

2009 DRAFTING REQUEST

Bill

Received: **02/17/2010**

Received By: **mkunkel**

Wanted: **As time permits**

Identical to LRB:

For: **Robert Wirch (608) 267-8979**

By/Representing: **Paula McGuire**

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

Drafter: **mkunkel**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - securities**

Extra Copies: **ARG**

Submit via email: **YES**

Requester's email: **Sen.Wirch@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Definition of "political subdivision" under Wisconsin Uniform Securities law

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?							
/1	mkunkel 02/17/2010	jdye 02/17/2010	jfrantze 02/17/2010	_____	lparisi 02/17/2010	mbarman 02/17/2010	

FE Sent For:

<END>

None

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/?	mkunkel	1/2/10 AJL	Jb	2/17			

FE Sent For:

<END>

Kunkel, Mark

From: McGuire, Paula
Sent: Tuesday, February 16, 2010 2:41 PM
To: Kunkel, Mark
Cc: 'jstrohl@pffw.org'
Subject: RE: Draft Legislation for Senator Wirch

like everyone else, as soon as possible--could I have it by Thursday? THANKS a million!

From: Kunkel, Mark
Sent: Tuesday, February 16, 2010 1:05 PM
To: McGuire, Paula
Subject: RE: Draft Legislation for Senator Wirch

Okay, I'll enter it and get it done soon. How soon do you need it?

From: McGuire, Paula
Sent: Tuesday, February 16, 2010 12:50 PM
To: Kunkel, Mark
Cc: 'jstrohl@pffw.org'
Subject: Draft Legislation for Senator Wirch

<< File: 20100216122009780.pdf >>

Hello, Mark-

Here is the legislation I left you a vm on. It seems like a small item to draft, but I expect the debate will be bigger.

Paula McGuire
267-8979

(From Kericki)

Attached PDF

**REQUEST FOR LEGISLATIVE CHANGE
ADDITION TO UNIFORM SECURITIES LAW, CHAPTER 551**

Addition of New Definition, Wis. Stat. 551.102 (21a)

I. Background

In the last session, 2007 Act 196, the Wisconsin Uniform Securities Law was amended and its provisions renumbered. Section 551.102 contains the "Definitions" applicable to the Chapter. At several places in Chapter 551, the term "political subdivision" is used in relation to the applicability of this statute. See, e.g., § 551.102 (11)(g) which defines an "institutional investor" to include an employee benefits plan of a "political subdivision of a state" with certain conditions.¹ The term "political subdivision" is not defined in this Chapter.

That term is, however, defined in 48 other Wisconsin statutes in different Chapters. Those definitions are set forth in Exhibit A to this memorandum. In each case, "political subdivision" is defined to include a "city, village, town or county." In no case is "political subdivision" defined to include a school district or its trusts. This makes a great deal of sense. Cities, villages, towns, and counties should be permitted to invest in unregistered securities because they are governed by financially sophisticated individuals. Not so with school districts whose investment decisions are typically made by their school boards, consisting of lay persons from the community. The very people the school boards might turn to for guidance, such as their financial advisors, are the same people who might benefit from selling the unregistered, high risk securities to them. School districts and certain investment trusts for the benefit of their employees have recently been the alleged victims of investment schemes involving exempt securities.

This ambiguity in the definition makes school districts prime targets for unscrupulous investment advisors and brokerage firms seeking to sell high risk, high commission financial products. The amendments to the Wisconsin Uniform Securities Law were meant to align that law more closely with federal securities laws, and in part to allow "political subdivisions" such as cities, villages, towns and counties to invest more freely in exempt securities. It appears that school districts and their investment trusts are not adequately protected unless it is clearly stated in the uniform securities law (consistent with the 48 other definitions of "political subdivision" in Wisconsin law, and

¹ The other references to "political subdivision" in the new statute are found at §551.102(11)(g); 551.201(1)(a) and (2).

confirming prior definitions in Wisconsin law) that school districts and their trusts are *not* "political subdivisions" and thus cannot (and should not) benefit from the relaxed investment standards for investment in exempt securities that a city, village, town or county enjoys as an institutional investor.

II. New Section 551.102 (21a)

The proposed amendment would add to the "Definitions" section of the statute, 551.102, a new § 551.102 (21a), containing a definition for the term "Political Subdivision," defining it to be consistent with all other Wisconsin statutes as a "city, village, town or county" for purposes of Chapter 551.

551.102 (21a). "Political Subdivision" means a city, village, town or county, not to include a school district or any plan or trust established by a school district.

"Exhibit A"

TABLE: ANALYSIS OF WISCONSIN STATUTES DEFINING "POLITICAL SUBDIVISION"

No.	"Political Subdivision means" (school districts <i>excluded</i>):	"Political Subdivision means" (school districts <i>Included</i>)	"Political Subdivision means" (school districts' investment trusts <i>Included</i>)
1.	895.444(1)(c) (city, village, town, or county)	(zero)	(zero)
2.	560.14(1)(f) (county, city, village or town)		
3.	349.025(1)(b) (city, village, town, or county)		
4.	321.01(10) (city, village, town, or county)		
5.	301.08(3)(a) (city, village, town or county)		
6.	281.60(d) (city, village, town or county)		
7.	281.36(cm) (city, village, town or county)		
8.	229.821(11) (city, village, town or county)		
9.	200.35(14(a)1. (county, city, village or town)		
10.	175.46(1)(e) (county, city, village or town)		
11.	173.01(3) (city, village, town or county)		
12.	165.85(d) (counties, cities, villages, towns, town sanitary districts and public inland lake protection and rehabilitation districts)		



JLD

bu tomorrow
Thurs
2-18

2009 BILL

IN 2-17

X

Gen

1 AN ACT ...; relating to: defining political subdivision of a state for purposes of the
2 Wisconsin Uniform Securities Law.

Analysis by the Legislative Reference Bureau

Under current law, with certain exceptions, a person may not offer or sell a security in this state unless the security is registered with the Division of Securities (division) in the Department of Financial Institutions. Certain of the exceptions apply to securities issued, insured, or guaranteed by political subdivisions of states or by certain foreign governments or their political subdivisions, and to sales and offers to sell to institutional investors. In addition, broker-dealers and investment advisors are exempt from a requirement under current law to register with the division if they deal in this state exclusively with specified persons, including institutional investors. Current law also exempts certain investment advisors registered under federal law from filing a required notice with the division if they do not have a place of business in this state and they deal in this state exclusively with specified persons, including institutional investors. Current law defines "institutional investor" to include certain employee benefits plans of a political subdivision of a state, but does not define "political subdivision."

*

This bill defines what constitutes a political subdivision of this state for purposes of the provisions of current law described above. Under this bill, "political

Barman, Mike

From: McGuire, Paula
Sent: Wednesday, February 17, 2010 2:39 PM
To: LRB.Legal
Subject: Draft Review: LRB 09-4357/1 Topic: Definition of _political subdivision_ under Wisconsin Uniform Securities law

Please Jacket LRB 09-4357/1 for the SENATE.

Barman, Mike

From: LRB.Legal
Sent: Wednesday, February 17, 2010 2:50 PM
To: McGuire, Paula
Cc: Kunkel, Mark
Subject: RE: Draft Review: LRB 09-4357/1 Topic: Definition of _political subdivision_ under Wisconsin Uniform Securities law

Paula,

Drafts can only be "jacketed" for one house. If you would like an Assembly version of this draft please contact the drafting attorney and request a "companion bill" be drafted.

We will go ahead and "jacket" LRB-4357/1 for the Senate.

Let me know if I can be of further assistance.

Mike Barman (Lead Program Assistant)
State of Wisconsin - Legislative Reference Bureau
Legal Section - Front Office
1 East Main Street, Suite 200, Madison, WI 53703
(608) 266-3561 / mike.barman@legis.wisconsin.gov

From: McGuire, Paula
Sent: Wednesday, February 17, 2010 2:39 PM
To: LRB.Legal
Subject: Draft Review: LRB 09-4357/1 Topic: Definition of _political subdivision_ under Wisconsin Uniform Securities law

Please Jacket LRB 09-4357/1 for the ASSEMBLY.