. STATS. CHAPTERS 214 AND 215 RELATED TO  
COORDINATION OF STATE AND FEDERAL EXAMINATIONS  
OF WISCONSIN SAVINGS INSTITUTIONS**

**1. SAVINGS BANKS**

We propose that Wis. Stats. §214.725(1) be revised by denoting the existing language of the section as subsection (a). In addition, we propose creating a new subsection (b) to include language regarding the coordination of examinations between federal and state regulators. Revised §214.725(1) would read as follows:

**§214.725 Examination.**

(1) (a) At least once every 18 months and more often if necessary, the division shall examine the books, records, operations and affairs of a savings bank. In the course of the examination, the division may also examine in the same manner any entity, company or individual that the division determines may have a relationship with the savings bank or a savings bank holding company, savings bank subsidiary, service corporation or affiliate of the savings bank, if the relationship may adversely affect the affairs, activities and safety and soundness of the savings bank.

(b) In lieu of any examination required to be made by the division, the division may accept any examination that may have been made of any savings bank within a reasonable period by the deposit insurance corporation, a federal regulatory agency or an other governmental agency authorized to make examination audits of savings banks pursuant to their rules and regulations.

**2. SAVINGS AND LOAN ASSOCIATIONS**

We propose that Wis. Stats. §215.03(2)(b) be revised by adding the language “in lieu of any examination required to be made by the division” to the beginning of the existing language of the subsection. In addition, we propose removing the final sentence of the subsection as it currently exists (“The examination-audit must comply with the procedure established by the division.”) Finally we propose revising the remaining language of the subsection to conform with the language proposed above for savings banks in Chapter 214 and currently existing for commercial banks in Chapter 220. Revised §215.03(2)(b) would read as follows:

**§215.03 Supervision and control of associations**

**(2) ANNUAL SUPERVISORY EXAMINATIONS**

(b) In lieu of any examination required to be made by the division, the division may accept any examination that may have been made of any association within a reasonable period by the deposit insurance corporation, a federal regulatory agency or any other governmental agency authorized to make examination audits of associations pursuant to their rules and regulations.

MW686942\_1.DOC



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-2288/1

RJM:l:...

WLj

DU: 3-13

EW

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

DR

GEN

1 AN ACT ...; relating to: regulatory examinations of state-chartered savings  
2 banks and savings and loan associations.

Handwritten scribble

*Analysis by the Legislative Reference Bureau*

Current law requires the division of banking in the Department of Financial Institutions (division) to examine each state-chartered savings and loan association (savings and loan) at least once every 18 months, unless the division accepts an examination by the federal deposit insurance corporation, the federal office of thrift supervision, or any other governmental agency authorized to make such examinations pursuant to that agency's rules and regulations. Any such alternative examination must comply with the division's procedures. Current law also requires the division to examine each state-chartered savings bank (savings bank) at least once every 18 months. Current law has a different, though similar, alternative examination provision applicable to state-chartered banks (state banks). Current law does not permit the division to accept an alternative examination of a savings bank.

This bill changes the alternative examination provision applicable to savings and loans, making it substantially similar to the alternative examination provision applicable to state banks. Thus, under the bill, the division may accept any examination that may have been made of a savings and loan within a reasonable period by the federal deposit insurance corporation, the federal office of thrift supervision, any other federal agency that supervises and examines savings and loan associations, or any agency of another state with primary responsibility for supervising savings and loan associations chartered under the laws of that state.

The bill deletes the requirement that any such examination must comply with the division's procedures. The bill also creates a substantially similar alternative examination procedure applicable to savings banks.

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:***

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SECTION 1. 214.772 (5) of the statutes is amended to read:

214.772 (5) A foreign savings bank doing business in this state shall be examined by the division as provided under s. 214.725, audited under s. 214.76 and assessed fees as provided under s. 214.715 (1) (h), together with any out-of-state travel expenses incurred in the course of an examination or audit. The division may accept an examination to the extent permitted under s. 214.725 (1) (b) and may accept all or part of an ~~examination~~ or audit prepared on behalf of the regulatory authority responsible for the supervision of the foreign savings bank in the jurisdiction in which the foreign savings bank is organized.

History: 1991 a. 221; 1995 a. 27.

SECTION 2. 214.725 (1) of the statutes is renumbered 214.725 (1) (a) and amended to read:

214.725 (1) (a) ~~At~~ Except as provided in par. (b), at least once every 18 months and more often if necessary, the division shall examine the books, records, operations and affairs of a savings bank. In the course of the examination, the division may also examine in the same manner any entity, company or individual that the division determines may have a relationship with the savings bank or a savings bank holding company, savings bank subsidiary, service corporation or affiliate of the savings bank, if the relationship may adversely affect the affairs, activities and safety and soundness of the savings bank.

History: 1991 a. 221; 1995 a. 27.

1           **SECTION 3.** 214.725 (1) (b) of the statutes is created to read:

2           214.725 (1) (b) In lieu of any examination required under par. (a), the division  
3           may accept any examination that may have been made of any savings bank within  
4           a reasonable period by the federal deposit insurance corporation, any federal agency  
5           with primary responsibility for supervising savings banks chartered under the laws  
6           of the United States, or any agency of another state with primary responsibility for  
7           supervising savings banks chartered under the laws of that state.

8           **SECTION 4.** 214.725 (4) of the statutes is amended to read:

9           214.725 (4) If a savings bank, its savings bank holding company or any of its  
10          savings bank subsidiaries or service corporations has not been audited at least once  
11          in the 12 months before the division's examination date under sub. (1) (a),  
12          notwithstanding sub. (1) (b), the division shall order an audit of the entity's books and  
13          records to be made by an independent certified public accountant, selected by the  
14          division, who has experience in financial institution audits. The cost of the audit  
15          shall be paid for by the entity being audited.

16          History: 1991 a. 221; 1995 a. 27.

16          **SECTION 5.** 214.725 (6) of the statutes is amended to read:

17          214.725 (6) An examination report under s. 214.735 or a report based upon an  
18          examination accepted under sub. (1) (b), may contain directives to correct violations  
19          or to perform acts to ensure the safety and soundness of the savings bank or the entity  
20          examined.

21          History: 1991 a. 221; 1995 a. 27.

21          **SECTION 6.** 215.03 (2) (a) of the statutes is amended to read:

22          215.03 (2) (a) At Except as provided in par. (b), at least once within every  
23          18-month period, the division shall examine the cash, bills, collaterals, securities,  
24          assets, books of account, condition and affairs of all such associations and for that

→ Move from p. 1

1 purpose the division or the division's examiners shall have access to, and may compel  
 2 the production of, all their books, papers, securities and moneys, administer oaths  
 3 to and examine their officers and agents as to their affairs. An employee of the  
 4 division may not examine an association in which the employee is interested as an  
 5 officer or director.

6 History: 1975 c. 359 ss. 5, 6, 51; 1977 c. 140; 1983 a. 167; 1985 a. 157, 325; 1991 a. 316; 1995 a. 27, 104, 325; 1997 a. 144.

SECTION 7. 215.03 (2) (b) of the statutes is amended to read:

7 215.03 (2) (b) The In lieu of any examination required under par. (a), the  
 8 division may accept an examination audit made any examination that may have  
 9 been made of any association within a reasonable period by the deposit insurance  
 10 corporation, a federal regulatory agency or any other governmental agency  
 11 authorized to make examination audits of associations pursuant to their rules and  
 12 regulations. The examination audit must comply with the procedure established by  
 13 the division, or any agency of another state with primary responsibility for  
 14 supervising associations chartered under the laws of that state.

15 History: 1975 c. 359 ss. 5, 6, 51; 1977 c. 140; 1983 a. 167; 1985 a. 157, 325; 1991 a. 316; 1995 a. 27, 104, 325; 1997 a. 144.

SECTION 8. 215.33 (4) of the statutes is amended to read:

16 215.33 (4) EXAMINATION AND AUDIT OF FOREIGN ASSOCIATIONS. Each foreign  
 17 association doing business in this state shall be examined by the division as provided  
 18 under s. 215.03, audited under s. 215.25 and assessed fees and costs as provided  
 19 under s. 215.02 (16), together with any out-of-state travel expenses incurred in the  
 20 course of the examination and audit. However, the division may accept an  
 21 examination to the extent permitted under s. 215.03 (2) (b) and may accept as all or  
 22 part of the <sup>plain space</sup> examination or audit, all or any part of an examination or audit made on

1       behalf of the agency responsible for the supervision of the foreign association in the  
2       jurisdiction in which the association is organized.

3       History: 1975 c. 56; 1979 c. 287; 1983 a. 167; 1985 a. 135, 157; 1995 a. 27, 104.

(END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-2288/?dn

RJM:/:....

Nlj

Senator Schultz:

Attached is the draft you requested concerning the examination of savings banks and savings and loan associations. Please review the draft to ensure that it satisfies your intent. In particular, please review proposed ss. 214.725 (1) (b) and 215.03 (2) (b). The language of these provisions is not identical, due to differences in the definitions applicable to chs. 214 and 215, but the effect of the provisions is substantially the same and each has substantially the same effect as s. 220.04 (1) (b), which applies to banks. Please let me know if you have any questions or desire any changes to the draft.

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

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-2288/1dn  
RJM:wjl:rs

April 2, 2003

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