

Clearinghouse Rule 97-028



State of Wisconsin  
Department of Financial Institutions

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

STATE OF WISCONSIN )  
 )  
DIVISION OF SAVINGS INSTITUTIONS ) SS

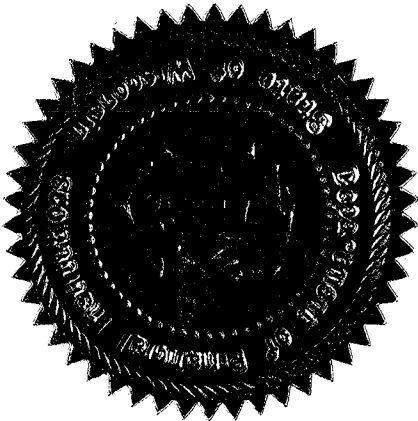
CERTIFICATE

I, Thomas M. Boykoff, Administrator of the Division of Savings Institutions and custodian of the official records of the Division, do hereby certify that the annexed rule, relating to the definition of "primary liquid assets" in the liquidity rule for savings banks, was duly approved by me on September 26, 1997.

This rule shall become effective on the first day of the month following its publication in the Wisconsin Administrative Register, pursuant to s. 227.22 (2) (intro.), Stats.

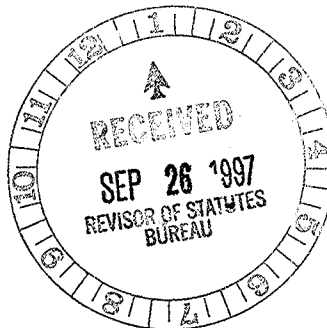
I further certify that this copy of the rule has been compared by me with the original on file in this agency and that it is a true copy of the whole original.

Signed and sealed in Madison, Wisconsin  
this 26<sup>th</sup> day of September, 1997.



*Thomas M. Boykoff*

Thomas M. Boykoff, Administrator





**State of Wisconsin**  
*Department of Financial Institutions*

Tommy G. Thompson, Governor

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ORDER OF THE  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SAVINGS INSTITUTIONS  
AMENDING AND ADOPTING RULES

The Department of Financial Institutions, Division of Savings Institutions, adopts an order to renumber and amend s. DFI-SB 3.08(3) and to adopt s. DFI-SB 3.08(4) (i), relating to the definition of "primary liquid assets" in the liquidity rule for savings banks.

Analysis Prepared By the Department of Financial Institutions  
Division of Savings Institutions

Statutory authority: s.214.715 (1) (d), Stats.

Statute interpreted: s.214.715(1) (d), Stats.

This rule makes adjustments to the definition of "primary liquid assets" in the liquidity rule for savings banks. In calculating liquidity, the rule authorizes a savings bank to include, as a primary liquid asset, marketable corporate debt instruments with characteristics prescribed in the rule, including being rated in one of the highest 4 ratings of a nationally recognized rating service (such as Moody's or Standard & Poor's).

The 4 highest ratings are commonly referred to as "investment grade." These 4 ratings are described as follows:

- (1) highest rating: Obligor's capacity to meet its commitment on the obligation is strong.
- (2) 2nd highest rating: Somewhat more susceptible to the adverse affects of changes in circumstances and economic conditions; however, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.
- (3) 3rd highest rating: Obligation exhibits adequate protection parameters; however, adverse economic conditions or changing



circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. (4) 4th highest rating: Having significant speculative characteristics; obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. (These summarize Standard & Poor's ratings.)

The Department of Financial Institutions uses the notation "DFI-SB" as a prefix to the rule number whereas current rules pertaining to savings banks have the prefix "SB". After the Department was created (07/01/96), the determination was made to add the "DFI-" prefix to all rules pertaining to savings banks (DFI-SB), savings and loan associations (DFI-SL), banks (DFI-Bkg), Securities (DFI-Sec), mortgage banking (DFI-MB), the Uniform Commercial Code records function (DFI-UCC) and the Wisconsin Consumer Act records function (DFI-WCA). Numbering the currently affected rule with the prefix "DFI-SB" is consistent with that determination.

Fiscal estimate. This rule will have no fiscal impact on the Division of Savings Institutions. The required review of a savings bank's compliance with this rule will be done as part of routine examinations with existing personnel and resources.

Small business flexibility statement. This rule will impose on all savings banks -- including savings banks covered by the definition of "small business" under s.227.114(1)(a), Stats. -- with the requirement of maintaining sufficient liquidity to meet cash demands. Exempting small businesses from this rule would be contrary to this objective and not in the best interests of the public.

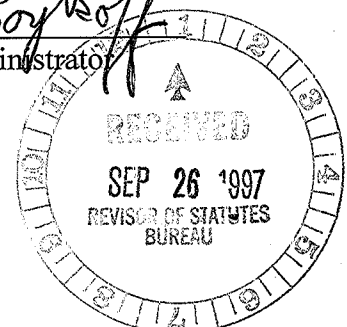
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Pursuant to the authority in the Department of Financial Institutions, Division of Savings Institutions, by s. 214.715 (1)(d), Stats., the division administrator rennumbers and amends s. DFI-SB 3.08 (3) and adopts s. DFI-SB 3.08 (4) (i) relating to the definition of "primary liquid assets" in the liquidity rule for savings banks.

*Thomas M. Boykoff*  
Thomas M. Boykoff, Administrator

Attachments (2)

Date: September 26, 1997



SAVINGS BANK RULE DRAFT

DEFINITION OF "PRIMARY LIQUID ASSETS"

FOR CALCULATING LIQUIDITY

SECTION 1. SB 3.08 (3) is renumbered and amended to read:

DFI-SB 3.08 (3) A liquid asset shall be either cash or an obligation authorized for investment by a savings bank. Liquid assets do not include equity investments, loans, except marketable corporate debt instruments which are rated in one of the 4 highest ratings by a nationally recognized rating service, and loan receivables ~~and equity investments.~~

SECTION 2. DFI-SB 3.08 (4) (i) is created to read:

DFI-SB 3.08 (4) (i) Marketable corporate debt instruments which are rated in one of the 4 highest ratings by a nationally recognized rating service. In this par., marketable corporate debt instruments shall have a remaining maturity of no more than 36 months.

NOTE: "DFI-SB" will prefix the numbers of all savings bank administrative rules (currently prefixed "SB") to indicate the merger of the agency regulating savings banks into the department of financial institutions as the savings institutions division.

SECTION 3. EFFECTIVE DATE. Under s. 227.22 (2), Stats., this rule takes effect on the first day of the month following its publication in the Wisconsin Administrative Register.

TMB:bkd  
09/26/97

FISCAL ESTIMATE  
DOA-2048 N(R10/94)

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

Subject The definition of primary liquid assets in the liquidity rule for savings banks

Fiscal Effect:

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget  Yes  No

- Increase Existing Appropriation       Increase Existing Revenues
- Decrease Existing Appropriation       Decrease Existing Revenues
- Create New Appropriation

Decrease Costs

Local:  No local government costs

- 1.  Increase Costs  
     Permissive       Mandatory
- 2.  Decrease Costs  
     Permissive       Mandatory

- 3.  Increase Revenues  
     Permissive       Mandatory
- 4.  Decrease Revenues  
     Permissive       Mandatory

5. Types of Local Governmental Units Affected:
- Towns       Villages       Cities
  - Counties       Others \_\_\_\_\_
  - School Districts       WTCS Districts

Fund Sources Affected  
 GPR  FED  PRO  PRS  SEG  SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This rule will have no fiscal impact on the Division of Savings Institutions in the Department of Financial Institutions. The Division will monitor compliance with existing personnel and resources.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.) 261-4338  
Thomas M. Boykoff, Administrator  
Division of Savings Institutions,  
Dept. of Financial Institutions

Authorized Signature/Telephone No. 261-4338  
*Thomas M. Boykoff*  
Thomas M. Boykoff

Date 2/26/97



**State of Wisconsin**  
*Department of Financial Institutions*

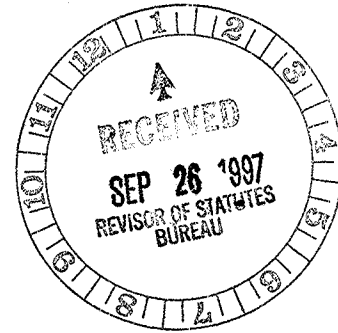
Tommy G. Thompson, Governor

Richard L. Dean, Secretary

September 26, 1997

Mr. Bruce Munson  
Revisor of Statutes  
131 W. Wilson Street, 9th Floor  
Madison, WI 53702

Douglas J. LaFollette  
Secretary of State  
30 W. Mifflin Street, 9th Floor  
Madison, WI 53702



Gentlemen:

Pursuant to s. 227.20 (1), Stats., enclosed is a certified copy of an administrative rule adopted by the Division of Savings Institutions in the Department of Financial Institutions and a "Certificate" and "Order" relating to it. This rule is Clearinghouse Rule 97-028, relating to the definition of "primary liquid assets" in the liquidity rule for savings banks.

If you have any questions, please feel free to telephone me at 261-4338.

Sincerely,

*Thomas M. Boykoff*

Thomas M. Boykoff  
Administrator

c: Mr. David Anderson, Executive Assistant  
Department of Financial Institutions

