

CR 84-184

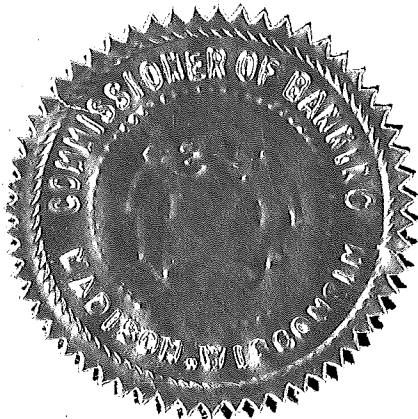
STATE OF WISCONSIN)
)
OFFICE OF COMMISSIONER OF BANKING)

TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Jennifer McKenzie, Deputy Commissioner of Banking, and custodian of the official records of said office, do hereby certify that the annexed rules relating to the purchase of shares in money market mutual funds by commercial banks were duly approved and adopted by this office in the 19th day of December, 1984.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the department at the Office of the Commissioner of Banking in the City of Madison, this 6th day of February, 1985.



Jennifer McKenzie

Jennifer McKenzie
Deputy Commissioner of Banking

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PROPOSED ORDER OF THE OFFICE OF COMMISSIONER OF BANKING

ADOPTING RULES

To create Bkg. 3.06; relating to the purchase of shares in money market mutual funds by commercial banks.

FINAL DRAFT FORM

Analysis Prepared by the Office of Commissioner of Banking.

1. Under Sec. 220.04(8), Stats., the Commissioner of Banking with the approval of the Banking Review Board may authorize state chartered banks to exercise any right, power or privilege permitted national banks under federal law, regulation or interpretation. Bkg. 3.06 provides that commercial banks in Wisconsin may invest on a limited basis in the shares of money market mutual funds, an activity which the Comptroller has authorized for national banks. See Banking Bulletin 83-58, December 15, 1983.

2. The purpose of the parity rules is to provide state chartered institutions with those rights, powers and privileges granted their federal counterparts. The rules will be applied in a manner consistent with interpretations of the corresponding federal statutes, regulations or interpretations by the appropriate federal regulatory agency. However, to the extent that a rule issued under Sec. 220.04(8), Stats., includes only a portion of a federal law, regulation or interpretation, the excluded portions do not become a part of the Wisconsin Banking Law.

3. Bkg. 3.06 describes the conditions under which banks may invest in shares of money market funds. The portfolio of the fund must consist entirely of investment securities and certificates of deposit which would be authorized investments of a bank if purchased directly. The fund's shares must be bought and sold at par. The shares must represent an equitable, proportionate undivided interest in the investment securities. The bank must be shielded from personal liability for acts or obligation of the fund.

4. This rule has no fiscal impact or small business impact.

Pursuant to the authority vested in the Commissioner of Banking and the Banking Review Board by Sections 220.02(2), 220.04(8), and 227.014, Stats., the Commissioner of Banking and the Banking Review Board hereby create rules interpreting Section 221.04(1), Stats., as follows:

SECTION 1. Bkg. 3.06 is created to read:

Bkg. 3.06 PURCHASE OF MONEY MARKET FUNDS SHARES (1) AUTHORITY. A bank may purchase for its own account shares of open end investment companies registered with the Securities and Exchange Commission or a privately offered fund sponsored by an affiliated commercial bank if these money market funds meet the following requirements:

- (a) The fund's shares are purchased and sold at par,
- (b) The bank has an equitable and equal proportionate undivided interest in the underlying assets of the fund,
- (c) The bank is shielded from personal liability for acts or obligations of the fund, and
- (d) The portfolio of each fund consists solely of investment securities which are eligible for purchase by banks pursuant to ch. 219, Stats., and s.s. 220.04(6)(d), 221.04(1)(f), and 221.29(1)(d) and (2), Stats., and Bkg. 4.01.

(2) GOVERNMENT SECURITIES. Banks may purchase and hold money market fund shares without limitation if the portfolio of the fund consists entirely of investments in government securities in which a bank could invest directly without limitation. Each money market fund whose portfolio contains municipal obligations subject to an investment limitation under s. 221(29)(2), Stats., may be held in amount not to exceed 25% of the capital and surplus of the bank.


(3) OTHER SECURITIES. Each money market fund whose portfolio contains securities other than government or municipal obligations subject to an investment limitation under the banking laws and rules in par. (1)(d) of this rule may be held in an amount which does not exceed 10% of the capital and surplus of the bank. Moreover, the dollar equivalent of a bank's prorata share of any security subject to this investment limitation in the portfolio of more than one money market fund whose shares are held by the bank may not, in the aggregate, exceed 10% of the capital and surplus of the bank.

(4) REVIEW OF INVESTMENT PORTFOLIOS. The bank shall review the investment portfolio of each money market fund in which it holds shares on a monthly basis to make certain that the composition of each portfolio meets the requirements of this section.

(5) APPROVAL OF BOARD OF DIRECTORS. The bank's investment policy, as formally approved, by its board of directors, shall specifically provide for investments in money market funds. Prior approval of the board must be obtained for initial investments in sepcific funds and recorded in the board's minutes. Procedures, standards and controls for implementation of such investments must be established.

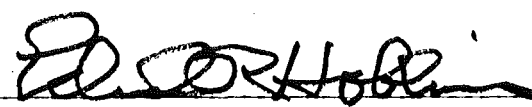
The rules contained in this proposed order shall take effect as provided in Sec. 227.026 (1)(intro.), Stats.

Dated: December 19, 1984


William P. Dixon, Commissioner

For the BANKING REVIEW BOARD

Dated: December 19, 1984


Edmund R. Hobbins, Chairman



State of Wisconsin \ OFFICE OF COMMISSIONER OF BANKING

ANTHONY S. EARL
GOVERNOR

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WILLIAM P. DIXON
COMMISSIONER

123 WEST WASHINGTON AVENUE
MADISON, WISCONSIN 53702

MAILING ADDRESS
P.O. BOX 7876
MADISON, WISCONSIN 53707

(608) 266-1621

February 7, 1985

Mr. Gary Poulson
Assistant Revisor
411-West, State Capitol
Madison, WI 53702

RE: Clearing House Rule 84-184

Dear Gary:

Attached please find a certified copy and one additional copy of these rules for publication in the Administrative Code. The rules were submitted to the Senate and Assembly in final draft form on December 27, 1984. We have not received any request for any meeting on these rules from any standing committee of the Legislature.

Very truly yours,

Robert A. Patrick
General Counsel

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Enclosures